Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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

13 March 2023

This report includes 6 pages of independent auditors' report and 71 pages of consolidated financial statements together with their notes to the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the adjustments described in the "*Basis for Qualified Opinion*" section 1 and 2 of our report and the possible effects of the matter section 3 and 4, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

Basis for Qualified Opinion

As stated in Note 23 of the accompanying notes to the consolidated financial statements, the Group has a balance of trade receivables amounting to TL 128.219.834 from third parties arising from as a result of its operations and their maturities are significantly over due 180 days or over in the consolidated balance sheet as at 31 December 2022. In addition, due to the conversion of the abovementioned trade receivables, denominated in foreign currences and their maturities are significantly over due 180 days or over into the Turkish Lira, foreign exchange gains amounting to TL 33.479.545 has been recognized in the other operating income. We were unable to obtain sufficient appropriate audit evidence and implement audit procedures about determining whether any impairment incurred in the trade receivables. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

As of 31 December 2022, the Group has idle inventories amounting to TL 27.293.705 obtained from sales in 2017 in its consolidated balance sheet. We were unable to obtain sufficient appropriate audit evidence and implement audit procedures about determining whether any impairment incurred in the inventories. Consequently, we were unable to determine whether any recoverability of these amounts were necessary.

In footnote 11 of the accompanying consolidated financial information as explaned, the Group's subsidiaries, Doğtaş Holland B.V., Doğtaş Bulgaria Eood and Doğtaş Germany GmbH, are considered as subsidiaries that do not constitute materiality in terms of consolidated financial information and are classified as financial assets in the consolidated financial information by the Group management. Since the financial assets amounting to TL 9.469.958 accounted at cost as of 31 December 2022 operate to a limited extent and their total net asset values are unrequited, in accordance with the TFRS 9 "Financial Instruments" Standard, the consolidated value of the financial assets as of 1 January 2015 for the entire carrying amount. In the opening balance sheet prepared as an amount of TL 9.469.958, a provision for impairment is required.Accordingly, if the Group had accounted for the aforementioned impairment provision in its consolidated financial statements, the Group's financial assets would have been TL 9.469.958 less and previous years' losses would have been TL 9.469.958 higher.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board ("CMB") and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

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

Revenue recognition

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter	**How the matter was addressed in our audit**
The Group's revenue is primarily generated from sales of furniture products. Revenue is recognised when the control of the goods is transfered and the Group satisfied performance obligations. Since sales contracts can be complex, the recognition of revenue in the relevant period depends on the accurate evaluation of the sales conditions specific to each situation. For this reason, there is a risk that the revenue will not be recognized in the correct period or amount for the products that may be returned from the products that have been produced and delivered, and for those whose invoices have not yet been issued to the customer and for those invoices have been issued but the control of the goods has not been transferred to the customers. In this context, determination of revenue is based on the presence of management estimations in revenue calculations in the accompanying consolidated financial statements and the revenue amount correctly and not being recorded in the correct period in accordance with the TFRS 15 standard. Therefore, recognition of revenue requires significant accounting estimates and judgements in which accounted for correct period and amount in the accompanying consolidated financial statements have been determined as key audit matter of our audit.	We performed the following procedures in relation to the recognition of revenue: -Understanding and evaluating the revenue process of the Group, evaluating the design and effectiveness of the internal controls applied by the Group management with IT advisors and experts regarding the recognition of revenue in accordance with the relevant accounting standards, -Evaluating and assessing the audit procedures of invoices issued but risk and ownership have not been transferred. In this context, invoice, delivery note, warehouse exit and delivery documents are analyzed by sampling method and the actual delivery is made before the balance sheet date is evaluated, -Evaluation the timing of revenue recognition for the different shipment arrangements by examining the terms of trade and shipping conditions in the contracts made with customers, -Verifying trade receivable balances of third parties by obtaining confirmation letters for selected samples and reconciling to the consolidated financial statements through selected samples, -Performing analytical procedures to determine the existence of unusual transactions, -Testing of the subsequent sales returns transactions after the reporting period of consolidated financial statements whether they are accounted for in the appropriate financial reporting period by selecting the samples from subsequent sales returns after the reporting period and using substantive testing procedures, -Evaluation of the journal entries related to revenue that the Group has accounted for during the year, -Assessing the adequacy of the disclosures of revenue in the notes to the consolidated financial statements in accordance with the TFRS 15, -Testing the disclosures in the consolidated financial statements in relation to the revenue and evaluating adequacy of such disclosures for TFRS requirements.

Recognition of borrowings

Refer to Note 4 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recognition of borrowings.

The key audit matter	**How the matter was addressed in our audit**
The consolidated financial statements as of 31 December 2022 include short and long term borrowings amounting to TL 1.176.875.330 which constitute a significant portion of Doğanlar Mobilya's total liabilities. The Group discloses the borrowings discounted cost by using the effective interest method. Calculation and reconciliation of discounted costs of borrowings determined as key audit matter for our audit.	We performed the following procedures in relation to the testing of borrowings: -Evaluating and testing third party and related party reconciliations of the borrowings balances and recalculating internal rate of return and discount studies calculated by the Group, Testing the disclosures in the consolidated financial statements in relation to the borrowings and evaluating adequacy of such disclosures for TFRS requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statement

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 13 March 2023.

2) In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and consolidated financial statements prepared for the period 1 January-31 December 2022 does not comply with TCC and the provisions of the Group's articles of association in relation to financial reporting.

3) In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Metin Etkin

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.

An Independent Member of BAKER TILLY INTERNATIONAL

İstanbul, 13 March 2023
Metin Etkin
Partner

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CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited Current Period	**Reclassified(*) Audited Prior Period**
ASSETS	***Notes***	**31 December 2022**	**31 December 2021**
Current Assets		**1,816,440,865**	**990,306,288**
Cash and Cash Equivalents	*3*	294,333,290	49,168,829
Financial Investments	*11*	-	50,021
Trade Receivables	*5*	399,555,682	245,345,351
- Related Parties	*6*	*2,494,909*	*312,066*
- Third Parties	*5*	*397,060,773*	*245,033,285*
Other Receivables	*7*	25,600,729	33,310,144
- Related Parties		*6,495,128*	*3,247,788*
- Third Parties		*19,105,601*	*30,062,356*
Inventories	*8*	883,199,525	468,759,358
Prepaid Expenses	*10*	127,184,260	136,867,633
Current Income Tax Assets	*22*	1,320,530	850,290
Other Current Assets	*9*	70,390,001	55,954,662
		1,801,584,017	**990,306,288**
Non-Current Assets Held for Sale		--	--
Non-Current Assets		**1,432,651,445**	**754,941,722**
Other Receivables	*7*	40,198,766	10,580,141
- Third Parties	*7*	*40,198,766*	*10,580,141*
Financial Investments	*11*	9,469,958	9,469,958
Property, Plant and Equipment	*12*	1,107,692,021	552,470,174
Right of Use Assets	*12*	225,977,670	159,218,010
Intangible Assets	*13*	49,313,030	23,203,439
Deferred Tax Assets	*22*	--	-
TOTAL ASSETS		**3,249,092,310**	**1,745,248,010**

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

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	*Notes*	**Audited Current Period 31 December 2022**	**Audited Prior Period 31 December 2021**
Current Liabilities		**1,988,996,186**	**1,077,528,867**
Short-Term Borrowings	*4*	182,724,183	150,541,619
- Bank Borrowings		*79,951,870*	*103,609,694*
- Lease Liabilities		*102,772,313*	*46,931,925*
Short Term Portion of Long Term Borrowings	*4*	329,663,261	251,057,616
Trade Payables	*5*	985,168,142	499,188,711
- Third Parties		*985,168,142*	*499,188,711*
- Related Parties		--	--
Employee Benefits	*15*	60,308,708	26,545,885
Other Payables	*7*	5,920,904	14,054,412
- Third Parties	*7*	*5,906,854*	*3,390,874*
- Related Parties	*6*	*14,050*	*10,663,538*
Deferred Income	*10*	383,347,839	113,767,886
Short Term Provisions		41,863,149	22,372,738
- Short Term Provisions for Employee Benefits	*15*	*20,947,521*	*10,575,663*
- Other Short Term Provisions	*14*	*20,915,628*	*11,797,075*
Non-Current Liabilities		**731,502,272**	**473,116,926**
Long Term Borrowings	*4*	664,487,886	444,034,926
- Bank Borrowings		*424,046,493*	*269,209,142*
- Lease Liabilities		*240,441,393*	*174,825,784*
Other Payables	*7*	4,807,513	3,202,466
- Third Parties		*4,807,513*	*3,202,466*
Long Term Provisions		53,629,209	7,644,484
- Long Term Provisions for Employee Benefits	*15*	*50,960,335*	*6,328,524*
- Other Long Term Provisions	*14*	*2,668,874*	*1,315,960*
Deferred Tax Liabilities	*22*	8,577,664	18,235,050
EQUITY		**528,593,852**	**194,602,217**
Equity Holders of the Parent		**528,606,226**	**194,598,917**
Paid-in Share Capital	*16*	350,000,000	350,000,000
Adjustment to Share Capital	*16*	(159,069,767)	(159,069,767)
Share Premium	*16*	9,460,292	9,460,292
Treasury Shares (-)		(7,793,458)	(7,793,458)
Other comprehensive income/expense not to be reclassified to profit or loss		425,325,289	277,441,211
Other comprehensive income/expense to be reclassified to profit or loss	*16*	(85,267,270)	(91,540,674)
Restricted Reserves	*16*	3,441,327	3,441,327
Retained Earnings		(187,340,014)	(213,097,811)
Profit for the Period		179,849,827	25,757,797
Non-Controlling Interests		**(12,374)**	**3,300**
TOTAL LIABILITIES AND EQUITY		**3,249,092,310**	**1,745,248,010**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DOĞANLAR MOBİLYA GRUBU İMALAT SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited Current Period	**Audited Prior Period**
Profit or Loss	***Notes***	**1 January - 31 December 2022**	**1 January - 31 December 2021**
Revenue	*17*	3,831,311,833	1,744,206,723
Cost of Sales (-)	*17*	(2,422,078,267)	(1,172,240,465)
GROSS PROFIT		**1,409,233,566**	**571,966,258**
General Administrative Expenses (-)	*18*	(162,384,081)	(80,293,740)
Marketing, Sales and Distribution Expenses (-)	*18*	(819,572,465)	(304,311,620)
Research and Development Expenses (-)	*18*	(25,195,100)	(10,569,729)
Other Operating Income	*19*	158,747,048	167,620,250
Other Operating Expenses (-)	*19*	(138,727,409)	(51,378,840)
OPERATING PROFIT		**422,101,559**	**293,032,579**
Gains from investment activities	*20*	25,286,343	1,687,082
Losses from investment activities (-)	*20*	(3,123,172)	(1,706,895)
Operating profit before financial income/(expense)		**390,134,194**	**293,012,766**
Financial Income	*21*	134,675,005	21,075,824
Financial Expense (-)	*21*	(436,012,730)	(269,844,484)
PROFIT BEFORE TAX		**88,796,469**	**44,244,106**
Tax income/(expense)		**36,907,148**	**(18,487,909)**
- Deferred tax income/expense	*22*	36,907,148	(18,487,909)
PROFIT FOR THE PERIOD		**179,834,153**	**25,756,197**
Non-Controlling Interests		(15,674)	(1,600)
Equity Holders of the Parent		179,849,827	25,757,797
Earnings per share attributable to equity holders of the parent (Kr)		0.0051	0.0007

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited Current Period	**Audited Prior Period**
	Notes	**1 January - 31 December 2022**	**1 January - 31 December 2021**
PROFIT FOR THE PERIOD		**179,834,153**	**25,756,197**
OTHER COMPREHENSIVE INCOME:			
Items not to be reclassified to profit/loss		**147,884,078**	**109,054,962**
Property, plant and equipment revaluation surplus	*12*	210,587,989	136,973,059
Gains/(losses) on remeasurements of defined benefit plans	*15*	(37,291,727)	(2,902,253)
Gains/(losses) on revaluation and remeasurements	*12*		--
Taxes relating to other comprehensive income not to be reclassified to profit/loss	*22*	(25,412,184)	(25,015,844)
Items to be reclassified to profit/loss		**6,273,404**	**(46,331,574)**
Currency translation differences		(1,405,212)	(418,671)
Gains/(losses) on cash flow hedges	*22*	9,598,270	(57,391,129)
Taxes relating to other comprehensive income to be reclassified to profit/loss	*22*	(1,919,654)	11,478,226
OTHER COMPREHENSIVE INCOME		**154,157,482**	**62,723,388**
TOTAL COMPREHENSIVE INCOME		**333,991,635**	**88,479,585**
Distribution of total comprehensive income;			
Non-Controlling Interests		(15,674)	(1,600)
Equity Holders of the Parent		334,007,309	88,481,185

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

				Items not to be reclassified to profit/loss		Items to be reclassified to profit/loss			Retained Earnings				
	Paid-in share capital	Share premium	Treasury shares	Gains/(losses) on remeasurement of defined benefit plans	Property, plant and equipment revaluation surplus	Gains/(losses) on cash flow hedges	Currency translation differences	Restricted Reserves	Prior Years Income	Profit For the Period	Equity Holders of the Parent	Non-controlling interests	Total Equity
Prior Period (Audited)													
Balances at 1 January 2021	**110,000,000**	**9,282,945**	**(2,845,141)**	**(667,148)**	**169,053,397**	**(45,209,100)**	**--**	**3,441,327**	**(238,850,799)**	**25,752,988**	**29,958,469**	**--**	**29,958,469**
Transfers	--	--	--	--	--	--	--	--	25,752,988	(25,752,988)	--	--	--
Gains/losses on treasury share transactions	--	--	(4,948,317)	--	--	--	--	--	--	--	(4,948,317)	--	(4,948,317)
Capital increases	80,930,233	177,347	--	--	--	--	--	--	--	--	81,107,580	4,900	81,112,480
Total Comprehensive Income	--	--	--	(2,321,802)	111,376,764	(45,912,903)	(418,671)	--	--	25,757,797	88,481,185	(1,600)	88,479,585
Balances at 31 December 2021	**190,930,233**	**9,460,292**	**(7,793,458)**	**(2,988,950)**	**280,430,161**	**(91,122,003)**	**(418,671)**	**3,441,327**	**(213,097,811)**	**25,757,797**	**194,598,917**	**3,300**	**194,602,217**
Current Period (Audited)													
Balances at 1 January 2022	**190,930,233**	**9,460,292**	**(7,793,458)**	**(2,988,950)**	**280,430,161**	**(91,122,003)**	**(418,671)**	**3,441,327**	**(213,097,811)**	**25,757,797**	**194,598,917**	**3,300**	**194,602,217**
Transfers	-	-	-	-	-	-	-	-	25,757,797	(25,757,797)	-	-	-
Gains/losses on treasury share transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	(29,833,382)	177,717,460	7,678,616	(1,405,212)	-	-	179,849,827	334,007,309	(15,674)	333,991,635
Balances at 31 December 2022	**190,930,233**	**9,460,292**	**(7,793,458)**	**(32,822,332)**	**458,147,621**	**(83,443,387)**	**(1,823,883)**	**3,441,327**	**(187,340,014)**	**179,849,827**	**528,606,226**	**(12,374)**	**528,593,852**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DOĞANLAR MOBİLYA GRUBU İMALAT SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	**Audited Current Period** **1 January - 31 December 2022**	**Reclassified Audited Prior Period** **1 January - 31 December 2021**
A) CASH FLOWS FROM OPERATING ACTIVITIES		**759,458,769**	**201,993,470**
PROFIT FOR THE PERIOD		**179,834,153**	**25,757,797**
Adjustments to reconcile profit for the period to cash generated from operating activities:		**350,930,118**	**314,362,670**
Depreciation and amortisation	*12*	148,362,765	81,051,392
Adjustments for Impairment Loss (Reversal)	*5*	(17,562,080)	27,988,493
Adjustments for Receivables Impairment (Reversal)		*454,079*	*9,578,406*
Adjustments for Inventory Impairment (Reversal)	*8*	*(18,016,159)*	*18,410,087*
Adjustments for Provision for Employee Benefits	*14*	23,998,910	4,865,811
Adjustments for Provision for Warranty	*14*	6,558,753	688,826
Adjustments for Other Provisions		3,912,714	(765,123)
Adjustments for tax income/expense	*22*	(36,907,148)	18,487,909
Adjustments for interest income and expenses	*21*	183,634,543	95,250,927
Adjustments for interest expenses	*21*	*227,817,231*	*108,715,691*
Adjustments for interest income	*21*	*(9,617,795)*	*(2,915,614)*
Unearned financial expenses from time purchases		*(37,214,880)*	*(11,487,069)*
Unearned financial income from time sales		*2,649,987*	*937,919*
Adjustments for unrealised currency translation differences		52,569,062	144,523,251
Adjustments for gains/losses on cash flow hedges		9,598,270	(57,391,129)
Adjustments for losses/(gains) on disposal of non-current assets		(23,235,671)	(337,687)
Adjustments for losses/(gains) on disposal of property, plant and equipment		*(23,235,671)*	*(337,687)*
Adjustments for losses/(gains) on disposal of investment properties		-	-
Changes in Working Capital		**234,981,466**	**(135,784,058)**
Gains/Losses on financial investments		50,021	-)
Gains/Losses on Trade Receivables		(172,171,245)	(82,863,804)
Related Parties	*5*	*(2,182,843)*	*343,713*
Third Parties		*(169,988,402)*	*(83,207,517)*
Gains/Losses on Other Receivables Related To Operations	*7*	(21,909,210)	(34,738,886)
Changes in Inventories	*8*	(396,424,008)	(189,690,340)
Changes in Prepaid Expenses	*10*	9,683,373	(90,771,953)
Gains/Losses on Trade Payables	*5*	523,194,311	207,137,441
Gains (losses) in payables due to employee benefits	*15*	33,762,823	10,210,431
Gains/Losses In Other Payables Related To Operations	***7***	4,121,027	3,911,267
Third Parties		*4,121,027*	*3,911,267*
Adjustments for other changes in working capital		(14,905,579)	(27,217,593)
Changes in Deferred Income	*10*	269,579,953	68,239,379
Cash Flows from Operating Activities		**765,745,737**	**204,336,409**
Payments for Provisions Related with Employee Benefits	*15*	(6,286,968)	(2,226,260)
Payments for Other Provisions	*14*	-	(116,679)
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(432,300,667)**	**(153,375,753)**
Cash outflows from purchase of property, plant and equipment and intangible assets	*12,13*	(473,814,004)	(155,629,942)
Property, Plant and Equipment		*(444,890,379)*	*(153,332,350)*
Intangible Assets		*(28,923,625)*	*(2,297,592)*
Cash inflows from sale of property, plant and equipment and intangible asset	*12,13*	41,513,337	2,254,189
Cash inflows from sale of investment properties		-	-
C) CASH FLOWS FROM FINANCING ACTIVITES		**(81,993,641)**	**(13,677,126)**
Cash outflows from acquistion of treasury shares and other equity instruments		-	(4,948,317)
Interest paid		(214,929,427)	(102,018,392)
Cash inflows from borrowings	*4,27*	1,045,803,943	765,696,797
Cash outflows from lease liabilities	*12,27*	(35,868,969)	(12,274,770)
Cash outflows from repayments of borrowings	*4,27*	(866,349,700)	(750,742,743)
Cash inflows from capital increases		-	80,930,233
Cash inflows from share premium		-	177,347
Cash inflows from related parties		(10,649,488)	9,502,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**245,164,461**	**34,940,591**
D) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	*3*	**49,168,829**	**14,228,238**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	***3***	**294,333,290**	**49,168,829**

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

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Kelebek Mobilya ve Kontrplak Sanayi A.Ş was established on 1935 in Turkey. In accordance with the decision of the Extraordinary General Assembly, the title of Kelebek Mobilya ve Kontrplak Sanayi A.Ş was changed to Kelebek Mobilya Sanayi ve Ticaret A.Ş. ("Kelebek Mobilya") on 12 December 2003 and published in Official Gazette on 29 December 2003 numbered 5956.

Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi ve Ticaret A.Ş. ("Doğtaş İmalat") was acquired 67% of Kelebek Mobilya Sanayi ve Ticaret A.Ş.'s shares on 6 September 2012.

In 2013, the assets and liabilities of Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. determined on 31 December 2013, the business combination was realised and registered on 21 October 2013 in accordance with the article 136 of the Turkish Commercial Code No. 6102 and other articles related to the business combinations, provisions of Articles 18, 19 and 20 of the Corporate Tax Law, Capital Market Law and Series No. I and within the framework of the Expert Institution Report on 26 April 2013 and prepared in accordance with the provisions of the "Communiqué on Principles Regarding Mergers" numbered 31 and the "Business Combination Agreement" prepared in accordance with the provisions of the Capital Markets legislation. The title of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.'nin (the "Company") was changed to Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş.

In accordance with the amendment of the article numbered 3 in the articles of the association, it was decided that the title of Doğtaş Kelebek Mobilya Sanayi ve Ticaret A.Ş. was changed to "Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret Anonim Şirketi". The decision was published in Official Gazette on 24 December 2021 and numbered 10480.

Doğanlar Mobilya's business activities include production and sale of furnitures.

The registered address of Doğanlar Mobilya is as follows:

İdealtepe Mahallesi Rıfkı Tongsir Caddesi No:107/ Küçükyalı, Maltepe/İstanbul

The Company is carried out its production activities in its own factories and registered addres of the factories are as follows:

- Doğanlı Köyü 9. km Düzce
- İdriskoru Köyü Hacıvenez Mevkii No: 29 Biga Çanakkale

Doğanlar Mobilya is subject to regulations of the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1990 with the code "DGNMO". As of 31 December 2022, 50,62% of the Company's shares are publicly traded (31 December 2021: 53,74%).

<u>Subsidiaries</u>

The subsidiary of the Company, 3K Mobilya Dekorasyon San. ve Tic. A.Ş. ("3K"), was established on 2006. 3K's business activities include ensuring chain of sales stores for selling furniture and commercial products. The Company closed the stores (8 stores) owned by 3K, its subsidiary, by transferring them to dealers in 2013. The production activities of the Company's other subsidiary, 2K Oturma Grupları İnşaat Taahhüt Sanayi ve Ticaret A.Ş., were terminated as of 28 March 2007 and the production workshop was closed.

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS (continued)

The subsidiary of the Company, Doğtaş Mobilya Pazarlama Ticaret A.Ş. ("Doğtaş Pazarlama") was established on 1996. Doğtaş Pazarlama's business activities include selling and marketing furniture and sofa groups and commercial products produced by Doğanlar Mobilya Grubu İmalat Sanayi ve Ticaret A.Ş., with branches it has opened throughout Turkey. As of 31 December 2022, Doğtaş Pazarlama does not have any branches operating in Turkey (31 December 2021: None).

The subsidiary of the Company, Doğtaş Kelebek Mobilya Kıbrıs Ltd. Şti ("Doğtaş Kıbrıs"), was established on 4 June 2021 in accordance with the Cyprus Companies Law Chapter 113 and Article numbered 15-(1). Doğtaş Kıbrıs established for selling and marketing furniture and commercial products of Doğanlar Mobilya, in order to manage overseas retail sales activities more effectively. As of 31 December 2022, Doğtaş Kıbrıs has a branch in Cyprus.

The subsidiary of the Company, Doğtaş Kelebek Mobilya Senegal Ltd.Şti. ("Doğtaş Senegal") was established on 27 April 2021 in Senegal. Doğtaş Senegal established for selling and marketing furniture and commercial products of Doğanlar Mobilya, in order to manage overseas retail sales activities more effectively. As of 31 December 2022, Doğtaş Senegal has a branch in Senegal.

The subsidiary of the Company, Kelebek Furniture UK Limited was established in England in accordance with the decision of the Board of Directors on 28 April 2022. Kelebek Furniture established for selling and marketing furniture and commercial products of Doğanlar Mobilya, in order to manage overseas retail sales activities more effectively.

The subsidiary of the Company, Doğtas Furnature USA INC. was established in New Jersey, United States in accordance with the decision of the Board of Directors on 28 July 2021. Doğtas Furnature established for selling and marketing furniture and commercial products of Doğanlar Mobilya, in order to manage overseas retail sales activities more effectively.

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS (continued)

As of 31 December 2022 and 2021, the subsidiaries ("Subsidiaries") included in the consolidation scope of Doğanlar Mobilya, their country of incorporation, nature of business and their respective business segments are as follows:

				Effective ownership interest held by Doğanlar Mobilya (%)	
Subsidiaries	**Country of incorporation**	**Nature of business**	**Functional currency**	**31 December 2022**	**31 December 2021**
Doğtaş Kelebek Furniture USA INC	United States	Furniture sales and marketing	USD	100	100
Kelebek Furniture UK Ltd.	England	Furniture sales and marketing	Pound	100	-
Doğtaş Kelebek Mobilya Kıbrıs Ltd. Şti.	Cyprus	Furniture sales and marketing	TL	99	99
Doğtaş Kelebek Mobilya Senegal Sarl	Senegal	Furniture sales and marketing	XAF	100	100
Doğtaş Mobilya Pazarlama Ticaret A.Ş. ("Doğtaş Pazarlama")	Turkey	Furniture sales and marketing	TL	100	100
Doğtaş Bulgaria Eood ("Doğtaş Bulgaria")	Bulgaria	Furniture sales and marketing	BGN	100	100
Doğtaş Holland B.V. ("Doğtaş Holland")	Netherlands	Furniture sales and marketing	EUR	100	100
Doğtaş Germany GmbH ("Doğtaş Germany")	Germany	Furniture sales and marketing	EUR	100	100
2K Oturma Grupları İnşaat ve Taahhüt San. ve Tic. A.Ş. ("2K")	Turkey	Home furniture and living room sitting group sales	TL	100	100
3K Mobilya Dekor. San. ve Tic. A.Ş. ("3K")	Turkey	Furniture design and decoration	TL	100	100

The subsidiaries of the Company, Doğtaş Germany, Doğtaş Holland and Doğtaş Bulgaria, are not included in the scope of consolidation since they are immaterial to the accompanying consolidated financial statements. These subsidiares are recognised as equity instruments at fair value through other comprehensive income in the accompanying consolidated financial statements.

Total end of period and average number of personnel employed by Doğanlar Mobilya and its subsidaries (together referred to as "Group") are 2,390 (31 December 2021: 2,257).

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding rates in Doğanlar Mobilya are as follows:

	31 December 2022		31 December 2021	
	Share %	**Amount - TL**	**Share %**	**Amount - TL**
Shares traded at BIST ("Other")	50.70	177,441,604	53.74	188,001,604
Davut Doğan	--	--	5.96	20,874,236
Adnan Doğan	--	--	5.96	20,874,211
Şadan Doğan	--	--	5.96	20,874,198
İsmail Doğan	--	--	5.96	20,874,198
İlhan Doğan	--	--	5.96	20,874,198
Murat Doğan	--	--	5.96	20,874,198
Doğanlar Yatırım Holding A.Ş.	49.30	172,558,396	10.5	36,753,158
	100.00	**350,000,000**	**100.00**	**350,000,000**

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS (continued)

As of 31 December 2022, the person partners of the Company transferred their shares to Doğanlar Yatırım Holding.

As of 31 December 2022, the current issued paid-in share capital of the Group is amounting to TL 350,000,000 (31 December 2021: TL 350,000,000). However, the proportion amounting to TL 159,069,767 is arising from business combination between Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. and Kelebek Mobilya Sanayi ve Ticaret A.Ş.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies used in the preparation of consolidated financial statements are summarised below:

2.1 Basis of Presentation

(a) Statement of Compliance with Turkish Financial Reporting Standards ("TFRS")

The consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards ("TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

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

Doğanlar Mobilya Grubu and its subsidiaries maintain their books of account and prepare their statutory financial statements in Turkish Lira in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Foreign Subsidiaries maintain their books of account and functional currency in accordance with the laws and regulations in force in the countries in which they are registered.

The Group applied TFRS 16 "Leases" standard on 1 January 2019 initially in the accompanying consolidated financial statements. For leases that were previously classified as operating leases in accordance with TAS 17, the right of use assets are accounted for at an amount equal to the lease liabilties (adjusted for the amount of prepayed or accrued lease payments) within the scope of simplified transition application in the related standard. as of 1 January 2019.

<u>Approval of the consolidated financial statements</u>

These consolidated financial statements as of and for the year ended 31 December 2022 have been approved for issue by the Board of Directors ("BOD") on 13 March 2023 and have signed by the Chairman of the Board Davut Doğan and Director of Financial Affairs Ali Demirkan. These consolidated financial statements will be finalised following their approval in the General Assembly. Related authorized entities have a right to request the change the consolidated financial statements.

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

2.1 Basis of Presentation (continued)

b) Measurement basis

These consolidated financial statements have been prepared under the historical cost conversion except for the revaluations related to the land, buildings, plant, machinery and equipment and investment properties presented at fair values. The historical cost has been determined for the fair value of the amount paid for the assets considered as the basis in the accompanying consolidated financial statements.

c) Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 numbered 11/367 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflationary accounting. Consequently, in the accompanying financial statements ("TAS 29") "Financial Reporting in Hyperinflationary Economies" has not been applied since 1 January 2005.

d) Comparatives and adjustment of prior periods' financial statements

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period consolidated financial statements.

e) Functional and reporting currency

Except for the subsidiaries operating abroad, subsdiaries included in the scope of consolidation maintain their books of account and prepare their statutory financial statements in Turkish Lira in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

Items included in the financial statements of the Group and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in TL, which is Doğanlar Mobilya's functional and presentation currency.

The functional and reporting currencies of the subsidiaries are summarised in Note 1.

f) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company, and its subsidiaries as at 31 December 2022. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

2.1 Basis of Presentation (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Each item of profit or loss and other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to align with the Group accounting policies and the Group's accounting policies.

All significant intra-group transactions and balances between Doğanlar Mobilya and its consolidated subsidiaries are eliminated.

Changes in the Group's ownership interests in subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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

2.1 Basis of Presentation (continued)

Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to retained earnings of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 ("Financial Instruments"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.2 Changes in accounting policies

Except for the accounting policies disclosed below, the accounting policies applied in the consolidated financial statements of the Group are consistent with the accounting policies applied in the consolidated financial statements as of 31 December 2021.

2.2.1 TFRS 15 "Revenue from Contracts with Customers" standard

TFRS 15 has developed a comprehensive framework to determine when and at what amount the proceeds will be recognized and replaces the TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations. The new standard replaces the guidance on existing TFRSs; regulates the principles that will be applied by the entity in reporting the financial statements to the users of the financial statements about the nature, amount, timing and uncertainty of the contract revenue and cash flows. The basic principle of the standard is that the entity reflects the proceeds to the financial statements from an amount that reflects the cost that the Group expects to qualify for the transfer of the goods or services it commits to its customers.

The amendment is effective for periods beginning on or after January 1, 2018. The amendment does not have a significant material impact on the accounting of revenue from furniture sales.

2.2.2 TFRS 16 "Leases" standard

In April 2018, POA has published a new standard, TFRS 16 "Leases". This Standard replaces the existing TAS 17 "Leases" Standard, TFRIC 4 "Determining Whether an Arrangement Contains a Lease" Standard and SIC Interpretation 15 "Operating Leases - Incentives" for the accounting of leasing transactions and has resulted in amendments to TAS 40 "Investment Properties" Standard. TFRS 16 eliminates the dual-accounting model of leasing transactions that are the current application in terms of lessees that finance lease transactions is follwing in balance sheet and liabilities related operating leases is following in off-balance sheet. Instead, a single balance sheet-based accounting model is presented for all leases, similar to the current financial leasing accounting. For lessors, recognition is similar to existing practices.

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

2.2 Changes in accounting policies (continued)

2.2.2 TFRS 16 “Leases” standard (continued)

The Group applied first time application requirements of TFRS 16 “Leases” out of the new standards, amendments and interpretations effective from 1 January 2019 in accordance with the requirement of transition of the related standards. Early application is permitted.

The right of use assets are accounted for at an amount equal to the lease liabilties (adjusted for the amount of prepayed or accrued lease payments) within the scope of simplified transition application in the related standard.

Within the scope of the transition, the following practical expedient practices defined in TFRS 16 are adopted within the scope of the Group policies.

a) The leases which have a lease term up to 12 months or less are exempted.

b) Low value leases are excluded.

The Group applied TFRS 16 “Leases” standard on 1 January 2020 initially in the accompanying consolidated financial statements. For leases that were previously classified as operating leases in accordance with TAS 17, the right of use assets are accounted for at an amount equal to the lease liabilties (adjusted for the amount of prepayed or accrued lease payments) within the scope of simplified transition application in the related standard. as of 1 January 2020.

2.2.3 Hedge Accounting

As of the date of bank loan agreement, hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value, designated as cash flow hedges and qualified as effective, are recognized in equity as “Accumulated other comprehensive income or expense not to be reclassified to profit or loss”. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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

2.3 Changes in Accounting Policies

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The Group has determined reclassifications or applied changes in accounting policies in the assumptions and significant accounting estimates used in the preparation of the consolidated financial statements as of 31 December 2022.

2.4 New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/TFRS and ("TAS")/TFRS interpretations effective as of 1 January 2022. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations and interpretations to the existing previous standards which are effective from 31 December 2022 are as follows:

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted.

Amendments include the following matters:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

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

2.4 New and Revised Turkish Financial Reporting Standards (continued)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as;

How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes in notes to the financial statements.

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

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

2.4 New and Revised Turkish Financial Reporting Standards (continued)

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Standards and amendments issued but not yet effective and not early yet adopted as of 31 December 2022

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

TFRS 17 - The New Standard for Insurance Contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted for the entities applied TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers standards.

In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will be applied for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

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

2.4 New and Revised Turkish Financial Reporting Standards (continued)

Amendments to TAS 1 - Classification of Liabilities as Current or Non-current

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

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

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

2.4 New and Revised Turkish Financial Reporting Standards (continued)

The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 16 – Sale and Leaseback Transactions

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments to TFRS 16 add to requirements explaining 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.

2.5 Summary of Significant Accounting Policies

a) Revenue

Contract modifications

The details of the significant accounting policies applied for the goods and services of the Group and revenue recognition as follows:

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it's probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped or services given without value added tax less sales returns and sales discounts.

In case of the Group sells on credit and does not acquired any interest throughout the maturity term or applies the lower interest rate than market interest rate and thus the transaction involves an effective financing process, the fair value of the provision for the sale is calculated by discounting the present value of receivables. The difference between the fair value and the nominal amount of the consideration is recognized as financial income in accordance with effective rate (internal efficiency).

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is satisfied. Goods is considered to be transferred when the control transferred to the customer.

Group recognizes revenue based on the following main principles:
(a) Identification of customer contracts

(b) Identification of performance obligations

(c) Determination of transaction price in the contract

(d) Allocation of price to performance obligations

(e) Recognition of revenue when the performance obligations are satisfied

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

2.5 Summary of Significant Accounting Policies (continued)

b) Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Those costs also include systematically distributed costs from fixed and variable general production expenses incurred in covering direct raw material to the goods.

The cost of inventories is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Impairment on inventories are accounted for cost of sales in the accompanying consolidated financial statements.

c) Property, plant and equipment

Property, plant and equipment including land, land improvements, plant, machinery and equipment are carried at fair value in accordance with the estimates arising from revaluation less accumulated depreciation and impairment, if any. The aforementioned determination of property, plant and equipment is vary between 3 – 5 years.

As of the commencement date of revaluation, the accumulated depreciation of the property, plant and equipment subject to the revaluation is offset from the cost of the related asset and carried at the net book value in the subsuequent periods.

Except for abovementioned property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives

Revaluation surplus in the carried values of land, land improvements, plant, machinery and equipment as a result of revaluation are accounted for "revaluation surplus" account under equity are also credited to the consolidated balance sheet.

Decreases corresponding to the revaluation surplus in the prior period of the relevant property, plant and equipment are deducted from the revaluation surplus and all other decreases are reflected to the consolidated statement of profit or loss.

Each reporting period, the difference between the depreciation calculated over the revaluation and the depreciation over cost before revaluation is transferred from the accumulated losses to the revaluation surplus account. Similarly, these policies are applied for cash outflows from property, plant and equipment.

Buildings, land improvements and plant, machinery and equipment are capitalized and depreciated when their capacity is fully available for useand their physical distinct will meet the determined production capacity. Land is not depreciated as it is deemed to have an indefinite useful life.

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

2.5 Summary of Significant Accounting Policies (continued)

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements and buildings	15 - 50 years
Plant, machinery and equipment	5 - 28 years
Furniture and fixtures	2 - 15 years
Motor vehicles	4 - 5 years
Leasehold improvements	4 - 5 years

Economic useful lives are constantly reviewed and necessary adjustments are presented in the relevant reporting periods in the accompanying consolidated financial statements.

The cost of an item of property, plant and equipment comprises:

-its purchase price including import duties, non-refundable purchase taxes, after deducting trade discounts and rebates

-any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples of these costs are: costs of site preparation, professional fees, initial delivery and handling, installation and assembly, etc.,

-the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

- Initial delivery costs
- Installation and assembly costs
- Professional fees
- Capitalised borrowing costs

Any subsequent expenditure to be recognised as an asset, there must be additional probable future economic benefit associated with this subsequent expenditure that will flow to the entity and if measured reliably included in the carrying amount of the related asset or, where appropriate, accounted for as a separate asset. The parts being replaced must be derecognised. All other borrowing costs and maintanance and repair expenses are associated with profit or loss in the period which they incurred.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use. Recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or its fair value less cost to sell. The value in use is determined by adding the residual values to the discounted amounts as of the balance sheet date of the estimated cash flows to be obtained in the future by continuing to use the relevant asset.

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

2.5 Summary of Significant Accounting Policies (continued)

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under “gains/losses from investing activities” in the current period. Gains or losses on disposals of property, plant and equipment from revaluation, any property, plant and equipment revaluation surplus related to the disposed property are transferred to retained earnings/losses.

d) Intangible assets

Intangible assets are initially recognised at acquisition cost less impairment in the accompanying consolidated financial statements. Intangible assets are capitalised if the future economic benefits from the intangible assets will be probable and the cost can be measured reliably. Cost of intangible assets includes acquisition cost and amortized over 2 to 5 years on a straight-line basis over their estimated useful lives.

Intangible assets include the brand value arising from the business combination.

Brand value of Kelebek

Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi ve Ticaret A.Ş. was acquired 67% of Kelebek Mobilya Sanayi ve Ticaret A.Ş.’s shares on 6 September 2012. The brand value of Kelebek acquired with the abovementioned acquisition was carried at fair value on 6 September 2012 in accordance with TFRS 3 “Business combinations” standard. There is no legal use on restriction for the brand and not depreciated as it is deemed to have an indefinite useful life in the accompanying consolidated financial statements. The brand value is tested for impairment annually and there has been no impairment incurred on brand during the period.

e) Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through the Statement of Profit or Loss (FVTPL) , transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Reclassification and subsequent measurement

Financial instruments – accounting policy effective from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through the statement of Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

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

2.5 Summary of Significant Accounting Policies (continued)

e) Financial instruments (continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

f) Financial investments

The financial investments of the Group comprise of financial investments at fair value through other comprehensive income (Note 11). The carrying value of financial assets has been evaluated carried at cost, since the fair value cannot be measured reliably due to the fact that the FVOCI do not have any fair value quoted on the stock exchange or that other methods used in calculating the fair value are not appropriate.

g) Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The measurement reflects the entity's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time (Note 22).

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

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

2.5 Summary of Significant Accounting Policies (continued)

g) Taxes on income (continued)

The Group takes into account whether the Group has the uncertain tax position and the surcharge has to be paid and the tax liability while it determines the current tax expense and delayed tax expense. The assessment might include judgments about future events and is based on estimates and assumptions. In case there exists new information about the adequacy of the Group's current tax liability which will cause a change in the professional judgment; this change will affect the period which the situation emerges.

h) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Group reviews the book value of its tangible and intangible assets to determine whether there are impairments in each reporting period and subordinates its stores to impairment tests for certain periods during the year and records the portion of cash generating unit exceeding the recoverable value of the recognised value as impairment expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant decline in fair value below cost of share certificates classified as available-for-sale is considered as an indication of impairment. In case there is objective evidence of impairment of available-for-sale financial assets, the remaining loss is accounted for in the consolidated statement of income less impairment previously reflected in the consolidated statement of income from the difference between the acquisition cost of the financial asset and its fair value. Impairment loss recognized in consolidated statement of income related to capital instruments is not associated with the statement of income even if the related impairment will reverse in the subsequent periods.

i) Provision for employee benefits

Provision for employment termination benefits

The Group is obliged to pay termination indemnities to employees whose employment is terminated due to retirement or due to reasons other than resignation or behavior specified in the Labor Code, in accordance with the applicable law. In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnity payments to each employee who has completed over one year of service with the Group and whose employment is A defined benefit plan is any post-employment benefit plan other than a defined contribution plan. Under IAS 19, an entity uses an actuarial technique (the projected unit credit method) to estimate the ultimate cost to the entity of the benefits that employees have earned in return for their service

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

2.5 Summary of Significant Accounting Policies (continued)

i) Provision for employee benefits (continued)

in the current and prior periods; discounts that benefit in order to determine the present value of the defined benefit obligation and the current service cost; deducts the fair value of any plan assets from the present value of the defined benefit obligation; determines the amount of the deficit or surplus; and determines the amount to be recognised in the consolidated profit and loss and other comprehensive income in the current period (Note 15).

Unused vacation rights

Unused vacation rights accrued in the consolidated financial statements represents estimated total provision for potential liabilities related to employees' unused vacation days as of the balance sheet date.

j) Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

k) Equity items

Ordinary shares are classified as equity. Dividends payable are recognised in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Group's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

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

2.5 Summary of Significant Accounting Policies (continued)

k) Equity items (continued)

In the restatement of equity items, the addition of funds formed due to inflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders.

Additions of legal reserves and retained earnings to share capital are considered as contributions by

shareholders. In the restatement of equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of share premiums, the payment dates are considered (Note 16).

l) Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (reporting entity).

a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met:

If a certain individual,

i) Has control or joint control over the reporting entity,

ii) Has significant influence over the reporting entity,

iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity. b) An entity is considered related party of the reporting entity when the following criteria are met:

i) If the entity and the reporting entity is within the same group (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others.

ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).

iii) If both of the entities are a joint venture of a third party.

iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.

v) lf entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity. If the reporting entity has its own plans, sponsor employers are also considered as related parties.

vi) If the entity is controlled or jointly controlled by an individual defined in the article (a).

vii)If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity)

Related party transaction is the transfer of resources, services or liabilities regardless of whether a price is charged or not. Transactions can be made with related parties in the ordinary course of business. For the purpose of these consolidated financial statements, shareholders, parents of

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

2.5 Summary of Significant Accounting Policies (continued)

l) Related parties (continued)

Doğanlar Yatırım Holding Grubu A.Ş, key management personnel and Board of Directors members, their close family members and the legal entities over which these related parties exercise control and significant influence, subsidiaries and joint ventures are considered and expressed as "related parties". The key management personnel of the Group include members of the Board of Directors, CEO and vice chairman (Note 6).

m) Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 25).

n) Statement of cash flow

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

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

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

o) Treasury shares

As the Group repurchase their own equity instruments, these instruments are accounted for as "treasury shares" and deducted from the equity. Gain or loss is not recognised in the consolidated statement of income due to the purchase, sale, issue or cancellation of the equity instruments and the amounts received or paid for these transactions are recognised directly in the equity under retained earnings.

p) Leases

(i) Determining whether an Arrangement Contains a Lease

At inception of a contract, the Group assesses whether the 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.

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

2.5 Summary of Significant Accounting Policies (continued)

p) Leases (continued)

Following the beginning of the agreement or reconsidering the agreement, the Group classify related payments required by the agreement as rent payments and other payments according to their fair value. If the Group decide that related payments are not possible to be classified in a financial lease agreement, reliably an asset or a liabilty are recognised as much as fair value of related lease. With in the related lease payments, liability is decreased and financial cost added to liability is recognised by using alternative debt ratio of the Group.

(ii) Leased assets

All leases which transfer to the Group all the risks and rewards incidental to the ownership of an asset are classifed as finance leases. Initially, property, plant and equipment acquired through finance leases are measured at fair value of the leased asset or, if lower, at the present value of minimum lease payments. Following the initial recognition, related leased asset is recognised according to effective accounting policies.

Leased assets under other leases are classifed as operating leases and are not recognised in the consolidated balance sheet of the Group.

(iii) Lease payments

Payments under operating leases are recognised in profit or loss through straight-line basis during the lease term. Lease promotions are recognised as a part of lease expenses during the lease term.

Minimum lease payments under finance leases are distributed by decreasing finance cost and the rest liability. Finance costs are distributed to each period on condition that determining a fixed interest rate for the period on the remaining balance of related liability.

r) Foreign currency translation

<u>Foreign currency transactions and balances</u>

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is Doğanlar Mobilya's functional and presentation currency.

In preparing the consolidated financial statements of the individual entities, transactions in foreign currencies (other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.5 Summary of Significant Accounting Policies (continued)

r) Foreign currency translation (continued)

Exchange differences are accounted for the period in profit or loss in which they are incurred except for the following cases:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

s) Events after the balance sheet date

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

2.6 Going Concern

The financial statements have been prepared on a going concern basis.

2.7 Significant accounting judgements, estimates and assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results. In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the consolidation financial statements are described in the following notes:

2.7.1 Estimated useful lives of property, plant and equipment and intangible assets

In accordance with the accounting policies stated in Note 2.5, the Group determines the useful lives of assets according to the management's best estimates and reviews in each reporting period as of the balance sheet date.

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

2.7 Significant accounting judgements, estimates and assumptions (continued)

2.7.2 Revaluation of land, buildings, land improvements and plant, machinery and equipment

Land, buildings, land improvements and plant, machinery and equipment are reflected to the consolidated financial statements at fair value determined in accordance with the appraisal studies carried out by the real estate appraisal firm authorised by the CMB. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

The following many valuation methods are used for determining fair value, based on management's best estimates and assumptions:

- The most effective and efficient uses assessment was made in fair value calculations and the current intended use objectives were determined as the most effective and efficient uses and revaluations of land were based on the method of reference comparison.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation.

The carrying values of land, buildings, land improvements and plant, machinery and equipment do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

As of initial recognition and as of balance sheet date, the Group performs impairment assessment for land, buildings, land improvements and plant, machinery and equipment of which valuations are based on cost approach, accordance with the TAS 36 "Impairment of Assets", and no impairment indicator is identified.

2.7.3 Provision for warranty

Provision is allocated in the accompanying consolidated financial statements for estimated warranty claims under warranty for products sold at the end of the reporting period. These claims are expected to be paid within the next financial period. The Group management decides in accordance with the demand by considering past warranty and historical demand information, and current trends that would require changes in future demand forecasts.

The Group especially provides a warranty for 24 month period for its furniture products. The Group management decides on provision for subsequent periods by considering past warranty and historical demand information, and current trends that would require changes in future demand forecasts. The assumptions made regarding provision for warranty in current period are consistent with the prior period. Factors that may affect estimated demands include the Group's productivity and the success of its quality initiatives with the consideration of furniture parts and labor costs.

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

2.7 Significant accounting judgements, estimates and assumptions (continued)

2.7.3 Provision for warranty (continued)

As of 31 December 2022, the net carrying value of provision for warranty is amounting to TL 13,372,943 (31 December 2021: TL 6,814,190).

If warranty claims were 10% different from management's estimates, and all other variables held constant, the provision for warrant would have been amounting to TL 1,337,294.30 higher or lower (2021: TL 681,419 higher/lower).

2.7.4 Deferred tax calculated on unused tax losses carry forward

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available in the foreseeable future. In cases where tax advantage is probable, deferred tax asset is calculated from unused previous year tax losses.

As of 31 December 2022, the Group has recognised deferred tax asset amounting to TL 12,529 (31 December 2021: TL 28,929,811) over unused financial losses amounting to TL 53,315 (31 December 2021: TL 125,781,786)

In accordance with the five-year business plan granted by the Group management, it has been estimated that the Group will be able to use the unused tax losses amounting to TL 53,315 in the next five years in the consolidated financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of 31 December 2022 and 2021, the functional breakdown of cash and cash equivalents is as follows:

	31 December 2022	**31 December 2021**
Cash in hand	58,516	10,803
Banks – demand deposits	247,066,988	34,624,247
Other [(*)]	47,207,786	14,533,779
	294,333,290	**49,168,829**

[(*)]As of 31 December 2022 and 2021, other include receivables from credit card POS system devices.

As of 31 December 2022 and 2021, the Group has no blocked deposits.

The foreign exchange, credit risk and sensitivity analysis of financial assets and liabilities are disclosed in Note 23.

NOTE 4 – BORROWINGS

	31 December 2022		
	Annual effective interest rate %	**Original currency amount**	**TL Equivalent**
Short term borrowings:			
TL loans (*)	9.50% - 20.50%	79,951,870	79,951,870
Finance lease payables		32,579,194	32,579,194
Short term borrowings, net			**112,531,064**
Short term lease liabilities			**70,193,119**
Short term portion of long term borrowings:			
EUR loans	3.44% - 6.18%	586,067	11,721,744
USD loans	4.33% - 8.41%	1,541,978	28,927,657
TL loans	6.47%- 26.69%	289,013,860	289,013,860
Short term portion of long term borrowings, net			**329,663,261**
Total short term borrowings, net			**512,387,444**
EUR loans	3.44% - 6.18%	2,124,324	42,487,968
USD loans	4.33% – 8.41%	3,464,239	64,989,471
TL loans	6.47%- 26.69%	316,569,054	316,569,054
Finance lease payables		25,596,179	25,596,179
Long term borrowings, net			**449,642,672**
Long term lease liabilities			**214,845,214**
Total borrowings, net			**1,176,875,330**

NOTE 4 – BORROWINGS (continued)

	31 December 2021		
	Annual effective interest rate %	**Original currency amount**	**TL Equivalent**
Short term borrowings:			
TL loans (*)	9.50% - 20.50%	103,609,694	103,609,694
Finance lease payables		14,381,453	14,381,453
Short term lease liabilities		32,550,472	32,550,472
Short term borrowings, net			**150,541,619**
Short term portion of long term borrowings:			
EUR loans	4.57% - 7.13%	7,289,388	110,335,828
USD loans	4.31% - 5.03%	1,911,424	25,561,663
TL loans	7.91% - 26.69%	115,160,125	115,160,125
Short term portion of long term borrowings, net			**251,057,616**
Total short term borrowings, net			**401,599,235**
EUR loans	4.57% - 7.13%	5,825,335	88,175,182
USD loans	4.31% - 5.03%	5,666,360	75,776,799
TL loans	7.91% - 26.69%	105,257,161	105,257,161
Finance lease payables		17,957,423	17,957,423
Long term lease liabilities		151,497,834	156,868,361
Long term borrowings, net			**444,034,926**
Total borrowings, net			**845,634,161**

(*) Loans arising from Direct Debiting System ("DDS") denominated in under short term borrowings is none. (31 December 2021: TL 65,289,684)

As of 31 December 2022 and 2021, borrowings are secured by collateral and the Group has no mortgages on property, plant and equipment (Note 14).

NOTE 4 – BORROWINGS (continued)

As of 31 December 2022 and 2021, the reconciling the balances of borrowings arising from the Group's financing activities is as follows:

	31 December 2022	31 December 2021
Beginning of the period – 1 January	656,215,328	492,956,338
Additions	1,045,803,943	765,696,797
Payments during the period	(866,349,700)	(750,742,743)
Interest accruals	3,278,793	3,781,685
Changes in foreign exchange rates, net	52,888,633	144,523,251
End of the period – 31 December	**891,836,997**	**656,215,328**

The foreign exchange, interest and liquidity risk analysis of borrowings are disclosed in Note 22.

The functional breakdown and detailed analysis of lease liabilities are as follows:

Lease liabilities:

	Present value of minimum lease payments	
	31.12.2022	**31.12.2021**
Up to 1 year	70,193,119	32,550,472
Less:Long term financial expenses	-	-
Net present value of lease liabilities	**70,193,119**	**32,550,472**
2 years and over	214,845,214	156,868,361
Less:Long term financial expenses	-	-
Net present value of lease liabilities	**214,845,214**	**156,868,361**
Total lease liabilities, net	**285,038,333**	**189,418,833**

The Group's lease liabilities represents the net present value of future obligations for the stores, motor vehicles and buildings leased from third parties during the estimated useful lives of the relevant asset.

NOTE 4 – BORROWINGS (continued)

The functional breakdown and detailed analysis of finance lease payables are as follows:

Finance lease payables:

	Present value of minimum lease payments	
	31.12.2022	**31.12.2021**
Up to 1 year	32,579,194	14,381,453
Less:Long term financial expenses	-	-
Net present value of lease liabilities	**32,579,194**	**14,381,453**
2 years and over	25,596,179	17,957,423
Less:Long term financial expenses	-	-
Net present value of lease liabilities	**25,596,179**	**17,957,423**
Total lease liabilities, net	**58,175,373**	**32,338,876**

As of 31 December 2022 and 2021, repayment 35chedule of borrowings is as follows:

	31 December 2022	**31 December 2021**
Up to 3 months	177,382,357	167,501,123
3-12 months	335,005,086	234,098,112
1-5 years	664,487,887	444,034,926
	1,176,875,330	**845,634,161**

NOTE 5 – TRADE RECEIVABLES AND PAYABLES

	31 December 2022	**31 December 2021**
Trade receivables	**414,412,530**	**245,345,351**
-Related parties (Note 6)	*2,494,909*	*312,066*
-Third parties	*411,917,621*	*245,033,285*
Customers	257,500,953	185,540,423
Notes receivables	159,984,420	62,410,627
Doubtful trade receivables	40,726,826	38,216,720
Provision for doubtful trade receivables (-)	(40,726,826)	(38,216,720)
Deferred finance income (-)	(5,567,752)	(2,917,765)
Trade receivables, net	**414,412,530**	**245,345,351**

Annual effective interest rate on deferred finance income is 22% (31 December 2021: 17%).

As of 31 December 2022, trade receivables amounting to TL 128,219,834 (31 December 2021: TL 64,192,248) are not considered as doubtful trade receivables even though they are overdue (Note 22).

The foreign exchange and credit risk and impairment analysis of trade receivables are disclosed in Note 22.

NOTE 5 – TRADE RECEIVABLES AND PAYABLES (continued)

As of 31 December 2022 and 2021, the functional breakdown of the movement of doubtful trade receivables is as follows:

The movement of doubtful receivables is as follows:	31.12.2022	31.12.2021
Beginning of the period – 1 January	**38,216,720**	**30,816,697**
Additions **(Note 19)**	894,389	7,411,924
Reversals **(Note 19)**	(1,070,572)	(11,901)
Exchange Rate Difference	2,686,289	--
	40,726,826	**38,216,720**

As of 31 December 2022 and 2021, trade payables is as follows:

	31 December 2022	31 December 2021
Trade payables	985,168,142	499,188,711
-Third parties	*985,168,142*	*499,188,711*
-Related parties	--	--
Suppliers	457,243,899	164,536,451
Notes payable	590,664,851	360,177,988
Deferred financing costs (-)	(62,740,608)	(25,525,728)
Trade payables, net	**985,168,142**	**499,188,711**

Annual effective interest rate on deferred financing costs is 22% (31 December 2021: 17%).

The foreign exchange and credit risk and impairment analysis of trade payables are disclosed in Note 22.

NOTE 6 – RELATED PARTY DISCLOSURES

Intercompany transactions and balances, profits, unrealized gains and losses with subsidiaries and related parties are offset from the statutory records for the basis of consolidation. Therefore, they are not included in the related party disclosures.

a) As of 31 December 2022 and 2021, related party balances are as follows:

	31 December 2022	31 December 2021
Trade receivables due from related parties		
Biotrend Çevre Ve Enerji Yatırımlar A.Ş.	2,494,909	117,066
FTR Dış Ticaret Mobilya A.Ş.	--	195,000
Doubtful trade receivables from related parties	1,474,641	1,068,876
Provision for doubtful trade receivables from related parties (-)	(1,474,641)	(1,068,876)
	2,494,909	**312,066**

NOTE 6 – RELATED PARTY DISCLOSURES (continued)

The movement of doubtful receivables is as follows:

	31.12.2022	31.12.2021
Beginning of the period – 1 January	**1,068,876**	**--**
Additions **(Note 19)**	**--**	1,068,876
Exchange Rate Difference	405,765	--
	1,474,641	**1,068,876**

	31 December 2022	31 December 2021
Other receivables due from related parties		
Shareholders	6,415,911	3,247,788
Doğanlar Yatırım Holding A.Ş.	79,217	--
	6,495,128	**3,247,788**

	31 December 2022	31 December 2021
Other payables due to related parties		
Doğanlar Yatırım Holding A.Ş.	--	10,639,566
Korad G.Menkul Yat.İnş.A.Ş.	14,050	23,972
Shareholders	--	--
	14,050	**10,663,538**

(*) The Group has been calculated an interest amounting to TL 885,712 at an annual effective interest rate of 18% for Shareholders.

b) As of 31 December 2022 and 2021, the functional breakdown of sales to related parties is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Sales to related parties		
Doğanlar Yatırım Holding A.Ş.	4,956,578	1,978
Shareholders	--	119,696
Biotrend Çevre ve Enerji Yatırımları	2,160,780	30,052
Other	--	--
	7,117,358	**151,726**

NOTE 6 – RELATED PARTY DISCLOSURES (continued)

c) As of 31 December 2022 and 2021, the functional breakdown of purchases from related parties is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Purchases from related parties		
Doğanlar Yatırım Holding A.Ş.	14,703,277	5,962,607
Biotrend Çevre ve Enerji Yatırımları	588,977	-
Korad Gayrimenkul Yatırım İnş. A.Ş.	425,197	122,587
	15,717,451	**6,085,194**

	1 January – 31 December 2022	1 January – 31 December 2021
Interest Received from Related Parties		
Doğanlar Yatırım Holding A.Ş.	--	2,539,678
Real Person Partners	885,712	--
	885,712	**2,539,678**

d) The benefits provided to the members of the Board of Directors and senior executives for the years ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Fees paid and other benefits	35,506,993	16,018,432
	35,506,993	**16,018,432**

All of the benefits provided to members of the board of directors and senior management personnel (the senior management personnel includes the general manager and assistant general managers) for the years ended December 31, 2022 and December 31, 2021 are short-term benefits and include wages, bonuses, termination benefits and includes other payments. There were no post-employment benefits, other long-term benefits and share-based payments for the years ended December 31, 2022 and December 31, 2021.

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Other receivables	25,600,729	33,310,144
-Third parties	*19,105,601*	*30,062,356*
-Related parties (Note 6)	*6,495,128*	*3,247,788*
Deposits and guarantees given	3,927,206	2,285,176
Doubtful other receivables	2,237,908	1,607,646
Provision for doubtful other receivables (-)	(2,237,908)	(1,607,646)
Receivables from tax Office	14,328,979	7,611,904
Receivables from personnel	831,587	327,533
Other (*)	17,829	19,837,743
Other receivables, net	**25,600,729**	**33,310,144**

NOTE 7 – OTHER RECEIVABLES AND PAYABLES (continued)

(*) A fire was broke out in Düzce factory of the Group on 26.12.2021. As a result of the disaster, an impairment on inventory amounting to TL 18,410,087 under inventory in the accompanying consolidated financial statements. In accordance with the fire insurance policy issued by insurance companies, property damage insurance claim has been documented by the Group. Accordingly, it has been determined that the damage arising from fire is covered under insurance policy. In accordance with the determinations made by insurance appraiser, a loss claim amounting to 25,000,000 has been estimated. Accordingly, the Group has been recognised an income accrual amounting to TL 18,410,087 in the accompanying consolidated financial statements against impairment on inventory.

The movement of doubtful receivables is as follows:

	31.12.2022	**31.12.2021**
Beginning of the period – 1 January	**1,607,646**	**498,139**
Additions **(Note 19)**	630,262	1,109,507
Reversals **(Note 19)**	--	--
	2,237,908	**1,607,646**

	31 December 2022	**31 December 2021**
Long term other receivables		
Deposits and guarantees given	6,923,764	4,227,232
Other (*)	33,275,002	6,352,909
	40,198,766	**10,580,141**

(*) Include receivables from VAT refund

	31 December 2022	**31 December 2021**
Short term other payables		
Other payables	5,920,904	14,054,412
-Related parties (Note 6)	*14,050*	*10,663,538*
-Third parties	*5,906,854*	*3,390,874*
Taxes payable	5,344,031	1,858,366
Other	562,823	1,532,508
	5,920,904	**14,054,412**

	31 December 2022	**31 December 2021**
Long term other payables		
-Related parties	--	--
-Third parties	*4,807,513*	*3,202,466*
Deposits and guarantees received	4,807,513	3,202,466
	4,807,513	**3,202,466**

NOTE 8 - INVENTORIES

	31 December 2022	31 December 2021
Raw materials and supplies	384,954,282	242,946,321
Semi finished goods	53,757,096	40,189,321
Goods	186,852,040	106,127,081
Merchandise	258,030,035	97,906,722
Provision for inventory impairment (-)(*)	(393,928)	(18,410,087)
	883,199,525	**468,759,358**

There has been no inventories given as collateral against liabilities.

(*) In accordance with the TAS 2 "Inventories" standard, provisions incurred during the period are recognised under "Cost of Sales". A fire was broke out in Düzce factory of the Group on 26.12.2021. In accordance with the fire insurance policy issued by insurance companies, property damage insurance claim has been documented by the Group. Accordingly, it has been determined that the damage arising from fire is covered under insurance policy. Accordingly, the Group has been recognised an income accrual amounting to TL 18,410,087 in the accompanying consolidated financial statements against impairment on inventory.

	31.12.2022	31.12.2021
Cost	444,882,075	18,410,087
Provision for inventory impairment	(393,928)	(18,410,087)
Net realisable value (a)	444,488,147	-
Carried at cost (b)	438,711,378	468,759,358
Total inventories (a+b)	**883,199,525**	**468,759,358**

NOTE 9 – OTHER ASSETS

	31 December 2022	31 December 2021
Deferred VAT ("VAT") (*)	69,744,300	54,071,551
Business cash advances	645,701	1,883,111
	70,390,001	**55,954,662**

(*)Includes refundable or deductible VAT

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses	**31 December 2022**	**31 December 2021**
Advances given	111,793,956	135,392,335
Short term prepaid expenses	15,390,304	1,475,298
Short term prepaid expenses, net	**127,184,260**	**136,867,633**

Advances given include purchases for raw materials and supplies.

Short term deferred income	**31 December 2022**	**31 December 2021**
Advances received	383,347,839	113,767,886
Short term deferred income	-	-
Short term deferred income, net	**383,347,839**	**113,767,886**

Advances received include the payments received in advance from the Group's dealers before the sale is realised.

NOTE 11 – FINANCIAL INVESTMENTS

As of 31 December 2022 and 2021, the functional breakdown of short term financial investments is as follows:

Short term financial investments	**31 December 2022**	**31 December 2021**
Financial assets held to maturity	-	50,021
	-	**50,021**

As of 31 December 2022 and 2021, the functional breakdown of long term financial investments is as follows:

The Group's financial investments consist of financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss. Since the said companies Doğtaş Holland, Doğtaş Germany and Doğtaş Bulgaria operate to a limited extent and their total net asset values are unrequited, the Group has accounted for cost value while it should have been shown at fair value according to TFRS 9 standard. As of 31 December 2022 and 31 December 2021, financial investments are as follows:

	31 December 2022		**31 December 2021**	
Financial assets at fair value through other comprehensive income				
	Effective ownership interest (%)	**Balance sheet position**	**Effective ownership interest (%)**	**Balance sheet position**
Doğtaş Holland	100.00	4,657,668	100.00	4,657,668
Doğtaş Germany	100.00	3,393,430	100.00	3,393,430
Doğtaş Bulgaria	100.00	1,418,860	100.00	1,418,860
		9,469,958		**9,469,958**

NOTE 11 – FINANCIAL INVESTMENTS (continued)

The fair value of financial assets at fair value through other comprehensive income are not quoted on stock exchange or other methods used for the calculation of fair value are not considered as in appropriate and therefore, fair value is not measured reliably in the accompanying consolidated financial statements. Accordingly, carrying value of financial assets is considered at acquisition cost.

	31 December 2022		**31 December 2021**	
Financial assets at fair value through profit or loss				
	Effective ownership interest (%)	**Balance sheet position**	**Effective ownership interest (%)**	**Balance sheet position**
FTR Dış Ticaret Mobilya A.Ş.	14.29	1,430,000	14.29	357,500
Impairment (-)	-	(1,430,000)	-	(357,500)
		-		**-**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

	Land	**Land improvements and buildings**	**Plant, Machinery and Equipment**	**Motor Vehicles**	**Furniture and Fixtures**	**Leasehold Improvements**	**Constructions in Progress**	**Total**
Cost								
Opening balance - 1 January 2022	**98,241,604**	**272,625,644**	**160,478,093**	**9,114,426**	**102,993,197**	**159,061,816**	**3,134,562**	**805,649,342**
Additions	5,657,586	72,880,139	116,382,188	3,840,394	66,492,124	139,406,571	40,231,377	444,890,379
Transfers (Note 13)	-	-	-	-	-	1,839,620	(1,839,620)	-
Property, plant and equipment revaluation surplus*	92,470,684	116,069,250	-	-	-	-	-	208,539,934
Currency translation differences	-	-	-	403,381	10,808	-	-	414,189
Disposals	(2,277,000)	(10,500)	(2,813,667)	-	(2,949,239)	(19,781,195)	-	(27,831,601)
Closing balance – 31 December 2022	**194,092,874**	**461,564,533**	**274,046,614**	**13,358,201**	**166,546,890**	**280,526,812**	**41,526,319**	**1,431,662,243**
Accumulated depreciation								
Opening balance - 1 January 2022	--	**(40,674,048)**	**(78,111,386)**	**(1,688,250)**	**(66,583,658)**	**(64,073,771)**	-	**(251,131,113)**
Current period depreciation	--	(13,466,859)	(19,603,159)	(2,403,814)	(13,488,582)	(33,282,079)	-	(82,244,493)
Currency translation differences	-	-	-	(148,634)	-	-	-	(148,634)
Disposals	--	10,500	2,432,384	-	1,600,541	5,510,593	-	9,554,018
Closing balance – 31 December 2022	--	**(54,130,407)**	**(95,282,161)**	**(4,240,698)**	**(78,471,699)**	**(91,845,257)**	-	**(323,970,222)**
İmpairment of fixed assets								
Openning balance, 1 January 2022	-	(17,304)	(2,023,645)	-	(7,106)	-	-	(2,048,055)
Movements of current period	-	17,304	2,023,645	-	7,106	-	-	2,048,055
Closing balance – 31 December 2022	-	-	-	-	-	-	-	-
Net book value, 31 December 2021	**98,241,604**	**231,934,292**	**80,343,062**	**7,426,176**	**36,402,433**	**94,988,045**	**3,134,562**	**552,470,174**
Net book value, 31 December 2022	**194,092,874**	**407,434,126**	**178,764,453**	**9,117,503**	**88,075,191**	**188,681,555**	**41,526,319**	**1,107,692,021**

In accordance with the loans for financing the operations of the Group, the Group has mortgages amounting to EUR 30,000,000 equivalent of TL 367,500,000 on property, plant and equipment. As of 31 December 2022, total insurance coverage on property, plant and equipment is amounting to TL 644,197,409 (31 December 2021: TL 227,549,825).

(*)As of 31 December 2022, the fair value of land, land improvements and buildings of the Group in Biga and Düzce have been determined by the independent appriasal firm Lâl Gayrimenkul Değerleme ve Müşavirlik A.Ş. on 14.02.2023. In accordance with the two independent appraisal reports, the fair value of the land, land improvements and buildings are amounting to TL 601,527,000.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (continued)

In accordance with the aforementioned report, the summary of the valuation of the land as of 31 December 2022 is as follows:

	Net asset value	Accumulated depreciation	Net book value	Fair value	Changes in fair value, net	Deferred tax, net	Equity (Net)
Land	101,622,190	-	101,622,190	194,092,874	92,470,684	9,247,068	83,223,616
Buildings	345,495,283	54,130,407	291,364,876	407,434,126	116,069,250	23,213,850	92,855,400
TOTAL	**447,117,473**	**54,130,407**	**392,987,066**	**601,527,000**	**208,539,934**	**32,460,918**	**176,079,016**

	Land	Land improvements and buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Leasehold Improvements	Constructions in Progress	Total
Cost								
Opening balance - 1 January 2021	**76,310,952**	**139,260,935**	**127,405,968**	**2,232,931**	**79,284,780**	**93,673,588**	**690,879**	**518,860,033**
Additions	2,670,000	12,326,770	34,784,366	7,711,863	23,975,239	68,142,952	3,721,160	153,332,350
Transfers (Note 13)	1,277,477	--	--	--	--	--	(1,277,477)	--
Property, plant and equipment revaluation surplus*	17,983,175	121,037,939	--	--	--	--	--	139,021,114
Disposals	--	--	(1,712,241)	(830,368)	(266,822)	(2,754,724)	--	(5,564,155)
Closing balance – 31 December 2021	**98,241,604**	**272,625,644**	**160,478,093**	**9,114,426**	**102,993,197**	**159,061,816**	**3,134,562**	**805,649,342**
Accumulated depreciation								
Opening balance - 1 January 2021	--	**(33,613,887)**	**(69,644,858)**	**(1,200,106)**	**(55,495,209)**	**(44,773,655)**	--	**(204,727,715)**
Current period depreciation	--	(7,060,161)	(10,007,133)	(890,681)	(11,245,234)	(20,847,842)	--	(50,051,051)
Disposals	--	--	1,540,605	402,537	156,785	1,547,726	--	3,647,653
Closing balance – 31 December 2021	**--**	**(40,674,048)**	**(78,111,386)**	**(1,688,250)**	**(66,583,658)**	**(64,073,771)**	**--**	**(251,131,113)**
Impairement of Fixed Assets (-) (**)	**--**	**(17,304)**	**(2,023,645)**	**--**	**(7,106)**	**--**	**--**	**(2,048,055)**
Net book value, 31 December 2020	**76,310,952**	**105,647,048**	**57,761,110**	**1,032,825**	**23,789,571**	**48,899,933**	**690,879**	**314,132,318**
Net book value, 31 December 2021	**98,241,604**	**231,934,292**	**80,343,062**	**7,426,176**	**36,402,433**	**94,988,045**	**3,134,562**	**552,470,174**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (continued)

Revaluation of property, plant and equipment

The land and buildings carried with the revaluation include the Group's factory buildings, land of these buildings and the machinery.

The sales comparison approach was used in the valuation of land, and the cost approach was used in the determination of the values of buildings and machinery. The fair values are determined in accordance with the independent appraisal firms authorised by the Capital Markets Board.

As of 31 December 2022, the gross profit amounting to TL 210.587.989 arising from the revaluation of land and buildings is included in the consolidated statement of other comprehensive income. There are no restrictions and limitations incurred on the distribution of revaluation funds.

As of 31 December 2022 and 2021, the movements for right of use assets and related depreciation are as follows:

31.12.2022

Cost

Account Name	01.01.2022	Additions (+)	Disposals (-)	31.12.2022
Right of use assets	212,413,808	144,950,687	(35,499,145)	321,865,350
Total	**212,413,808**	**144,950,687**	**(35,499,145)**	**321,865,350**

Accumulated depreciation

Account Name	01.01.2022	Current period depreciation (+)	Disposals (-)	31.12.2022
Right of use assets	(53,195,798)	(63,304,321)	20,612,439	(95,887,680)
Total	**(53,195,798)**	**(63,304,321)**	**20,612,439**	**(95,887,680)**
Net book value	**159,218,010**			**225,977,670**

31.12.2021

Cost

Account Name	01.01.2021	Additions (+)	Disposals (-)	31.12.2021
Right of use assets	103,872,487	110,695,780	(2,154,459)	212,413,808
Total	**103,872,487**	**110,695,780**	**(2,154,459)**	**212,413,808**

Accumulated depreciation

Account Name	01.01.2021	Current period depreciation (+)	Disposals (-)	31.12.2021
Right of use assets	(25,086,540)	(29,861,350)	1,752,092	(53,195,798)
Total	**(25,086,540)**	**(29,861,350)**	**1,752,092**	**(53,195,798)**
Net book value	**78,785,947**			**159,218,010**

NOTE 13 – INTANGIBLE ASSETS

As of 31 December 2022 and 2021, the movements for intangible assets and related depreciation are as follows:

	Brand value (*)	Rights	Total
Cost			
Opening balance – 1 January 2022	**17,530,000**	**25,334,888**	**42,864,888**
Additions	-	28,923,625	28,923,625
Disposals	-	(718)	(718)
Closing balance - 31 December 2022	**17,530,000**	**54,257,795**	**71,787,795**
Accumulated depreciation			
Opening balance – 1 January 2022	**--**	**(19,661,449)**	**(19,661,449)**
Current period depreciation	--	(2,813,951)	(2,813,951)
Disposals	--	635	635
Closing balance - 31 December 2022	**--**	**(22,474,765)**	**(22,474,765)**
Net book value, 31 December 2022	**17,530,000**		**49,313,030**

	Brand value (*)	Rights	Total
Cost			
Opening balance – 1 January 2021	**17,530,000**	**23,037,296**	**40,567,296**
Additions	--	2,297,592	2,297,592
Disposals	--	--	
Closing balance - 31 December 2021	**17,530,000**	**25,334,888**	**42,864,888**
Accumulated depreciation			
Opening balance – 1 January 2021	**--**	**(18,522,458)**	**(18,522,458)**
Current period depreciation	--	(1,138,991)	(1,138,991)
Disposals	--		
Closing balance - 31 December 2021	**--**	**(19,661,449)**	**(19,661,449)**
Net book value, 31 December 2021	**17,530,000**	**5,673,439**	**23,203,439**

(*)Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi ve Ticaret A.Ş. was acquired 67% of Kelebek Mobilya Sanayi ve Ticaret A.Ş.'s shares on 6 September 2012. The brand value of Kelebek acquired with the abovementioned acquisition was carried at fair value on 6 September 2012 in accordance with TFRS 3 "Business combinations" standard. There is no legal use on restriction for the brand and not depreciated as it is deemed to have an indefinite useful life in the accompanying consolidated financial statements. The brand value is tested for impairment annually and there has been no impairment incurred on brand during the period.

NOTE 14 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Short term provisions

As of 31 December 2022 and 2021, the functional breakdown of short term provisions is as follows:

	31 December 2022	**31 December 2021**
Provision for warranty	10,704,069	5,498,230
Provision for lawsuits	10,211,559	6,298,845
	20,915,628	**11,797,075**

Long term provisions

	31 December 2022	**31 December 2021**
Provision for warranty	2,668,874	1,315,960
	2,668,874	**1,315,960**

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

	2022	**2021**
Beginning of the period – 1 January	**6,814,190**	**6,125,364**
Additions **(Note 17)**	6,558,753	688,826
Payments during the period **(Note 17)**	**--**	**--**
End of the period – 31 December	**13,372,943**	**6,814,190**

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

	2022	**2021**
Beginning of the period – 1 January	**6,298,845**	**7,063,968**
Additions **(Note 19)**	3,912,714	2,592,953
Payments during the period **(Note 19)**	**--**	(3,358,076)
End of the period – 31 December	**10,211,559**	**6,298,845**

Contingent liabilities and contingent assets

As of 31 December 2022 and 2021, the functional breakdown of guarantees and mortgages is as follows:

Guarantees given

	31 December 2022	**31 December 2021**
Mortgages given (*)	963,948,000	821,595,000
Letters of guarantee given to public institutions (**)	397,695,323	261,775,053
Letters of guarantee given to customers	22,626,321	2,605,168
Letters of guarantee given to suppliers	6,420,549	721,627
	1,390,690,194	**1,086,696,848**

NOTE 14 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

(*) Considering the loans used for purchasing financing operations of the Group from financial instutions, the Group has mortgages on property, plant and equipment.

(**) Include letters of guarantee given to Türkiye İhracat Kredi Bankası A.Ş. regarding the loans used for the operations of the Group

Guarantees received

	31 December 2022	31 December 2021
Letters of guarantee received from dealers	237,263,500	151,273,841
Mortgages received from domestic dealers	10,249,037	10,290,000
Mortgages received from dealers abroad	19,975,000	16,949,683
	267,487,537	**178,513,524**

Collaterals/pledges/mortgages/ ("CPM") of the Group as of 31 December 2022 and 2021 are as follows:

CPM given by the Group	31 December 2022	31 December 2021
A. Total amount of CPM's given in the name of its own legal personality	1,390,690,194	1,086,696,848
B. Total amount of CPM's given on behalf of the fully consolidated companies	--	--
C. Total amount of CPM's given on behalf of third parties for ordinary course of business	--	--
D. Total amount of other CPM's given	--	--
i. Total amount of CPM's given on behalf of the majority shareholder	--	--
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	**1,390,690,194**	**1,086,696,848**

As of 31 December 2022, the Group has pledge to banks against borrowings on 17,251,656,985 number of outstanding shares with a nominal value of TL 0,01. (31 December 2021: pledge to banks against borrowings on 12,200,886,985 number of outstanding shares with a nominal value of TL 0,01).

As of 31 December 2022, the Group has total insurance coverage on property, plant and equipment and inventories amounting to TL 644,197,409 and TL 57,353,060 respectively (31 December 2021: TL 227,549,825 and TL 269,430,955 respectively).

As of 31 December 2022, the Group offset endorsed cheques from its borrowings with a carrying amount of TL 59,761,606 and presented with a net amount accordingly in the accompanying consolidated financial statements (31 December 2021: TL 28,137,204).

NOTE 14 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Operating lease commitments

The Group has no future lease obligations under operating lease commitments that cannot be reversed in the accompanying consolidated financial statements.

NOTE 15 – EMPLOYEE BENEFITS

Short term payables due to employee benefits

	31 December 2022	31 December 2021
Due to personnel	44,464,065	19,973,890
Social security premiums payable	10,248,876	4,042,943
Taxes payable	5,595,767	2,529,052
	60,308,708	**26,545,885**

Short term provisions for employee benefits

	31 December 2022	31 December 2021
Provision for unused vacation	20,947,521	10,575,663
	20,947,521	**10,575,663**

Long term provisions for employee benefits

	31 December 2022	31 December 2021
Provision for unused vacation	50,960,335	6,328,524
	50,960,335	**6,328,524**

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

As of 31 December 2022, the amount payable consists of one month's salary limited to a maximum of TL 19.982,83 (31 December 2021: TL 8.284,51) for each year of service. The provision has been calculated by estimating the present value of the future probable obligation of Doğanlar Mobilya and its Subsidiaries registered in Turkey arising from the retirement of employees. The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of total liabilities. Actuarial losses are recognised in "Gains/losses on remeasurement of defined benefit plans" account under consolidated statement of other comprehensive income.

	31 December 2022	31 December 2021
Annual inflation rate (%)	22.00	15.00
Net discount rate (%)	26.00	19.60
Real discount rate (%)	0.03	0.05

NOTE 15 – EMPLOYEE BENEFITS (continued)

As of 31 December 2022 and 2021, movements in the provision for employment termination benefits are as follows:

	2022	2021
Beginning of the Period – 1 January	**6,328,524**	**4,405,404**
Interest cost	1,483,565	504,450
Service Cost	6,479,024	742,677
Payments during the period	(622,505)	(2,226,260)
Losses on remeasurement of defined benefit plans	37,291,727	2,902,253
End of the period - 31 December	**50,960,335**	**6,328,524**

NOTE 16 - EQUITY

Paid-in share capital and adjustment to share capital

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding rates in Doğanlar Mobilya are as follows:

	31 December 2022		31 December 2021	
	Amount - TL	**Share (%)**	**Amount - TL**	**Share (%)**
Shares traded at BIST ("Other")	177,167,532	50.62	188,001,604,22	53.74
Davut Doğan	--	--	20,874,235,65	5.96
Adnan Doğan	--	--	20,874,210,93	5.96
Şadan Doğan	--	--	20,874,197,92	5.96
İsmail Doğan	--	--	20,874,197,92	5.96
İlhan Doğan	--	--	20,874,197,92	5.96
Murat Doğan	--	--	20,874,197,92	5.96
Doğanlar Yatırım Holding A.Ş.	172,558,396	49.30	36,753,157,52	10.5
Other	274,072	0.08	--	--
	350,000,000	**100**	**350,000,000**	**100**
Adjustment to share capital arising from reverse merger	(159,069,767)		(159,069,767)	
	190,930,233		**190,930,233**	

The Company's real persons were transferred to Doğanlar Yatırım Holding as of 31 December 2022.

The current issued paid-in share capital of the Group amounting to TL 269,069,767 has been increased to TL 350,000,000 on 2 June 2021 and published in Official Gazette numbered 10343.

As of 31 December 2022, historical paid-in share capital is amounting to TL 190,930,233, each with a nominal of TL 0,01 comprise of 35,000,000,000 number of outsanding shares (As of 31 December 2021, historical paid-in share capital is amounting to TL 190,930,233, each with a nominal of TL 0.01 comprise of 35,000,000,000 number of outsanding shares). The proportion amounting to TL 159,069,767 between the registered share capital and the paid-in share capital, was paid by the business combination , which was realized with the acquisition of assets and liabilities of Doğ-Taş Doğanlar Mobilya İmalat Enerji Üretim Sanayi A.Ş. on 31 December 2013.

NOTE 16 – EQUITY (continued)

Share premium

Share premium included in the accompanying consolidated financial statements is arising from the difference between the issue price and the nominal value, as a result of the issuance of the shares issued in the share capital increases after the first establishment of the Group at a price above the nominal value. The aforementioned difference is amounting to TL 9,460,292 arising from the share capital increases from prior periods.

Restricted reserves

Restricted reserves are the reserves for the specific purposes other than profit from previous periods, due to law or contractual obligations or other profit distribution. These reserves are presented in the amounts in the statutory records of the Group and differences in the preparation of consolidated financial statements in accordance with the TFRS are associated with retained earnings.

As of 31 December 2022, restricted reserves is amounting to TL 3,441,327 (31 December 2021: TL 3,441,327).

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

Revaluation surplus

As of 31 December 2022, revaluation surplus account include non-current assets revaluation surplus arising from the revaluation surplus of property, plant and equipment. The movement of the revaluation surplus is as follows:

Beginning of the period – 1 January	**280,430,161**
Non-current assets revaluation surplus	210,587,989
Depreciation of non-current assets	--
Deferred tax effect, net (-)	(32,870,529)
End of the period – 31 December	**458,147,621**

Gains/losses on cash flow hedges

	2022	2021
Gains/losses on cash flow hedges	(83,443,387)	(91,122,003)
	(83,443,387)	**(91,122,003)**

The Group defines the transactions that provide hedge against changes in the cash flows of a an asset, liability or transactions that can be associated with a certain risk and that are likely to occur, at the date of the bank loan agreement, which may affect profit or loss due to a certain risk, considered as cash flow hedge.

The Group accounted for gains and losses on cash flow hedges under equity as "accumulated other comprehensive income or expense to be reclassified to profit or loss".

NOTE 16 – EQUITY (continued)

In accordance with the TFRS 9 "Financial Instruments" standard, in order to hedge from cash flow, the Group provides hedging activities against foreign exchange risk arising from highly probable export receivables. The commencement date of hedging activities has been determined as 02.01.2019. Therefore, the Group manages the EUR/TL exchange rate risk arising from the highly probable export receivables denominated in EUR, which will be realized on the projected and budgeted dates listed under the "hedge" account, in order to ensure a high degree of hedge effectiveness, the parts of the hedge items that will have the same maturity due date as bank borrowings in denominated in EUR have been taken considered as hedging activities under hedge account.

The hedge items that have a long position denominated in EUR when the EUR/TL rate increases, which enables more export revenue in Turkish Lira. On the other hand, hedging instruments have a short position denominated in EUR, which will have payables denominated in Turkish Lira when the EUR/TL rate decreases.

Accordingly, when the hedging instrument and hedging item fluctuate between EUR/TL exchange rates, there is an economic relationship that balances each other and the position creates foreign exchange gains or losses.

Accumulated other comprehensive income or expense not to be reclassified to profit or loss

Property, plant and equipment revaluation surplus

Property, plant and equipment revaluation surplus include reserves arising from revaluation, which is not associated with profit or loss and recognized under consolidated statement of other comprehensive income. As of 31 December 2022 and 2021, gains arising from changes in fair value is arising from the revaluation of the land, buildings and machinery.

As of 31 December 2022 and 2021, the movement of property, plant and equipment revaluation surplus is as follows:

	2022	2021
Beginning of the Period – 1 January	280,430,161	169,053,397
Fair value increase, net	177,717,460	111,376,764
End of the period – 31 December	**458,147,621**	**280,430,161**

Gains/losses on remeasurements of defined benefit plans

As of 31 December 2022, gains/losses on remeasurements of defined benefit plans include amount of TL (32,822,332) (31 December 2021: TL (2,988,950)) actuarial gains or losses accounted for as other comprehensive income related to provision for employment termination benefits.

Dividend distribution

In accordance with the Article 19 of the Capital Market Law, numbered 6362 and Dividend Communiqué of CMB, numbered II-19.1, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

NOTE 16 – EQUITY (continued)

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

NOTE 17 – REVENUE AND COST OF SALES

	2022	**2021**
Domestic sales	4,231,681,987	1,915,349,932
Foreign sales	456,839,501	229,479,603
Other revenue	27,114,046	9,896,343
Sales returns (-)	(37,766,332)	(18,967,536)
Sales discounts (-)	(846,557,369)	(391,551,619)
Net sales	**3,831,311,833**	**1,744,206,723**
Cost of sales	(2,422,078,267)	(1,172,240,465)
Gross profit	**1,409,233,566**	**571,966,258**

NOTE 18 – EXPENSES BY NATURE

Marketing, sales and distribution expenses

	2022	**2021**
Transportation, distribution and storage costs	191,437,050	78,384,404
Personnel expenses	159,158,677	61,614,820
Advertising and promotion expenses	179,654,607	57,802,275
Depreciation and amortization charges	101,603,154	47,918,231
Outsourcing expenses	50,455,448	17,698,704
Rent expenses (*)	30,283,526	6,819,493
Dealer fees and charges	2,365,997	5,909,468
Utility expenses	25,596,512	5,788,988
Travel expenses	11,984,151	3,281,994
Maintanance and repair expenses	3,238,773	1,866,191
Consultancy expenses	4,268,317	594,040
Representation and hospitality expenses	1,546,083	478,794
Other	57,980,170	16,154,218
	819,572,465	**304,311,620**

(*) Rental expenses consist of turnover-based leases and store leases transferred to dealers, which are out of the scope of TFRS 16 Leases Standard.

NOTE 18 – EXPENSES BY NATURE (continued)

General administrative expenses

	2022	2021
Personnel expenses	61,372,229	31,287,397
Depreciation and amortization charges	34,187,273	19,319,521
Consultancy and audit expenses	14,677,885	8,531,109
Rent expenses	6,400,240	2,853,961
Utility expenses	4,563,832	1,342,964
Travel expenses	7,382,738	1,542,357
Food and beverage costs	3,134,833	840,530
Stationary expenses	5,601,510	954,902
Representation and hospitality expenses	2,887,293	614,642
Subscription fees andcharges	503,026	273,084
Other	21,673,222	12,733,273
	162,384,081	**80,293,740**

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

	2022	2021
Independent audit fee for the reporting period	321,000	229,200
Full certification fee for the reporting period	182,784	134,321
Total	**503,784**	**363,521**

Research and development expenses

	2022	2021
Personnel expenses	20,407,753	8,981,557
Depreciation and amortization charges	576,187	278,020
Rent expenses	1,317,453	570,713
Raw materials and supplies	803,129	112,153
Other	2,090,578	627,286
	25,195,100	**10,569,729**

NOTE 18 – EXPENSES BY NATURE (continued)

The functional breakdown of personnel expenses and depreciation and amortisation charges is as follows:

Personnel expenses

	2022	**2021**
Cost of sales	249,222,383	109,478,931
Marketing, sales and distribution expenses	159,158,677	61,614,820
General administrative expenses	61,372,229	31,287,397
Research and development expenses	20,407,753	8,981,557
	490,161,042	**211,362,705**

Depreciation and amortisation charges

	2022	**2021**
Marketing, sales and distribution expenses	101,603,154	47,918,231
General administrative expenses	34,187,273	19,319,521
Cost of sales	11,996,151	13,535,620
Research and development expenses	576,187	278,020
	148,362,765	**81,051,392**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**2022**	**2021**
Foreign exchange gains	122,942,868	132,813,212
Provisions no longer required (doubtful receivables)	1,070,572	11,901
Rediscount income (net)	34,564,893	10,549,150
Income arising from insurance claims	--	18,704,985
Provisions no longer required (lawsuits)	168,715	3,358,076
Other	--	2,182,926
	158,747,048	**167,620,250**

Other operating expenses	**2022**	**2021**
Foreign exchange losses	(100,959,815)	(39,078,901)
Provision for doubtful receivables	(1,524,651)	(9,590,307)
Provision for lawsuits	(4,081,429)	(2,592,953)
Other	(32,161,514)	(116,679)
	(138,727,409)	**(51,378,840)**

NOTE 20 - GAINS AND LOSSES FROM INVESTMENT ACTIVITIES

Gains from investment activities	**2022**	**2021**
Gain on sale of property, plant and equipment and intangible assets	25,286,343	1,687,082
	25,286,343	**1,687,082**

Losses from investment activities	**2022**	**2021**
Losses on sale of property, plant and equipment and intangible assets	(2,050,672)	(1,349,395)
Expected credit losses in accordance with the TFRS 9	(1,072,500)	(357,500)
	(3,123,172)	**(1,706,895)**

NOTE 21 – FINANCIAL INCOME/ (EXPENSES)

Financial income	**2022**	**2021**
Foreign exchange gains	125,057,210	18,160,210
Interest income	9,617,795	2,915,614
	134,675,005	**21,075,824**

Financial expenses	**2022**	**2021**
Foreign exchange losses	(208,195,499)	(161,128,793)
Interest expenses	(227,817,231)	(108,715,691)
	(436,012,730)	**(269,844,484)**

NOTE 22 – TAX ASSETS AND LIABILITIES

Doğanlar Mobilya and the subsidiaries operating in Turkey subject to corporate tax and Turkish tax legislation. Necessary provisions in the accompanying consolidated financial statements have been made for estimated tax liabilities regarding Group's operations in the current period.

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

The corporate tax to be accrued over the taxable profit is calculated by adding non-deductible expenses to the accounting profit; deducting investment and research and development allowances, income that is not subjected to taxation and the dividends received, from companies located in Turkey, from the accounting profit.

The corporation tax rate is 23% in Turkey in 2021 (2021: 25%). In the Official Gazette dated April 22, 2021 and numbered 31462, the Law No. 7316 on the procedure for the collection of public receivables and Law Amending Certain Laws has been published and the Provisional Article 13 has been added to the Corporate Tax Law with the 11th article of the stated Law. Corporate tax rate of 20% with the added item will ve applied as; - 25% for corporate earnings for the 2021 taxation period. - 23% for corporate earnings for the 2022 taxation period. The respective rate increase came into effect on April 22, 2021, starting from the declarations that must be submitted as of July 1, 2021 and to be valid for the corporate earnings for the taxation period starting from January 1, 2021. In accordance with the aforementioned revision, deferred tax assets and liabilities have been measured using the %23 and %20 tax rates for temporary differences that will be settled in years 2022 and beyond, respectively.

According to Turkish Corporate Tax Law, losses can be carried forward to offset the future taxable income for a maximum period of 5 years. On the other hand, such losses cannot be carried back to offset prior years profits. Moreover, the tax authorities have the right to examine the tax returns and the related accounting records within five years.

As of 31 December 2022 and 2021, current income tax assets is summarised as follows:

	31 December 2022	**31 December 2021**
Current income tax liabilities	--	--
Less: Prepaid income tax	1,320,530	850,290
Current income tax assets (net)	**1,320,530**	**850,290**

Income tax expenses in the consolidated income statements are summarised as follows:

	31 December 2022	**31 December 2021**
Current period tax expense	--	--
Deferred tax income/expense (net)	36,907,148	(18,487,909)
Tax income/(expense)	**36,907,148**	**(18,487,909)**

NOTE 22 – TAX ASSETS AND LIABILITIES (continued)

Deferred tax

The deferred tax assets and liabilities are based on the temporary differences, which arise between the consolidated financial statements prepared according to TAS/TFRS's accounting standards and statutory tax financial statements. These differences are usually due to the initial recognition of revenue and expenses in different reporting periods except goodwill for the TAS/TFRS standards and tax purposes.

As of 31 December 2022 and 2021, the breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Deferred tax assets:				
Unused financial losses	53,315	125,781,786	12,529	28,929,811
Investments incentives	252,949,673	14,965,000	50,589,935	2,993,000
Interest deductions from cash capital	10,901,302	13,642,814	2,180,260	2,728,563
Provision for doubtful receivables	34,284,605	16,610,148	6,856,921	3,322,030
Provision for unused vacation	20,947,521	10,575,663	4,189,504	2,115,133
Provision for warranty	13,372,943	6,814,190	2,674,589	1,362,838
Provision for employment termination benefits	50,960,335	6,328,524	10,192,067	1,265,705
Provision for lawsuits	10,211,559	6,298,845	2,042,312	1,259,769
Adjustments for TFRS 16	59,060,663	30,059,227	11,911,987	6,011,843
Provision for inventory impairment	5,070,136	21,624,497	999,410	4,324,899
Adjustments for TAS 21	1,605,067	8,923,925	321,177	2,052,503
Other	18,859,109	2,191,195	3,771,821	472,312
	478,276,228	**263,815,813**	**95,742,511**	**56,838,406**
Deferred tax liabilities:				
Property, plant and equipment and intangible assets	522,055,202	342,965,223	(87,241,791)	(60,744,660)
Effect of periodicity, net	85,391,916	49,268,535	(17,078,385)	(10,531,945)
Other	--	18,984,252	--	(3,796,851)
	607,447,118	**411,218,010**	**(104,320,176)**	**(75,073,456)**
Deferred tax assets/liabilities (net)	**1,085,723,347**	**675,033,823**	**(8,577,664)**	**(18,235,050)**

Unused financial losses:

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. A deferred tax asset is recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised.

NOTE 22 – TAX ASSETS AND LIABILITIES (continued)

As of 31 December 2022, the Group has recognised deferred tax asset amounting to TL 53.315 (31 December 2021: TL 125,781,786) over unused financial losses amounting to TL 12.529 (31 December 2021: TL 28,929,811)

The redemption schedule of carry forward tax losses which are not considered in deferred tax calculation is as follows:

	31 December 2022	31 December 2021
2023	--	77,740,568
2024	--	48,041,218
2026	53,315	
	53,315	**125,781,786**

Movements in deferred tax assets/(liabilities) are as follows:

	31 December 2022	31 December 2021
Beginning of the period - 1 January	(18,235,050)	**13,790,478**
Charge to the income statement	21,632,692	(18,487,909)
Property, plant and equipment revaluation surplus	(32,870,529)	(26,005,906)
Property, plant and equipment revaluation surplus offset from equity(*)	--	409,611
Property, plant and equipment revaluation decrease	7,458,345	580,451
Actuarial gains/losses on employment termination benefits	82,076	--
Gains/losses on hedges	(1,919,654)	11,478,225
End of the period - 31 December	**(23,852,120)**	**(18,235,050)**

As of 31 December 2022 and 2021, reconciliation of effective tax rate in the accompanying consolidated profit or loss statements is as follows:

	2022	2021
Profit before tax	142,927,005	44,244,106
Tax calculated at domestic tax rate (*)	(32,873,211)	(11,061,027)
Tax rate differences /changes	682,000	533,276
Non-deductible expenses, mey	(7,440,512)	(8,277,498)
Discount and Exception effect	12,319,336	--
Reduced Corporate Tax Effect	22,449,510	--
Other	41,770,025	317,340
	36,907,148	**(18,487,909)**

NOTE 22 – TAX ASSETS AND LIABILITIES (continued)

(*)In the Official Gazette dated April 22, 2021 and numbered 31462, the Law No. 7316 on the procedure for the collection of public receivables and Law Amending Certain Laws has been published and the Provisional Article 13 has been added to the Corporate Tax Law with the 11th article of the stated Law. Corporate tax rate of 20% with the added item will ve applied as; - 25% for corporate earnings for the 2021 taxation period. - 23% for corporate earnings for the 2022 taxation period. The respective rate increase came into effect on April 22, 2021, starting from the declarations that must be submitted as of July 1, 2021 and to be valid for the corporate earnings for the taxation period starting from January 1, 2021. In accordance with the aforementioned revision, deferred tax assets and liabilities have been measured using the %23 and %20 tax rates for temporary differences that will be settled in years 2022 and beyond, respectively.

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

The Group is subject to credit risk arising from trade receivables on term sales and bank deposits.

Except for credit risk of trade receivables, credit risk is managed at the Group level. Before each entity agrees with each new customer on standard payment, delivery terms and times, is responsible for managing and analyzing the credit risk of these customers. Credit risk include cash and cash equivalents and bank deposits, as well as including outstanding receivables and commitments from wholesale and retail customers.

The Group management evaluates the credit quality of its customers considering financial position, past experience and payment performances including other factors. The Group monitors the credit limits in order to avoid any concentration of collection loss on the trade receivable balances of its customers.

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2022	**Related Party**	**Other**	**Related Party**	**Other**	**Bank deposits and credit card receivables**	**Other**
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**2,494,909**	**411,917,621**	**6,495,128**	**59,304,367**	**294,274,774**	--
- Maximum risk, secured with guarantees	--	--	--	--	--	--
A, Net book value of neither past due nor impaired financial assets	2,494,909	226,230,381	6,495,128	59,304,367	294,274,774	--
B, Conditions are renegotiated otherwise, net book value of past due but not impaired financial assets	--	--	--	--	--	--
C – Net book value of overdue but not impaired financial assets	--	185,687,240	6,415,911	--	--	--
- Maximum risk secured with guarantees etc,	--	--	--	--	--	--
D, Net book value of impaired assets	--	--	--	--	--	--
- Past due (gross amount)	1,474,641	40,726,826	--	2,237,908	--	--
- Impairment (-)	(1,474,641)	(40,726,826)	--	(2,237,908)	--	--
E – Off-balance sheet expected credit losses (-)	--	--	--	--	--	--

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2021	**Related Party**	**Other**	**Related Party**	**Other**	**Bank deposits and credit card receivables**	**Other**
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	**312,066**	**245,033,285**	**3,247,788**	**40,642,497**	**49,158,026**	--
- Maximum risk, secured with guarantees	--	--	--	--	--	--
A, Net book value of neither past due nor impaired financial assets	312,066	172,691,550	--	40,642,497	49,158,026	--
B, Conditions are renegotiated otherwise, net book value of past due but not impaired financial assets	--	--	--	--	--	--
C – Net book value of overdue but not impaired financial assets	--	72,341,735	3,247,788	--	--	--
- Maximum risk secured with guarantees etc,	--	--	--	--	--	--
D, Net book value of impaired assets	--	--	--	--	--	--
- Past due (gross amount)	1,068,876	38,216,720	--	1,607,646	--	--
- Impairment (-)	(1,068,876)	(38,216,720)	--	(1,607,646)	--	--
E – Off-balance sheet expected credit losses (-)	--	--	--	--	--	--

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As of 31 December 2022 and 2021, the details of pastdue but not impaired trade receivables due from related parties and third parties is as follows:

	31 December 2022	31 December 2021
Past due up to 1 month	27,642,881	1,302,954
Past due 30 - 119 days	26,394,339	5,232,475
Past due 120 - 179 days	3,430,186	1,614,058
Past due 180 days and over	128,219,834	64,192,248
	185,687,240	**72,341,735**

Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. In the framework of liquidity risk management, funding sources are being diversified and sufficient cash and cash equivalents are held. In order to meet instant cash necessities it is ensured that the level of cash and cash equivalent assets does not fall below a predetermined portion of the current liabilities.

As of 31 December 2022 and 2021, undiscounted contractual cash flows of the consolidated financial liabilities are as follows:

31 December 2022	Carrying Value	Total Contractual Cash Outflows (I+II+III+IV)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-Derivative Financial Liabilities						
Bank Borrowings	833,661,624	953,883,409	153,905,905	274,009,395	459,975,303	65,992,805
Finance Lease Payables	58,175,373	62,503,378	9,391,507	24,368,245	28,743,626	-
Trade Payables	985,168,142	1,047,908,750	1,047,908,750	-	-	-
Other Payables (*)	10,728,417	10,728,417	5,920,904	-	4,807,513	-
Lease Liabilities	285,038,333	417,465,429	26,630,236	83,339,113	307,496,080	-
Total	**2,172,771,889**	**2,492,489,383**	**1,243,757,302**	**381,716,753**	**801,022,522**	**65,992,805**

31 December 2021	Carrying Value	Total Contractual Cash Outflows (I+II+III+IV)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-Derivative Financial Liabilities						
Bank Borrowings	623,876,452	705,530,034	156,853,776	210,184,074	338,492,184	--
Finance Lease Payables	2,338,876	34,796,634	3,679,455	11,147,854	19,969,325	
Trade Payables	499,188,711	524,714,439	524,714,439	--	--	--
Other Payables (*)	17,256,878	17,256,878	14,054,412	--	3,202,466	--
Lease Liabilities	189,418,833	260,539,834	15,051,508	44,091,182	199,336,566	2,060,578
Total	**1,332,079,750**	**1,542,837,819**	**714,353,590**	**265,423,110**	**561,000,541**	**2,060,578**

(*) Other payables due to related parties and third parties are included in other payables.

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk due to the changes in exchange rates used for converting assets and liabilities into TL. The difference between the foreign currency denominated and foreign currency indexed assets and liabilities of the Group are defined as the "Net foreign currency position" and it is the basis of the currency risk. The Group manages exchange rate risk is by analyzing the foreign exchange position and using the fair value hedge. Foreign currency denominated assets and liabilities are the basis of foreign exchange risk.

As of 31 December 2022 and 2021, the foreign exchange rates used in converting foreign currency denominated assets and liabilities into TL are as follows:

	31 December 2022	**31 December 2021**
USD	18.6852	13.3197
EUR	19.9209	15.0761

The Group is exposed to foreign exchange risk arising from assets and liabilities denominated in USD and EUR.

Derivative financial instruments

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk arising from trade receivables and payables and borrowings. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship and fair value hedge account.

If the Group management had implemented the aforementioned fair value transaction for the period of 1 January - 31 December 2022, the foreign exchange losses presented in the consolidated statement of profit or loss would have been TL 9.598.270, and the profit/loss after tax would have been TL 7.678.616 lower.

As of 31 December 2022 and 2021, the carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below.

	31 December 2022	**31 December 2021p**
Assets	159,218,829	154,907,859
Liabilities	(293,562,830)	(434,137,931)
Net foreign currency position	**(134,344,001)**	**(279,230,072)**

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

As of 31 December 2022 and 2021, foreign exchange position table of the Group is as follows:

	31 December 2022				31 December 2021			
	TL EQUIVALENT	**USD**	**EURO**	**OTHER**	**TL EQUIVALENT**	**USD**	**EURO**	**OTHER**
1. Trade Receivables	153,853,724	3,383,137	4,549,952	--	138,327,430	3,599,635	5,995,010	--
2a. Monetary Financial Assets	5,365,105	208,481	73,772	--	16,580,429	1,116,938	102,252	9,000
2b. Non-monetary financial assets	--	--	--	--	--	--	--	--
3. Other	--	--	--	--	--	--	--	--
4. Total Current Assets (1+2+3)	**159,218,829**	**3,591,618**	**4,623,723**	**--**	**154,907,859**	**4,716,573**	**6,097,262**	**9,000**
5. Trade Receivables	--	--	--	--	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--
8. Total Non-Current Assets(5+6+7)	--	--	--	--	--	--	--	--
9. Total Assets (4+8)	**159,218,829**	**3,591,618**	**4,623,723**	**--**	**154,907,859**	**4,716,573**	**6,097,262**	**9,000**
10. Trade Payables	39,241,825	1,406,501	637,183	4,930	(51,558,958)	(3,425,923)	(379,463)	--
11. Financial Liabilities	108,583,405	1,564,063	3,961,932	--	(150,278,954)	(2,033,686)	(8,131,488)	--
12a. Other Monetary Liabilities	13,341,595	568,620	133,707	--	(50,390,605)	(3,557,493)	(186,033)	--
12b. Other Non- Monetary Liabilities	--	--	--	--	--	--	--	--
13. Total Current Liabilities (10+11+12)	**161,166,825**	**3,539,184**	**4,732,822**	**4,930**	**(252,228,518)**	**(9,017,103)**	**(8,696,984)**	--
14. Trade Payables	--	--	--	--	--	--	--	--
15. Financial Liabilities	132,396,005	3,464,239	3,370,209	--	(181,909,413)	(5,686,624)	(6,993,798)	--
16a. Other Monetary Liabilities	--	--	--	--	--	--	--	--
16b. Other Non- Monetary Liabilities	--	--	--	--	--	--	--	--
17. Total Non-Current Liabilities (14+15+16)	**132,396,005**	**3,464,239**	**3,370,209**	--	**(181,909,413)**	**(5,686,624)**	**(6,993,798)**	--
18. Total Liabilities (13+17)	**293,562,830**	**7,003,423**	**8,103,031**	**4,930**	**(434,137,931)**	**(14,703,727)**	**(15,690,782)**	--
19. Off-Balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)	--	--	--	--	--	--	--	--
19a. Total Asset Amount of Hedged	--	--	--	--	--	--	--	--
19b. Total Liabilities Amount of Hedged	--	--	--	--	--	--	--	--
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	(134,344,001)	(3,411,805)	(3,479,308)	(4,930)	(279,230,072)	(9,987,153)	(9,593,520)	9,000
21. Monetary Items Net Foreign Exchange Asset / (Liabilities) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(134,344,001)	(3,411,805)	(3,479,308)	(4,930)	**(279,230,072)**	**(9,987,153)**	**(9,593,520)**	9,000
22. Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge	--	--	--		--	--	--	
23. Export	**314,125,532**	**13,967,418**	**4,672,159**	**419,778**	**215,701,873**	**11,355,499**	**4,217,861**	**--**
24. Import	**62,526,085**	**15,699**	**3,704,348**	**--**	**7,220,386**	**88,127**	**399,158**	**--**

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign exchange risk

The Group's foreign exchange position comprise of bank borrowings and trade payables. Borrowings denominated in foreign currencies are disclosed in Note 4.

The following table details the Group's foreign currency sensitivity of profit before tax with all other variables held constant for assets and liabilities denominated in USD, EUR and GBP (due to changes in monetary assets and liabilities) as at 31 December 2022 and 2021 for the changes at the rate of 10%:

31 December 2022	**Profit/Loss**	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
1- USD Net Asset / Liability	(6,427,482)	6,427,482
2- Hedged portion of USD Risk (-)	--	--
3- USD Net Effect (1+2)	**(6,427,482)**	**6,427,482**
Change in EURO against TL by 10%		
4- EURO Net Asset / Liability	(6,995,757)	6,995,757
5- Hedged portion of Euro Risk (-)	--	--
6- EURO Net Effect (4+5)	**(6,995,757)**	**6,995,757**
Change in GBP against TL by 10%		
7- GBP Net Asset / Liability	(11,162)	11,162
8- Hedged portion of GBP Risk (-)	**--**	**--**
9- GBP Net Effect (7+8)	**(11,162)**	**11,162**
Total (3+6+9)	**(13,434,400)**	**13,434,400**

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31 December 2021	**Profit/Loss**	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
1- USD Net Asset / Liability	(13,381,107)	13,381,107
2- Hedged portion of USD Risk (-)	--	--
3- USD Net Effect (1+2)	**(13,381,107)**	**13,381,107**
Change in EURO against TL by 10%		
4- EURO Net Asset / Liability	(14,558,059)	14,558,059
5- Hedged portion of Euro Risk (-)	--	--
6- EURO Net Effect (4+5)	**(14,558,059)**	**14,558,059**
Change in GBP against TL by 10%		
7- GBP Net Asset / Liability	16,159	(16,159)
8- Hedged portion of GBP Risk (-)	**--**	**--**
9- GBP Net Effect (7+8)	**16,159**	**(16,159)**
Total (3+6+9)	**(27,923,007)**	**24,339,016**

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31.12.2022

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Book value	Notes
Financial assets						
Cash and cash equivalents	294,333,290	-	-	-	294,333,290	3
Financial investments	-	-	9,469,958	-	9,469,958	11
Trade receivables	411,917,621	-	-	-	411,917,621	5
Due from related parties	8,990,037	-	-	-	8,990,037	6
Other receivables	59,304,367	-	-	-	59,304,367	7
Derivative financial assets				-		
	774,545,315	**-**	**9,469,958**	**-**	**784,015,273**	
Financial liabilities						
Borrowings	-	1,176,875,330	-	-	1,176,875,330	4
Trade payables	-	985,168,142	-	-	985,168,142	5
Due to related parties	-	-	-	-	-	
Derivative financial liabilities	-	-	-	-	-	
	-	**2,162,043,472**	**-**	**-**	**2,162,043,472**	

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31.12.2021

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Book value	Notes
Financial assets						
Cash and cash equivalents	49,168,829	-	-	-	49,168,829	3
Financial investments	-	-	9,519,979	-	9,519,979	11
Trade receivables	245,033,285	-	-	-	245,033,285	5
Due from related parties	3,559,854	-	-	-	3,559,854	6
Other receivables	40,062,497	-	-	-	40,062,497	7
Derivative financial assets				-		
	337,824,465	**-**	**9,519,979**	**-**	**347,344,444**	
Financial liabilities						
Borrowings	-	845,634,161	-	-	845,634,161	4
Trade payables	-	499,188,711	-	-	499,188,711	5
Due to related parties	-	-	-	-	-	
Derivative financial liabilities	-	-	-	-	-	
	-	**1,344,822,872**	**-**	**-**	**1,344,822,872**	

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

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

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

Financial assets

Carrying values of significant portion of cash and cash equivalents and other financial assets including fair value of financial assets measured at amortised cost are assumed to reflect their fair values due to their short-term nature and insignificant credit risk.

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market prices are used in determining the fair value of equity securities and debt instruments:

31.12.2022	Level 1	Level 2	Level 3	Total
Financial Assets	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Investments	-	-	9,519,979	9,519,979
Investment Properties	-	-	-	-

31.12.2021	Level 1	Level 2	Level 3	Total
Financial Assets	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Investments	-	-	9,519,979	9,519,979
Investment Properties	-	-	-	-

The classification of the Group's consolidated financial assets and liabilities at fair value is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities: The fair value of financial assets and financial liabilities are determined with reference to quoted market prices

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

Level 3: Inputs for the asset or liability that are not based on observable market data.

NOTE 24 - SUPPLEMENTARY TFRS DISCLOSURES

Earnings Before Interest, Taxes and Depreciation ("EBITDA") are not defined by TFRS. EBITDA has been calculated by the Group by less financial income from the net profit / (loss) for the period and adding tax income / (expense), depreciation and amortization, financial expenses, provision for employment termination benefits and unused vacation. EBITDA disclosed separately by the Group management for better explanation and measurement and operating performance of the Group.

	2022	2021
Revenue	3,831,311,833	1,744,206,723
Cost of Sales (-)	(2,422,078,267)	(1,172,240,465)
Gross Profit	**1,409,233,566**	**571,966,258**
General Administrative Expenses (-)	(162,384,081)	(80,293,740)
Marketing, Sales and Distribution Expenses (-)	(819,572,465)	(304,311,620)
Research and Development Expenses	(25,195,100)	(10,569,729)
Depreciation and Amortisation Charges (Note 18)	148,362,765	81,051,392
EBITDA	**550,444,685**	**257,842,561**

NOTE 25 – EARNINGS PER SHARE

	2022	**2021**
Weighted average number of shares with nominal value of Kr 1 each **(*)**	35,000,000,000	35,000,000,000
Profit attributable to equity holders of the parent	179,849,827	25,757,797
Earnings per share (Kr)	**0.0051**	**0.0007**
Diluted earnings per share (Kr)	**0.0051**	**0.0007**

NOTE 26 - THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR ARE REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE CONSOLIDATED FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.

NOTE 27 - EVENTS AFTER THE BALANCE SHEET DATE

1. In accordance with the Board of Directors decision dated 17.02.2023 regarding the repurchase of Doğanlar Mobilya Group shares, the following decisions were taken and announced on the Public Disclosure Platform.
2. i) Within the framework of our Company's Board of Directors decision dated 23.05.2018 and numbered 83/32, the transactions regarding the repurchase of the Company's shares traded in Borsa Istanbul were terminated, and the share repurchase transactions to be carried out by our Company as of the date of this Board of Directors decision will be completed by the Capital Markets Board on 14.02. To be carried out within the framework of the announcement dated 2023 and the decision of the Board of Directors herein,
3. ii) Since the price of our Company's shares traded does not reflect the actual performance of our Company's activities, in order to protect the shareholders, to ensure that our share price is consistently consistent with its real value, and to maintain the trust of our investors in our Company, Capital Markets Board's Communiqué on Repurchased Shares numbered II-22.1 and 14.02. To carry out share buyback transactions within the framework of its announcement dated 2023,
4. iii) To determine the fund to be set aside for the share repurchase as maximum TL 50.000.000 to be met from our Company's own resources, and to determine the maximum number of shares to be repurchased as 5.000.000,
5. iv) To make necessary material disclosures on the Public Disclosure Platform regarding share buyback transactions, and to present the issue to the information of the shareholders by taking the issue to the agenda at the first General Assembly meeting to be held,
6. v) In case the repurchased shares are not sold for 30 days as of the date of this announcement, and if the amount of the repurchased shares does not exceed ten percent of the paid-in capital of our Company, they are kept until the Board of Directors decision is taken to dispose of these shares, and the value of these shares exceeds 10% of the paid-in capital of the Company, if it is disposed of within a maximum of 3 (three) years and
7. vi) It has been decided to determine the maximum period foreseen for the share repurchase transactions to be realized as 3 (three) years, starting from the date of our Company's Board of Directors decision dated 17.02.2023.

NOTE 28 - SUPPLEMENTARY CASH FLOW INFORMATION

	Loans and Credit Cards	Leases	Total
Beginning of the Period – 1 January 2022	**623,876,452**	**189,418,833**	**813,295,285**
Cash inflows	267,960,545	95,619,500	363,580,045
Cash outflows from lease liabilities	--	--	--
End of the period – 31 December 2022	**891,836,997**	**285,038,333**	**1,176,875,330**
Cash and cash equivalents (-)	-	-	(294,333,290)
Borrowings, net			**882,542,040**

	Loans and Credit Cards	Leases	Total
Beginning of the Period – 1 January 2021	**492,956,338**	**91,400,191**	**584,356,529**
Cash inflows	130,920,114	98,018,642	228,938,756
Cash outflows from lease liabilities	--	--	--
End of the period – 31 December 2021	**623,876,452**	**189,418,833**	**813,295,285**
Cash and cash equivalents (-)	-	-	(49,168,829)
Borrowings, net			**764,126,456**