2022 ANNUAL REPORT

JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Table of Contents

Executive Summary

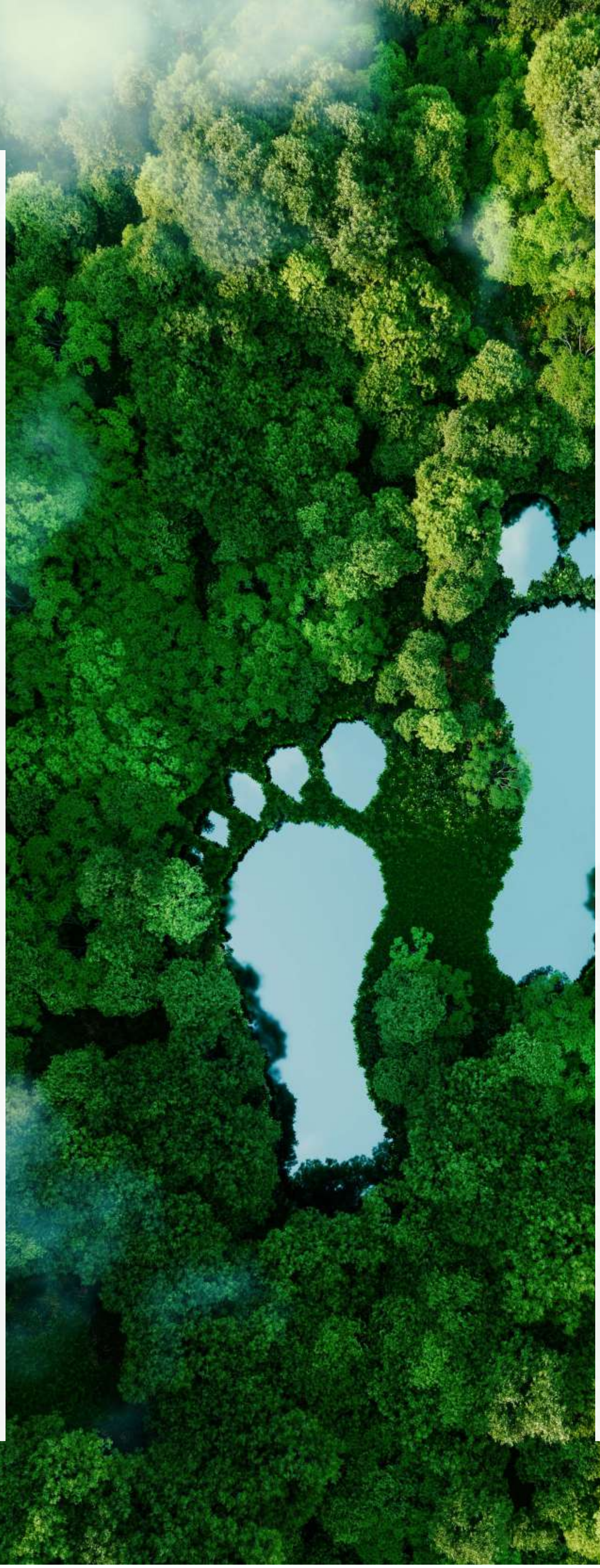
As JCR Avrasya Derecelendirme, the leading global financial services provider in Türkiye which is developing day by day with its commitment to international auditing standards, its innovative business models, and the principles it adopts, we continued to create value in all areas of financial services also in 2022. With the products, services, and solutions we offer to our stakeholders, we have made significant contributions to investments in financial markets under the principles of transparency, accuracy, and independence.

With the strength we derive from our country, which is growing and getting stronger day by day, we have written an important growth story since the day we were founded and entered the Turkish Century strongly.

We continued to create value

The Turkish economy maintained its strong stance during this period when the global economies were experiencing great difficulties, and achieved a growth of 5.6% in the entire 2022 and put its signature under an important success story that will become a role model for many countries.

We also served this development marathon of our country with the rating reports we prepared in order to provide the expertise needed by the financial world, to increase the efficiency of risk management and debt markets, and to provide the necessary information for making investments with confidence. We significantly increased the number of our customers and business volume in 2022 as is the case with previous years, and we are one step closer to our vision of "being the most effective, transparent, independent, objective, and reliable rating agency in its region, which is taken as a reference on a global scale".



The financial data of JCR Avrasya Derecelendirme has also been strengthened by the energy generated by this growth performance of Türkiye. Today, we are the leading company in our country in the field of rating, with more than 1,000 customers and a steadily increasing transaction volume.

We put the concept of sustainability at the heart of our business model

Sustainability continues to rise as the most important concept for our future due to the devastating shocks experienced by the world in the last two years. The importance of sustainability is increasing every passing day. For this reason, sustainability practices have been one of our company's most important focuses and one of the areas where it has made great progress throughout the year. With the increasing awareness and interest in the sustainability of financial services, our work has also gained momentum.

Accordingly, we have integrated our sustainability strategy into all our business processes. We manage this transformation with a concept of zero negative environmental impact and high positive impact, through our strategies aiming to transform our natural and financial resources into social and economic values.

SWithin the scope of our sustainability studies, we attach importance to ESG rating models. As JCR Avrasya Derecelendirme, we created the framework outline of the Generic ESG methodology and carried out important studies on this matter. In 2023, we plan to increase the sustainability-oriented contributions we aim to make to the financial ecosystem and to get concrete outputs from our studies. Accordingly, we closely follow up our obligations, brought by the requirements of all national and international environmental regulations, in order to take action in line with Türkiye's sustainable development goals.

For our shared future......

Given that credit rating activities basically aim to eliminate uncertainties for investors, the role of our company's activities for the Turkish economy is clearly seen.

It is better understood how valuable and hopeful our activities are for the future of our country, especially in the Turkish Century, which we entered as a Türkiye that makes a strong impression with its industry, exports, tourism, and agriculture in an atmosphere of uncertainty that the world is going through.

As JCR Avrasya Derecelendirme, the leading rating agency in Türkiye, we will continue to work with all our strength to add value to our shared future in line with the future goals and vision of our country.

Sincerely,

Atilla BENLİ
Chairperson of the Board of Directors

Executive Summary

As JCR Avrasya Derecelendirme family, we have left behind another year in which we carried out our activities with the aim of creating sustainable value, being aware of operating in an economically and strategically important sector and our responsibility towards the finance ecosystem.

Adopting our main priority of the continuity of our activities, we acted as a compass for all sectors to see the uncertainties in their activities also in this period. We increased the number of our customers and the services we provide to our stakeholders also in 2022 when we crowned our high performance with new achievements.

Global issues that directly affect humanity in the world acquired a dimension that affects all economic indicators also in 2022. While the Turkish economy continues to grow at a sustainable level and uninterruptedly despite all the difficulties, we have also carried out our rating activities with principled, transparent, and fair criteria in order to facilitate access to finance and to keep risks at a minimum level, in line with our country's sustainable development goals, with the awareness of our responsibility since our establishment.

We have taken important steps in our sustainability journey

By placing the awareness of sustainability at the core of all our work processes, we have taken important steps to make the environmental, social, and governance dimensions of our activities valuable at the national and universal level in order to contribute more to the society and environment we live in.

We have created the framework outline of the JCR-ER Generic ESG methodology with the aim of adding positive value to all our stakeholders from a broad perspective, without addressing sustainability only as environmental sustainability.

Thus, in 2022, when we entered the global socio-economic recovery process, we continued to add value to the future of the Turkish economy with the increase in our net profit for the period, asset size, and number of customers, while also continuing to make a contribution to sustainable growth with our qualified human resources, our ability to produce innovative solutions, and our end-to-end services.

We will continue to work with the same determination to create value for our stakeholders

With our strong and secure technological infrastructure, developing customer portfolio, and range of services, we will continue to increase the value we create for our stakeholders and our country and to be a reliable reference point that enables our investors to make the right decisions with a more integrated perspective, also in the Turkish Century.

Despite the challenging conditions and geopolitical developments, we will continue to grow with firm steps in order to contribute to the development of our economy and capital markets, with the inspiration we get from the future vision of our country, which entered the year 2023 strongly.

Sincerely,

Prof. Dr. Feyzullah YETGİN
Vice Chairperson of the Board of Directors
General Manager

About Us

We have been actively carrying out rating activities in Türkiye since the very first day of our operations started with the mission of improving the functioning of the markets globally and locally, providing convenience in borrowing for countries and companies by measuring the risk of credits, informing investors, and creating value. Having changed with the participation of Turkish financial institutions on January 17, 2020, our shareholding structure expanded the vision of JCR Eurasia Rating to its current limits.

Our agency, **JCR Eurasia Rating (JCR-ER)** in short, which is an international rating agency, today is a founding member of the European Association of Credit Rating Agencies (EACRA) and the Association of Credit Rating Agencies in Asia (ACRAA).

In addition, we are a rating agency **authorized by both the CMB and the BRSA** to operate in the capital markets.

As an agency with a distinguished portfolio which has announced the rating of many companies and financial institutions operating in different sectors in recent years, we inform our stakeholders with a focus on the principles of transparency and impartiality.

We are a global reference point for analysis reports that are an integral part of our rating services. We believe in providing our customers with **fast and high-quality solutions** specific to the sector and establishing long-term business partnerships.

With a solution-oriented approach, we support the financial development of our stakeholders.

The diversity of our customers and employees is our most important wealth. We use our creativity and different way of thinking to improve our products, services, and processes. We are working to continuously improve and to get better results.

Our fields of activity include country rating, banks, financial institutions, insurance companies, public institutions, rating of corporate, industrial, and commercial companies, SMEs, local administrations, issuances in the field of bond and structured financing, and potential rating groups and corporate governance services to apply to project areas.

Behind all the successful results we have achieved, lies the devoted work of our family and the collaborations we have with all our stakeholders. Ensuring the objective, independent, and systematic measurement of risks, especially credits, our role supports our stakeholders in growing and turning towards investment.

As JCR Avrasya Derecelendirme, we continue our work with the principle of commitment to our values and continuity for our shared future in order to carry our sectoral role and vision to the future.

Having changed with the participation of Turkish financial institutions on January 17, 2020, our shareholding structure expanded the vision of JCR Eurasia Rating to its current limits.

Milestones

2022

The company capital was increased from TRY 1,000,000 to TRY 30,000,000.

The JCR-ER Analytics Rating Software, in which the rating process is carried out end-to-end, started to be used.

The Economic and Analytical Research Unit was established.

2021

ISO 9001, ISO 27001, and ISO 10002 Quality Certificates were obtained.

2020

Pursuant to the BRSA Resolution dated September 10, 2020, companies with a total risk of TRY 500 million were required to obtain a rating from an authorized rating agency in order to get credit.

As a result of the “Share Transfer Agreement” adopted at the General Assembly dated January 17, 2020, our new partnership structure was formed.

2018

A Memorandum of Understanding (MoU) was signed by A Memorandum of Understanding (MoU) on November 14, 2018 and November 19, 2018 by Japan Credit Rating Agency, Ltd (JCR), our agency JCR Eurasia Rating (JCR-ER), and Credit Rating Mongolia LLC (CRM) based in Mongolia in order to establish future cooperation and exchange technical and legal information..

2017

A partnership and cooperation agreement was signed on September 11, 2017 with Accuratio Credit Ratings ECR SA (currently JCR LATAM), which is based in Peru and operates in South American countries.

2016

On May 13, 2016, BRSA authorized the “rating of financial institutions other than banks and the instruments they issue”. In addition, its powers were extended to “national and international rating to be given to domestic and foreign institutions” instead of just a national rating.With the General Assembly Resolution dated March 3, 2016, its paid-up capital was increased from TRY 200,000 to TRY 1,000,000.

2015

On April 17, 2015, it joined ACRAA (The Association of Credit Rating Agencies in Asia), of which 33 rating agencies operating in 15 Asian countries are members.

2013

With the BRSA Board Resolution dated April 25, 2013, its authority was renewed by BRSA based on the application dated June 21, 2012.

2012

On June 21, 2012, an application was made to the Banking Regulation and Supervision Agency for the renewal of the rating license.

2010

On October 5, 2010, it was authorized by the Undersecretariat of Treasury for the rating of reinsurer companies in accordance with the third paragraph of Article 8 of the Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance, and Pension Companies.

On April 29, 2010, it received the Corporate Governance Compliance Rating License from the Capital Markets Board.

In March 2010, it became one of the founding members of the European Association of Credit Rating Agencies (EACRA), together with other credit rating agencies operating in the European Union.

2009

It was authorized as an Independent Rating Agency (ECAI's External Credit Assessment Institutions) by the BRSA with the Board Resolution dated October 1, 2009 and numbered 3368.

2008

It started its rating activities by announcing its first rating report on May 7, 2008.

2007

On November 12, 2007, the partnership structure with JCR was registered, and the name of the organization was changed from Avrasya Derecelendirme A.Ş. to JCR Avrasya Derecelendirme A.Ş.

A partnership agreement was signed with Japan Credit Rating Agency, Ltd (JCR) on November 5, 2007.

On June 15, 2007, it received a credit rating license from CMB.

On February 20, 2007, it was registered in the trade registry and started its activities as Avrasya Derecelendirme A.Ş.

Shareholding Structure

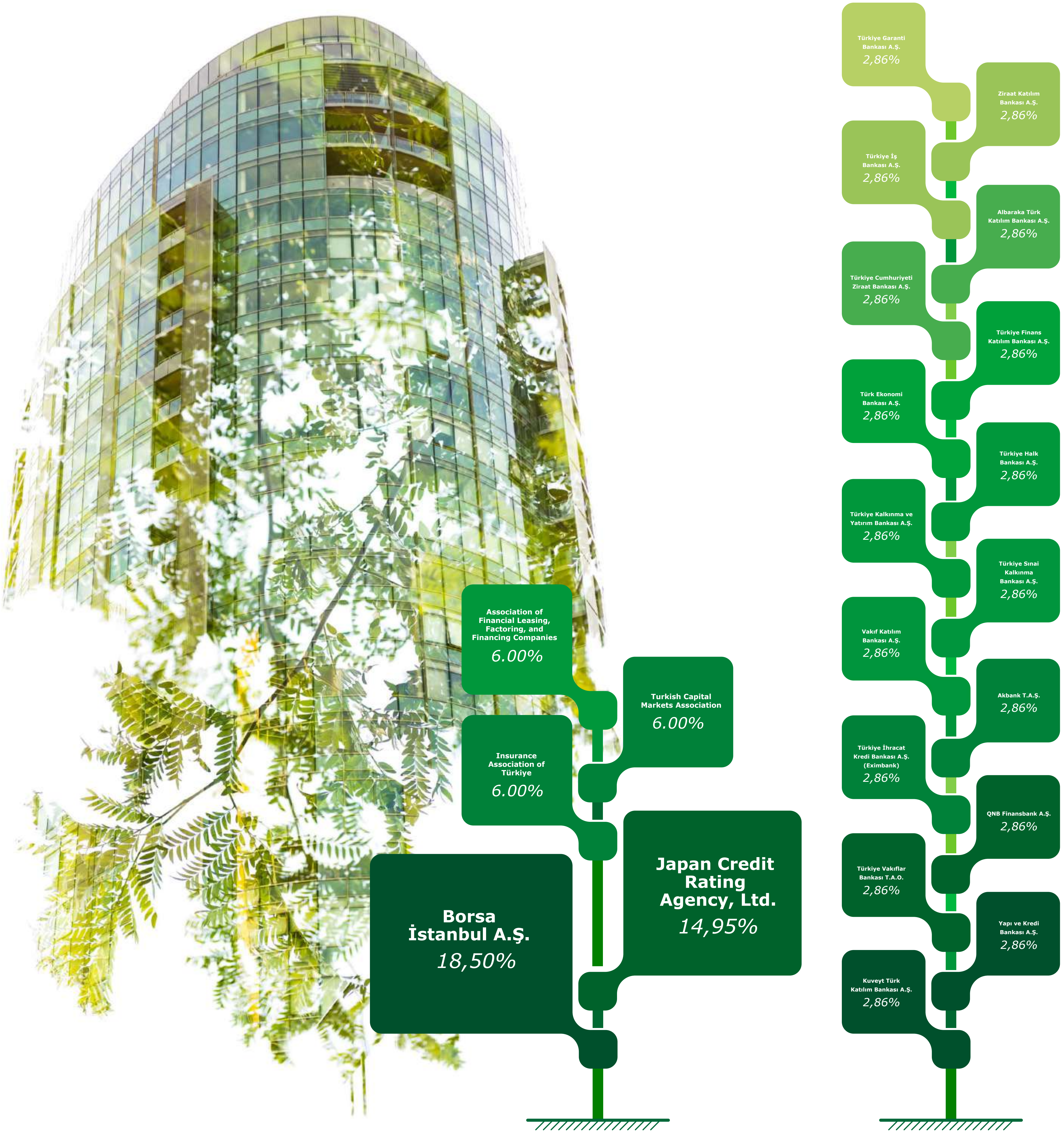
Working with a comprehensive and visionary perspective to contribute to the deepening of the financial sector and to position rating activities in a broad perspective, our agency has a strong partnership structure that supports sustainable and profitable growth.

The common goal of promoting economic growth and development in Türkiye is at the heart of our stakeholdership. One of the most important benefits of our partnership structure, which aims to create a more stable, efficient, and transparent financial system that supports businesses and individuals through cooperation across the country, is to be able to turn the strengths and expertise of each organization into sectoral benefits.

Accordingly, our cooperation with Borsa İstanbul A.Ş., which has a strong innovation and market development history, Japan Credit Rating Agency, Ltd (JCR), Turkish Capital Markets Association, Insurance Association of Türkiye, Financial Institutions Association, and strong institutions of the banking sector, is a reflection of our commitment to collaboration in the financial sector.

Our partners' experience in the capital markets and their transparency in terms of accountability both contribute to the establishment of an environment of trust in rating activities and to the creation of a sustainable financial ecosystem.

We continue to promote practices that contribute to financial sustainability for the healthy progress of rating activities, which is our area of expertise, and to work collectively to produce financial products and services accordingly.



Japan Credit Rating Agency, Ltd. (JCR)

JCR, one of our main partners, is an international rating agency established in Tokyo and authorized by the Japanese FSA (Financial Services Agency) and recognized by the US SEC (Securities and Exchange Commission). It is also authorized by ESMA (European Securities and Markets Authority).

JCR's rating services cover a wide range of financial products such as medium and long-term bonds, priority debts, and financing bills. In addition, JCR rates life and non-life insurance companies' ability to meet their obligations and structured finance transactions, including asset-backed securities.

JCR is a rating agency supported by the preeminent group of institutional investors in Japan. JCR's partners include Japan's leading insurance companies and banks.

Japan Credit Rating Agency, Ltd (JCR) received a credit rating agency certification on January 11, 2011, within the framework of the European Union's regulations on credit rating agencies.

Accordingly, JCR's ratings are certified to be used by credit agencies, investment firms, insurance undertakings, professional pension schemes, etc., under the legislation within the borders of the European Union. In addition, JCR's ratings are defined in tariffs as credit ratings given by a credit rating agency approved by the European Union.

JCR has the privilege of being recognized by the financial supervisors of 4 countries in the European Union (France, Belgium, Luxembourg, and Germany) in order for the ratings to be used within the scope of legislative regulations in order to determine risk weights for bank risk assessment within the framework of BASEL practices. Although it is authorized by the EU, it continues to be the "Authorized ECAI Institution" in these 4 countries.

Japan Credit Rating Agency, Ltd (JCR) received credit rating agency certification on January 11, 2011.

Board of Directors - Senior Management

Our Board of Directors consists of a total of six people, including a chairperson, a vice chairperson, and four members.

As of 28.03.2022, Atilla BENLİ was appointed the Chairperson of the Board of Directors, and Prof. Dr. Feyzullah YETGİN the Deputy Chairperson of the Board of Directors.

Dr. Aydın GÜNDOĞDU, Dr. Metin Recep ZAFER, Yalçın MADENCİ, and Atsushi MASUDA representing Japan Credit Rating Agency, Ltd. are the members of our Board of Directors.

The senior management members are Prof. Dr. Feyzullah YETGİN, Şevket GÜLEÇ, Zeki Metin ÇOKTAN, Şahika DEMİROĞLU, and Dr. Arif TEPE.

Board of Directors

Atilla BENLİ
Chairperson of the Board of Directors

Prof. Dr. Feyzullah YETGİN
Vice Chairperson of the Board of Directors, General Manager

Dr. Aydın GÜNDOĞDU
Member

Dr. Metin Recep ZAFER
Memeber

Yalçın MADENCİ
Member

Atsushi MASUDA
Member

**Takefumi EMORI, who was elected as the representative of Japan Credit Rating Agency, Ltd in 2022, left the position, and Atsushi MASUDA was appointed.*
**Prof. Dr. Cem DEMİROĞLU, the Member of the Board of Directors, left the position on 20.10.2022.*

Financial Rights

No attendance fee is paid to JCR Avrasya Derecelendirme A.Ş. Board Member Takefumi EMORI and Atsushi MASUDA, who was appointed on 01.11.2022 to replace him. In 2022, the total amount of payments made to the Members of the Board of Directors and Senior Executives of our agency is TRY 8,001,864.14. There are no transactions that may cause a conflict of interest, such as direct or indirect lending by the company to the Members of the Board of Directors or the Company's Senior Managers, granting credits, or giving guarantees in their favor.

Senior Management

Prof. Dr. Feyzullah YETGİN *General Manager*

Şevket GÜLEÇ
Assistant General Manager for Rating

Zeki Metin ÇOKTAN
Assistant General Manager for Rating

Şahika DEMİROĞLU
Assistant General Manager for Rating

Dr. Arif TEPE
Assistant General Manager for HR, Financial, and Administrative Affairs

Our Position in the Sector

We are the first credit rating agency established and operating in Türkiye with Turkish capital after obtaining a Credit Rating License from the CMB on 15.06.2007. With the advantage of being the first agency to take action, we strengthened our current position by partnering with JCR, one of the largest rating agencies operating worldwide.

In the field of credit rating, our agency maintains its leading position in a field that includes companies established in Türkiye and authorized by the CMB, and companies established abroad, all of which have foreign capital and are authorized for rating activities in Türkiye.

On April 29, 2010, our agency received the Corporate Governance Compliance Rating License from the Capital Markets Board. In the field of corporate governance compliance rating, our agency operates within the framework of the authority it received from the CMB.

Our privileges, our developing customer portfolio, and our range of services confirm the leading role and strong sectoral position of our agency, JCR Avrasya Derecelendirme, in the field of rating.

Pursuant to the BRSA Resolution dated 10.09.2020 and numbered 9133, in order for companies, other than banks and financial institutions whose total risk in the banking sector is TRY 500 million and above including the requested credit according to the latest information at the Risk Center of the Banks Association of Türkiye, to get credit, they must have a rating from a rating agency, authorized by the Agency. Within the scope of this regulation, **JCR Avrasya Derecelendirme A.Ş. is the only rating agency authorized by the BRSA to give credit ratings in Türkiye.** The credit rating ratings given by our agency on a national scale can be taken into account in calculating the capital adequacy ratio of banks.

The leading company of the sector, JCR Avrasya Derecelendirme A.Ş. makes a significant contribution to the development of financial markets by penetrating the vast majority of companies in the banking system.

JCR Avrasya Derecelendirme A.Ş. is the only rating agency authorized by the BRSA to give credit ratings in Türkiye.

Summary Financial Information

The sales revenue of our agency, whose business volume increased in 2022, reached TRY 237.8 million. The **investments of our agency,** which concentrated on technological infrastructure, software, and human resources with the revenues obtained since the change in the shareholding structure in 2020, were covered **entirely from internal resources,** without getting any credits.

TRY	31.12.2020	31.12.2021	31.12.2022
Sales Income	16.341.016	108.526.512	237.788.477
Net Profit (Loss) for the Period	2.467.201	58.824.699	100.750.805
Current Assets	8.367.759	72.814.657	170.505.836
Fixed Assets	26.355.231	9.979.044	11.241.395
Paid-up Capital	1.000.000	1.000.000	30.000.000
Equities	27.960.844	69.663.497	142.868.852
TOTAL ASSETS	**34.722.990**	**82.793.701**	**181.747.231**

Rating Activities in 2022

91%

Number of reports increased compared to the previous year

Among **1,756 rating processes completed** as of 2022, 1,726 of them were completed within the scope of corporate credit rating, 23 within the scope of structured financing rating, 6 within the scope of corporate governance rating, and 1 within the scope of country rating.

Type of Analysis	**2021**	**2022**
Corporate (Companies)	866	1.689
Financial Institutions	34	33
Structured Financing	11	23
Corporate Governance Rating	6	6
Other	4	5
Grand Total	**921**	**1.756**

Country Rating Activities

Under the country rating activities, the local/foreign currency debts and the risk probable to arise due to economic operations are taken into consideration as primordial, and the local/foreign currency debts of the relevant country and its ability to pay its financial liabilities, as well as its effort to pay, are measured. Within the scope of country rating activities, the additional risk premium to be reflected on the capital and investment costs and profit rates due to the economic and political risks are determined. During the rating process, it is observed that the risk premiums of the countries decrease with the decrease in the default probability determined for the countries, or the risk premiums increase with the increase in the default probability.

Within the scope of country ratings, **political, social, and economic criteria are basically analyzed for the countries evaluated,** taking into account the minimum 5-year data, and rating grades are assigned for countries. The basic criteria are provided below.

While the political system and foreign relations are taken into account within the scope of political risks, population, housing and demographic factors, social security and health factors, income distribution, consumption and poverty, education, culture and sports, work-employment-unemployment, environment and energy situation, science, technology, and informatics are basically the criteria taken into account. Within the scope of economic risks, many criteria such as countries' income generation capacity, GNP-GDP data, productivity rates (compared to all previous years), general balance of the economy, growth trends, industrial production indices, manufacturing industry capacity utilization rates, fixed capital investments, fixed capital incentive policies, construction licenses granted, SME incentive applications, automotive, white goods, electronic production-export-import data, financial and budget policies, public finance and budget realizations (central government and consolidated), debt analysis, exports, agriculture (crop production, livestock, aquaculture, tools and machinery, prices), tourism, transportation, communication and traffic, financing status and needs of operators and their ratio to GNP, profit/loss status of operator SOEs and their ratio to GNP, indebtedness status of operator SOEs and their ratio to GNP, efficiency of SOEs and their place/importance in the economy, liquidity indicators, price stability, inflation, consumer/producer price indexes, money supply, Central Bank efficiency and activities, monetary policies, international official reserves, balance of payments, statistics on insurance-reinsurance companies (number of companies, premiums, etc.), capital issues (by countries and sectors), financial leasing, factoring, statistics on consumer finance companies, gold exchange, lenders and usury (even if not legal), treasury receivables data, banking data, treasury cash balance and realizations, foreign debt formation and savings, debt statistics (principal, interest, maturity), and comparison of debts with domestic values are taken into account.

Credit Rating Activities

The rating in the finance literature is a tool that measures, under the specified criteria, the obligor's or debtor's willingness to pay the principal, interest, and other additional obligations in a timely and full manner in accordance with the credit agreement, whether there is such an ability, in short, the level of the ability to pay. In other words, rating is an analytical and at the same time subjective process designed as an indicator of non-payment risk (default risk). The grade categories determined in this process are an important source of information for both investors and all other parties, expressing an independent judgment to determine the quality and reliability of the investment and investment instrument.

However, although a rating is not a recommendation to make or not to make an investment in the relevant field, to lend or not to lend to the relevant person and/or institution, it cannot be denied that it affects the decisions and preferences of the investors, or the market prices and marketability.

In rating, certain categories are used, and these categories are expressed with symbols formed by letters, numbers, or combinations thereof. Generally, higher grades are separated as "investment categories", and those with more risky or speculative characteristics as "risk categories".

In rating, certain categories are used, and these categories are expressed with symbols formed by letters, numbers, or combinations thereof.

Corporate Governance Rating Activities

Corporate governance rating is the evaluation of companies' management structure, management quality, method processes, internal control mechanisms, efficiency, integrity, and all company culture in terms of qualitative aspects, according to the criteria of accuracy, transparency, accountability, responsibility, and fairness. It includes the chain of processes that concern non-financial data and determine the principles of relations between shareholders, the board of directors, senior management, management, and stakeholders, the distribution and organization of areas of authority and responsibility, that make reliability and transparency a prerequisite, and that act with a social, ethical, legal, and environmental concept.

Project Rating Activities

JCR Avrasya Derecelendirme makes analysis under 8 headings for project evaluations and rating analyses as follows:

- *Project Owners & Sponsor,*
- *Project Structure,*
- *Completion Risk,*
- *Operating & Technology Risks,*
- *Market Risk,*
- *Funding & Financing Risks,*
- *Political & Regulatory Risk,*
- *Force Majeure Risks*

and the results are transformed into a grading system in terms of thresholds.

Structured Financing Rating Activities

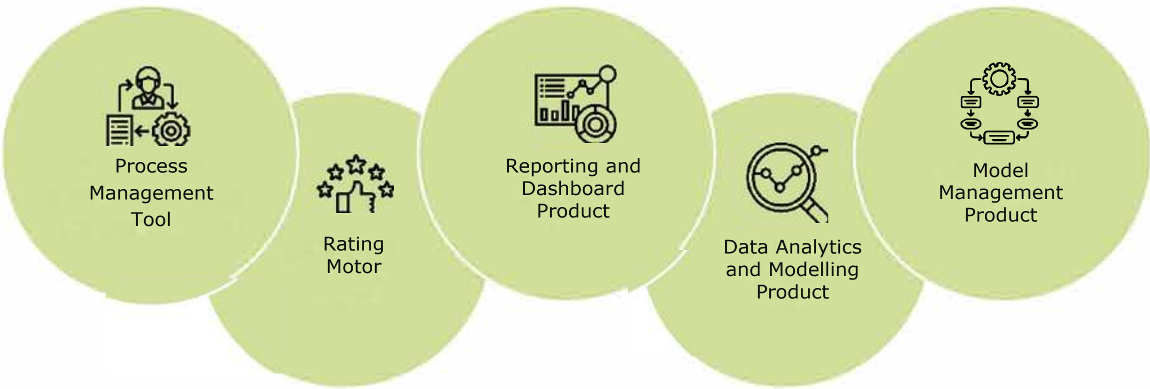
For the asset-backed securities rating studies carried out within the scope of structured financing, JCR Avrasya Derecelendirme assesses interest rates and spreads by analyzing asset financing fund (SPV-Special Purpose Vehicle), Trustee, Promoter, Guarantor, Issuer, Custodian, Transferor, and Insurer as the parties to the transaction.

In addition, the homogeneity and multiplicity of the pool of credits that forms a basis to export, default rates, collateral structure that increases the collection ability, exposure to market risks, immunity structure of cash flows, legal status, ability to renew the assets in case of early payment, and guaranteed amounts are also evaluated.

Our fields of activity include country rating, banks, financial institutions, insurance companies, public institutions, rating of corporate, industrial, and commercial companies, SMEs, local administrations, issuances in the field of bond and structured financing, and potential rating groups and corporate governance services to apply to project areas.

Methodology, Modelling, and Validation Activities

The Methodology and Modeling Directorate works on developing the necessary process flow or procedures for the effective management of the development framework of methodology and models, preparation of relevant documents, development of rating methodologies and models in accordance with corporate policies and good practices, back-testing of rating, preparation of regular analyses on performance and results, determination of areas that need improvement, and correcting the deficiencies identified. The project, which was initiated in the last quarter of 2020 in order to **develop the infrastructure in which the entire rating process can be managed systematically end-to-end,** including all rating services provided by the agency, together with the development and improvement of the existing infrastructure, was implemented in February 2022. Along with the project, the following applications were offered to the employees of our agency:



Under the project, a modernized and user-friendly rating process was designed, and the necessary infrastructure was provided to manage rating models quickly and flexibly. Thanks to the advanced reporting infrastructure, support will be provided for strategic targets that will enable our agency to become the leading rating agency in the region.

In addition, studies are ongoing to review and develop existing methodologies and models, taking into account international best practices. Accordingly, priority was given to the credit rating methodologies of corporate firms within the scope of the requirement for companies that meet the criteria determined in the Board Resolution taken by the Banking Regulation and Supervision Agency (BRSA), in accordance with the 3rd paragraph of Article 8 of the Regulation on Banks' Credit Transactions, to obtain a rating from a rating agency. To this end, as a result of the methodology development studies carried out in 2021, Corporate Rating Methodologies were put into practice in February 2022 simultaneously with the above-mentioned project.

The new rating methodology was developed taking into account the most up-to-date

approaches and in line with international best practices. Firms within the scope of corporate rating developed hybrid models with an emphasis on expert opinion due to their low number of defaults. The new methodology developed basically regulates the analytical process for evaluating firms and divides the process into several sub-factors to take into account all the important issues. The business risk profile of the companies to be rated is analyzed, the financial risk profile is evaluated, and then these factors are combined to determine the basic risk profile. The business risk profile evaluation combines industry risk and firm positioning analysis. Leverage, coverage, profitability, and productivity rate analyses cover the company's financial risk profile. Then, the analysis is continued by taking into consideration the criteria called modulators that can change the basic risk profile.

As a result of each stage of the modulator evaluation, which consists of three stages, the company's basic risk profile rating may change positively or negatively. As a result of the modulator analysis, the independent risk profile of the company is reached. After the independent risk profile is determined, the agency credit rating result of the company is achieved as a result of the group or public support impact assessment, if available. Support or negative influence from the public or group is taken into account in the assessment. Support or negative influence can affect both business and financial risk factors. In case of export of the companies, the export rating is achieved by taking into consideration the export-specific evaluation factors. In cases where the information to be provided cannot explain the creditworthiness of the firm or the information in the methodology cannot be accessed specifically for the firm due to the sector and unique situation of the rated firm, the missing information is taken into account at the Rating Committee, and the final rating of the firms is decided.

The corporate rating methodologies in question are closely monitored, and these monitoring studies are carried out regularly. In case of a need for changes in the methodology and models, the necessary processes are run, and the relevant updates are made.

The updating of the methodologies and models related to structured financing and financial institutions started in 2022, and most of the methodologies included in the said scope are planned to be revised in 2023.

Model validation activities of our agency are carried out by the Chief Controller, which operates under the Board of Directors, taking into account the regulations of the CMB and BRSA regarding rating activities and the good practices of the sector. Validation studies start in parallel with the development process of the models and continue throughout the period of use of the models.

Accordingly, "Initial Validation" is carried out before the models are implemented, and "Periodic Validation" is carried out at least once a year upon the implementation of the models. In addition to these studies, it is planned to prepare a "Model Monitoring Report" at least every six months, starting from 2023, in order to monitor the performance and stability of the model and to identify possible revision needs within the scope of our Validation Procedure. Accordingly, the validation reports regarding the models are submitted to the senior management of the agency and the BRSA.

Our validation studies consist of qualitative and quantitative evaluations. Qualitative evaluations start with the preparation of the data and include the documentation and recording of the end-to-end process until the final score is obtained, and an understanding of the rating architecture used in constructing the model. On the other hand, quantitative evaluations include processes such as checking the accuracy, consistency, and significance of the mathematical and statistical infrastructure.

The project, which was initiated in the last quarter of 2020 in order to develop the infrastructure where the entire rating process can be managed systematically end-to-end, was implemented in February 2022.

Economic Research Activities

In 2022, the Economic and **Analytical Research Directorate** was established to meet the needs of our agency with qualified global and local macroeconomic research and sector research, and to provide impact analyses and economic indicator forecasts. Our Research Unit carries out thematic studies at regular intervals based on needs.

By providing our stakeholders with our analyses, reports, and evaluations, we aim to both support the work of our stakeholders and contribute to the improvement of the quality of rating studies.

Macroeconomic Research Studies

Since our establishment, we have been sharing our **Weekly Economic Developments** and monthly **Global and Local Economic Developments bulletins** within the company.

Our weekly bulletins include fundamental economic indicators such as gross domestic product (GDP) growth, inflation developments, balance of payments, and employment market, as well as financial factors such as bond yields, money market, and monetary policy. In addition, we also **share the developments in global economies, especially in the USA and the EU, with our stakeholders.**

On the other hand, our monthly **Global and Local Economic Developments Bulletin** addresses issues such as global supply and demand balances, commodity markets, geopolitical developments, supply chains, and the direction and effects of monetary policies. With our Bank and Credit Developments Bulletin, we visualize the current regulations regarding the banking sector and their effects, credit growth and course, and show the credit momentum in terms of both type and currency.

In 2023, we aim to share a bulletin in which we monitor sector-based spending trends and supporting indicators, by refining weekly credit card data from price increases.

Modeling and Prediction Studies

In the first year of our activities, we first carried out studies and **developed models** to model and predict the basic indicators of the national economy. Accordingly, we already **prepared our GDP now-casting model.** We also prepared two **forecasting models,** one of which is based on regression and the other on factor modeling, to model domestic consumption, the largest component of GDP. In 2023, we plan to launch an **Economic Activity Index** in order to monitor economic activity at a higher frequency and to better interpret its sub-components. Likewise, in the same year, we will continue to study the effects of tightening/loosening financial conditions on economic activity and investments, by verifying our **Financial Conditions Index** model, which we continue to work on.

The model we have prepared to estimate Türkiye's GDP growth is based on the estimation of series corrected with Kalman Filter, which is widely used in the literature, with Dynamic Factor Model (DFM). Used by various central banks for "now-casting", that is, for the current quarter and quarters, this method can provide good signals regarding the components and momentum of economic activity. As for our agency, we aim to contribute to the financial modeling studies of our stakeholders with the outputs of our now-casting model.

In addition, we examine the effects of factors such as exchange rate, input prices, and inertia, which are determinants of inflation, with various impact-response and transitivity analyses.

In 2023, we will continue our modeling and forecasting studies for energy prices and analyze their effects on both macro indicators and sectors. Besides the traditional econometric models, we also use various machine learning models to predict data in time series and table format, with the development of our data sources. In the upcoming period, we will continue to work on modeling series such as energy demand and production, domestic consumption, investment demand, and sectoral production figures with these methods.

Sector Research

For the sectors determined within the scope of our agency's methodology, we issue reports to be used in rating studies and reports. In addition, we develop interfaces where we can monitor developments in sectors interactively. Accordingly, we first prepared an interactive application and reporting tool for the electricity sector and made this application available.

For our sector reports, we prepare them based on indicators such as production, sales, import/export structure of the sector in question, employment effect, credit developments, confidence indices, capacity utilization rates, volume indices, in other words, data. In addition, we ensure that the sector reports we prepare in coordination with our Information Technologies Directorate are included in the rating workflow.

In the coming period, we aim to increase the scope of our interactive reports and enable our stakeholders to view verified, edited, and refined data series in raw and processed form. Thus, we aim to both develop knowledge about the economic and sectoral outlook and contribute to rating activities.

Similarly, in addition to the sector reports we periodically update, we continue to work on sector bulletins, where we will share developments and up-to-date data on prominent sectors of the Turkish economy.

In order to support our sector research activities, we provide data flow/supply from publicly available data sources with various methods and information-sharing protocols, if necessary. Thus, we enable the collection and processing of alternative, big data class data in addition to traditional data sources.

Thematic Research

Apart from the scheduled and planned studies, we prepared **thematic reports** in which we examine and interpret the effects of important issues, trend shifts, or structural transformations caused by current global and local developments.

We prepared reports examining the energy crisis accelerated by the Russia-Ukraine war, the effects of the sanctions decisions taken following the said development, and the reflections of China's rapid abandonment of the strict "Zero Covid Policy" on Turkish and the global economies.

In the upcoming period, we will continue to examine the reflections of unexpected developments on our country and companies and share our findings.

Intelligence and Monitoring Activities

The Intelligence and Monitoring Department carries out intelligence and monitoring activities as part of the rating activities within the framework of the rules determined by the Senior Management.

Intelligence is the activity of collecting information on risk factors **during the first rating phase** for the companies with which we have signed a credit rating agreement and making the collected information usable in the strategic decision phase. The course of the credit transactions of the companies subject to the rating reports with the banks, the control of bad check records, the identification of group companies, and the scanning of the news reflected in the press about the companies and their partners constitute the basis of intelligence activities.

On the other hand, the monitoring activity consists of the studies carried out in accordance with the corporate policies and strategies after the rating of the companies is published. With the daily, weekly, and monthly reports issued, the analytical team and Senior Management are regularly informed about developments that may positively or negatively affect the company's creditworthiness.

The main reports that constitute the basis of our monitoring activities are as follows:

Combined Report of Risk Center of the Banks Association of Türkiye:

The main purpose of the report, which is prepared regularly every month, is to provide early warning signals for possible negative developments that may occur in the financial structure of companies. For this purpose, the development trend of companies' bank credit limits and risks, limit occupancy rates, credit debts under administrative or legal follow-up and interest accrual records, the development trend of factoring risks, if any, credit restructuring records, foreign currency credit risk ratios of companies, and sectoral risks are regularly monitored. The Senior Management and analytical team are informed about these matters.

Individual Inquiry Report of Risk Center of the Banks Association of Türkiye:

Overdue credit payments of each customer we actively work with are followed up daily. The analytical team and the Senior Management are informed every week about the high amount and long-term delays in credit repayments and the credit records tracked, if any. When necessary, the analytical team is requested to obtain information from the companies about the reasons for the delays. Depending on the content of the information received, early warning alarms caused by delays in credit repayment are either closed, or a monitoring record is started for the company.

Trade Registry Gazette Inquiries:

Announcements of all our customers published in the Trade Registry Gazette on important issues such as capital increase/decrease, merger/splitting, address, shareholding structure, trade name and type changes, bankruptcy, bankruptcy suspension, and pre-arranged bankruptcy decision are followed up. It is ensured that the analytical team and Senior Management, and the Customer Relations and Business Development Department, when necessary, are informed of these developments.

International Sanction Lists:

It is regularly monitored whether the companies we actively work with and their partners are included in the international sanction lists. These are reported to the Senior Management and analytical team. In addition, a Country Risk Rating Report is prepared twice a year, in January and July every year, and the analytical team and Senior Management are informed about the developments in the political, economic, and social risks of the countries, and attention is drawn to possible investment risks.

In order to detect early adverse situations that may pose financial and operational risks for companies, the lists of companies whose electricity, natural gas, fuel distribution, and production licenses have been revoked as published by EMRA, daily PDP notifications of our customers traded in Istanbul Stock Exchange, penal sanction records in the weekly bulletin published by the Capital Markets Board are followed up. In addition, the upcoming bond redemption maturities of our customers, for which we have given a rating, are listed on a monthly basis, so that the analytical team can regularly monitor the repayment performance of the companies we have given an issue rating.

The intelligence activities of JCR Avrasya Derecelendirme consist of the studies carried out for the companies with which credit rating agreements are signed for the first time during the rating phase, while the monitoring activity consists of the studies carried out after the rating of the companies is published.

Committees

Committees were established within our agency, taking into account the regulations of both the Capital Markets Board and the Banking Regulation and Supervision Agency.

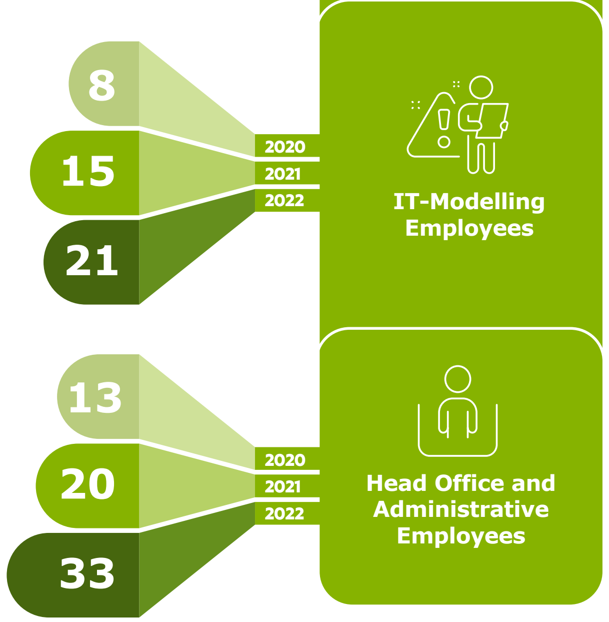
Information on Human Resources Activities

The most important value for us in the development of our agency is our employees. Our **Human Resources Policy** is **designed and continuously improved in order to recruit, motivate and continuously develop the employees** needed to achieve the agency's goals.

In accordance with the needs of the company and the workforce plan, individuals who have graduated from the relevant fields of at least a four-faculty, have high moral values, and have the qualifications and competencies required by the position to be recruited are recruited.

44 Hours
Training per employee

60%
Number of employees increased compared to the previous year



Accordingly, the **number of employees,** which was 102 in 2021, **reached 169 in 2022.** The number of analytics employees among all employees was increased to 115 in 2022, and the number of IT-Modelling employees to 21. Currently, 35% of the current employees have doctorate and master's degrees, 60.9% are undergraduate graduates, and 4.1% are pre-university graduates.

In order to contribute to the personal and professional development of the personnel, an average of 44 person/hours of training was provided per employee under 18 main headings in 2022.

Within the scope of the **Analyst Training Program** started in 2021, **13 analyst candidates started to work in 2022.** Almost 200 hours of training were provided to these employees who are fresh university graduates. The training program is designed to prepare employees who have just started their professional life for their new duties and is compiled from training topics that will ensure the continuity of their development. It is planned that 13 personnel within the scope of the program will be also transferred as analytics employees in 2023.

On 5-22 April 2022, an **Employee Satisfaction and Common Culture Management Survey** was conducted by a research company in order to strongly support our vision and strategies, to determine business conduct and relationship styles with the participation of employees, and also to obtain data on employee satisfaction.

95 percent of our employees participated in the survey.

As a result of the survey, the JCR-ER Culture Index was at the highest level.

As a result of the analysis of the sub-fractions that form the components of the culture index, the JCR-ER Culture Index was determined as a "**common and strong culture to be proud of**". Employees are proud to work in this organization and generally believe that their goals are common.

Information Technologies Activities

We follow current technologies and innovations in order to achieve corporate goals and increase digitalization in our information technologies infrastructures.

Being aware of the importance of information security and data in line with our goals, we constantly improve and mature our systems and processes established.

Server Systems

With the investments made, a Disaster Recovery Center was established in a different location. Our virtualization platform and server capacity were **increased by nearly 230%** with the Disaster Recovery Center. We completed the necessary infrastructure and arrangements for synchronization and data transfer to the established Disaster Recovery Center based on the criticality levels of the systems.

Due to our developing data structures and growing data, the backup capacity in our data center was **increased by 250%.** In order to ensure data redundancy, our backup procedures were arranged, and more effective backups were provided.

All our systems and logs were made traceable. Necessary warning and message infrastructures were established for situations that may occur in monitored systems. System and application updates and server updates of all our users were applied after the controls, and in-house versions were standardized.

230%

Server capacity increase

%250

Backup capacity increase

Network and Cyber Security Infrastructure

In order to meet the increasing needs of remote working, the capacity of our VPN systems was increased by 100%. With this increase, our VPN devices were enabled to work in a redundant structure. VPN infrastructure was installed in the Disaster Recovery Center. In the VPN structure, different profiles were defined based on users, and separations were made in accordance with our security policies.

In line with the increasing needs within the institution, new network devices were positioned, and improvements were made in the network topology. The updates of our network devices were followed up and added to our periodic update calendar, and the transition to the latest version was ensured.

Improvements were made in network security by commissioning a different model internal firewall for two-layer security in our network infrastructure. Within the scope of the internal firewall work, the rule sets were revised for the effective management of our firewalls, and transitions to current versions were ensured.

WAF solution was put into use for our services that are open to the outside. Traffic and rule structures were arranged for these systems.

DNS security products were positioned to ensure DNS security. Thus, the security of the users inside and outside the organization for DNS structures was increased.

Penetration tests were conducted twice during the year, and verifications were made. Necessary training was received in order to perform penetration tests within the company with our own means, and the processes and procedures for penetration tests were implemented by positioning the penetration test products.

Within the scope of information security, information security awareness training was provided to 169 employees, and an information security bulletin was shared on a monthly basis.

100%

VPN systems capacity increase

169

The number of our employees who received information security awareness training

Service Processes

With the process improvements made in parallel with our developing and increasing information technology infrastructures, the speed and quality of our support services were improved. **96% of the records** received by our support services **were resolved within the SLA period.** For repetitive work in support services, cost-benefit evaluations of automation were planned, and improvements were made.

Software Processes

Planning, analysis, development, testing, and commissioning processes were implemented for the developed software and modules in accordance with our software development procedures. Static code analyses of the written codes and code reviews over the version management system were carried out, and their controls were made.

With our JCR-ER Analytics product, which was commissioned in the first quarter of 2022, all rating processes began to be carried out on a single platform. New modules and developments continued throughout the product. Support and improvement studies continue for our JCR-ER Analytics product to provide uninterrupted service.

Necessary studies and improvements were made and put into use within the scope of optimization of the repetitive work of various units within the company through our software unit. Accordingly, some of our manual processes were transferred to digital environments.

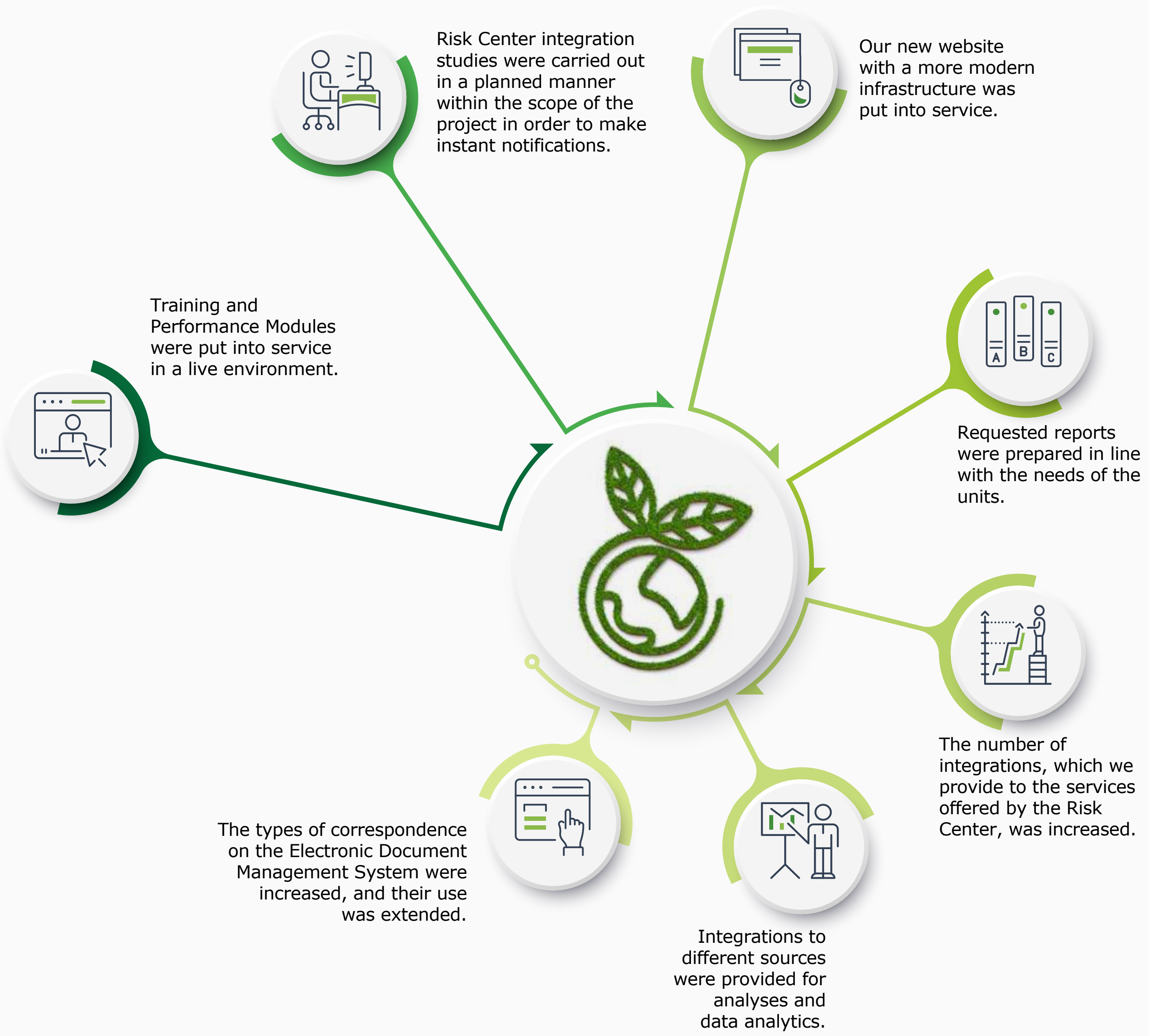
Necessary flows and processes for internal and external correspondence of the institution were provided on the Electronic Document Management System.

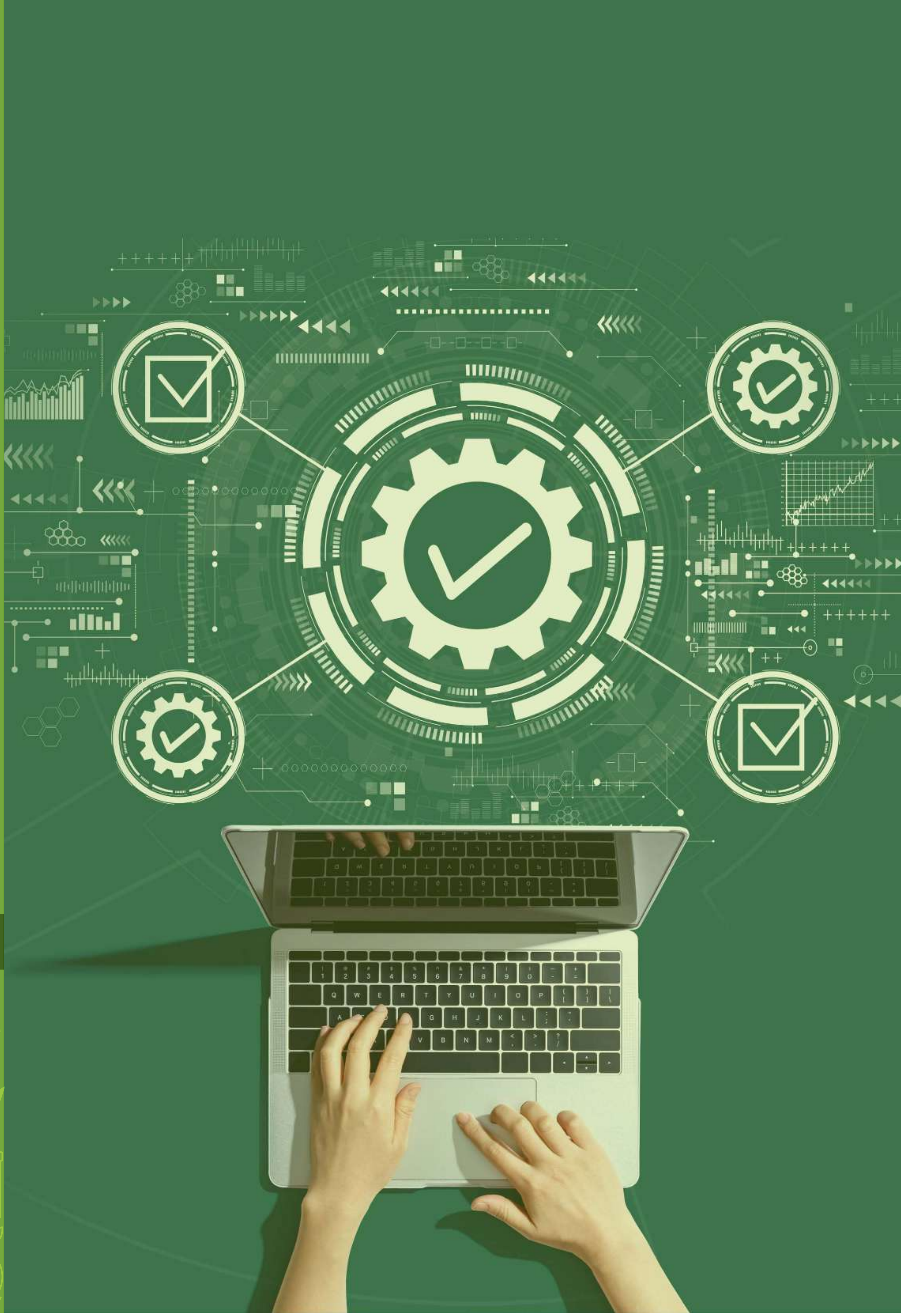
Business Intelligence and Data Analytics

Different reports and report sets were developed through the infrastructures set up in order to increase the need for data access and to provide decision support systems. These reports were made available to the units. **Support and training were provided to the units for the use of the business intelligence product.**

Integrations were developed in order to receive data to provide benefit our business processes from different sources. With these integrations developed with different methods, it was ensured that the data was recorded in our own systems. Necessary structures and arrangements were made for the units to access the transferred data.

Applications and Innovations





Basic Principles, Internal Control, and Quality Assurance System

JCR Avrasya Derecelendirme A.Ş. shaped its organization with the sensitivity of establishing an effective internal control, internal audit, and quality assurance system and implementing these systems effectively. Accordingly, in line with our fundamental principles:

- Independence
- Impartiality
- Transparency
- Accountability
- Confidentiality and Secrecy

our company established the internal control and quality assurance systems stipulated in the legislation in order to ensure that **the rating process is carried out effectively in an independent structure,** to control the accuracy of the rating given, to establish the internal order from an operational point of view, to make all kinds of procedures in writing and to make the operational processes uniform and traceable, to increase the adaptability of the company to legal regulations and internal company rules, to ensure that confidential information of customers is kept confidential and to create physical and reliable environments for their storage, to protect and develop company criteria, and to increase the degree of compliance with ethical rules and professional principles. There is an Internal Audit/Quality Assurance System Committee, which consists of two members of the Board of Directors, who also have control and audit duties of quality assurance system activities, to oversee the operation and efficiency of these mechanisms. The quality assurance system is reviewed at the end of the year, and the quality assurance system report accepted by the Board of Directors is sent to the BRSA every year until the end of April and is also published on the official website of our agency.

Three full-time employees are employed in the Controller unit, which operates to control the compliance of rating activities with the legislation, to carry out model validation studies and to report the results to the Board of Directors. In addition, a full-time employee is employed in the Internal Audit unit, which operates to evaluate and improve the risk management, control, and corporate governance processes of our agency.

JCR Avrasya Derecelendirme A.Ş. carries out its activities in full compliance with the "Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies" of the Banking Regulation and Supervision Agency (BDDK) and the "Communiqué the Principles Regarding Rating Activity and Rating Agencies in the Capital Markets" of the Capital Markets Board (CMB), as well as the issues specified in other legislation. In addition, our agency adopted the "Ethical Principles for Credit Rating Agencies" published by IOSCO (International Organization of Securities Commission) and continues its activities accordingly.

Sustainability

JCR-ER Economic and Analytical Research Sustainability Studies

In terms of sustainability studies, which became more visible after the pandemic, it is expected that the momentum gained worldwide will continue to increase in the upcoming periods. While the studies ongoing within this framework once again reveal the importance of interdisciplinary integration, studies in the field of finance are almost at the center of the subject. The effective distribution of financial resources, the rewarding of economic units that perform well in terms of sustainability, and the encouragement of those who do not have the desired qualifications to make more efforts remain current issues in the field of finance.

Although the "good performance" criteria that emerged at this point have not yet been defined at the desired level, it is observed that international organizations constantly update these criteria, and these criteria are expected to become clearer in the coming periods. Some comprehensive studies among these can be listed as follows:

- The Global Reporting Initiative (GRI) periodically updates its generic and sectoral methodologies.

- The International Financial Sustainability Standards Board (ISSB), established within the International Financial Reporting Standards (IFRS), identifies issues of double importance and continues to work on updating these issues.

- Studies of international organizations such as the European Union (EU) and TCFD also play an important role in determining sustainability standards.

In addition to the ongoing studies on a global scale, there are also sustainability regulations and studies in our country.

The studies carried out by the supervisory and regulatory institutions in parallel with the global studies are taken as a guide in our country.

The studies carried out to measure the sustainability-oriented impacts that will emerge in both macro and micro dimensions are closely followed up by our agency. Accordingly, the environmental, social, and economic dimensions of sustainability are carefully followed up by our necessary units. The Sustainability Commission established within our agency continues its activities with the participation of experts from different units.

The issues that researchers focus on in the macroeconomic dimension are also closely followed up by our Economic and Analytical Research Directorate. As is known, energy production activities based on fossil fuel use are the number one source of greenhouse gas emissions in our country, as well as in the world. For this reason, the macroeconomic importance of optimizing the distribution of renewable/conventional energy resources in order to ensure economic sustainability, as well as the follow-up of renewable energy investments, is evaluated in weekly and monthly economic reviews. In other words, sustainability in energy is at the forefront of the issues that are closely followed up in our agency not only in terms of environmental but also in terms of social and economic aspects.

The point emphasized in the environmental dimension of sustainability is generally the carbon dioxide equivalent emissions, but the effects of the circular economy trend, in which wastes are recycled and reused, both on the macro level and on industrial branches led by sectors such as petro-chemistry, packaging, and fast moving consumer goods are also the main focus of our Economic and Analytical Research team.

The analysis of the economic and social effects of social mega-trends such as the social effects to be caused by the use of artificial intelligence, the social damage caused by the global inflationary environment, and the migration caused by the high geopolitical tension are also among the top topics in the current agenda of our unit.

In light of these developments, it is important to analyze the economic effects arising from environmental and social issues and to interpret the outputs. Accordingly, our Economic and Analytical Research unit analyzes the current situation and continues its studies for this purpose.

ESG Methodology Development Studies

ESG methodology development studies started in 2022. Within the scope of the studies, international best practices related to ESG rating models were examined. As a result of the studies, **a framework draft of the JCR-ER Generic ESG methodology was created.** It is planned to complete methodology development studies in 2023. Within the framework of the draft methodology, basic information on the ESG methodology is provided below.

Within the scope of the methodology to be developed, it is aimed to measure the level of compliance of companies with the criteria determined for environmental, social, and governance factors while performing their activities.

The ESG rating methodology is planned to **have a multi-layered structure.** There are data points at the bottom layer of the process. The information in the data points is carried to the upper layers in the process. Each layer uses the results of the previous layers.

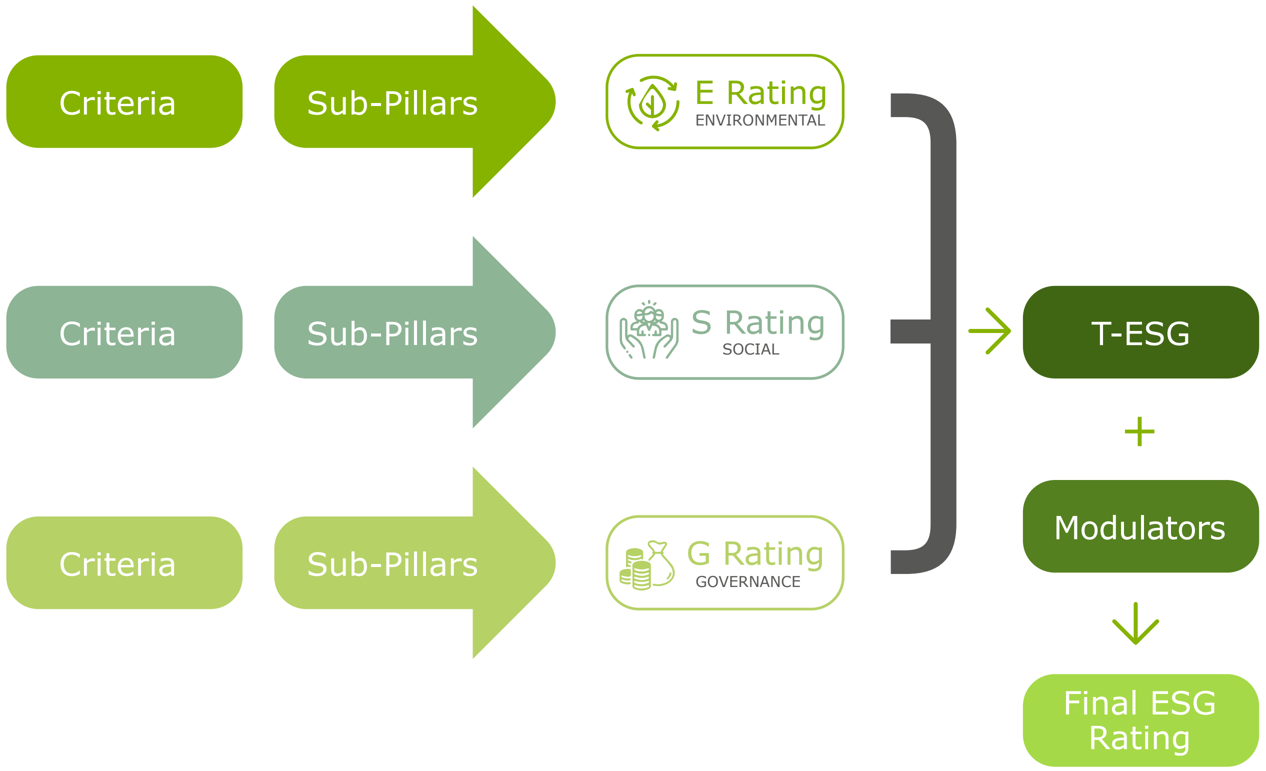
ESG methodology basically consists of 3 main categories: E (environmental), S (social) and G (governance). Each category consists of subcategories that combine a different number of data points.

The data points are the building blocks of the ESG methodology and were determined to reflect the dynamics of the subcategories to which they belong. The methodology is developed using the optimum number of data points with extensive knowledge.

The ESG methodology analyzes the environmental, social, and governance categories independently of each other in the first stage and combines the results after the analysis of each category is completed. By analyzing the data points and subcategories of the E, S, and G categories, it is planned to determine the rating (E Rating, S Rating, and G Rating) for each category separately.

E Rating is based on companies' approach to environmental factors. It includes factors such as energy efficiency, climate change, carbon emissions, water quality, deforestation, and waste management. S Rating is based on companies' approach to people and culture. It covers many social items, especially all kinds of discrimination (language, religion, race, gender, etc.), employee relations, and customer satisfaction. On the other hand, G Rating focuses on internal systems such as company practices and procedures. Committee structures of companies, stakeholder rights, and anti-corruption are the prominent topics of G Rating. E, S, and G Ratings are evaluated together to reach the basic ESG Rating (T-ESG Rating). Through T-ESG Rating, the final ESG Rating is reached by considering the media analysis and other additional criteria that can be considered as modulators.

The basic framework of the ESG methodology is provided in the image on the next page.



Quality Management Systems

In 2022, the Surveillance Audit for quality certificates of ISO 9001:2015 Quality Management System, ISO 27001:2013 Information Security Management System, and ISO 10002:2018 Customer Relationship Management System was successfully completed.

Legal Disclosures

There are no lawsuits filed against our agency that may affect the financial situation and activities of our agency.

Disclaimer

Within the framework of the information we have in our duties, authorities, and responsibilities in our agency, we agree, declare and undertake that the 2022 Annual Report does not contain any false information, explanation, or deficiencies that may create a misleading opinion on material issues, and that the financial and other information reflects the truth as of the period of the report.

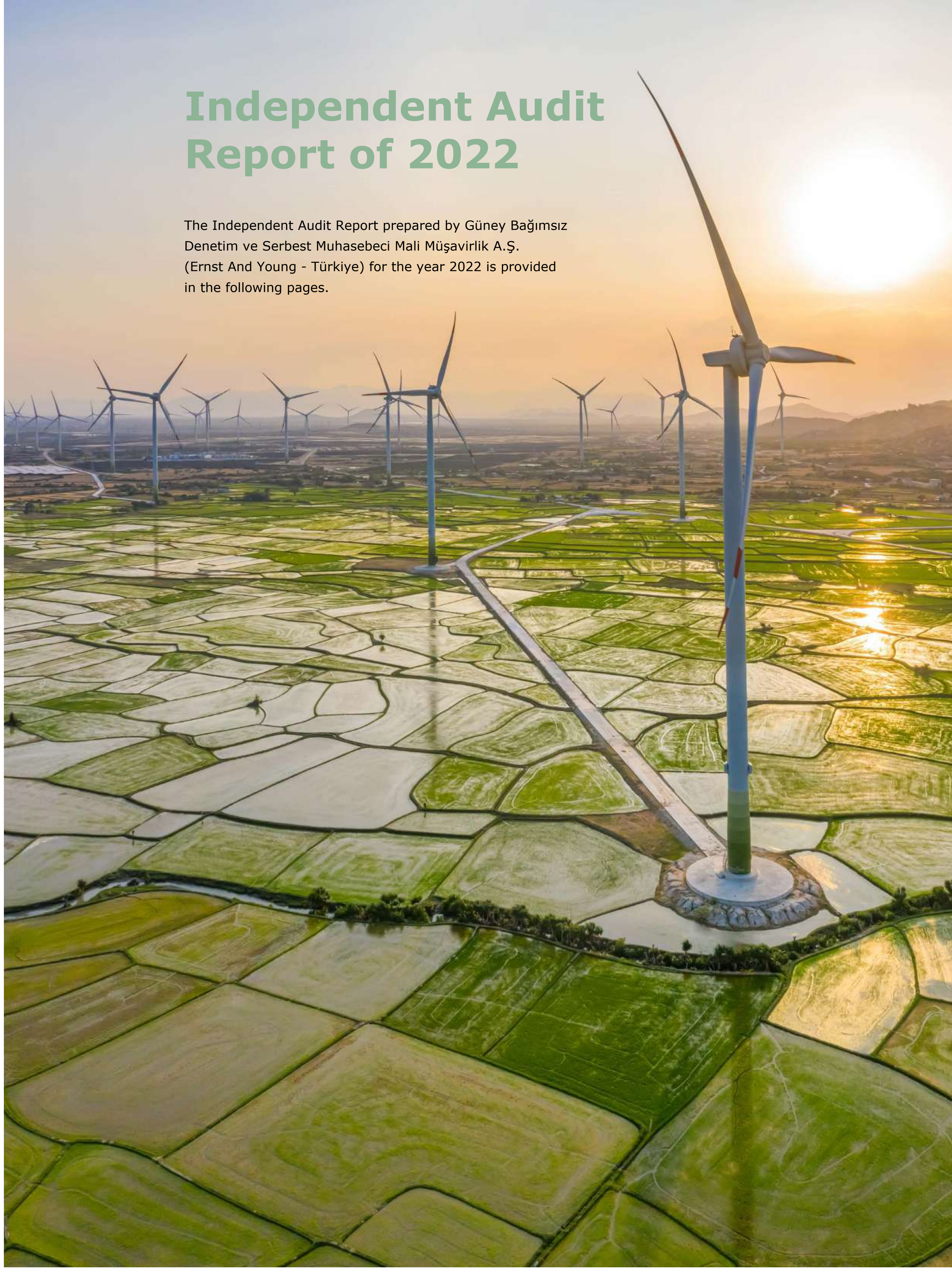
For and on behalf of the Board of Directors,

Prof. Dr. Feyzullah YETGİN
Vice Chairperson of the Board of Directors
General Manager

Atilla BENLİ
Chairperson of the Board of Directors

Independent Audit Report of 2022

The Independent Audit Report prepared by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst And Young - Türkiye) for the year 2022 is provided in the following pages.



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Daire: 57 34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of JCR Avrasya Derecelendirme Anonim Şirketi

1) Opinion

We have audited the annual report of JCR Avrasya Derecelendirme Anonim Şirketi ("Company") for the accounting period 1 January 2022 – 31 December 2022.

It is our opinion that the financial information included in the annual report of the Board of Directors and the examinations of the Board of Directors about the Company's situation are consistent with the full set of financial statements audited and the information we obtained during the independent audit, in all material respects, and that they reflect the truth.

2) Basis for the Opinion

Our independent audit was carried out in accordance with the Independent Auditing Standards (IAS), which is a part of the Turkish Auditing Standards published by the Public Oversight, Accounting, and Auditing Standards Authority (KGK). Our responsibilities under these Standards are explained in detail in the section *Independent Auditor's Responsibilities for the Independent Audit of the Annual Report*. We declare that we are independent of the Company in accordance with the *Code of Ethics for Independent Auditors (Ethical Rules)* published by KGK and the ethical provisions stipulated in the legislation on independent auditing. We have also fulfilled other ethical responsibilities within the scope of the Code of Ethics and legislation. We believe that the audit evidence we obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3) Auditor's Opinion on the Full Set of Financial Statements

We have expressed an affirmative opinion in the auditor's report dated 15 March 2023 on the full set of financial statements of the Company for the accounting period of 1 January 2022 - 31 December 2022.

4) Responsibility of the Board of Directors for the Annual Report

The company management is responsible for the following regarding the annual report in accordance with Articles 514 and 516 of the Turkish Commercial Code (TCC) numbered 6102:

a) It prepares the annual report within the first three months following the balance sheet date and submits it to the general assembly.

b) It prepares the annual report in a way that reflects, in a correct, complete, straightforward, truthful, and honest manner, the flow of the Company's activities for that year and its financial situation in every aspect. Such a report evaluates the financial situation according to the financial statements. The report also clearly indicates the development of the company and the possible risks it may encounter. The report also includes the evaluation of the board of directors regarding these matters.

c) The annual report also includes the following:

- Events of special importance that occur in the Company after the end of the activity year;
- Research and development activities of the Company;
- Financial benefits such as wages, premiums, bonuses paid to the members of the board of directors and senior executives, allowances, travel, accommodation, and entertainment expenses, cash and in-kind benefits, insurance, and similar guarantees.

While preparing the annual report, the Board of Directors also takes into account the secondary legislation arrangements made by the Ministry of Customs and Trade and related institutions.

5) Independent Auditor's Responsibilities for the Independent Audit of the Annual Report

We aim to express an opinion on whether the financial information included in the annual report and the examinations made by the Board of Directors, within the framework of the provisions of the TCC, are consistent with the audited financial statements of the Company and the information we obtained during the independent audit, and whether they reflect the truth, and to prepare a report containing our opinion.

Our independent audit was carried out in accordance with IASs. These standards require that ethical provisions are complied with and that the independent audit is planned and conducted in order to obtain reasonable assurance on whether the financial information in the annual report and the examinations made by the Board of Directors are consistent with the financial statements and the information obtained during the audit, and whether they reflect the truth.

The auditor in charge who conducted and concluded this independent audit is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

T.C. BAĞIMSIZ DENETÇİ 4686 1923

Fatih Polat, Independent Accountant and Financial Advisor
Auditor in Charge

Fatih Polat

15 March 2023
Istanbul, Turkey

JCR AVRASYA
DERECELENDİRME A.Ş.

FINANCIAL STATEMENTS
ON 1 JANUARY – 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT
"Convenience translation of a report originally issued in Turkish"

EY
Building a better working world

Güney Bağımsız Denetim ve SMMM A. Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 D: 57
34485 Sarıyer/İstanbul TÜRKİYE

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JCR Avrasya Derecelendirme A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited statement of financial position of JCR Avrasya Derecelendirme A.Ş. ("the Company") as at 31 December 2022 and the statement of profit and loss, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JCR Avrasya Derecelendirme A.Ş. as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). 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 Company 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. Other ethical responsibilities within the scope of the Code of Ethics and legislation have also been fulfilled by us. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Building a better working world

3) 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. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Accounting of revenue	
Revenue is accounted for in cases where future economic benefits are likely to be obtained by the business, can be measured reliably, and significant risks and returns of ownership are transferred to the buyer. The company's revenue consists of rating service revenues in the areas of credit and corporate governance. Due to the nature and size of the company's operations, there is a risk of products that are not recorded. According to the above mentioned explanations, in accordance with the principle of periodic sales, whether the revenue of products in this situation is recorded in the correct period has been determined as a key audit issue. December 1 January 2022 - December 31, 2022, the company achieved sales revenue of TL 237.788.477 TL. Explanations of the company's accounting policies and amounts related to revenue are included in Note 2 and Note 14.	In our audit, the following procedures were applied for full and accurate recording of revenue: Contracts with customers were examined and the effects of contract clauses on revenue were evaluated. As part of the audit work, service sales data and records were tested on a sample basis. In addition, material verification procedures related to revenue amount and related account correlation and analysis procedures were applied using data analytics tools. In order to test the integrity and accuracy of the data used in these studies, data obtained from accounting systems and collection information were compared. Detailed tests were conducted to record transactions that occurred before and immediately after the accounting period and were accounted for as revenue for the correct period in accordance with the principle of periodicity.

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Building a better working world

5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 InASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of the 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Building a better working world

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

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

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

B) Other Responsibilities Arising from Regulatory Requirements

1) In accordance with paragraph 4 of Article of the TCC, no significant matter has come to our attention that causes that causes us to believe that the Company's bookkeeping activities for the period from 1 January to 31 December 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Partner

15 March 2023
Istanbul, Turkey

JCR AVRASYA DERECELENDİRME A.Ş.

JANUARY 1 - DECEMBER 31 2022 ACCOUNTING PERIOD
NOTES OF THE FINANCIAL STATEMENTS

CONTENTS **PAGES**

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2022

(Amounts are expressed as of Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2022	*Restated* 31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	136.353.672	53.326.708
Financial investments	5	5.662.030	7.098.221
Trade receivables			
- Trade receivables from third parties	6	26.320.230	11.862.349
Other receivables			
- Other receivables from third parties	7	731	31.519
Prepaid expenses	11	1.616.483	495.860
Other current assets		552.690	-
Total current assets		**170.505.836**	**72.814.657**
Non-current assets			
Financial investments	5	333.565	333.565
Property, plant and equipment	8	5.484.359	4.167.481
Intangible assets	9	4.963.500	5.477.998
Prepaid expenses	11	459.971	-
Total non-current assets		**11.241.395**	**9.979.044**
Total assets		**181.747.231**	**82.793.701**

The accompanying notes are an integral part of these financial statements.

"Convenience translation of a report originally issued in Turkish"
JCR AVRASYA DERECELENDİRME A.Ş.

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2022

(Amounts are expressed as of Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2022	*Restated* 31 December 2021
LIABILITIES			
Current liabilities			
Short term liabilities	7	31.695	14.849
Trade payables			
- Trade payables to third parties	6	1.126.098	320.612
Employee benefit obligations	10.a	8.459.776	1.334.529
Period profit tax liability	19.a	15.628.883	7.885.324
Other current liabilities	12	5.817.313	2.056.520
Total current liabilities		**31.063.765**	**11.611.834**
Non-current liabilities			
Long term provisions			
- Provisions for employee benefits	10.b	5.449.857	1.394.078
Deferred tax liabilities	19.b	2.364.757	124.292
Total non-current liabilities		**7.814.614**	**1.518.370**
EQUITY			
Company shareholders' equity			
Share capital	13.a	30.000.000	1.000.000
Other comprehensive income (loss) not to be reclassified to profit or loss			
- Actuarial gain / loss arising from defined benefit plans	13.b	212.713	640.253
Legal reserves	13.c	3.749.985	1.043.194
Retained earnings		8.155.349	8.155.351
Net profit for the year		100.750.805	58.824.699
Total equity		**142.868.852**	**69.663.497**
Total liabilities		**181.747.231**	**82.793.701**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AT 31 DECEMBER 2022
(Amounts are expressed as of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	1 January-31 December 2022	1 January-31 December 2021
Revenue	14	237.788.477	108.526.512
Cost of sales (-)	14,15	(84.588.672)	(25.319.092)
Gross profit		**153.199.805**	**83.207.420**
General and administrative expense (-)	15	(28.949.284)	(9.115.585)
Marketing, sales and distribution expenses (-)	15	(2.628.164)	(995.207)
Other operating income	15	151.556	-
Other operating expenses (-)	16	(405.843)	(31.512)
Operating profit		**121.368.070**	**73.065.116**
Income from investments activities	18	561.339	1.061.871
Operating profit before financing income (expense)		**121.368.070**	**74.026.296**
Financial income	17	15.354.779	4.528.471
Financial expense (-)	17	(47.419)	(6.342)
Profit before taxation		**137.236.769**	**78.649.116**
Current period tax expense (-)	19.a	(34.102.986)	(19.715.776)
Deferred tax income (expense)	19.b	(2.382.978)	(108.641)
Net profit for the year		**100.750.805**	**58.824.699**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OTHER COMPHERENSIVE INCOME
AT 31 DECEMBER 2022
(Amounts are expressed as of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	1 January-31 December 2022	1 January-31 December 2021
Net profit for the year		**100.750.805**	**58.824.699**
Other comprehensive income		(427.540)	102.214
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain / loss arising from defined benefit plans	10.b	(570.053)	127.768
Taxes on other comprehensive expenses that will not be reclassified in profit or loss	19.b	142.513	(25.554)
Other income/loss			
Other comprehensive income		**(427.540)**	**102.214**
Total comprehensive income		**100.323.265**	**58.926.913**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGE IN EQUITY
AT 31 DECEMBER 2022
(Amounts are expressed as of Turkish Lira ("TL") unless otherwise stated.)

		Other comprehensive income (loss) not to be reclassified to profit or loss			Retained earnings		
	Share capital	Actuarial gain / loss	Revaluation gains /losses	Legal reserve	Accumulated profit	Net profit for the year	Total equity
Previously reported at 1 January 2021	**1.000.000**	**538.039**	**17.224.260**	**965.892**	**5.765.452**	**2.467.201**	**27.960.844**
Restatements	**-**	**-**	**(17.224.260)**	**-**	**-**	**-**	**(17.224.260)**
Balances at 1 January 2021	**1.000.000**	**538.039**	**-**	**965.892**	**5.765.452**	**2.467.201**	**10.736.584**
Dividends paid	-	-	-	-	-	-	**-**
Transfers	-	-	-	77.302	2.389.899	(2.467.201)	**-**
Other compherensive income	-	102.214	-	-	-	58.824.699	**58.926.913**
Balances at 1 January 2022	**1.000.000**	**640.253**	**17.224.260**	**1.043.194**	**8.155.351**	**58.824.699**	**86.887.757**
Restatements	**-**	**-**	**(17.224.260)**	**-**	**-**	**-**	**(17.224.260)**
Restated at 1 January 2022	**1.000.000**	**640.253**	**-**	**1.043.194**	**8.155.351**	**58.824.699**	**69.663.497**
Dividends paid	-	-	-	-	(27.117.910)	-	**(27.117.910)**
Capital Increase from Internal Resources	29.000.000	-	-	-	(29.000.000)	-	**-**
Transfers	-	-	-	2.706.791	56.117.908	(58.824.699)	**-**
Other compherensive income	-	(427.540)	-	-	-	100.750.805	**100.323.265**
Balances at 1 December 2022	**30.000.000**	**212.713**	**-**	**3.749.985**	**8.155.349**	**100.750.805**	**142.868.852**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOW
AT 31 DECEMBER 2022
(Amounts are expressed as of Turkish Lira ("TL") unless otherwise stated.)

	Notes	1 January-.- 31 December 2022	1 January- 31 December 2021
Net profit for the year		**100.750.805**	**58.824.699**
Adjustments to depreciation of property, plant and equipment	8	1.819.866	1.092.416
Adjustments to depreciation and amortization expense for intangible assets	9	2.830.307	807.428
Adjustments to provision for employee termination benefits	10.b	513.390	300.517
Adjustments to provision for employee vacation	10.b	2.972.336	652.414
Adjustments to provision for doubtful receivables	6	285.345	-
Interest income	17	(15.345.523)	(4.485.631)
Profit on sale of property, plant and equipment	18	-	(961.180)
Tax income (expense)	19.a	36.485.964	19.824.417
Operating profit before changes in working capital		**130.312.490**	**76.055.080**
Changes to increase/decrease in trade receivables		(14.712.437)	(8.827.772)
Changes to increase/decrease in other current assets		(552.690)	64.515
Changes to increase/decrease in trade payables		4.566.279	1.719.113
Taxes paid		(26.359.427)	(12.543.606)
Changes in prepaid expenses		(1.580.594)	59.916
Changes in other short term liabilities		7.125.247	813.190
Provisions for employee termination benefits	10.b	-	-
Net cash provided by operating activities		**98.798.868**	**57.340.436**
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(3.136.744)	(3.026.663)
Purchases of intangible assets	9	(2.441.460)	(4.476.493)
Income from sale of vehicles and fixtures		125.650	1.410.354
Net cash used in investing activities		**(5.452.554)**	**(6.092.802)**
Cash flows from financing activities			
Changes in financial investment		1.436.191	(7.098.221)
Interest received	17	14.103.363	4.485.631
Dividends paid		(27.117.910)	-
Increases in short-term loans		16.846	10.292
Net cash provided by (used in) financial activities		**(11.561.510)**	**(2.602.298)**
Net change in cash and cash equivalents		**81.784.804**	**48.645.336**
Cash and cash equivalents at the beginning of the period		**53.326.708**	**4.681.372**
Cash and cash equivalents at the end of the year	4	**135.111.512**	**53.326.708**

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

JCR Avrasya Derecelendirme Anonim Şirketi ("Company"), was established in 20.02.2007, Istanbul, for rating of credit and corporate governance. The Company is the first local capitalized company which authorized by Capital Market Board in credit rating sector. The company became partner with Japan Credit Rating Agency Ltd. (JCR) in 12.11.2007 and the Company changed its title as JCR Avrasya Derecelendirme A.Ş.

Also, the Company is authorized by BRSA for conducting obligatory rates in 01.10.2009. The company has made an application in 21 June 2012 and based on this BRSA's renewed the authorization of the Company in 25 April 2013.

The Company received "Corporate Governance Compliance Rating" license from Capital Market Board in 29.04.2010.

In March 2010, the Company became the founder of EACRA- European Association of Credit Rating Agencies, which was occured of 16 different countries in EU – European Union and nearby.

According to 8th entry's 3rd section of Regulations for measuring Insurance, Reassurance and Retirement Companies'Capital Adequance, the rating of Reassurance Companies are involved to authorized rating boards list by Secreteriat of Treasury's B.02.1.HZN.0.10.03.01-46974 numbered publish, dated 06.10.2010.

The Company has joined ACRAA- The Association of Credit Rating Agencies in Asia which operates in 15 Asia country with 33 credit rating company members in April 17, 2015. On January 17, 2020, under the leadership of Borsa Istanbul A.Ş., Turkey's leading banks and financial institutions bought 85.05% the shares of JCR Avrasya A.Ş.

21.02.2020 date and the banking regulation and supervision board decision No. 8876 " in accordance with Article 8 of the regulation on loan transactions of banks, accurate measurement of the risk by expanding the rating activities, and increasing the transparency of financial sector depth, in order to reduce credit costs and use capital effectively, companies with a turnover of 500 million Turkish Lira and above must obtain a rating rating from an authorized rating agency by 30.06.2021 in order to use loans." By the decision of the banking regulation and supervision board dated 10.09.2020 and numbered 9133, the turnover criterion was changed to 500 million TL credit risk.

JCR Avrasya Derecelendirme A.Ş. is the only organization authorized by the BRSA.

By decision of the banking regulation and supervision board dated 21.02.2020 and numbered 8875, JCR Avrasya Derecelendirme A.Ş. has been decided to match the credit rating ratings of the banks for use in capital adequacy calculations.

The company's General Directorate is located at Maslak Mahallesi Taşyoncası Sokak No:1/F F2 Blok Kat: 2 34485 Sarıyer/Istanbul/Turkey. Partnership structure of the company is in Note 13. The Company has 169 employees as of 31.12.2022 (31 December 2021:102).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS" / "TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

The Company maintain their accounting records and prepares their statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost convention in TL. These financial statements are based on the statutory records, which are maintained under historical cost conversion, with required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

December January 1- December 31, 2022 The financial statements for the period of the accounts were approved at the meeting of the Board of Directors dated March 15, 2023. The financial statements will be finalized as a result of approval at the General Assembly.

2.2. Measurement currency and reporting currency

The accompanying financial statements are presented in Turkish Lira ("TL") which is the Company's functional and reporting currency.

2.3. Going Concern

The financial statements are prepared on the basis of business continuity under the assumption that the company will benefit from its assets and fulfill its obligations in the next year and in the natural flow of its activities.

2.4. Comparable financial information and reclassification of prior year financial statements

The company's December 31, 2022 December 31, 2021 as at the date of Financial Position Statement of financial position prepared as of the date of the table and ending on 31 December 2022 for the accounting period ending on 31 December 2021 the table, the profit or loss statement profit or loss for the accounting period 1 January - 31 December 2022 cash flow statement and the statement of changes in equity for the accounting period 1 January - 31 December 2021 financial statements with the relevant period for the accounting period comparatively.

Restatements to the company's statement of financial position as of December 31, 2021:

31 December 2021	***Before Restatements***	***Restatements***	***After Restatements***
Intangible Assets	27.008.323	(21.530.325)	5.477.998
Deferred Tax Liability	4.430.357	(4.306.065)	124.292
Revaluation Gains/Losses	17.224.260	(17.224.260)	-

The company determined and accounted for the fair value of the "Rating software programs" accounted for under the intangible assets account at TL 21.530.325 on August 24, 2017, based on the revaluation report prepared by another independent audit firm. However, in accordance with paragraph 75 of TAS 38 Intangible Assets, in order to account for an intangible asset using the revaluation method, its fair value must be determined by relating it to an active market. As a result of the evaluation carried out in this context, there is no active market for determining the fair value of the related asset subject to revaluation. Therefore, in accordance with TAS 38, the Company has decided to recognise the related intangible asset at its cost less all accumulated amortization and impairment losses after initial recognition and in this context, the above restatements have been made to the December 31, 2021 statement of financial position and statement of changes in equity.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 The new standards, amendments and interpretations

New and amended standards and interpretations

The accounting policies adopted in preparation of the solo financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

.

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 The new standards, amendments and interpretations

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows:

Annual Improvements – 2018–2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

ii) Standards issued but not yet effective and not early adopted

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

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 The new standards, amendments and interpretations

ii) Standards that have been published but have not entered into force and have not been put into practice early (continued)

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 8 - Definition of Accounting Estimates

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

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 The new standards, amendments and interpretations

i) Standards that have been published but have not entered into force and have not been put into practice early (continued)

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

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

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

(All amounts in Turkish Lira (‘‘TL’’) unless indicated otherwise.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Netting / Offset

Financial assets and liabilities are shown at their net value on the balance sheet if they have a legal right to net, are able to pay or collect net, or if the acquisition of the asset and the fulfilment of the obligation can occur simultaneously.

2.7 Accounting evaluation, estimates and assumptions

In the preparation of the financial statements, the company's management must make assumptions and estimates that will affect the reported amounts of assets and liabilities, determining the possible liabilities and liabilities as of the balance sheet date, as well as the amounts of income and expenses as of the reporting period. Realized results may differ from estimates. Estimates are regularly reviewed; necessary adjustments are made and are recognized in the income statement during the period in which they are realized.

Comments that may have a significant impact on amounts reflected in the financial statements, as well as assumptions and assessments made taking into account the main sources of estimates that exist at the balance sheet date or may occur in the future:

- Property, plant and equipment and intangible assets (excluding rating software programs) are shown at their net value after deducting accumulated depreciation and impairment, if any, from acquisition costs. Depreciation is divided using the linear depreciation method based on the useful lives of tangible assets. Useful lives are based on management's best estimates, reviewed at each balance sheet date, and amended if necessary. As of 31.12.2012, the company has chosen to account for its rating software based on the revaluation model.

- Doubtful accounts receivable reflect amounts that the company's management believes will cover future losses on accounts receivable that exist as of the balance sheet date but are at risk of not being collected under current economic conditions. Stop by the impairment of receivables has not been evaluated, while The Associated organization and key customers, except for credibility in the market and the past performance of the remaining borrowers balance sheet date to the date of approval of the financial statements with the performance re-negotiated conditions are also taken into account. In addition, in addition to the guarantees obtained as of the balance sheet date, guarantees acquired during the period up to the date of approval of the financial statements are also taken into account when determining the amount of reserves. Doubtful accounts receivable as of the relevant balance sheet date are described in Note 6.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of the accompanying financial statements are as follows:

Foreign currency transactions and translation

Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at dates of these transactions. Financial position items denominated in foreign currencies have been translated at the exchange rates prevailing at the financial position dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the income or expense accounts as appropriate.

As of the financial position dates, the major foreign exchange rates used by the Company are given below;

	31 December 2022	31 December 2021
ABD$	18,6983	13,3290
EUR	19,9349	15,0867
GBP	22,4892	17,9667

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of assets

The company evaluates whether there is any indication of an asset's depreciation at each balance sheet date. If such an indicator exists, the recoverable amount of that asset is estimated. If the carrying amount of that asset or any cash-generating unit of that asset is higher than the amount to be recovered through use or sale, an impairment has occurred.

The recoverable amount is determined by selecting the net sale price of the asset and the one higher than the use value. Use value is the estimated present value of cash flows that are expected to be derived from the continued use of an asset and its disposal at the end of its useful life. Impairment losses are recognized in the income statement.

Tangible assets

Property, plant and equipment (vehicles, flooring and fixtures) are shown at their registered values at their net value after deducting accumulated depreciation and impairment, if any.

Depreciation is divided by the adjusted values of tangible assets over their useful lives using the linear depreciation method. The estimated useful lives of these assets are as follows:

	Year
Motor vehicles	5
Fixtures	4-10

If the carrying amount of property, plant and equipment exceeds its recoverable amount, its carrying amount is reduced to its recoverable amount by separating the provision.

Intangible assets

Intangible assets consists of rating software programs, website and other specific rights. Intangible assets are amortized on the basis of their useful lives.

Revenue and cost of Service

Income is accounted for when it is possible to provide an economic return to the company in relation to the activities and when it is possible to measure the return reliably. Income is measured at the fair value of receivables and offers net receivables for goods and services provided in the normal flow of business, after deducting discounts and sales-related taxes. Service revenues are not recorded at the time the services are provided.

Sales, delivery of a product or provision of services, product-related risks and benefits of the transfer to be made, the amount of revenue can be reliably determined and it is likely that economic benefits associated with the transaction will be obtained by the company upon the fair value of the consideration received or to be received on an accrual basis are recorded. The company's revenues generally consist of commissions from ticket sales and are shown net in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade receivables / payables

Trade receivables/trade payables arising from the company arising directly from the service/sale to a borrower/buyer within the main subject of activity were evaluated at their discounted cost using the effective interest method. Short-term trade receivables/trade payables that do not have a specified interest rate are assessed from the invoice amount if the interest accrual effect is negligible.

The company allocates doubtful accounts receivable for related accounts receivable if there is an objective finding that there is no possibility of collection. The amount of this provision is the difference between the carrying amount of the receivable and the amount that can be collected. The amount that can be collected is the discounted value of all cash flows, including amounts that can be collected from guarantees and guarantees, based on the original effective interest rate of the resulting commercial receivables. If the amount of impairment decreases due to a situation that will occur after writing down a loss, this amount is reflected in other income in the current period.

Financial investments

“Financial assets measured at amortized cost”, held under a business model that aims to collect contractual cash flows and the balance due on specific dates and principal only principal in the terms of the contract, cash flows, including interest payments where there are non-derivative financial assets. Financial assets of the company accounted for at amortized cost, “cash and cash equivalents”, “trade receivables”. Related assets at their fair value at their initial entry into the financial statements; in subsequent accounting, it is measured at discounted prices using the effective interest rate method. Gains and losses incurred as a result of the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

"Financial assets whose fair value difference is reflected in other comprehensive income" consists of equity-based financial assets and debt instruments. The Company measures these assets at fair value. Gains or losses arising from related financial assets, other than exchange rate difference income or expenses, are reflected in other comprehensive income. In the case of the sale of equity-based financial assets, valuation differences classified into other comprehensive income are classified into past year profits. In the case where debt instruments are excluded from the financial statement, gains and losses previously recognized in comprehensive income are classified from equity to income statement.

"Financial assets with fair value difference reflected in profit or loss" are financial assets other than financial assets measured at amortized cost and whose fair value difference is reflected in other comprehensive income. Gains and losses resulting from the valuation of these assets are recognized in the income statement.

“Convenience translation of a report originally issued in Turkish”
JCR AVRASYA DERECELENDİRME A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Turkish Lira (‘‘TL’’) unless indicated otherwise.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Countined)

Related parties

In the presence of one of the following criteria, the party shall be deemed to be associated with the company:

- The party in question, directly or indirectly, through one or more intermediaries:
- Control, control, or co-control the business with the business (including parent partnerships, subsidiaries, and subsidiaries in the same business branch)
- Have a share that will have a significant impact on the company, or
- Have joint control over the company;
- The party is a subsidiary of the company;
- The party in question, directly or indirectly, through one or more intermediaries:
  - Control, control, or co-control the business with the business (including partnerships, subsidiaries, and subsidiaries in the same business)
  - Have a share that will have a significant impact on the company, or
  - Have joint control over the company;
- The party is a subsidiary of the company;
- Party is a business partnership in which the company is a co-entrepreneur;
- Be a member of the key executive staff of the party, the company or its parent partnership;
- The party is a close family member of any individual mentioned in (a) Or (d) ;
- A party is a business controlled, jointly controlled or under significant influence, or in which any individual referred to in (d) or (e) directly or indirectly has significant voting rights;

Employees of a party, business, or business that is a party associated with the business must have benefit plans provided after retirement.

Employee benefits

According to applicable law, the company is obliged to pay a certain lump sum to employees whose employment is terminated due to retirement or for reasons other than resignation and behavior specified in the labor code. These payment amounts are calculated based on the severance pay ceiling effective as of the balance sheet date. Provision for severance pay, the amounts of liabilities arising in the future due to the retirement of all employees are calculated according to their current net value and reflected in the accompanying financial statements.

"Financial assets whose fair value difference is reflected in other comprehensive income" consists of equity-based financial assets and debt instruments. The Company measures these assets at fair value. Gains or losses arising from related financial assets, other than exchange rate difference income or expenses, are reflected in other comprehensive income. In the case of the sale of equity-based financial assets, valuation differences classified into other comprehensive income are classified into past year profits. In the case where debt instruments are excluded from the financial statement, gains and losses previously recognized in comprehensive income are classified from equity to income statement.

"Financial assets with fair value difference reflected in profit or loss" are financial assets other than financial assets measured at amortized cost and whose fair value difference is reflected in other comprehensive income. Gains and losses resulting from the valuation of these assets are recognized in the income statement.

(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Countined)

Taxing

Tax expense / (income) consists of current period tax expense / (income) and deferred tax expense / (income). Corporate tax liability is calculated on the basis found after the period result is adjusted taking into account expenses and discounts that are not accepted by law.

Tax provision was calculated by taking into account the profit for the period and deferred tax was taken into account in the calculation.

Deferred tax assets and liabilities are caused by significant timing differences (future taxable timing differences) as a result of different treatment of accounting and taxation and are calculated at the current tax rate using the "borrowing" method.

A deferred tax asset is recorded only when it is expected that a taxable profit will occur in the future, where this asset can be redeemed. Net deferred tax assets arising from timing differences are reduced in relation to tax deductions in cases where it is not certain that they can be used in the coming years in the light of the available data.

According to IAS 29 Financial Reporting Standard in High-Inflation Economies, entities whose functional currency is the currency of a high-inflation economy report their financial statements according to the purchasing power of the money at the end of the reporting period. IAS 29 defines characteristics that may indicate that an economy is a high-inflation economy. At the same time, according to IAS 29, all entities reporting in the currency of a high-inflation economy are required to apply this Standard from the same date. Therefore, it is expected that all enterprises will start to implement IAS 29 at the same time with the announcement to be made by the Public Oversight Accounting and Auditing Standards Authority in order to ensure consistency in practice throughout the country as stated in IAS 29. However, the UPS has not made a statement on whether an adjustment will be made to the financial statements for the financial statements for the accounting period ended December 31, 2022 under IAS 29. Therefore, IAS 29 was not applied in the financial statements dated December 31, 2022 and no inflation adjustment was made.

Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows, cash and demand deposits with maturities of 3 months or less than 3 months from the date of purchase, and are convertible to cash without a substantial change in value that have high liquidity risk other short-term investments.

4. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in hand	9	9
Bank deposits		
- Demand deposit	302.543	1.062.074
- Time deposit	136.051.120	52.264.625
Cash and cash equivalents	**136.353.672**	**53.326.708**
Rediscout on cash and cash equivalents	**(1.242.160)**	**-**
Cash and cash equivalents showed in statements of cash flow	**135.111.512**	**53.326.708**

The maturity of the futures business is January and March 2023. The date of 31 December 2022 is 18%-28% interest for property damage losses. (31 December 2021: 16%-26%).

5. FINANCIAL INVESTMENTS

Short-Term Financial Investments

	31 December 2022	31 December 2021
Short-Term Financial Investments		
Financial investments at fair value through profit or loss	5.662.030	7.098.221

31 December 2022

	Nominal	Fair Value
Government Bond	5.747.787	5.662.030
		5.662.030

31 December 2021

	Nominal	Fair Value
Government Bond	5.466.870	4.991.034
Mutual Fund	27.381.000	2.107.187
		7.098.221

Long Term Financial Investments

	Affiliate Rate (%)		Amount	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Long-term financial investments				
Jcr Latam Empresa Clasificado De Riesgo S.A.*	%15	%15	333.565	333.565

(*)At the board meeting held at the headquarters of the company on 03.08.2017; Accuratio Credit Ratings ECR S.A., which is located in the Republic of Peru and accredited in Chile, Panama, Colombia, Argentina, Ecuador and Paraguay, has decided to sign a business partnership agreement and become a 15% partner in order to strengthen the quality of economic and financial integration between Latin American economies and Turkey, to reduce information asymmetry, to contribute to the strengthening of capital and fund flows between Latin America and the Countries of the Region. has been reached. The company in question was established after this decision.
.

6. TRADE RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Current trade receivables		
Trade receivables		
- Related parties	-	-
- Third parties	26.320.230	11.862.349
- Doubtful receivables	285.345	179.145
	26.605.575	**12.041.494**
Provision for doubtful receivables (-)	(285.345)	(179.145)
	26.320.230	**11.862.349**

Movement of doubtful receivables is given below:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance, 1 January	179.145	179.145
Charge for the year	106.200	-
Closing balance, 31 December	**285.345**	**179.145**

	31 December 2022	31 December 2021
Current trade payables		
- Other trade payables	1.126.098	320.612

7. OTHER RECEIVABLES AND PAYABLES

Other Short-Term Receivables	31 December 2022	31 December 2021
- Other receivables from unrelated parties	731	31.519

Short-Term Borrowings	31 December 2022	31 December 2021
- Other liabilities from unrelated parties	31.695	14.849

"Convenience translation of a report originally issued in Turkish"
JCR AVRASYA DERECELENDİRME A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

8. PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Disposal	31 December 2022
Cost				
Fixtures	5.269.372	3.136.744	(166.031)	8.240.085
Special Costs	45.020	-	-	45.020
	5.314.392	**3.136.744**	**(166.031)**	**8.285.105**
Accumulated depreciation (-)				
Fixtures	1.139.408	1.797.356	(166.031)	2.770.733
Special Costs	7.503	22.510	-	30.013
	1.146.911	**1.819.866**	**(166.031)**	**2.800.746**
Net book value	**4.167.481**			**5.484.359**

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Vehicles	1.117.884	-	(1.117.884)	-
Fixtures	2.287.729	2.981.643	-	5.269.372
Special Costs	-	45.020	-	45.020
	3.405.613	**3.026.663**	**(1.117.884)**	**5.314.392**
Accumulated depreciation (-)				
Vehicles	445.133	223.577	(668.710)	-
Fixtures	278.072	861.336	-	1.139.408
Special Costs	-	7.503	-	7.503
	723.205	**1.092.416**	**(668.710)**	**1.146.911**
Net book value	**2.682.408**			**4.167.481**

9. INTANGIBLE ASSETS

	1 January 2022	Additions	Disposal	Transfer	31 December 2022
Cost					
Construction in progress	427.976	164.850	(125.650)	(467.176)	-
Other	6.270.812	2.276.610	(708.634)	467.176	8.305.964
	6.698.788	**2.441.460**	**(834.284)**	**-**	**8.305.964**
Accumulated depreciation (-)					
Construction in progress	-	-		-	-
Other	1.220.791	2.830.307	(708.634)	-	3.342.464
	1.220.791	**2.830.307**	**(708.634)**		**3.342.464**
Net book value	**5.477.997**				**4.963.500**

(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

9. INTANGIBLE ASSETS (Continued)

	1 January 2021	Additions	Transfer	31 December 2021
Cost				
Construction in progress	732.809	2.518.167	(2.823.000)	427.976
Other	1.489.486	1.958.326	2.823.000	6.270.812
	2.222.295	**4.476.493**	**-**	**6.698.789**
Accumulated depreciation (-)				
Construction in progress	-	-	-	-
Other	413.363	807.428	-	1.220.791
	413.363	**807.428**	**-**	**1.220.791**
Net book value	**1.808.932**			**5.477.998**

10. EMPLOYEE TERMINATION BENEFITS

10.a Employee benefit obligations

	31 December 2022	31 December 2021
Employee benefit obligations		
Social security premiums payable	8.459.776	1.334.529
	8.459.776	**1.334.529**

10.b Long term provisions for employee benefits

	31 December 2022	31 December 2021
Provision for employment termination benefits	1.624.968	541.525
Proviison for employment vacation	3.824.889	852.553
	5.449.857	**1.394.078**

In accordance with the current labor law in Turkey, the company is obliged to pay a certain amount to employees who leave their jobs due to retirement or are terminated for reasons other than resignation and bad behavior. The company accounts for its obligations related to severance pay and leave rights in accordance with the provisions of the "Turkish Accounting Standard for Employee Benefits" ("TAS 19") and classifies it in the "Employee Rights Obligation Equivalent" account on the balance sheet. According to the current labor law in Turkey, the company is obliged to pay a certain lump sum to employees who are terminated due to retirement or resignation and for reasons other than the behavior specified in the Labor Law. The provision for severance pay is calculated at its present value using certain actuarial estimates and recognized in the financial statements. Actuarial losses and gains incurred after 1 January 2013 are accounted for under equity in accordance with the revised TAS 19 Standard.

10. EMPLOYEE TERMINATION BENEFITS (Continued)

Movements of the reserve for retirement pay during the years are as follows:

	1 January.- 31 December 2022	1 January- 31 December 2021
Opening balance, 01 January		
Current service cost	541.525	368.776
Interest cost	397.287	223.073
Actuarial gain / (loss)	116.103	77.444
Payments(-)	570.053	(127.768)
Closing balance, 31 December	**1.624.968**	**541.525**

11. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2022	31 December 2021
Prepaid expenses – short-term		
Prepaid insurance and other expenses (*)	1.616.483	495.860
Prepaid expenses – long-term		
Prepaid insurance and other expenses (*)	459.971	-

(*) It consists of a consulting service invoice received for vehicle insurance expenses and risk model implementation, which the company paid in advance in 2022.

12. OTHER ASSET AND LIABILITIES

	31 December 2022	31 December 2021
Other current liabilities		
Taxes and dues payable	5.817.313	2.056.520
	5.817.313	**2.056.520**

13. EQUITY

13.a Paid in capital

As of 31.12.2022 and 2021, the composition of shareholders and their respective percentage ownership are summarized as follows:

	Share(%)		Amount	
	31 December 2022	31 December 2021	31 December 2022	31 Deember 2021
Borsa İstanbul Anonim Şirketi	%18,50	%18,50	5.550.000	185.000
Japan Credit Rating Agency, Ltd	%14,95	%14,95	4.485.000	149.500
Türkiye Sermaye Piyasalar Bir.İkt.İşl.	%6,00	%6,00	1.799.970	59.999
Türkiye Sigorta Reasürans ve Emekl.	%6,00	%6,00	1.799.970	59.999
Finansal Kiralama Fakt. Ve Fins. Şirk. Birl.	%6,00	%6,00	1.799.970	59.999
TC. Ziraat Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye Halk Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye Vakıflar Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Vakıf Katılım Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Ziraat Katılım Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye Kalkınma ve Yatırım Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye İhracat Kredi Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Akbank T. A.Ş.	%2,86	%2,86	856.770	28.559
QNB Finansbank A.Ş.	%2,86	%2,86	856.770	28.559
Türk Ekonomi Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye Garanti Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye İş Bankası A.Ş.	%2,86	%2,86	856.770	28.559
TSKB A.Ş.	%2,86	%2,86	856.770	28.559
Yapı ve Kredi Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Albaraka Türk Katılım Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Kuveyt Türk Katılım Bankası A.Ş.	%2,86	%2,86	856.770	28.559
Türkiye Finans Katılım Bankası A.Ş.	%2,86	%2,86	856.770	28.559
	%100	**%100**	**30.000.000**	**1.000.000**

13.b Actuarial gain / loss

	31 December 2022	31 December 2021
Actuarial gain / (loss) arising from defined benefit plans	212.713	640.253
	212.713	**640.253**

"Convenience translation of a report originally issued in Turkish"
JCR AVRASYA DERECELENDİRME A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

13. EQUITY (Continued)

13.c Revaluation gains

Increases of carrying amounts as a result of revaluations recognized directly in the equity are followed in the headings below;

	31 December 2022	31 December 2021
Revaluation gains of intangible assets	3.749.985	1.043.194
	3.749.985	**1.043.194**

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the retained earnings are exhausted.

14. REVENUE AND CIST OF SALES

	1 January- 31 December 2022	1 January- 31 December 2021
Domestic sales	238.748.926	109.153.060
Overseas sales	654.949	425.007
Sales returns (-)	(1.615.398)	(1.051.555)
Revenue	**237.788.477**	**108.526.512**
Cost of sales (-)	(84.588.672)	(25.319.092)
Gross profit	**153.199.805**	**83.207.420**

15. NATURE OF EXPENSES

Nature of expenses comprised sum of cost of services rendered and general adminastriative expenses.

	31 December 2022	31 December 2021
Personnel expenses	98.003.486	27.554.787
Depreciation and amortization expenses	4.135.112	1.545.200
Rent expenses	1.939.280	1.211.460
Outsourcing benefits and services	2.972.336	652.414
Traveling expenses	386.088	191.528
Office expenses	1.116.858	513.671
Provision for employee termination benefits	656.678	314.084
Vacation provision	175.137	158.108
Consulting expenses	164.629	84.767
Energy expenses	175.397	72.899
Communication expenses	96.500	40.379
Accommodation expenses	65.177	37.458
Taxes paid	25.666	13.971
Other	6.253.776	3.039.158
	116.166.120	**35.429.884**

(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

16. OTHER OPERATING INCOME AND EXPENSE

	31 December 2022	31 December 2021
Other Operating Income		
Other	151.556	-
	151.556	**-**

	31 December 2022	31 December 2021
Other expenses from core activites		
Suspicious trade receivables provision expense	106.200	31.512
Other	299.643	-
	405.843	**31.512**

(*) It consists of expenses that are not legally recognized, expenses that do not come with documents, vehicle shortage expenses and other expenses.

17. FINANCIAL INCOME AND EXPENSE

	31 December 2022	31 December 2021
Financing revenues		
Interest Income	15.345.523	4.485.631
Foreign exchange gains	9.256	42.840
	15.354.779	**4.528.471**

	31 December 2022	31 December 2021
Foreign exchange expense	30.989	4.596
Bank commission expense	16.430	1.746
	47.419	**6.342**

18. INVESTING ACTIVITIES

	31 December 2022	31 December 2021
Investing activities income		
Depreciation income (*)	561.339	100.691
Gain on sale of assets	-	961.180
	561.339	**1.061.871**

19. TAXATION ON INCOME

a) Current tax

	31 December 2022	31 December 2021
Current year corporation tax expense	(34.102.986)	(19.715.776)
Deferred tax income / (expense)	(2.382.978)	(108.641)
Total tax expense	**(36.485.964)**	**(19.824.417)**

The company is subject to the corporate tax applicable in Turkey.

Net income in the determination of taxable income accrued on the tax base corporate tax rate goes from post and inclusion of deductible expenses tax-exempt income that are not subject to income tax and other discounts (if available previous years ' losses and used when it is desirable investment discounts) remaining after deduction will be calculated on the basis of.

In Turkey, temporary taxes are calculated and accrued as of quarterly periods. The temporary tax rate that should be calculated on corporate earnings at the stage of taxation of corporate earnings in 2022 as of temporary tax periods is 25% (31 December 2021 – 25%). Losses can be carried for a maximum of 5 years to be deducted from taxable profit that will occur in future years. However, losses incurred retrospectively cannot be deducted from profits incurred in previous years.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2021, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

Income Tax Withholding

In addition to corporate tax, income tax withholding must also be calculated on dividends, except for those distributed to full taxpayer institutions and branches of foreign companies in Turkey, which receive dividends if they are distributed and declare these dividends by including them in the corporate earnings. Income July April 24, 2003 – July 22, 2006 income tax withholding was applied at 10% in all companies. This rate is applied as 15% as of July 22, 2006 by the decision of the Council of Ministers No. 2006/10731. Dividends that are not distributed and added to the capital are not subject to income tax withholding. 19.8% tax deduction must be made on the amount of investment deduction used in accordance with investment incentive documents obtained before April 24, 2003. After this date, tax withholding is not made from investment expenditures without incentives.

As of the balance sheet dates, the Company's tax liability is as follows:

	31 December 2022	31 December 2021
Corporate Tax Provision	(34.102.986)	(19.715.776)
Prepaid taxes (-)	18.474.103	11.830.452
	(15.628.883)	**(7.885.324)**

The corporate tax rate effective December 31, 2022 is 25%. (31 December 2021: 25%)

(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

19. TAXATION ON INCOME (continued)

b) Deferred tax

The deferred tax liability or asset is determined by calculating the "timing differences" between the values of assets and liabilities shown in the financial statements and the amounts taken into account in the legal tax base calculation according to the balance sheet method, and the tax effects are calculated by the legal tax rates.

As of December 31, 2022, the tax rate of 25% is used for the temporary differences expected to occur/close in the deferred tax calculation.

The breakdown of accumulated temporary differences and deferred tax assets and liabilities as of the balance sheet dates using the Provision for severance current tax rates is as follows:

	Cumulative temporary differences		**Deferred Tax**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Deferred tax assets				
Provision for severance pay	(1.624.968)	-	406.242	-
Permission charge	(3.824.889)	(852.553)	956.222	196.087
Total deferred tax asset	**(5.449.857)**	**(852.553)**	**1.362.464**	**196.087**
Deferred tax liabilities				
The net difference between the carrying values of tangible and intangible assets and their tax bases	14.737.889	1.371.740	(3.684.472)	(274.348)
Provision for severance pay	-	114.363	-	(22.873)
Financial asset valuation difference	170.995	100.691	(42.749)	(23.158)
Total deferred tax liability	**14.908.884**	**1.586.794**	**(3.727.221)**	**(320.379)**
Deferred tax asset/(liability), net	**9.459.027**	**734.241**	**(2.364.757)**	**(124.292)**

	1 January- 31 December 2022	**1 January.- 31 December 2021**
Opening balance, 01 January	4.430.357	4.296.162
Deferred tax expense / (income)	2.382.978	108.641
Deferred tax related with equity	(142.513)	25.554
Closing balance, 31 December	**6.670.822**	**4.430.357**

20. RELATED PARTY DISCLOSURES

The compensations (office, rent, salaries) paid to key managers for the year ended 31.12.2022 was TL 8.001.864 TL (31.12.2021: TL 2.646.288 TL).

	31 December 2022	**31 December 2021**
Cash and cash equivalents		
Türkiye Vakıflar Bankası A.Ş.	42.021.846	-
TC. Ziraat Bankası A.Ş.	40.128.833	-
Türkiye Halk Bankası A.Ş.	34.904.104	-
Vakıf Katılım Bankası A.Ş.	6.065.104	-
Ziraat Katılım Bankası A.Ş.	5.883.127	-
Türk Ekonomi Bankası A.Ş.	12.518	-
Türkiye Garanti Bankası A.Ş.	5	-
	129.015.537	**-**

	31 December 2022	**31 December 2021**
Trade receivables		
T.C Ziraat Bankası A.Ş.	-	81.440
	-	**81.440**

	31 December 2022	**31 December 2021**
Interest income		
Türkiye Vakıflar Bankası A.Ş.	4.370.179	-
TC. Ziraat Bankası A.Ş.	4.098.446	-
Türkiye Halk Bankası A.Ş.	2.701.812	-
Ziraat Katılım Bankası A.Ş.	768.421	-
Vakıf Katılım Bankası A.Ş.	635.461	-
	12.574.319	**-**

21. NATURES AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

Financial instruments

Financial risk management policies

As a result of companies activities, the company has focused on managing various financial risks, including the effects of changes in debt and capital market prices, exchange rates and interest rates. The company aimed to minimize the potential negative effects of market fluctuations through its risk management program.

Credit risk

The company is exposed to credit risk due to commercial receivables arising from futures sales, deposits in banks and other receivables.

Ownership of financial assets carries the risk that the counterparty will not fulfill the contract. Trade receivables are evaluated by considering the past experience and the current economic situation by the company's management and are presented net of allowances for doubtful provision in the balance sheet when necessary.

Credit risks incurred by types of financial instruments are as follows:

	Receivables				
	Trade receivables		Other receivables		
31 December 2022	**Related parties**	**Third Parties**	**Related parties**	**Third parties**	**Bank deposits**
- Secured portion of maximum credit risk with collateral	-	-	-	-	-
A. Carrying amount of financial assets that are not overdue and not impaired	-	26.320.230	-	-	136.051.120
B. Carrying amount of assets that are overdue but not impaired	-	-	-	-	-
C. Carrying amount of assets that are overdue but not impaired	-	-	-	-	-
D. Carrying amount of assets that are impaired	-	-	-	-	-
- Overdue (gross carrying amount)	-	285.345	-	-	-
- Impairment (-)	-	(285.345)	-	-	-
- Carrying amount secured with collateral	-	-	-	-	-
E. Credit risk issues out of balance sheet	-	-	-	-	-
Maximum exposure to credit risk as of 31 December 2022 (A+B+C+D+E)	**-**	**26.320.230**	**-**	**-**	**136.051.120**

21. NATURES AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables				
	Trade receivables		Other receivables		
31 December 2021	**Related parties**	**Third Parties**	**Related parties**	**Third parties**	**Bank deposits**
- Secured portion of maximum credit risk with collateral	-	-	-	-	-
A. Carrying amount of financial assets that are not overdue and not impaired	-	11.862.349	-	-	52.264.625
B. Carrying amount of assets that are overdue but not impaired	-	-	-	-	-
C. Carrying amount of assets that are overdue but not impaired	-	-	-	-	-
D. Carrying amount of assets that are impaired	-	-	-	-	-
- Overdue (gross carrying amount)	-	179.145	-	-	-
- Impairment (-)	-	(179.145)	-	-	-
- Carrying amount secured with collateral	-	-	-	-	-
E. Credit risk issues out of balance sheet	-	-	-	-	-
Maximum exposure to credit risk as of 31 December 2021(A+B+C+D+E)	**-**	**11.862.349**	**-**	**-**	**52.264.625**

Liquidity risk

Liquidity risk consists of the risk of the company not being able to make the payments it is supposed to make.

The company manages liquidity risk by carefully tracking long-term repayment dates, as well as providing the necessary cash within the framework of the daily workflow. As liquidity needs are determined separately for each day, weekly and monthly cash needs are constantly revised and their forecasts are prepared. In addition, forward-looking 180-day and 360-day cash requirement forecasts are prepared each month.

As of the balance sheet dates, the distribution of the company's liabilities on the basis of maturity is as follows:

31 December 2022	**Book value**	**Total cash outflow according contract**	**1-3 months maturity**	**3-12 months maturity**	**More than 1 year**
Trade payables	1.126.098	1.126.098	1.126.098	-	-
Short term liabilities	31.695	31.695	31.695	-	-
Non-derivative financial liabilities	**1.157.793**	**1.157.793**	**1.157.793**	**-**	**-**

31 December 2021	**Book value**	**Total cash outflow according contract**	**1-3 months maturity**	**3-12 months maturity**	**More than 1 year**
Trade payables	320.612	320.612	320.612	-	-
Other payables	14.849	14.849	14.849		
Non-derivative financial liabilities	**335.461**	**335.461**	**335.461**	**-**	**-**

Foreign currency risk

As of 31 December 2022, the Company had TL 280,287 of foreign currency assets in cash and cash equivalents.

21. NATURES AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(All amounts in Turkish Lira (''TL'') unless indicated otherwise.)

Capital Risk Management

While trying to ensure the continuity of its activities in capital management, the company also aims to increase its profitability by using the debt and equity balance in the most efficient way.

The risks associated with each capital class, together with the Company's cost of capital, 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 dividend payments.

The company has no net debt deposits.

Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methods. However, estimates are necessary in interpreting market data to determine fair value. Accordingly, the estimates presented here may not represent the amounts that the Company could obtain in a current market transaction.

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

21. NATURES AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Monetary assets

The fair values of the balances in foreign currency, which are translated at the period-end rates, are considered to be close to their book values.

It is anticipated that the carrying values of financial assets shown at cost, including cash and cash equivalents, are equal to their fair values due to their short-term nature.

It is anticipated that the carrying values of trade receivables reflect the fair value together with the related impairment provisions.

It is assumed that the fair value of financial assets approximates the book value of the related assets.

Monetary liabilities

The fair values of bank loans and other monetary liabilities are considered to be close to their book values due to their short-term nature.

Trade payables are shown over their fair values.

Long-term foreign currency loans are translated at the end-of-period exchange rate, and therefore their fair values approximate their book values. It is estimated that the book values and accrued interests of bank loans approach their fair values.

Fair value measures hierarchy table
The Company classifies the fair value measurements of financial assets and liabilities, which are reflected at fair value in the financial statements, according to the source of the inputs of each financial asset and liability class, using a three-level hierarchy as follows.

Level 1: Valuation techniques using active market (unadjusted) market prices for specified financial instruments
Level 2: Other valuation techniques with directly or indirectly observable input
Level 3: Valuation techniques that do not include observable market inputs

22. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITORS

	31 December 2022	31 December 2021
Independent audit fee for the reporting period	95.000	46.000
Fees for tax advisory services	-	24.000
Total	**95.000**	**70.000**

23. EVENTS AFTER BALANE SHEET DATE

An earthquake has occurred in the south-eastern part of Turkey, affecting many of our cities. Due to the fact that the final severity of this earthquake, which caused the loss of thousands of lives and injuries, is currently unclear, the impact study on the Company's operations and financial situation is continuing.

JCR-ER JCR Eurasia Rating

"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR