**(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

# ANATOLIA TANI VE BİYOTEKNOLOJİ ÜRÜNLERİ AR-GE SANAYİ VE TİCARET A.Ş. AND GROUP COMPANIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMER 2021 TOGETHER WITH THE INDEPENDENT AUDITOR’S REPORT

Grant Thornton

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders and the Board of Directors of**
**Anatolia Tanı Ve Biyoteknoloji Ürünleri**
**Araştırma Geliştirme Sanayi Ve Ticaret A.Ş.**
**İstanbul**

**Eren Bağımsız Denetim A.Ş.**
Maslak,Eski Büyükdere Cad.
No.14 Kat :10
34396 Sarıyer /İstanbul,Turkey

T + 90 212 373 00 00
F + 90 212 291 77 97
www.grantthornton.com.tr

## Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Anatolia Tanı Ve Biyoteknoloji Ürünleri Araştırma Geliştirme Sanayi ve Ticaret A.Ş. ("the Company" or "Anatolia") and its subsidiaries (all together "the Group"), which comprise the consolidated balance sheet as of 31 December 2021 and the accounting period ended on the same date; the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

In our opinion, the financial consolidated statements present fairly, in all material respects, the financial position of Anatolia Tanı Ve Biyoteknoloji Ürünleri Araştırma Geliştirme Sanayi ve Ticaret A. Ş. as of 31 December 2021 and their financial performance and their cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

### Basis for Opinion

Our independent audit completed in accordance with the independent auditing standards published by the Independent Auditing Standards ("IAS"), which are part of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

We would like to draw your attention to Note 34, which includes the possible effects and consequences of the COVID-19 outbreak on the Group. However, this does not affect the opinion given by us.

**Key Audit Matters**

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

By us, the matters described below have been identified as key audit matters and reported in our report.

| Key Audit Matters | How the Key Audit Matter was Handled in the Audit |
|---|---|
| **Revenue recognition** | |
| The revenue of the Group within the scope of its main activity consists of the sales revenues of the diagnostic kits and devices that it manufactures and sells.<br><br>Revenue has been identified as a key audit matter as it is an important measurement criterion in terms of evaluating the results of the strategy implemented during the year and monitoring the performance, and inherently contains risks arising from fraud and error.<br><br>As of 31 December 2021, the Group's sales revenue is TL 410.109.510, and explanations regarding the relevant accounting policies are given in Note 2.6, Note 3 and Note 24. | During our audit, the following audit procedures were applied regarding the recording of revenue.<br><br>The design, implementation and testing of internal controls related to the revenue process were evaluated. The internal controls applied by the Group regarding the sales process were tested by sampling method to cover information processing processes.<br><br>The substantive procedures focus on assessing cases where income is invoiced but not earned. To test the completeness and accuracy of the transactions selected by the sampling method and whether they are recorded in the correct period, sales contracts based on customers, calculation tables of commission income and income records are compared with sales invoices.<br><br>In addition, the adequacy of the disclosures in the Revenue note in Note 24 has been evaluated by us within the scope of TFRS 15.<br><br>As a result of the procedures, we have implemented regarding the revenue process, no material inaccuracies or errors have been encountered in recording the revenue. |

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

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

In preparing the financial statements, management is responsible for assessing the 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's 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 aim is to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IAS (of Turkey) 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 based on these financial statements.

As part of an audit in accordance with IAS (of Turkey), we exercise professional judgment and maintain professional scepticism throughout the audit. We are 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 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 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.

Among the matters communicated to those charged with governance, we identify the most important matters, namely the key audit matters, in the independent audit of the current period's financial statements. In cases where the legislation does not allow the disclosure of the matter to the public, or in exceptional cases where the negative consequences of public disclosure are reasonably expected to exceed the public interest arising from the disclosure, we may decide not to disclose the relevant matter in our independent auditor's report.

**Report on Other Legal and Regulatory Requirements**

1. In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January – 31 December 2021 does not comply with TCC and the provisions of the Group's articles of association in relation to financial reporting.

2. 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.

3. Company shares started to be traded on the Borsa Istanbul Main Market for the first time as of 20.10.2021. Within the framework of the Company's Corporate Governance Communiqué, the process of compliance with the Corporate Governance Principles continues until the first General Assembly to be held after the shares are traded on the stock exchange. For this reason, as of the report date, the "Early Detection of Risk System and Committee" has not been established yet, and there is no "Auditor's Report on the Early Detection of Risk System and Committee" prepared in accordance with the fourth paragraph of Article 398 of the TCC.

The engagement partner who conducted and concluded this independent audit is Nazım Hikmet.

Eren Bağımsız Denetim A.Ş.
Member Firm of Grant Thonton International

Nazım HİKMET
Partner

İstanbul, 03.03.2022

**<u>CONTENTS</u>**

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

| **ASSETS** | ***Notes*** | **Audited 31 December 2021** | **Audited 31 December 2020** |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 462.412.511 | 135.483.739 |
| Financial investments | 6 | 51.880.614 | -- |
| Trade receivables | 7 | 99.028.927 | 56.087.138 |
| - *Due from related parties* | *8* | *306.490* | *9.810* |
| - *Due from third parties* | | *98.722.437* | *56.077.328* |
| Other receivables | 9 | 2.060.174 | 57.099.180 |
| - *Other receivables from related parties* | *8* | -- | *55.804.366* |
| - *Other receivables from third parties* | | *2.060.174* | *1.294.814* |
| Inventories | 10 | 64.909.737 | 45.595.454 |
| Prepaid expenses | 11 | 6.043.952 | 2.923.201 |
| Current tax assets | | 3.711.454 | -- |
| Other current assets | 12 | 17.981.526 | 19.054.954 |
| **TOTAL CURRENT ASSETS** | | **708.028.895** | **316.243.666** |
| **Non-current Assets** | | | |
| Property, plant, and equipment | 13 | 128.727.584 | 63.709.496 |
| Right use of assets | 15 | 45.813 | 809.072 |
| Intangible assets | 14 | 22.848.843 | 14.465.950 |
| Prepaid expenses | 11 | 123.051 | 59.451 |
| Deferred tax assets | 21 | -- | 467.911 |
| **TOTAL NON-CURRENT ASSETS** | | **151.745.291** | **79.511.880** |
| **TOTAL ASSETS** | | **859.774.186** | **395.755.546** |

| **LIABILITIES** | ***Notes*** | **Audited 31 December 2021** | **Audited 31 December 2020** |
|---|---|---|---|
| **Current Liabilities** | | | |
| Short-term borrowings | 17 | 451.058 | 21.696.567 |
| Short-term portion of long-term borrowings | 17 | 2.024.805 | 3.382.323 |
| Lease liabilities | 16 | -- | 645.573 |
| Trade payables | 7 | 7.867.118 | 2.976.579 |
| - *Due to related parties* | *8* | *863.735* | *82.697* |
| - *Due to third parties* | | *7.003.383* | *2.893.882* |
| Payables within benefit to employees | 20 | 3.821.726 | 3.088.584 |
| Other Payables | 9 | 496.700 | 34.451 |
| - *Due to third parties* | | *496.700* | *34.451* |
| Deferred income | 11 | 3.616.933 | 770.838 |
| Taxes payable on income | 21 | -- | 13.269.414 |
| Provisions | | 762.709 | 421.363 |
| *- Provisions for employee benefits* | *18* | *762.709* | *421.363* |
| Other current liabilities | 12 | 8.961.934 | 8.585.814 |
| **TOTAL CURRENT LIABILITIES** | | **28.002.983** | **54.871.506** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 17 | 1.275.174 | 4.320.993 |
| Lease liabilities | 16 | -- | 190.337 |
| Long-term provisions | | 1.610.518 | 359.146 |
| *- Long-term provisions for employee benefits* | *18* | *1.610.518* | *359.146* |
| Deferred tax liabilities | 21 | 3.093.219 | -- |
| **TOTAL NON-CURRENT LIABILITIES** | | **5.978.911** | **4.870.476** |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | **766.737.481** | **309.902.031** |
| Share capital | 22 | 110.000.000 | 15.000.000 |
| Share premiums | | 215.000.000 | -- |
| Accumulated comprehensive income and expense | | | |
| - *Expense not to be reclassified to profit or loss* | | (167.170) | 115.448 |
| - *Expense to be reclassified to profit or loss* | | 9.268.122 | 1.131.960 |
| Legal reserves | | 8.738.235 | 62.632 |
| Retained earnings | | (9.433.313) | 195.554 |
| Profit for the period | | 433.331.607 | 293.396.437 |
| **Non-controlling interests** | **22** | **59.054.811** | **26.111.533** |
| **TOTAL SHAREHOLDER’S EQUITY** | | **825.792.292** | **336.013.564** |
| **TOTAL LIABILITIES** | | **859.774.186** | **395.755.546** |

| | *Notes* | **Audited 1 January- 31 December 2021** | **Audited 1 January- 31 December 2020** |
|---|---|---|---|
| Revenue | 24 | 410.109.510 | 421.560.902 |
| Cost of sales (-) | 24 | (51.426.497) | (48.233.435) |
| **GROSS PROFIT** | | **358.683.013** | **373.327.467** |
| | | | |
| General administrative expenses (-) | 26 | (15.047.068) | (6.181.687) |
| Selling and marketing expenses (-) | 25 | (26.606.393) | (16.122.372) |
| Research and development expenses (-) | 27 | (967.917) | (1.187.663) |
| Other operating income | 29 | 46.328.119 | 14.788.202 |
| Other operating expenses (-) | 29 | (22.586.073) | (14.391.872) |
| **OPERATING PROFIT** | | **339.803.681** | **350.232.075** |
| | | | |
| Finance income | 30 | 177.694.703 | 13.445.980 |
| Finance expenses (-) | 30 | (55.239.219) | (3.963.787) |
| **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS** | | **462.259.165** | **359.714.268** |
| | | | |
| **Tax Income / (Expense) of Continuing Operations** | | | |
| Tax expenses | | (15.253.172) | (44.567.775) |
| Deferred tax expense / incomes | 21 | (3.631.785) | 635.301 |
| **PROFIT FROM CONTINUING OPERATIONS** | | **443.374.208** | **315.781.794** |
| **NET PROFIT FOR THE PERIOD** | | **443.374.208** | **315.781.794** |
| **Profit/(loss) attributable to:** | | | |
| Non-controlling interests | | 10.042.601 | 22.385.357 |
| Equity holders of the parent | | 433.331.607 | 293.396.437 |
| | | **443.374.208** | **315.781.794** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Not to be reclassified to profit or loss, before tax** | | | |
| - *Gain /loss arising from defined benefits plan* | | *(353.273)* | *226.123* |
| **To be reclassified to profit or loss, before tax** | | | |
| - *Currency translation differences* | | *31.036.839* | *4.079.026* |
| **Total other comprehensive income, before tax** | | **30.683.566** | **4.305.149** |
| **Other comprehensive income, total tax effect** | | | |
| - Not to be reclassified to profit or loss other comprehensive income, tax effect | | | |
| - *Deferred tax income/(expense)* | | *70.655* | *(45.224)* |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **30.754.221** | **4.259.925** |
| **TOTAL COMPREHENSIVE INCOME** | | **474.128.429** | **320.041.719** |
| **Attributable to:** | | | |
| Equity holders of the parent | | 441.185.151 | 294.589.295 |
| Non-controlling interests | | 32.943.278 | 25.452.424 |
| | | | |
| Earnings per share (Nominal value per TL 1) | 23 | 5,7232 | 3,8750 |

**Anatolia Tanı ve Biyoteknoloji Ürünleri Ar-Ge Sanayi Ticaret A.Ş. and Group Companies**

Consolidated Statement of Changes in Share Holder's Equity as of 1 January - 31 December 2021 and 2020

(Amounts expressed in TL unless otherwise indicated.)

| | | | **Other comprehensive income** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Premiums/ Discounts on Shares** | **Items that will never be reclassified to profit or loss** | **Items that will be reclassified to profit or loss** | **Legal reserve** | **Retained earnings** | **Profit for the period** | **Equity attributable to owners of the Company** | **Non-controlling interests** | **Total equity** |
| **Balance at 1 January 2020** | **1.600.000** | **--** | **(65.451)** | **120.001** | **62.632** | **7.493.784** | **6.993.608** | **16.204.574** | **1.117.557** | **17.322.131** |
| Transfers | -- | -- | -- | -- | -- | 6.993.608 | (6.993.608) | -- | -- | -- |
| Total comprehensive income | -- | -- | 180.899 | 1.011.959 | -- | -- | 293.396.437 | 294.589.295 | 25.452.424 | 320.041.719 |
| Capital Increase | 13.400.000 | -- | -- | -- | -- | (13.400.000) | -- | -- | -- | -- |
| Dividends | -- | -- | -- | -- | -- | (1.529.412) | -- | (1.529.412) | -- | (1.529.412) |
| Other payments to shareholders excluding dividends | -- | -- | -- | -- | -- | -- | -- | -- | (458.448) | (458.448) |
| Increase/ (decrease) due to other changes | -- | -- | -- | -- | -- | 637.574 | -- | 637.574 | -- | 637.574 |
| **As of 31 December 2020** | **15.000.000** | **--** | **115.448** | **1.131.960** | **62.632** | **195.554** | **293.396.437** | **309.902.031** | **26.111.533** | **336.013.564** |
| **Balance at 1 January 2021** | **15.000.000** | **--** | **115.448** | **1.131.960** | **62.632** | **195.554** | **293.396.437** | **309.902.031** | **26.111.533** | **336.013.564** |
| Transfers | -- | -- | -- | -- | -- | 293.396.437 | (293.396.437) | -- | -- | -- |
| Total comprehensive income | -- | -- | (282.618) | 8.136.162 | -- | -- | 433.331.607 | 441.185.151 | 32.943.278 | 474.128.429 |
| Capital increase | 85.000.000 | -- | -- | -- | (15.705.120) | (69.294.880) | -- | -- | -- | -- |
| Increase due to share basis transactions | 10.000.000 | 215.000.000 | -- | -- | -- | -- | -- | 225.000.000 | -- | 225.000.000 |
| Dividends | -- | -- | -- | -- | 24.380.723 | (234.380.723) | -- | (210.000.000) | -- | (210.000.000) |
| Increase/ (decrease) due to other changes | -- | -- | -- | -- | -- | 650.299 | -- | 650.299 | -- | 650.299 |
| **As of 31 December 2021** | **110.000.000** | **215.000.000** | **(167.170)** | **9.268.122** | **8.738.235** | **(9.433.313)** | **433.331.607** | **766.737.481** | **59.054.811** | **825.792.292** |

| | Notes | Audited<br>1 January-<br>31 December 2021 | Audited<br>1 January-<br>31 December 2020 |
|---|---|---|---|
| **A. Cash flow from Operating activities** | | **390.277.147** | **235.471.254** |
| Income for the period | | 443.374.208 | 315.781.794 |
| ***Adjustments to reconcile cash flow generated from operating activities:*** | | **11.141.294** | **51.313.991** |
| Depreciation and amortization | 13,14,15 | 9.899.049 | 5.459.333 |
| Provisions for doubtful trade receivables | 7 | 3.817.734 | 4.178.459 |
| Provisions for severance pay | 18 | 898.099 | 198.151 |
| Provisions for unused vacation | 18 | 341.346 | 207.021 |
| Unrealized foreign currency (income) / loss | | (14.959.085) | (3.333.161) |
| Tax Income / Expense | 21 | 18.884.957 | 43.932.474 |
| Net financial expenses | 30 | (7.740.806) | 671.714 |
| **Changes in working capital:** | | **(64.238.355)** | **(131.624.531)** |
| Change in trade and other receivables | | (33.524.883) | (50.774.170) |
| Change in inventories | | (19.314.283) | (41.053.166) |
| Change in other current and non-current asset | | 1.073.428 | (18.506.261) |
| Change in trade payables | | 9.352.788 | 1.295.694 |
| (Increase) decrease in prepaid expenses | | (3.184.351) | (2.219.085) |
| Change in payables related to employee benefits | | 733.142 | 2.852.958 |
| Change in other liabilities | | 3.222.215 | 8.098.004 |
| **Cash flows from operating activities:** | | | |
| Tax Payment | 21 | (22.596.411) | (31.318.505) |
| **B. Cash flows from investing activities** | | **(106.311.168)** | **(67.469.831)** |
| Acquisition from procurement of property and equipment and intangible assets | 13,14,15 | (77.433.499) | (69.594.372) |
| Proceeds from sales of property and equipment and intangible assets | | 193.619 | 459.785 |
| Interest received | 30 | 9.808.712 | 1.664.756 |
| Financial investments received | 6 | (38.880.000) | -- |
| **C. Cash flows from financing activities** | | **42.962.793** | **(34.881.495)** |
| Proceeds from loans | | -- | 36.947.506 |
| Acquisition on loan repayments | | (25.648.846) | (11.353.006) |
| Change in other receivables from related parties | | 55.804.366 | (55.804.366) |
| Acquisition on lease repayments | | (124.821) | (805.747) |
| Cash inflows from the issuance of shares | | 225.000.000 | -- |
| Dividends paid | | (210.000.000) | (1.529.412) |
| Interests paid | 30 | (2.067.906) | (2.336.470) |
| **Net (decrease) / increase in cash and cash equivalents (A+B+C)** | | **326.928.772** | **133.119.928** |
| **D. Cash and cash equivalents at January 1** | | **135.483.739** | **2.363.811** |
| **Cash and cash equivalents at December 31 (A+B+C+D)** | **5** | **462.412.511** | **135.483.739** |

## 1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

The main field of Anatolia Tanı ve Biyoteknoloji Ürünleri Araştırma Sanayi ve Ticaret A.Ş ("Company" or "Anatolia") and its subsidiaries (collectively "The Group"), is producing kits, installation of robots, developing software and designing of devices for research of real-time PCR and such as DNA sequencing and DNA/RNA Isolation techniques.

Exporting its developed products to more than 50 countries in Europe, Asia, Africa and America, the Group is the first and only Turkish manufacturer company invited by the World Health Organization to determine new global test reference standards on four different viruses ("WHO Collaborative Study").

As of the 31 December 2021 and 2020 the total number of employees of the Group is 138 and 87 respectively.

The company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("BIST") as of 2021. As of 31 December 2021, the Company has 20.90% of shares registered in BIST (Note 22).

The final control of the Group belongs to Elif Akyüz and Alper Akyüz.

The company is registered in Turkey, its registered address and R&D Departments are as follows:

Hasanpaşa Mh. Beydağı Sk. No:1-9H, Sultanbeyli, İstanbul, Turkey.

The Group has a free zone branch at Aydınlı SB Mahallesi, Matraş Caddesi, No:18/Z02, Tuzla / Istanbul.

The Group carries out production in its head office and free zone branches.

**Subsidiaries**

As of 31 December 2021, the subsidiaries subject to the consolidated financial statements, the countries in which they operate, and their fields of activity are as follows:

| Subsidiaries | Country | Main Activity |
|---|---|---|
| Alpha IVD SRL ("Alpha") | Italy | Trading of test kits, devices and software in the field of molecular biology |
| Euronano Diagnostics (Private) Limited ("Euronano") | Pakistan | Trading of test kits, devices and software in the field of molecular biology |

Alpha and Euronano were founded by Anatolia, Elif Akyüz and Alper Akyüz in 2017 and 2018, respectively.

(*) The commercial title of Alpha IVD S.r.l (Ltd.) has been changed and announced in the trade registry gazette as Alpha IVD S.p.A (A.Ş.) due to its new restructuring regarding the current business volume and business plans for the coming years.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. Basis of presentation

**Accounting policies**

The accompanying consolidated financial statements are prepared in accordance with the announcement of the Capital Markets Board ("CMB") "Communiqué on Principles Regarding Financial Reporting in the Capital Markets" ("Communiqué") No. II-14.1 published in the Official Gazette dated 13.06.2013 and numbered 28676 and Turkish Financial Reporting Standards (''TFRS'') published by Public Oversight Accounting and Auditing Standards Board ("POA").

TASs; Turkish Accounting Standards, includes Turkish Financial Reporting Standards ("TFRS") and related annexes and comments.

Consolidated financial statements are presented in accordance with the "TFRS Taxonomy" published by POA dated on 15 April 2019 and Financial Statement Examples and User Guide published by CMB.

**Approval of consolidated financial statements**

Consolidated financial statements as of 1 January - 31 December 2021 have been approved by the Board of Directors and authorized for publication on 3 March 2022. The General Assembly of the Company and the relevant regulatory authorities have the right to request the amendment of the consolidated financial statements after the publication of the consolidated financial statements.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Comparative Information and Correction of Prior Financial Statements**

The current period consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. Comparative information is reclassified when deemed necessary in order to comply with the presentation of the current period consolidated financial statements

**Preparation of Financial Statements in Hyperinflationary Economies**

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005, no:29 “Financial reporting in Hyperinflationary Economies” (“TAS 29”) was not applied.

**Functional and presentation currency**

The Group prepares and maintains its legal books and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), accounting principles set forth by tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The valid currency of the Group is Turkish Lira ("TL"). These consolidated financial statements are presented in TL, which is the valid currency of the Group.

**Financial statements of subsidiaries operating in countries other than Turkey**
Subsidiaries in foreign country assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. The retranslation of net assets at the beginning of the period and the exchange differences which resulting from the using of average exchange rates are followed on differences of foreign currency translation account within shareholders' equity.

**Netting/Offsetting**

Financial assets and liabilities are shown in net, if the required legal right already exists, there is an intention to pay the assets and liabilities on a net basis, or if there is an intention to realize the assets and the fulfilment of the liabilities simultaneously.

### 2.2. Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period consolidated financial statements are restated.

### 2.3. Restatement and Errors in the Accounting Policies and Estimates

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. There was no significant change in accounting estimates of the Group in the current year. The detected significant accounting errors are applied retrospectively, and prior period consolidated financial statements are restated.

### 2.4. Going concern

The consolidated financial statements prepared on a going concern basis, with the assumption that the Group will benefit from its assets and fulfil its obligations in the next year and in the natural course of its activities.

### 2.5. New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at 31 December 2021 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TAS”)/TFRS and IFRIC interpretations effective as of 1 January, 2021. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

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

**Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:

i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting,
ii) clarify the explanation of the definition of material and
iii) incorporate some of the guidance in IAS 1 about immaterial information.
This change does not have any impact on the Group’s financial performance.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5. New and amended standards and interpretations (Continued)

**Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This change does not have any impact on the Group's financial performance.

**Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. This change does not have any impact on the Group's financial performance.

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 January 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change does not have any impact on the Group's financial performance.

**Standards, amendments and interpretations that are issued but not effective as of 31 December 2021:**

**Reference to the Conceptual Framework (Amendments to TFRS 3)**

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.
The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

**Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)**

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 New and amended standards and interpretations (continued)

**Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)**

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was **issued** on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

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

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
(c) Clarifying how lending conditions affect classification; and
(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

**Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (continued)**

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group does not expect that application of these amendments to IAS 1 will have significant impact on its consolidated financial statements.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 New and amended standards and interpretations (continued)

**Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes**

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its consolidated financial statements.

**Definition of Accounting Estimates (Amendments to TAS 8)**

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group does not expect that application of these amendments to Amendments to TAS 8) will have significant impact on its consolidated financial statements.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.5 New and amended standards and interpretations (continued)

**Disclosure of Accounting Policies (Amendments to TAS 1)**

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to TAS 1) will have significant impact on its consolidated financial statements.

### 2.6. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

**Consolidation Principles**

*Full Consolidation:*

Consolidated financial statements include the financial statements of the subsidiary managed by the Group in Note 1.

Subsidiaries are consolidated using the full consolidation method from the date on which the control passes to the Group. They are excluded from the scope of consolidation as of the date of loss of control.

As of 31 December 2021 and 2020, the subsidiaries consolidated within the Parent Company have been consolidated using the "full consolidation method" since the control power belongs to the Group.

The applied principles of consolidation as below:

(i) The balance sheets and income statements of the subsidiaries are consolidated one by one for each item and the carried net book value of the investment, which is owned by the Parent Company, is eliminated with the related equity items. The intra-group transactions, the remaining profit margins balances in the balance sheets which between the Parent Company and its subsidiaries, are eliminated.

(ii) Operating results of subsidiaries are included in the consolidation effective from the date on which the said company controls are transferred to the Parent Company.

(iii) Non-controlling interests in net assets and operating results of subsidiaries are presented separately as non-controlling interests in the consolidated balance sheet and consolidated income statement.

The following table shows the subsidiaries, total shares of owned and effective partnership ratios as of 31 December 2021:

| **Subsidiaries** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Alpha IVD SRL (“Alpha”) (*) | 23,33% | 23,33% |
| Euronano Diagnostics (Private) Limited (“Euronano”) | 99,99% | 99,99% |

(*) Although the ownership rate of the company is 50% or less, control power can be obtained with the remaining votes belonging to Elif Akyüz and Alper Akyüz, who are also the controlling shareholders of Anatolia. Elif Akyüz and Alper Akyüz declared that they will use their voting rights in line with Anatolia.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Related Parties**

To the accompanying consolidated financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group is referred to as related parties.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). To consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents because of a specific event, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectations for the future indications.

**Trade Receivables and Allowance for Doubtful Receivables**

Trade receivables that are created by the Group by way of providing goods or services in the ordinary course of business directly to a debtor are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for impairment. Short-term trade receivables with no specific interest rates are measured at original invoice amount if the effect of interest accrual is unsignificant.

**Trade Receivables and Allowance for Doubtful Receivables**

*Impairment*

IAS 39, “Financial Instruments” valid before 1 January 2018: Instead of “realised credit losses model” in Accounting and Measurement Standard, “expected credit loss model” was defined in IFRS 9 “Financial Instruments” Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

**Trade Payables**

Trade payables are stated at their nominal value, discounted to present value as appropriate.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Costs comprise direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies

**Property, plant and equipment and related depreciation**

Property, plant, and equipment are carried at acquisition cost, less any accumulated depreciation and any impairment loss Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided on the restated amounts of property, plant and equipment on a pro-rata basis. Profit and loss arising out of the sale of property, plant and equipment are included in the other income and expense accounts. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred.

Cost amounts of property, plant and equipment, other than the lands and construction in progress are subject to depreciation by using systematic pro-rata basis using the straight-line method in accordance with their expected useful life.

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

| | Year |
|---|---|
| Buildings | 50 |
| Machinery and Equipment | 4-14 |
| Motor vehicles | 5-10 |
| Furniture and Fixtures | 4-10 |
| Leasehold improvements | 10-20 |

**Right – of - use assets**

The Group recognizes right-of-use assets at the beginning date of the lease agreement. Right-of-use assets are calculated at cost less accumulated depreciation and impairment losses. In case of revaluation of rental debts, this figure is also adjusted.

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

(a) Amount of the initial measurement of the lease liability.
(b) Any lease payments made at or before the commencement date, less any lease incentives received.
(c) Any initial direct costs incurred by the Group.

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably certain, the Group depreciates the right-of-use asset using the straight-line method from the date the lease commences to the end of the useful life of the underlying asset.

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

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Intangible assets and related amortization**

An intangible asset is recognized if it meets the identifiability criterion of intangibles, control exists over the asset; it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Intangible assets are carried at cost less accumulated amortization and impairment. Amortization of intangible assets is allocated on a systematic pro-rata basis using the straight-line method Intangible assets including acquired rights, information systems and computer software are amortized using the straight-line.

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period.

The useful lives of intangible assets are as follows:

| | Year |
|---|---|
| Rights | 3-5 |
| Research and development costs | 5 |
| Other intangible asset | 5-10 |

**Impairment of assets**

The carrying values of all tangible or intangible fixed assets, other than goodwill which is reviewed for impairment at least annually, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

**Financial assets**

The Group performs the classification process regarding its financial assets during the acquisition of the related assets and reviews them regularly.

***Classification***

The Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, after the amendment, the financial assets are reclassified on the first day of the following reporting period.

***Recognition and Measurement***

**a) Financial assets measured at amortized cost**

Financial assets measured at amortized cost, are non-derivative assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables", "other receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Financial assets (continued)**

**b) Financial assets measured at fair value**

*i. Financial assets measured at fair value through other comprehensive income*

Financial assets measured at fair value through other comprehensive income, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

In case of sale of assets, valuation differences classified to other comprehensive income are reclassified to retained earnings.

Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss. If the said preference is made, dividends from related investments are recognized in the income statement.

*ii. Financial assets measured at fair value through profit or loss*

Financial assets measured at fair value through profit or loss, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

*Derecognition*

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

*Impairment*

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

Provisions for losses are measured as below.

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

Provisions for losses are measured as below.

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.

- Lifetime ECL: results from all possible default events over the expected life of financial instrument.

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

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

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Financial liabilities**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

**a) Financial liabilities at fair value through profit and loss**

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

**b) Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected fife of the financial liability, or, where appropriate, a shorter period.

**Financial Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>Leasing-the Company as lessor</u>

Finance lease receivables are recorded as the Group's net investment in the lease. Finance lease income is allocated to accounting periods as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

<u>Leasing-the Company as lessee</u>

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Taxation and Deferred Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax: The tax currently payable is based on taxable profit for the year.

Deferred tax: Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**Employee Benefits / Retirement Pay Provision**

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 “Employee Benefits” (“IAS 19”). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

**Operating Expenses**

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

**Revenue Recognition**

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs 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 fulfilled.

Group recognizes revenue from its customers only when all the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party’s rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred.
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Revenue Recognition (continued)**

Equipment rental revenue

Rent income from operational rental transactions is accounted if it is measured reliably based on straight-line method during relevant rental agreement and if it is possible that an economic benefit related to transaction is achieved by the Group.

**Provisions**

Provisions are recognized when, and only when the Group has a present obligation because of a past event and 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. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**Commitments and Contingencies**

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events unless the expected performance is remote. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

**Transactions in foreign currency**

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The periods-end rates used for USD, EURO and PKR are shown below:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| US Dollars | 12,9775 TL | 7,3405 TL |
| Euro | 14,6823 TL | 9,0079 TL |
| PKR | 0,07227 TL | 0,0454 TL |

**Earnings per share**

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. To earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.6. Summary of significant accounting policies (continued)

**Government incentives and grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all the attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**Cash Flow statement**

Cash and cash equivalents comprise of cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, has high liquidity with maturities of 3 months or less.

**EBITDA**

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying financial statements (note 3).

### 2.7. Significant Accounting Assessments, Estimates and Assumptions

*Provisions for doubtful trade receivables:* The provision for doubtful receivables reflects the amounts that the management believes will cover the future losses of the receivables that exist as of the reporting date but have the risk of being uncollectible within the current economic conditions. While evaluating whether the receivables are impaired or not, the past performance of the debtors, their credibility in the market, their performance from the date of the consolidated financial statements until the approval date of the consolidated financial statements and the renegotiated conditions are also taken into. In addition, the “simplified approach” defined in TFRS 9 has been preferred within the scope of the impairment calculations of trade receivables that are accounted at amortized cost in the consolidated financial statements and that do not contain a significant financing component (with a maturity of less than one year). With this approach, the Group measures the provision for impairment on trade receivables at an amount equal to “lifetime expected credit losses”, unless the trade receivables are impaired for certain reasons (excluding realized impairment losses).

*Provision for employee benefit:* Employment termination benefits pay liability is determined by actuarial calculations based on some assumptions including discount rates, future salary increases and employee turnover rates. Since these plans are long term, these assumptions contain significant uncertainties.

*Lawsuit provisions:* The probability of loss of ongoing lawsuits and the consequences that will be endured if they are lost are evaluated in line with the opinions of the Group's legal advisors. The Group management makes its best estimates using the data in hand, and estimates the provision it deems necessary.

*Deferred tax:* The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/TFRS and Tax Laws.

## 3. SEGMENT REPORTING

The Group defined EBITDA as profit before interest, depreciation and tax. Announced EBITDA amounts are presented separately by the Group management to better understand and measure the operating performance of the Group.

The details of reporting according to the segments for the period ended 31 December 2021 are as follows:

| 31 December 2021 | COVID-19 Test Kits | Other Kits | Equipment | Other | Total |
|---|---|---|---|---|---|
| Domestic Sales | 20.582.764 | 20.157.740 | 294.090 | 661.986 | 41.696.580 |
| Foreign Sales | 258.510.628 | 105.327.505 | 4.192.940 | 381.857 | 368.412.930 |
| **Total Sales** | **279.093.392** | **125.485.245** | **4.487.030** | **1.043.843** | **410.109.510** |
| Cost of Sales (-) | (24.949.350) | (23.587.539) | (2.378.126) | (511.482) | (51.426.497) |
| **Gross Profit** | **254.144.042** | **101.897.706** | **2.108.904** | **532.361** | **358.683.013** |
| General administrative expenses (-) | (10.240.038) | (4.604.100) | (164.631) | (38.299) | (15.047.068) |
| Selling and marketing expense (-) | (18.106.550) | (8.141.020) | (291.102) | (67.721) | (26.606.393) |
| Research and development expenses (-) | (658.700) | (296.163) | (10.590) | (2.464) | (967.917) |
| Other operating income | 33.469.047 | 15.048.265 | 538.087 | 125.178 | 49.180.577 |
| Other operating expense (-) | (17.311.781) | (7.783.678) | (278.324) | (64.748) | (25.438.531) |
| **Operating income before finance expense** | **241.296.020** | **96.121.010** | **1.902.344** | **484.307** | **339.803.681** |
| Depreciation and Amortization | 6.736.636 | 3.028.910 | 108.307 | 25.196 | 9.899.049 |
| **EBITDA** | **248.032.656** | **99.149.920** | **2.010.651** | **509.503** | **349.702.730** |

The details of reporting according to the segments for the year ended 31 December 2020 are as follows:

| 31 December 2020 | COVID-19 Test Kits | Other Kits | Equipment | Other | Total |
|---|---|---|---|---|---|
| Domestic Sales | 13.736.361 | 15.092.430 | 278.057 | 361.993 | 29.468.841 |
| Foreign Sales | 294.127.435 | 87.395.980 | 10.342.957 | 225.689 | 392.092.061 |
| **Total Sales** | **307.863.796** | **102.488.410** | **10.621.014** | **587.682** | **421.560.902** |
| Cost of Sales (-) | (20.747.987) | (20.796.196) | (6.394.215) | (295.037) | (48.233.435) |
| **Gross Profit** | **287.115.809** | **81.692.214** | **4.226.799** | **292.645** | **373.327.467** |
| General administrative expenses (-) | (4.514.455) | (1.502.870) | (155.744) | (8.618) | (6.181.687) |
| Selling and marketing expense (-) | (13.017.626) | (4.159.321) | (452.340) | (19.287) | (17.648.574) |
| Research and development expenses (-) | (867.344) | (288.740) | (29.923) | (1.656) | (1.187.663) |
| Other operating income | 10.799.749 | 3.595.256 | 372.581 | 20.616 | 14.788.202 |
| Other operating expense (-) | (9.395.733) | (3.127.857) | (324.144) | (17.936) | (12.865.670) |
| **Operating income before finance expense** | **270.120.400** | **76.208.682** | **3.637.229** | **265.764** | **350.232.075** |
| Depreciation and Amortization | 3.986.923 | 1.327.254 | 137.545 | 7.611 | 5.459.333 |
| **EBITDA** | **274.107.323** | **77.535.936** | **3.774.774** | **273.375** | **355.691.408** |

## 4. SHARES IN OTHER BUSINESS

The details of the Group's shares in other businesses for the periods are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| | **Alpha IVD S.p.A (Italy) Solo** | **Alpha IVD S.p.A (Italy) Solo** |
| Current assets | 85.225.624 | 138.291.595 |
| Non-current assets | 16.106.845 | 3.133.198 |
| **Total assets** | **101.332.469** | **141.424.793** |
| Current liabilities | 21.769.201 | 106.378.127 |
| Non-current liabilities | 422.838 | 128.638 |
| **Total debts** | **22.192.039** | **106.506.765** |
| **Net assets** | **79.140.430** | **34.918.028** |
| **Profit Loss for the period:** | | |
| Revenue | 125.409.956 | 189.771.637 |
| EBITDA | 18.386.827 | 40.752.809 |
| Profit / (Loss) for the period | 11.325.854 | 29.198.153 |
| **Total comprehensive income / (loss)** | **11.325.854** | **29.198.153** |

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| | **Euronano (Pakistan) Solo** | **Euronano (Pakistan) Solo** |
| Current assets | 50.095.049 | 9.118.523 |
| Non-current assets | 4.541.615 | 400.697 |
| **Total assets** | **54.636.664** | **9.519.220** |
| Current liabilities | 49.773.722 | 7.693.305 |
| Non-current liabilities | -- | -- |
| **Total debts** | **49.773.722** | **7.693.305** |
| **Net assets** | **4.862.942** | **1.825.915** |
| **Profit Loss for the period:** | 37.986.703 | 11.546.646 |
| Revenue | 3.762.552 | 1.925.241 |
| EBITDA | 1.459.239 | 1.801.386 |
| Profit / (Loss) for the period | **1.459.239** | **1.801.386** |

## 5. CASH AND CASH EQUIVALENTS

The details of the Group's cash and cash equivalents for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash on hand | 16.016 | 63.989 |
| Cash at banks | 462.396.495 | 135.419.750 |
| *- Demand deposit* | *162.088.836* | *112.119.947* |
| *- Time deposit less than 3 months* | *300.307.659* | *23.299.803* |
| | **462.412.511** | **135.483.739** |

| Currency | Interest rate (%) | Maturity | 31 December 2021 |
|---|---|---|---|
| TL | 6,50% - 25,50% | January 2022 | 23.308.001 |
| USD | 0,50% - 1,25% | January 2022 | 232.952.758 |
| EURO | 0,90% | January 2022 | 44.046.900 |
| | | | **300.307.659** |

| Currency | Interest rate (%) | Maturity | 31 December 2020 |
|---|---|---|---|
| TL | 14% | January 2021 | 90.000 |
| USD | 3% | January 2021-February 2021 | 7.762.043 |
| EURO | 2% | January 2021-February 2021 | 15.447.760 |
| | | | **23.299.803** |

## 6. FINANCIAL INVESTMENTS

The details of the Group's financial investments for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Available-for sale financial investments | 51.880.614 | -- |
| | **51.880.614** | **--** |

As of 31.12.2021, the Group's financial investments consist of Eurobonds amounting to USD 3,997,736 with an average interest rate of 3,27%, with a maturity between December 2023 and October 2025 (31 December 2020: None).

## 7. TRADE RECEIVABLES AND PAYABLES

The details of the Group's trade receivables for the periods are as follows:

| **Short-term trade receivables** | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Trade receivables | 97.135.662 | 55.125.326 |
| Notes receivables | 1.586.775 | 952.002 |
| Trade receivables from related parties (Note 7) | 306.490 | 9.810 |
| Doubtful receivables | 578.861 | 4.396.595 |
| Allowance for doubtful receivables (-) (*) | (578.861) | (4.396.595) |
| | **99.028.927** | **56.087.138** |

As of 31 December 2021, the average maturity of the Group's trade receivables is 78 days. (31 December 2020: 43 days).

Explanations on the nature and level of risks in trade receivables are given in Note 31.

## 7. TRADE RECEIVABLES AND PAYABLES (continued)

(*) The movement of the allowance for doubtful receivables is as follows:

| | 1 January-<br>31 December 2021 | 1 January-<br>31 December 2020 |
|---|---|---|
| **Balance at beginning of the period** | 4.396.595 | 218.136 |
| Additions (Note 29) | 163.875 | 4.178.459 |
| Amounts recovered during the year (Note 29) | (3.981.609) | -- |
| **End of the period** | **578.861** | **4.396.595** |

The details of the trade payables are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Short-term trade payables** | | |
| Trade payables | 7.003.383 | 2.884.383 |
| Receivables from related parties (Note 8) | 863.735 | 82.697 |
| Notes payables | -- | 9.499 |
| | **7.867.118** | **2.976.579** |

As of 31 December 2021, the average maturity of the Group's trade receivables is 52 days. (31 December 2020: 21 day).

Explanations on the nature and level of risks in trade payables are given in Note 31.

## 8. RELATED PARTIES TRANSACTION

| **Trade receivables from related parties** | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Anatolia Makine Sanayi ve Ticaret Ltd. Şti. | 306.490 | 9.810 |
| | **306.490** | **9.810** |

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Other receivables from related parties (*) (Note 9) | -- | 55.804.366 |
| | **--** | **55.804.366** |

| **Trade payables to related parties** | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Anatolia Makine Sanayi ve Ticaret Ltd. Şti. | 863.735 | 82.697 |
| | **863.735** | **82.697** |

(*) Other receivables from related parties consist of the Group's payables to shareholders in 2020. The related receivable amount was closed with the decision of gross cash dividend distribution amounting to TL 210.000.000 taken at the General Assembly held on 8 April 2021.

The details of the Group's related party disclosures for the periods are as follows:

| | 1 January-<br>31 December 2021 | 1 January-<br>31 December 2020 |
|---|---|---|
| Anatolia Makine Sanayi ve Ticaret Ltd. Şti. | 6.000 | 6.000 |

| | 1 January-<br>31 December 2021 | 1 January-<br>31 December 2020 |
|---|---|---|
| Anatolia Makine Sanayi ve Ticaret Ltd. Şti. | 9.134.728 | 480.000 |

(*) Anatolia Makine Sanayi ve Ticaret Ltd Şti. sells imported instrument and provides labour services to the Company for instrument production.

**Key management compensation:**

The total amount of wages and similar benefits provided to the Group's President and Vice President of the Board of Directors and other key executives as of 31 December 2021 is TL 3.969.410 (31 December 2020: TL 1.331.308).

## 9. OTHER RECEIVABLES AND PAYABLES

The details of the Group's other receivables and payables for the periods are as follows:

| **Short term other receivables** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Other receivables from third parties | 1.743.687 | 1.124.633 |
| Deposits and guarantees given | 316.487 | 170.181 |
| Other receivables from related parties (Note 8) | -- | 55.804.366 |
| | **2.060.174** | **57.099.180** |

| **Short term other payables** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Other payables | 496.700 | 34.451 |
| | **496.700** | **34.451** |

## 10. INVENTORIES

The details of the Group's inventories for the periods are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Raw materials | 20.432.141 | 30.114.230 |
| Finished goods | 28.745.610 | 12.284.553 |
| Semi-finished goods | 10.561.416 | 1.012.412 |
| Trade goods | 3.659.779 | 1.561.899 |
| Other Inventories | 1.510.791 | 622.360 |
| | **64.909.737** | **45.595.454** |

## 11. PREPAID EXPENSES AND DEFERRED INCOME

The details of short and long-term prepaid expense for the periods are as follows:

| **Short-term prepaid expenses** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Advances given to suppliers (*) | 5.546.807 | 2.795.008 |
| Prepaid expenses | 497.145 | 128.193 |
| | **6.043.952** | **2.923.201** |

| **Long-term prepaid expenses** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Prepaid expenses | 123.051 | 59.451 |
| | **123.051** | **59.451** |

(*) Advances given consist of prepayments for the modernization and investment of the Group’s building in Sultanbeyli which the Group purchased in December 2020 to move its headquarters and R&D center.

| **Deferred income-short term** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Advances received (*) | 3.616.933 | 770.838 |
| | **3.616.933** | **770.838** |

(*) Advances received consist of advances received by the Group from customers regarding sales.

## 12. OTHER ASSETS AND LIABILITIES

The details of other assets and liabilities for the periods are as follows:

| Other current assets | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deferred VAT | 17.124.083 | 17.075.045 |
| Accrued income | 581.545 | 1.927.212 |
| Deductible VAT | 150.246 | -- |
| Advances given to personnel | -- | 4.984 |
| Other current assets | 125.652 | 47.713 |
| | **17.981.526** | **19.054.954** |

| Other short-term liabilities | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Prepaid taxes and dues | 4.971.475 | 7.521.820 |
| Accrued expenses | 2.416.425 | 1.062.223 |
| Personnel sales premiums payable | 1.566.119 | -- |
| Other | 7.915 | 1.771 |
| | **8.961.934** | **8.585.814** |

## 13. PROPERTY, PLANT AND EQUIPMENTS

Movement of property, plant, and equipment for the period 01.01.-31.12.2021 is as follows:

| | 1 January 2021 | Additions | Disposals (-) | Foreign currency conversion differences | 31 December 2021 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land and land improvements | 22.500.000 | -- | -- | -- | 22.500.000 |
| Buildings | 20.000.000 | 37.119.132 | -- | 1.954.958 | 59.074.090 |
| Machinery and equipment | 20.792.305 | 22.012.616 | (288.596) | 5.131.598 | 47.647.923 |
| Vehicles | 3.308.095 | 1.830.092 | -- | 329.978 | 5.468.165 |
| Furniture and fixtures | 2.642.754 | 5.836.418 | (15.932) | 70.976 | 8.534.216 |
| Leasehold improvements | 4.300.231 | 391.321 | -- | 35.639 | 4.727.191 |
| | **73.543.385** | **67.189.579** | **(304.528)** | **7.523.149** | **147.951.585** |

| | 1 January 2021 | Current year charge | Disposals (-) | Foreign currency conversion differences | 31 December 2021 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Buildings | -- | (168.287) | -- | (329) | (168.616) |
| Machinery and equipment | (7.400.731) | (5.519.428) | 103.991 | (1.156.470) | (13.972.638) |
| Vehicles | (427.156) | (919.852) | -- | (108.661) | (1.455.669) |
| Furniture and fixtures | (929.710) | (569.858) | 6.918 | (112.385) | (1.605.035) |
| Leasehold improvements | (1.076.292) | (759.925) | -- | (185.826) | (2.022.043) |
| | **(9.833.889)** | **(7.937.350)** | **110.909** | **(1.563.671)** | **(19.224.001)** |
| **Net book value** | **63.709.496** | | | | **128.727.584** |

As of 31 December 2021, property, plant, and equipment are insured for TL 49.621.667 and there is no mortgage on it.

## 13. PROPERTY, PLANT AND EQUIPMENTS (continued)

Movement of property, plant and equipment for the period 01.01.-31.12.2020 is as follows:

| | 1 January 2020 | Additions | Disposals (-) | 31 December 2020 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land and land improvements | -- | 22.500.000 | -- | 22.500.000 |
| Buildings (*) | -- | 20.000.000 | -- | 20.000.000 |
| Machinery and equipment | 9.228.732 | 12.014.201 | (450.628) | 20.792.305 |
| Vehicles | 289.964 | 3.018.131 | -- | 3.308.095 |
| Furniture and fixtures | 1.354.999 | 1.298.262 | (10.507) | 2.642.754 |
| Leasehold improvements | 1.258.964 | 3.041.267 | -- | 4.300.231 |
| | **12.132.659** | **61.871.861** | **(461.135)** | **73.543.385** |

| | 1 January 2020 | Current year charge | Disposals (-) | 31 December 2020 |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| Machinery and equipment | (4.721.652) | (2.679.524) | 445 | (7.400.731) |
| Vehicles | (170.928) | (256.228) | -- | (427.156) |
| Furniture and fixtures | (554.240) | (376.375) | 905 | (929.710) |
| Leasehold improvements | (637.835) | (438.457) | -- | (1.076.292) |
| | **(6.084.655)** | **(3.750.584)** | **1.350** | **(9.833.889)** |
| **Net book value** | **6.048.004** | | | **63.709.496** |

As of 31.12.2020, property, plant and equipment are insured for TL 17.137.975.

(*) It is consisted of the building located in Sultanbeyli, which was purchased in December 2020 to move the Group's headquarters and is still being modernized.

Depreciation and amortization shown in expense accounts associated with tangible and intangible assets and right-of-use assets as of 31 December are as follows:

| | 1 January-<br>31 December 2021 | 1 January-<br>31 December 2020 |
|---|---|---|
| **<u>Cost</u>** | | |
| Cost of sales (Note 24) | (4.457.484) | (2.747.083) |
| General administrative expenses (Note 26) | (3.475.567) | (1.316.345) |
| Research and development expenses (Note 27) | (967.917) | (1.187.663) |
| Selling and marketing expenses (Note 25) | (998.081) | (208.242) |
| | **(9.899.049)** | **(5.459.333)** |

## 14. INTANGIBLE ASSETS

Movement of intangible fixed asset for the period 01.01.-30.06.2021 is as follows:

| | 1 January 2021 | Additions | Transfers | Foreign currency conversion differences | 31 December 2021 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Rights (*) | 9.695.114 | 7.327 | 3.855.958 | 2.425 | 13.560.824 |
| Research and development costs (**) | 7.929.954 | 10.236.593 | (3.855.958) | -- | 14.310.589 |
| Other intangible fixed assets | 319.510 | -- | -- | 7.013 | 326.523 |
| | | | | | -- |
| | **17.944.578** | **10.243.920** | **--** | **9.438** | **28.197.936** |

| | 1 January 2021 | Current year charge | Transfers | Foreign currency conversion differences | 31 December 2021 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Rights | (3.366.816) | (1.707.079) | -- | (74.422) | (5.148.317) |
| Other intangible fixed assets | (111.812) | (87.408) | -- | (1.556) | (200.776) |
| | | | | | -- |
| | **(3.478.628)** | **(1.794.487)** | **--** | **(75.978)** | **(5.349.093)** |
| **Net book value** | **14.465.950** | | | | **22.848.843** |

Movement of intangible fixed assets for the period 01.01.-31.12.2020 is as follows:

| | 1 January 2020 | Additions | Disposals (-) | Transfers | 31 December 2020 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Rights (*) | 6.227.274 | -- | -- | 3.467.840 | 9.695.114 |
| Research and development costs (**) | 4.019.445 | 7.378.349 | -- | (3.467.840) | 7.929.954 |
| Other intangible fixed assets | 223.782 | 95.728 | -- | -- | 319.510 |
| | | | | | -- |
| | **10.470.501** | **7.474.077** | **--** | **--** | **17.944.578** |

| | 1 January 2020 | Current year charge | Disposals (-) | Transfers | 31 December 2020 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Rights | (2.173.894) | (1.192.922) | -- | -- | (3.366.816) |
| Other intangible fixed assets | (70.723) | (41.089) | -- | -- | (111.812) |
| | **(2.244.617)** | **(1.234.011)** | **--** | **--** | **(3.478.628)** |
| **Net book value** | **8.225.884** | | | | **14.465.950** |

(*) Rights mostly consist of R&D projects of the Group that are capitalized since the final product developed.

(**) Research and development costs consist of ongoing R&D projects of the Group.

## 15. RIGHTS OF USE ASSETS

Movement of rights of use assets for the period 01.01.-30.06.2021 is as follows:

| | 1 January 2021 | Additions | Disposals (-) | 31 December 2021 |
|---|---|---|---|---|
| **Cost** | | | | |
| Buildings | 1.729.197 | -- | (596.047) | 1.133.150 |
| | **1.729.197** | **--** | **(596.047)** | **1.133.150** |

| | 1 January 2021 | Current year charge | Disposals (-) | 31 December 2021 |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| Buildings | (920.125) | (167.212) | -- | (1.087.337) |
| | **(920.125)** | **(167.212)** | **--** | **(1.087.337)** |
| **Net book value** | **809.072** | | | **45.813** |

Movement of rights of use assets for the period 01.01.-31.12.2020 is as follows:

| | 1 January 2020 | Additions | Disposals (-) | 31 December 2020 |
|---|---|---|---|---|
| **Cost** | | | | |
| Buildings | 1.480.763 | 248.434 | -- | 1.729.197 |
| | **1.480.763** | **248.434** | **--** | **1.729.197** |

| | 1 January 2020 | Current year charge | Disposals (-) | 31 December 2020 |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| Buildings | (445.387) | (474.738) | -- | (920.125) |
| | **(445.387)** | **(474.738)** | **--** | **(920.125)** |
| **Net book value** | **1.035.376** | | | **809.072** |

## 16. LEASE LIABILITIES

The details of lease of liabilities for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Short-term lease liabilities | -- | 645.573 |
| Long-term lease liabilities | -- | 190.337 |
| | **--** | **835.910** |

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Current | -- | 738.494 |
| Deduct: future financial expenses | -- | (92.921) |
| Present value of lease obligations | **--** | **645.573** |
| | | |
| Non-current | -- | 196.110 |
| Deduct: future financial expenses | -- | (5.773) |
| Present value of lease obligations | **--** | **190.337** |

| | 1 January-<br>31 December 2021 | 1 January-<br>31 December 2020 |
|---|---|---|
| Operating lease as of January 1 | 835.910 | 1.114.567 |
| Current operating lease liability increase | (880.506) | 222.897 |
| Current operating lease liability payment | (124.821) | (629.838) |
| Current interest expense | 266.325 | 128.284 |
| Current foreign currency effects | (96.908) | -- |
| **Operating lease at the end of the periods** | -- | **835.910** |

## 17. FINANCIAL BORROWINGS

The details of financial borrowings for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Short-term borrowings | 450.459 | 20.968.438 |
| Other financial borrowings (*) | 599 | 728.129 |
| **Short-term borrowings** | **451.058** | **21.696.567** |
| Short term portion of long term borrowings | 2.024.805 | 3.382.323 |
| **Short-term portion of long-term borrowings** | **2.024.805** | **3.382.323** |
| Long-term borrowings | 1.275.174 | 4.320.993 |
| **Long-term borrowings** | **1.275.174** | **4.320.993** |
| **Total financial borrowings** | **3.751.037** | **29.399.883** |

(*) Other financial borrowings consist of credit card borrowings.

The details of  currency-based financial liabilities are as follows:

| | Interest rate | 31 December 2021 |
|---|---|---|
| TL bank borrowings | 7,50% - 16,80% | 3.691.036 |
| USD bank borrowings | 5,28% | 59.402 |
| | | **3.750.438** |

| | Interest rate | 31 December 2020 |
|---|---|---|
| TL bank borrowings | 7,50% - 17,75% | 28.187.243 |
| USD bank borrowings | 5,28% | 484.511 |
| | | **28.671.754** |

## 18. EMPLOYEE BENEFITS

**Severance pay provision**

Under the Turkish Legislations, the Company and its subsidiaries which located in Turkey, is required to pay termination benefits to each employee, who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies, who retires after completing 25 years for man and 20 years for women of service and reaches the retirement age (58 for women and 60 for men). Due to the amendment of the legislation as of 8 September 1999, there are certain transitional obligations regarding the length of service due to retirement.

These payments are calculated based on the rate on the day of retirement or termination per year worked, with a maximum of TL 10.849 over the 30-day salary as of 31 December 2021 (31 December 2020: TL 7.639). The provision for severance pay is calculated on a current basis and is reflected in the Consolidated financial statements. The provision is calculated according to the severance pay ceiling announced by the Government.

Provision for termination benefits is made by calculating the present value of the possible liability to be paid in case of retirement of employees. To calculate the liabilities of the Group in accordance with TAS 19 (Employee Benefits), a calculation made with actuarial assumptions is required. Accordingly, the actuarial assumptions used in the calculation of total liabilities are given below. The basic assumption is that the maximum liability for each year of service will increase in line with inflation. Hence the discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As a result, the liabilities in the accompanying Consolidated financial statements as of 31 December 2021 and 31 December 2020 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Discount rate | 3,85% | 3,67% |
| Estimated rate of salary increasing /inflation rate | 17,00% | 9,00% |
| The turnover ratio used to calculate the probability of retirement | 100,00% | 100,00% |

It is planned that the severance pay rights will be paid at the end of the concession agreement. Accordingly, the terms of the concession agreements are considered in calculating the present value of the liabilities to be paid in the future.

The details of long-term severance pay provisions for the periods are as follows:

| **Long-term provisions** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Severance pays provisions | 1.610.518 | 359.146 |
| | **1.610.518** | **359.146** |

Movement of severance pay provisions for the periods are as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Balance at January 1 | 359.146 | 387.118 |
| Service cost | 525.846 | 168.185 |
| Interest cost | 372.253 | 29.966 |
| Actuarial (Gain)/Loss | 353.273 | (226.123) |
| **Balance at December 31** | **1.610.518** | **359.146** |

## 18. EMPLOYEE BENEFITS (continued)

The details of short-term employee benefits provisions for the periods are as follows:

| **Short-term provisions** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Provision for vacation pay liability | 762.709 | 421.363 |
| | **762.709** | **421.363** |

Movement of vacation pay provisions as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Balance at January 1 | 421.363 | 214.342 |
| Current year provision expense (*) | 341.346 | 207.021 |
| **Balance at the end of the periods** | **762.709** | **421.363** |

(*) Leave provision expenses for the relevant periods are included in personnel expenses.

## 19. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

**a) Guarantees received**

As of 31 December 2021, the Group has no guarantees received (31 December 2020: None).

**b) Guarantees given**

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of 31 December 2021 and 2020 are as follows:

| **CPMB's given by the Group** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| A. CPMB's given for Group's own legal personality | 1.275.490 | 43.606.284 |
| B. CPMB's given on behalf of fully consolidated companies | -- | -- |
| C. CPMB's given on behalf of third parties for ordinary course of business | -- | -- |
| D. Total amount of other CPMB's | **--** | **--** |
| i) Total amount of CPMB's given on behalf of the majority shareholder | -- | -- |
| ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C | -- | -- |
| iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C | -- | -- |
| | **1.275.490** | **43.606.284** |

The Group's guarantees, pledges and mortgages consist of letters of guarantee given to universities and state hospitals for sales with tender, and guarantees and mortgages given to Ziraat Bank for the purchase of buildings. As of 31 December 2021, guarantees and mortgages given to the Ziraat Bank has been released.

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

## 20. PAYABLES WITHIN BENEFIT TO EMPLOYEES

The details of employee benefits obligations for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Due to personnel | 1.963.353 | 1.691.163 |
| Payable to social security withholding | 1.858.373 | 1.397.421 |
| | **3.821.726** | **3.088.584** |

## 21. INCOME TAX

The details of current period tax assets for the periods are as follows:

| *Current period tax assets:* | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Current tax expense | (15.253.172) | (44.567.775) |
| Prepaid taxes and funds | 14.115.744 | 31.298.361 |
| Foreign currency conversion difference | 4.848.882 | -- |
| | **3.711.454** | **(13.269.414)** |

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Deferred tax assets / liabilities | (3.631.785) | 635.301 |
| | **(3.631.785)** | **635.301** |

**Corporation tax**

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one instalment until the end of the fourth month.

As of 31 December 2021, the corporate tax rate is 25% in Turkey (31 December 2020: 22%,). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances. In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate in Turkey for the year 2021 has been increased from 20% to 25%, for the year 2022 to 23%. The amendment is effective as of 1 January 2021. As the change has been announced after the reporting period, it is considered as a non-adjusting event according to IAS 10 and the Group continued to use 20% for the subsidiaries operating in Turkey as of the reporting date and related amendment will be applied in consolidated financial statements as of 1 July 2021. Since the tax rate change came into effect as of 22 April, 2021, 20% was used as the tax rate in the current tax and deferred tax calculations in the financial statements dated 30 December, 2021.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

## 21. INCOME TAX (continued)

**Corporation tax *(continued)***

Dividend earnings of corporations from participation in the capital of another corporation subject to full obligation (Except for the dividends obtained from mutual funds participation certificate and the shares of investment trusts) are exempt from corporation tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the real estates, founder shares, usufruct shares and pre-emptive rights owned for the same period, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with the Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

To benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for a period of 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

There is no practice in Turkey to reach an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment because of their findings.

**Income tax withholding**

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to 15% withholding tax, excluding those made to non-resident companies that generate income through a workplace or their permanent representative in Turkey, and to companies residing in Turkey. In the application of withholding tax rates for profit distributions to non-resident companies and natural persons, the withholding tax rates in the relevant Double Taxation Agreements are also considered. The addition of retained earnings to the capital is not considered as profit distribution, so it is not subject to withholding tax.

**Transfer pricing regulations**

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Hidden income distribution through transfer pricing”. The notified dated 18 November 2007 on hidden income distribution via transfer pricing regulates the details of the implementation.
If the taxpayer buys or sells goods or services with related parties at the price or price, they have determined in peer assessment, the profit is deemed to have been distributed through transfer pricing, in whole or in part. Hidden income distribution through is considered as a non-deductible expense for corporate tax.

**Tax applications for the Group's foreign subsidiaries**

Operating in Italy, Alpha IVD SRL is subject to 24% corporate tax.

Operating in Pakistan, Euronano Diagnostics (Private) Limited is subject to 29% corporate tax.

**Deferred tax assets and liabilities:**

Deferred tax liability or assets are determined by calculating the tax effects of temporary differences between the values of assets and liabilities shown in the Consolidated financial statements and the amounts considered in the legal tax base calculation. Deferred tax liability or assets are reflected in the accompanying Consolidated financial statements by considering the tax rates that are expected to be valid in the future periods when the temporary differences will disappear.

In reflecting the deferred tax asset to the consolidated financial statements, the developments in the sector in which it operates, taxable profit estimates in the future, it considers factors such as the general economic and political situation in Turkey and/or the international general economic and political situation that may affect the Group.

The Group considers factors such as developments in the sector in which it operates, taxable profit estimates in the future, general economic and political situation in Turkey and/or international general economic and political situation that may affect the Group while reflecting the deferred tax asset to the consolidated financial statements. The Group estimates that it will generate sufficient taxable profits in the future.

## 21. INCOME TAX (continued)

***Recognized deferred tax assets and liabilities***

The details of deferred tax assets and liabilities for the periods are as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | **Cumulative temporary differences** | **Deferred tax** | **Cumulative temporary differences** | **Deferred tax** |
| Deferred tax assets | | | | |
| Provisions for employee benefits | 1.693.584 | 389.525 | 767.320 | 143.412 |
| Expenses accruals | 1.950.389 | 448.589 | -- | -- |
| Lease liabilities | -- | -- | 835.910 | 183.900 |
| Financial liabilities | -- | -- | 102.772 | 22.610 |
| Trade receivables | -- | -- | 4.396.595 | 1.046.883 |
| **Deferred tax assets** | **3.643.973** | **838.114** | **6.102.597** | **1.396.805** |
| Deferred tax liabilities | | | | |
| Right of use assets | (45.813) | (10.537) | (809.072) | (177.996) |
| Financial liabilities | (186.133) | (42.811) | | |
| Trade receivables | (3.519.282) | (809.435) | -- | -- |
| Tangible and intangible assets | (13.341.524) | (3.068.550) | (3.413.172) | (750.898) |
| **Deferred tax liabilities** | **(17.092.752)** | **(3.931.333)** | **(4.222.244)** | **(928.894)** |
| **Net deferred tax** | | **(3.093.219)** | | **467.911** |

The reconciliation of the period tax expense with the profit for the period is as follows:

| | **1 January-31 December 2021** | **1 January-31 December 2020** |
|---|---|---|
| Deferred tax assets /(liabilities), net current period | (3.093.219) | 467.911 |
| Deferred tax assets /(liabilities), net beginning of the period (-) | (467.911) | (122.164) |
| | **(3.561.130)** | **590.077** |
| Deferred tax income/ (expense) | (3.631.785) | 635.301 |
| Current tax income/ (expense) -Other comprehensive income | 70.655 | (45.224) |
| | **(3.561.130)** | **590.077** |

| | **1 January-31 December 2021** | **1 January-31 December 2020** |
|---|---|---|
| **Profit/(loss) for before taxation** | **462.259.165** | **359.714.268** |
| Corporation tax rate | 23% | 22% |
| **Calculated tax using the Compnay's domestic tax rate** | **106.319.608** | **79.137.139** |
| Non-deductible expenses | 2.917.146 | 139.946 |
| Free zone earnings | (82.115.990) | (39.371.089) |
| Exception of revaluation | (6.077.335) | -- |
| Impact of foreign companies subject to different tax rates | 834.257 | 3.175.295 |
| R&D discount | (1.596.059) | (1.803.469) |
| Other, net | (1.396.670) | 2.654.652 |
| **Tax expense** | **18.884.957** | **43.932.474** |

## 22. SHARE CAPITAL AND NON-CONTROLLING INTERESTS

*Share Capital*

The paid capital structure of the Group for the periods are as follows:

| Shareholders | 31 December 2021 TL | Share % | 31 December 2020 TL | Share % |
|---|---|---|---|---|
| Alper Akyüz | 47.131.143 | 42,85 | 7.748.000 | 51,65 |
| Elif Akyüz | 22.801.500 | 20,73 | 3.750.000 | 25,00 |
| Tankut İkizler | 12.514.846 | 11,38 | 2.025.000 | 13,50 |
| Other (*) | 27.552.511 | 25,04 | 1.477.000 | 9,85 |
| **Total paid-in capital** | **110.000.000** | **100** | **15.000.000** | **100** |

(*) The company is registered with the Capital Markets Board ("CMB") and its shares are traded on Borsa İstanbul A.Ş. ("BIST") as of 21.10.2021. As of 31 December 2021, the Company has 20.90% of shares registered in BIST.

As of 31 December 2021, the capital of the Group consists of 100.000.000 shares. (31 December 2020: TL 15.000.000). The nominal value of the shares is TL 1 per share. (31 December 2020: per share TL 1). Company shares are represented by two separate share groups as A and B group, and A group shares provide voting rights to the shareholder. The Company's shares consist of 20.000.000 Group A shares and 90.000.000 Group B shares.

*Non- controlling interests*

As of 31 December 2021, the amount of non-controlling interests is TL 59.054.811 (31 December 2020: TL 26.111.533). The said share consists of Alpha SRL's 76.67% shareholding, which does not belong to the Group itself (31 December 2020: 76,67%,). On 11 April 2019, the company transferred 40% of Alpha's own capital to non-controlling interests at nominal value.

## 23. EARNINGS PER SHARE

Earnings per share for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Net profit for the period of the equity holders of the parent | 433.331.607 | 293.396.437 |
| Weighted average number of shares with nominal value of TL l each | 75.714.286 | 75.714.286 |
| **Earnings per share (TL)** | **5,7232** | **3,8750** |

(*) Weighted average number of shares with nominal value is calculated according to the capital increase of TL 85.000.000 on 15.04.2021.

## 24. REVENUE AND COST OF SALES

Revenue for the periods are as follows:

| | 1 January- 31 December 2021 | 1 January- 31 December 2020 |
|---|---|---|
| Domestic Sales | 40.816.768 | 27.234.790 |
| Export Sales | 368.412.930 | 392.092.061 |
| Other Revenue | 1.284.931 | 2.408.040 |
| **Gross Sales** | **410.514.629** | **421.734.891** |
| Sales Returns (-) | (236.705) | (144.129) |
| Sales Discount (-) | (168.414) | (29.860) |
| **Net Sales** | **410.109.510** | **421.560.902** |
| Cost of goods sold (-) | (50.336.761) | (47.018.085) |
| Cost of trade goods sold (-) | (1.089.736) | (1.215.350) |
| **Gross Profit** | **358.683.013** | **373.327.467** |

## 24. REVENUE AND COST OF SALES (continued)

The details of cost of sales for the periods are as follows:

| | **1 January- 31 December 2021** | **1 January- 31 December 2020** |
|---|---|---|
| Direct raw material and supplies expenses | (40.004.175) | (41.764.162) |
| Direct labour expenses | (5.649.721) | (2.560.104) |
| Depreciation and amortization expenses (Note 13) | (4.457.484) | (2.747.083) |
| Food expenses | (227.827) | (218.313) |
| In-direct labour expenses | (390.231) | (503.542) |
| Sterilization expenses | -- | (163.214) |
| Other | (697.059) | (277.017) |
| | **(51.426.497)** | **(48.233.435)** |

## 25. MARKETING, SELLING AND DISTRIBUTION EXPENSES

The details of selling and marketing expenses for the periods are as follows:

| | **1 January- 31 December 2021** | **1 January- 31 December 2020** |
|---|---|---|
| Personnel expenses | (11.945.207) | (5.224.725) |
| Commission expenses | (5.335.933) | (2.840.482) |
| Export expenses | (2.646.835) | (2.128.800) |
| Logistic expenses | (2.220.617) | (1.704.337) |
| Depreciation and amortization expenses (Note 13) | (998.081) | (208.242) |
| Transportation expenses | (794.734) | (163.805) |
| Travel expenses | (555.003) | (464.776) |
| Outsourced benefits and services | (320.945) | (2.427.962) |
| Fair, exhibition expenses | (188.614) | (66.274) |
| Taxes and funds expenses | (65.003) | (267.726) |
| Representation expenses | (59.048) | (5.473) |
| Other | (1.476.373) | (619.770) |
| | **(26.606.393)** | **(16.122.372)** |

## 26. GENERAL ADMINISTRATIVE EXPENSES

The details of general administrative expenses for the periods are as follows:

| | **1 January- 31 December 2021** | **1 January- 31 December 2020** |
|---|---|---|
| Personnel expenses | (5.051.434) | (1.383.907) |
| Outsourced benefits and services | (4.186.168) | (1.486.053) |
| Depreciation and amortization expenses (Note 13) | (3.475.567) | (1.316.345) |
| Taxes and funds expenses | (856.299) | (1.063.509) |
| Insurance expenses | (91.337) | (47.203) |
| Other | (1.386.263) | (884.670) |
| | **(15.047.068)** | **(6.181.687)** |

## 26. GENERAL ADMINISTRATIVE EXPENSES (Continued)

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

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

| | **2021** | **2020** |
|---|---|---|
| Independent audit fee for the reporting period | 239.500 | 165.000 |
| | **239.500** | **165.000** |

## 27. RESEARCH AND DEVELOPMENT EXPENSES

The details of research and development expenses for the periods are as follows:

| | **1 January-31 December 2021** | **1 January-31 December 2020** |
|---|---|---|
| Depreciation and amortization expenses (Note 13) | (967.917) | (1.187.663) |
| | **(967.917)** | **(1.187.663)** |

## 28. EXPENSES BY NATURE

The details of expenses based on type for the periods are as follows:

| | **1 January-31 December 2021** | **1 January-31 December 2020** |
|---|---|---|
| Direct raw material and supplies expense | (39.561.096) | (41.764.162) |
| Personnel expenses | (16.996.640) | (6.608.632) |
| Depreciation and amortization expenses (Note 13) | (9.899.049) | (5.459.333) |
| Direct labour expenses | (5.649.721) | (2.560.104) |
| Commission expenses | (5.335.933) | (2.840.482) |
| Outsourced benefits and services | (4.507.113) | (2.387.813) |
| Logistic expenses | (3.902.761) | (1.704.337) |
| Export expenses | (964.691) | (3.655.002) |
| Taxes and funds expenses | (921.302) | (1.331.235) |
| In-direct labour expenses | (227.827) | (503.542) |
| Other | (6.081.742) | (2.910.515) |
| | **(94.047.875)** | **(71.725.157)** |

## 29. OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods are as follows:

| | **1 January-<br>31 December 2021** | **1 January-<br>31 December 2020** |
|---|---|---|
| **Other operating income** | | |
| Foreign exchange gain | 39.690.581 | 13.868.479 |
| Collection of doubtful receivables (Note 7) | 3.981.609 | -- |
| Other | 2.655.929 | 919.723 |
| | **46.328.119** | **14.788.202** |

| | **1 January-<br>31 December 2021** | **1 January-<br>31 December 2020** |
|---|---|---|
| **Other operating expenses** | | |
| Public offering expenses | (10.045.411) | -- |
| Foreign exchange loss | (8.807.067) | (5.937.992) |
| Motor vehicles purchase tax | (1.355.476) | (1.526.202) |
| Provisions for doubtful receivables (Note 7) | (163.875) | (4.178.459) |
| Discount expenses | -- | (1.911.491) |
| Other | (2.214.244) | (837.728) |
| | **(22.586.073)** | **(14.391.872)** |

## 30. FINANCIAL INCOME AND EXPENSES

The details of finance income and expenses for the periods are as follows:

| | **1 January-<br>31 December 2021** | **1 January-<br>31 December 2020** |
|---|---|---|
| **Finance income** | | |
| Foreign exchange gain | 167.885.991 | 11.781.224 |
| Interest income | 9.693.634 | 1.585.302 |
| Interest income from lease transactions | 115.078 | 79.454 |
| | **177.694.703** | **13.445.980** |

| | **1 January-<br>31 December 2021** | **1 January-<br>31 December 2020** |
|---|---|---|
| **Finance expenses** | | |
| Interest expense on borrowings | (53.171.313) | (1.627.317) |
| Foreign exchange loss | (2.067.906) | (2.336.470) |
| | **(55.239.219)** | **(3.963.787)** |

## 31. FINANCIAL INSTRUMENTS

### Capital Risk Management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way. The Group's capital structure consists of equity items including issued capital, reserves and retained earnings.

The gearing ratios for the periods are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Total financial liabilities | 3.751.037 | 29.399.883 |
| Less: Cash and cash equivalents | (462.412.511) | (135.483.739) |
| **Net debt** | **(458.661.474)** | **(106.083.856)** |
| Total equity | 825.792.292 | 336.013.564 |
| **Net debt to equity ratio** | **(0,56)** | **(0,32)** |

### Risk Management System

When calculating the Group's capital risk management, debts and equity items including cash and cash equivalents, paid-in capital, defined benefit plans remeasurement gains / losses, restricted reserves from profit and retained earnings / (losses) are considered, respectively.

The risks associated with each capital class, together with the group capital cost, are evaluated by the senior management. Based on senior management assessments, it is aimed to keep the capital structure in balance through the acquisition of new debt or repayment of existing debt, as well as through dividend payments.

## 32. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS

### Risk management disclosures

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

### Credit risk

Credit risk is the risk that a customer or a counterparty will not fulfil its contractual obligations and arises mainly from customer receivables.

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| | Trade receivables | | Other receivables | | | |
| **31 December 2021** | **Related Party** | **Third Party** | **Related Party** | **Third Party** | **Cash at Banks** | **Financial investments** |
| **Maximum credit risk exposed as of balance sheet date, (A+B+C+D)** | **306.490** | **98.722.437** | -- | **2.060.174** | **462.396.495** | **51.880.614** |
| - Secured portion of the maximum credit risk by guarantees | -- | -- | -- | -- | -- | -- |
| **A.** Net book value of financial assets that are neither past due nor impaired | 306.490 | 98.722.437 | -- | 2.060.174 | 462.396.495 | 51.880.614 |
| **B.** Net book value of the impaired assets | -- | -- | -- | -- | -- | -- |
| - Past due (gross carrying amount) | -- | 578.861 | -- | -- | -- | -- |
| - Impairment (-) | -- | (578.861) | -- | -- | -- | -- |
| - Secured portion of the net value by guarantees, etc. | -- | -- | -- | -- | -- | -- |

## 32. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### Credit risk (continued)

| | Receivables | | | | |
|---|---|---|---|---|---|
| | Trade receivables | | Other receivables | | |
| **31 December 2020** | **Related Party** | **Third Party** | **Related Party** | **Third Party** | **Cash at Banks** |
| **Maximum credit risk exposed as of balance sheet date, (A+B+C+D)** | **9.810** | **56.077.328** | **55.804.366** | **1.294.814** | **135.419.750** |
| - Secured portion of the maximum credit risk by guarantees | -- | -- | -- | -- | -- |
| **A.** Net book value of financial assets that are neither past due nor impaired | 9.810 | 56.077.328 | 55.804.366 | 1.294.814 | 135.419.750 |
| **B.** Net book value of the impaired assets | -- | -- | -- | -- | -- |
| - Past due (gross carrying amount) | -- | 4.396.595 | -- | -- | -- |
| - Impairment (-) | -- | (4.396.595) | -- | -- | -- |
| - Secured portion of the net value by guarantees, etc. | -- | -- | -- | -- | -- |

The Group monitors the collectability of its trade receivables periodically and allocates provision for doubtful receivables for possible losses that may arise from doubtful receivables based on the collection rates of previous years. Following the provision for doubtful receivables, if all or part of the doubtful receivable amount is collected, the collected amount is deducted from the doubtful receivable provision and associated with profit or loss.

### Liquidity risk

The Group manages liquidity risk by maintaining adequate funds and available borrowing by regularly monitoring forecast and actual cash flows and matching the maturities of financial assets and liabilities. Prudent liquidity risk management expresses the ability to keep sufficient cash, the availability of sufficient credit transactions, the availability of fund resources and the ability to close market positions.

The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

The table below shows the maturity distribution of the Group's non-derivative financial liabilities:

| | 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| **Contractual maturity** | **Carrying Value** | **Contractual cash flows** | **Less than 3 months** | **3 - 12 month** | **1 - 5years** | **More than 5 years** |
| **Non derivative financial liabilities** | **12.114.855** | **12.057.136** | **8.586.808** | **2.195.154** | **1.275.174** | **--** |
| Loans and borrowings | 3.751.037 | 3.693.318 | 222.990 | 2.195.154 | 1.275.174 | -- |
| Trade payables | 7.867.118 | 7.867.118 | 7.867.118 | -- | -- | -- |
| Other payables | 496.700 | 496.700 | 496.700 | -- | -- | -- |

| | 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Contractual maturity** | **Carrying Value** | **Contractual cash flows** | **Less than 3 months** | **3 - 12 month** | **1 - 5years** | **More than 5 years** |
| **Non derivative financial liabilities** | **33.246.823** | **33.349.595** | **6.657.518** | **22.180.747** | **4.511.330** | **--** |
| Loans and borrowings | 29.399.883 | 29.502.655 | 3.485.095 | 21.696.567 | 4.320.993 | -- |
| Trade payables | 2.976.579 | 2.976.579 | 2.976.579 | -- | -- | -- |
| Lease liabilities | 835.910 | 835.910 | 161.393 | 484.180 | 190.337 | -- |
| Other payables | 34.451 | 34.451 | 34.451 | -- | -- | -- |

## 32. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### Foreign Currency Risk

For the periods, the Group's foreign currency position consists of foreign currency denominated assets and liabilities stated in the table below:

| | | 31 December 2021 | | | 31 December 2020 | | |
|---|---|---|---|---|---|---|---|
| | | **TL Equivalent** | **USD** | **EUR** | **TL Equivalent** | **USD** | **EUR** |
| 1 | Trade payables | 79.694.094 | 4.060.439 | 1.838.932 | 7.890.722 | 192.832 | 718.840 |
| 2a. | Monetary financial assets | 455.874.825 | 26.859.049 | 7.308.904 | 48.016.550 | 1.461.257 | 4.139.721 |
| 2b. | Non-Monetary financial assets | -- | -- | -- | -- | -- | -- |
| 3 | Other | -- | -- | -- | 118.916 | 16.200 | -- |
| **4** | **Current assets (1+2+3)** | **535.568.923** | **30.919.488** | **9.147.836** | **56.026.188** | **1.670.289** | **4.858.561** |
| 5 | Trade receivables | -- | -- | -- | -- | -- | -- |
| 6a. | Monetary financial assets | -- | -- | -- | -- | -- | -- |
| 6b. | Non-Monetary financial assets | -- | -- | -- | -- | -- | -- |
| 7 | Other | -- | -- | -- | -- | -- | -- |
| **8** | **Non- Current assets (5+6+7)** | -- | -- | -- | -- | -- | -- |
| **9** | **Total assets (4+8)** | **535.568.923** | **30.919.488** | **9.147.836** | **56.026.188** | **1.670.289** | **4.858.561** |
| 10 | | | | | | | |
| | Trade payables | 4.570.309 | 218.416 | 118.225 | 1.574.559 | 109.940 | 85.208 |
| 11 | Financial borrowings | 59.402 | 4.577 | -- | 484.510 | 66.005 | -- |
| 12a. | Other Monetary financial liabilities | -- | -- | -- | -- | -- | -- |
| 12b. | Other Non-Monetary financial liabilities | -- | -- | -- | -- | -- | -- |
| **13** | **Current liabilities (10+11+12)** | **4.629.711** | **222.993** | **118.225** | **2.059.069** | **175.945** | **85.208** |
| 14 | Trade payables | -- | | | -- | -- | -- |
| 15 | Financial borrowings | -- | -- | -- | -- | -- | -- |
| 16a. | Other Monetary financial liabilities | -- | -- | -- | -- | -- | -- |
| 16b. | Other Non-Monetary financial liabilities | -- | -- | -- | -- | -- | -- |
| **17** | **Non-Current liabilities (14+15+16)** | -- | -- | -- | -- | -- | -- |
| **18** | **Total liabilities (13+17)** | **4.629.711** | **222.993** | **118.225** | **2.059.069** | **175.945** | **85.208** |
| **19** | **. Net asset / liability position of off-balance sheet derivatives (19a-19b)** | -- | -- | -- | -- | -- | -- |
| 19a. | Total amount of assets hedged | -- | -- | -- | -- | -- | -- |
| 19b. | Total amount of liabilities hedged | -- | -- | -- | -- | -- | -- |
| **20** | **Net foreign currency asset /(liability)position (9-18+19)** | **530.939.212** | **30.696.495** | **9.029.611** | **53.967.119** | **1.494.344** | **4.773.353** |
| **21** | **Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)** | **530.939.212** | **30.696.495** | **9.029.611** | **53.848.203** | **1.478.144** | **4.773.353** |

## 32. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS (continued)

**Foreign currency risk(continued)**

*Sensibility analysis*

The Group's currency risk consists of the value changes of TL against Euro and USD. The basis of the sensitivity analysis to measure the currency risk is to make the total currency statement made throughout the organization. Total foreign currency position includes all foreign currency based short-term and long-term purchase agreements and all assets and liabilities.

The exchange rate sensitivity analysis for the periods are as follows:

| | **2021** | | **2020** | |
|---|---|---|---|---|
| | **Profit / (Loss)** | | **Profit / (Loss)** | |
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| | **In case of 10% appreciation of USD against TL** | | | |
| 1- USD net asset/liability | 39.836.376 | (39.836.376) | 1.096.923 | (1.096.923) |
| 2- Amount hedged for USD risk (-) | -- | -- | -- | -- |
| **3- USD net effect (1+2)** | **39.836.376** | **(39.836.376)** | **1.096.923** | **(1.096.923)** |
| | | | | |
| | **In case of 10% appreciation of EUR against TL** | | | |
| 4- EUR net asset/liability | 13.257.546 | (13.257.546) | 4.299.789 | (4.299.789) |
| 5- Amount hedged for EUR risk (-) | -- | -- | -- | -- |
| **6- EUR net effect (4+5)** | **13.257.546** | **(13.257.546)** | **4.299.789** | **(4.299.789)** |
| **Total net effect (3+6)** | **53.093.922** | **(53.093.922)** | **5.396.712** | **(5.396.712)** |

## 33. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION)

For the periods, the book values and fair values of assets and liabilities are shown in the table below:

| | | **31 December 2021** | | **31 December 2020** | |
|---|---|---|---|---|---|
| ***Financial assets*** | ***Note*** | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Cash and cash equivalents | *5* | 462.412.511 | 462.412.511 | 135.483.739 | 135.483.739 |
| Financial investments | *6* | 51.880.614 | 51.880.614 | -- | -- |
| Trade receivables | *6* | 99.028.927 | 99.028.927 | 56.087.138 | 56.087.138 |
| Other receivables | *8* | 2.060.174 | 2.060.174 | 57.099.180 | 57.099.180 |
| **Total financial assets** | | **615.382.226** | **615.382.226** | **248.670.057** | **248.670.057** |
| ***Financial liabilities*** | | | | | |
| Financial borrowings | 16 | 3.751.037 | 3.751.037 | 29.399.883 | 29.399.883 |
| Trade payables | 6 | 7.867.118 | 7.867.118 | 2.976.579 | 2.976.579 |
| Other payables | 8 | 496.700 | 496.700 | 34.451 | 34.451 |
| Payables related to employment benefits | 19 | 3.821.726 | 3.821.726 | 3.088.584 | 3.088.584 |
| **Total financial liabilities** | | **15.936.581** | **15.936.581** | **35.499.497** | **35.499.497** |
| **Net** | | **599.445.645** | **599.445.645** | **213.170.560** | **213.170.560** |

## 34. OTHER MATTERS SHOULD BE EXPLAINED

As of the report date, the "Pandemic" announced by the World Health Organization due to the COVID-19 outbreak continues. The situation is expected to cause unfavourable results in the economy all over the globe as well as Turkey. Efforts are carried out through control-protection measures and significant support is being given primarily by government authorities to minimize losses.

However, due to the sector in which the Group operates, the Group was not adversely affected by the pandemic and even had positive effects on turnover and profitability.

## 35. SUBSEQUENT EVENTS

As part of its growth strategy in international markets, the company established and registered RhineGene B.V., a subsidiary located in the Netherlands, with a capital of Euro 1.000.000.