HİTİT BİLGİSAYAR HİZMETLERİ A. Ş.
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL
STATEMENTS AS OF 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hitit Bilgisayar Hizmetleri A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

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

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

2. Basis for opinion

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

3. Key audit matters

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

Key Audit Matters	How the key audit matter was addressed in the audit
Recognition of Revenue	
609.051.324 TL of revenue has been recognized for the year ended 31 December 2023, which is an important performance indicator to assess the result of the strategies performed during the year. The Group’s main revenue streams are software sales and maintance services. Wtihin these revenue streams, there is a risk of material misstatement due to complexity associated with the Group offering software and maintanace services under different contractual terms. This introduces risks related to the timing of revenue recognition, the accuracy completeness of records. Due to materiality of revenue within the comprehensive income statement, it has ben identified as a key audit matter. Group’s accounting policies and estimates regarding revenue is disclosed in Note 2.5 and 15.	The procedures we have performed regarding revenue included gaining an understanding of the process, assessment of internal control enviorement and a combination of substantive analytical procedures and detailed testing. Regarding revenue recognition; we have assessed the appropriateness of the following: - The Group’s accounting policies - Identification of the Group’s revenue contracts - Identification of performance obligations - Determination of transaction prices - Allocation of transaction prices to performance obligations in accordance with TFRS 15. We have reviewed a sample of revenue contacts with significant customers, considered the apporpirateness of the timing of recognition and tested substantively delivery acceptance on a sample basis. We have tested product and software revenue by inspecting supporting documentation and tested for accuracy and completeness on a sample basis. Maintanance revenue is recognised on a monthly basis. We have performed substantive test of details on a sample of customer invoices and related accouting records. We have also reviewed the disclosures regarding revenue in accordance with TFRS requirements.

Key Audit Matters	**How the key audit matter was addressed in the audit**
Capitalisation of development costs	
The Group has 202.053.272 TL of capitalised development costs in the accopanying consolidated financial statements as at 31 December 2023. The Group applies the requirements of TMS 38 Intagible Assets standard and its accounting policy is disclosed in Note 2.5 and Note 9. The Group capitalised payroll and directly related costs in projects where the project is in development stage and the Group expects future positive cash flows. During the capitalisation process only the time directly spent on the project is taken into account and all remaining time is expensed as incurred. Since the total capitalised development cost is material to the consolidated financial statements and the process involves management estimates we have included the matter as a key audit matter.	The procedures we have performed in testing the capitalisation of development costs include; a comprehensive understanding of the process, assessment of internal control envioronment and a combination of substantive analytical procedures and detailed tests. We have assessed the details of software development projects and the criteria for capitalisation. During this assessment we have compared the future cash flow estimates with prior performance and the recovarability of these capitalised development costs in line with the requirement of TMS 38 Intagible Assets standard. We have received a breakdown of all costs that are determined to be capitalised by project, employee and nature of cost. We have performed substantive testing procedures based on this breakdown. Managent estimates regarding the useful life of these capitalised development costs are compared with the estimates of peer competitors and the life cycle of the customer contracts. We have also assessed the apporpriateness of the disclosures stated in Note 2.5 and Note 9.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 4 March 2024.

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

Orhan Öztürk, SMMM
Independent Auditor

Istanbul, 4 March 2024

TABLE OF CONTENTS **PAGE**

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

ASSETS	**Notes**	**Audited Current Period 31 December 2023**	**Audited Prior Period 31 December 2022**
CURRENT ASSETS			
Cash and cash equivalents	3	218,438,892	57,136,078
Financial investments	11	246,873,455	263,718,786
Trade receivables	5,6	184,377,893	83,328,431
- Related party trade receivables	5	*22,104,526*	*11,134,295*
- Other trade receivables	6	*162,273,367*	*72,194,136*
Prepaid expenses	7	*60,735,864*	*31,977,982*
Other current assets	13	31,241,084	24,241,841
Total Current Assets		**741,667,188**	**460,403,118**
NON CURRENT ASSETS			
Financial investments	11	-	61,123,808
Property, plant and equipment	8	151,840,116	67,129,309
Intangible assets	9	759,708,182	390,051,961
Prepaid expenses	7	66,180,135	36,149,592
Deferred tax assets		8,618,504	1,292,501
Other non current assets	13	1,801,471	1,038,410
Total Non-Current Assets		**988,148,408**	**556,785,581**
TOTAL ASSETS		**1,729,815,596**	**1,017,188,699**

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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

LIABILITIES AND EQUITY	Notes	Audited Current Period 31 December 2023	Audited Prior Period 31 December 2022
CURRENT LIABILITIES			
Trade payables	6	70,993,281	26,253,461
Bank loans	11	-	23,372,875
Obligations under finance leases	11	-	19,211,569
Current tax liabilities	21	5,115,447	11,780
Deferred income	7	27,743,826	17,138,544
Employee benefit obligations	12	22,439,386	8,169,081
Short term provisions	12	22,238,558	9,453,636
- Short term provision for employee benefits		*22,238,558*	*9,453,636*
Other current liabilities	13	3,484,807	79,730
Total Current Liabilities		**152,015,305**	**103,690,676**
NON CURRENT LIABILITIES			
Deferred Income	7	70,038,983	39,398,964
Long-term provisions	12	10,570,669	6,180,536
- Long term provision for employee benefits		*10,570,669*	*6,180,536*
Total Non-Current Liabilities		**80,609,652**	**45,579,500**
EQUITY			
Share capital	14	127,500,000	127,500,000
Share premiums on capital stock	14	263,039,827	292,429,353
Adjustment to share capital	14	117,442	117,442
Legal reserves	14	12,506,162	2,808,433
Other Accumulated Comprehensive Loss that will not be subsequently reclassified to profit or loss		886,801,753	360,308,473
-Actuarial loss on defined retirement benefit plans, net of taxes		*(1,900,376)*	*(2,462,005)*
-Currency translation difference	14	*888,702,129*	*362,770,478*
Net Profit		132,168,362	58,544,791
Retained earnings		75,057,093	26,210,031
Total Equity		**1,497,190,639**	**867,918,523**
TOTAL LIABILITIES AND EQUITY		**1,729,815,596**	**1,017,188,699**

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY-31 DECEMBER 2023

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

	Note	Audited Current Period 1 January 31 December 2023	Audited Prior Period 1 January 31 December 2022
Revenue	15	609,051,324	311,102,695
Cost of sales (-)	15	(313,007,451)	(142,102,909)
Gross profit		**296,043,873**	**168,999,786**
Marketing and sales expenses (-)	16	(76,013,405)	(45,204,968)
General administrative expenses (-)	16	(89,924,269)	(46,546,857)
Other operating income	17	59,729,502	20,603,712
Other operating expenses (-)	17	(49,882,287)	(18,268,917)
Operating profit		**139,953,414**	**79,582,756**
Income from investment activities	18	82,143,148	28,675,186
Profit before finance expense		**222,096,562**	**108,257,942**
Finance expenses (-)	19	(53,046,829)	(39,011,162)
Finance income	19	3,024,357	3,341,605
Profit before tax		**172,074,090**	**72,588,385**
Income tax expense	21	(39,905,728)	(14,043,594)
Current tax expense (-)		(45,245,748)	(14,738,281)
Deferred tax expense (-)		5,340,020	694,687
NET PROFIT FOR THE YEAR		**132,168,362**	**58,544,791**
Distribution of Net Profit			
Owners of the Company/parent	24	132,168,362	58,544,791
Basic earnings per share		**1.0366**	**0.4592**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified to profit or loss		**526,493,280**	**223,315,044**
Currency translation difference	20	525,931,651	224,378,517
Actuarial profits / (losses) in retirement benefit plans		595,327	(1,127,281)
Deferred tax effect of actuarial profits / (losses) in retirement benefit plans		(33,698)	63,808
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**526,493,280**	**223,315,044**
TOTAL COMPREHENSIVE INCOME		**658,661,642**	**281,859,835**

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2023

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

						Other accumulated comprehensive loss that will not be subsequently reclassified to profit or loss				
	Note	Share Capital	Share premiums on capital stock	Adjustment to share capital	Legal Reserves	Actuarial Gain / (Loss)	Currency translation difference	Retained earnings	Net Profit for the Period	Total Equity
Balances as of 1 January 2022	**14**	100,000,000	-	117,442	120,347	(1,398,532)	138,391,961	5,546,600	23,351,517	266,129,335
Transfers		-	-	-	2,688,086	-	-	20,663,431	(23,351,517)	-
Profit for the year		-	-	-	-	-	-	-	58,544,791	58,544,791
Total comprehensive income		-	-	-	-	(1,063,473)	224,378,517	-	-	223,315,044
Capital increase		27,500,000	292,429,353	-	-	-	-	-	-	319,929,353
Balances as of 31 December 2022	**14**	**127,500,000**	**292,429,353**	**117,442**	**2,808,433**	**(2,462,005)**	**362,770,478**	**26,210,031**	**58,544,791**	**867,918,523**
Balances as of 1 January 2023	**14**	127,500,000	292,429,353	117,442	2,808,433	(2,462,005)	362,770,478	26,210,031	58,544,791	867,918,523
Transfers		-	-	-	9,697,729	-	-	48,847,062	(58,544,791)	-
Profit for the year		-	-	-	-	-	-	-	132,168,362	132,168,362
Total comprehensive income		-	-	-	-	561,629	525,931,651	-	-	526,493,280
Due to other changes increase / (decrease) (*)		-	(29,389,526)	-	-	-	-	-	-	(29,389,526)
Balances as of 31 December 2023	**14**	**127,500,000**	**263,039,827**	**117,442**	**12,506,162**	**(1,900,376)**	**888,702,129**	**75,057,093**	**132,168,362**	**1,497,190,639**

(*) Within the scope of the special additional taxes scoped in the 27th paragraph of the 10th article of the Law No: 7440 published in the Official Gazette on 12.03.2023; calculated over the "Emission Premiums", which exceeds the portion corresponding to the nominal capital, of some of the shares offered to the public with emission premiums through capital increase in order to be traded on the Istanbul Stock Exchange (BIST Istanbul) in 2022. The additional tax of 29,389,526 TL is reported by being deducted from the "Emission Premiums" account, which directly affects the taxation.

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2023

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

		Audited	**Audited**
		1 January- 31 December 2023	**1 January- 31 December 2022**
Cash Flows from Operating Activities	**Notes**		
Profit for the Period		132,168,362	58,544,791
Adjustments related to tax expenses	21	39,905,728	14,043,594
Adjustments related to provision for employment termination benefits	12	3,845,522	2,702,725
Adjustments related to provision for doubtful receivable	6	457,564	373,605
Adjustments related to provision for unused vacation	12	7,048,120	4,551,528
Adjustments related to interest income and expense	18.19	(837,760)	(4,359,996)
Adjustments related to unrealized foreign exchange differences		(120,064,436)	40,120,900
Adjustments related with fair value expense (income) of financial assets	18	(81,071,183)	(23,704,103)
Depreciation and amortization of non-current assets	8, 9	100,598,040	54,174,428
Other non-cash adjustments		3,245,856	2,228,712
		85,295,813	148,676,184
Changes in working capital			
Adjustments related to increase in trade receivables	5,6	(104,919,273)	(50,303,715)
Adjustments related to increase in prepaid expenses	7	(20,554,101)	(8,930,803)
Adjustments related to increase in other current / non-current assets	13	(7,762,304)	(17,192,892)
Adjustments related to decrease in trade payables	6	44,739,820	12,311,021
Adjustments related to increase / (decrease) in deferred income	7	(234,879)	1,048,774
Adjustments related to increase / (decrease) in other liabilities		17,675,382	5,432,421
Cash generated from operations		**14,240,458**	**91,040,990**
Income taxes paid		(62,633,340)	(16,421,937)
Unused vacation paid	12	(1,114,765)	(245,565)
Employment termination benefits paid	12	(2,685,731)	(427,594)
Net cash flows from operating activities		**(52,193,378)**	**73,945,894**
Cash flows from investing activities			
Cash genereated from disposal of property, plant and equipment	8	10,758	4,535
Payments for purchases of property, plant and equipment	8	(50,760,542)	(54,574,951)
Payments for purchases of intangible assets	9	(204,553,221)	(113,721,342)
Interest received		80,559,717	18,892,537
Cash inflows from the sale of shares or debt instruments of other businesses or funds		247,319,739	81,835,065
Cash outflows from the acquisition of shares or debt instruments of other businesses or funds		-	(283,050,574)
Other cash inflow		649,744,251	32,816,025
Other cash outflow		(484,546,965)	(83,282,635)
Net cash flows from investing activities		**237,773,737**	**(401,081,340)**
Cash flows from financing activities			
Proceeds from borrowings	11	-	18,278,500
Borrowings paid	11	(23,777,875)	(36,878,925)
Lease borrowings paid	11	(27,716,090)	(18,952,876)
Interest paid		(845,768)	(1,287,304)
Cash inflows related with the share issue		-	319,929,353
Net cash flows from financing activities		**(52,339,733)**	**281,088,748**
		-	-
INCREASE IN CASH AND CASH EQUIVALENTS		**133,240,626**	**(46,046,698)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3**	**57,136,078**	**66,108,548**
Currency translation differences effect on cash and cash equivalents		28,062,188	37,074,228
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3**	**218,438,892**	**57,136,078**

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

1. ORGANISATION AND OPERATIONS OF THE GROUP

Hitit Bilgisayar Hizmetleri A.Ş. ("the Company" or "Hitit Bilgisayar") was established in 1994. The Company's Subsidiary Hitit Saas Turizm Servisleri A.Ş. (collectively the "Group") was established in 2021 and HITIT TECH LAB-ISB (SMC-Private) established in 2023, together referred to as the "Group.". The Group's main field of activity is to develop software solutions for airlines, travel companies and airports, carry operations to provide these as a service, to host and to sell.

The registered office of the Company is Reşitpaşa Mah. Katar Cad. No: 4/1 Arı Teknokent 2 – A Blok İç Kapı No: 601 Maslak / Sarıyer / İstanbul.

As of 31 December 2023, personnel number of the Company is 390 (31 December 2022: 337).

The Group's business segments in continuing operations and reporting details in accordance with geographic segments are presented on Note 4.

Subsidiary of Group:

Hitit Saas Turizm Servisleri A.Ş.

The company was established under 100% ownership of Hitit Bilgisayar Hizmetleri A.Ş., in order to sell and widespread the tickets, hotels, car rentals, airport transfers, insurances and other non-ticket travel products, additional services through Hitit Bilgisayar Hizmetleri A.Ş.'s agency network in the global market, registered and announced on 09.11.2021.

HITIT TECH LAB-ISB (SMC-Private) Limited

The software development company HITIT TECH LAB-ISB (SMC-Private) Limited was established at Securities and Exchange Commission of Pakistan - SECP, company's shares representing the capital are fully owned by Hitit Bilgisayar Hizmetleri A.Ş., in order to create value in technology field in Pakistan.

Approval of consolidated financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 4 March 2024. The General Assembly has the authority to modify the consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Financial reporting standards applied.

The consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, the consolidated financial statements are prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA").

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Financial reporting standards applied (cont'd)

In addition, the financial statements are presented in accordance with the formats determined in the "Announcement on TFRS Taxonomy" published by the POA on 4 October 2022 and the Financial Statement Examples and User Guide published by the CMB.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared on a going concern basis, with the assumption that the Group will benefit from its assets and fulfill its liabilities in the subsequent year and in the natural process of its business operations.

Functional and Presentation Currency

The functional currency of the Group has been determined as USD Dollar in accordance with Turkish Accounting Standard No. 21 ("TAS 21") "The Effects of Changes in Foreign Exchange Rates", since purchases and sales are mostly based on USD Dollar. The presentation currency of the financial statement is TL.

The Group's client portfolio is mainly consisting of foreign clients. Parallel to this, a significant portion of the revenues are in US Dollars. The Group's increasing export volume, its growth strategies on the global platforms and its competitive environment have made the USD (US Dollar) the effective currency in reflecting the basic economic environment in which the Group is positioned. Within this frame, the Company management has determined the functional currency to be USD as of 1 January 2020, because of these effects on the economic environment and activities, since USD has also been used in decision-making, budget follow-up and management reporting by the company management.

Presentation Currency Translation

According to TAS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in USD for the Group have been translated in TL as the following method:

- In the consolidated financial statement position dated 31 December 2023, assets and liabilities have been converted into TL with the foreign exchange buying rates announced by The Central Bank of Turkish Republic as of 31 December 2023 which is 29.4382 TL=1 USD.
- Consolidated statement of profit or loss for the period ended 31 December 2023, have been converted into TL with the exchange rates of the twelve-month average of January - December 2023 which is 23.7482 TL=1 USD.
- All exchange differences resulting from translation to TL presentation currency are shown in statement of other comprehensive income as of foreign currency translation differences.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

The detail of the Company's subsidiary at 31 December 2023 and 2022 are as follows:

Subsidiaries	Country of incorporation	Currency	Share in equity of the Group (%) 31 December 2023	31 December 2022
Hitit Saas Turizm Servisleri A.Ş.	Turkey	US Dollar	100	100
HITIT TECH LAB-ISB (SMC-Private) Limited	Pakistan	US Dollar	100	-

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company or other shareholders;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Offsetting

A financial asset or liability can be offset and the net amount shown on the balance sheet only if the entity has a legal right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

Significant changes in accounting policies are implemented retroactively and financial statements for previous period are restated. There are no significant changes to accounting policies of the Group in the current period.

2.3 Changes and Errors in Accounting Estimates

Changes in accounting estimates are applied only in the period changes were made if they are only related to the current period. Nevertheless, they are applied both in the current period and in the future periods if they are related to multiple periods. Significant accounting errors are corrected retroactively and financial statements for previous periods are restated. There are no significant changes in estimates in the current period.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Financial Reporting Standards

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

- **Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

- **IFRS 17, 'Insurance Contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

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

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

- **Amendment to IAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Financial Reporting Standards (cont'd)

- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- **IFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- **IFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

Also, according to the Turkey Sustainability Reporting Standards ("TSRS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") published in the Official Gazette dated 29 December, 2023, certain enterprises will be subject to mandatory sustainability reporting as of 1 January 2024. On January 5th, 2024, enterprises falling within the scope of sustainability practices were identified for mandatory sustainability reporting under the "Turkey Sustainability Reporting Standards (TSRS) Application Scope Determination Board Decision."

The Group evaluates the effects of these amendments on the consolidated financial statements.

2.5 Summary of Significant Accounting Policies

Related Parties

Related parties are persons or businesses related to the entity that prepares their financial statements (reporting entity).

(a) A person or a member of his / her immediate family shall be deemed to be a related party with the business if any of the following is true:

(i) the person has control or joint control power over the reporting entity
(ii) the person has significant influence over the reporting entity,
(iii) the person is a member of the key management personnel of a parent company of the reporting or reporting entity.

(b) A business shall be deemed to be related to the reporting entity if any of the following conditions are met:

(i) the business and the reporting entity are members of the same company (ie, associated with each parent, subsidiary and other subsidiary).
(ii) the business is an affiliate or business partner of the reporting entity (or a member of a company that is also a member of the other operator).
(iii) Both the business and the reporting entity are partnerships of the same third party.
(iv) Either the business or reporting entity is a business partnership of a third party, and the third party is the affiliate of the reporting entity or business.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Related Parties (cont'd)

(v) The business has benefit plans provided to employees of the reporting entity or an entity associated with the reporting entity after leaving the entity. If the reporting entity itself has such a plan, the sponsoring employers are also related parties to the reporting entity.
(vi) The reporting entity is controlled or jointly controlled by a person as defined in (a).
(vii) A person identified in sub-paragraph (i) of (a) has significant influence over or is a member of the key management personnel of the reporting entity (or its parent company).

Transactions with a related party are transfers between a reporting entity and a related party, irrespective of whether a resource, service or liability is for a consideration.

Revenue

The Group's revenues consist of sales and hosting of the software package containing modules to manage processes including booking, ticketing, revenue accounting, frequent flyer program, as well as sales and hosting of additional modules to manage flight planning and staff and aircraft information. The Group also earns revenue due to installing the above mentioned software and additional modules, and due to maintenance, training and other services, it renders regarding the software and additional modules.

The Group defines performance obligations in the contracts it has made regarding the aforementioned services, distributes transaction costs to performance obligations, taking into account estimated customer returns, discounts and provisions, and records its revenues on an accrual basis over the fair value of the price received or to be received.

The Group provides a service of installation of various software products for specialised business operations. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under TFRS 15. Payment for installation of software services is not due from the customer until the installation services are complete and therefore a contract asset is recognised over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

Deferred installation income arise from obligations arising from customer contracts. The Group fulfills and recognizes its performance liabilities over time within the scope of its liabilities arising from customer contracts. Income from customer contracts related to the incomplete service period is accounted for as "Deferred Installation Income". Income from such services are recorded as income on an accrual basis over the hours of service provided in accordance with the contractual principles, in accordance with the periodicity principle. In the short-term and one-time services, the Group takes the income into the financial statements "at a certain moment of time" when the control is passed to the customer.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, leases or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Borrowing costs are capitalised for assets that necessarily takes a substantial period of time to get ready for its intended use or sale. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Trademarks and licenses
Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives (3-5 years).

Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-15 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.
Computer software development costs recognized as assets are amortized over their estimated useful lives (3 years).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- the intention to complete the intangible asset and use or sell it,
- the ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Costs incurred under development activities are capitalized by the Group. Management takes into account how much time each staff member spends in research and development activities while including the salaries of staff directly involved in the calculation of the cost of the asset. Personnel expenses related to research activities are recognised as an expense when incurred.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Impairment of Property, Plant and Equipment and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Borrowing Costs

In the case of assets requiring a significant amount of time (qualifying assets) to be made ready for use and sale, borrowing costs that are directly attributable to the acquisition, construction or production are included in the cost of the asset until the asset is ready for use or sale.

All other borrowing costs are recorded as an expense in the statement of profit in the period in which they are incurred.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset result in cash flows on certain dates that include only payments of principal and interest on the principal balance.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:
(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

(i) Amortised cost and effective interest method

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) above) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guaranteed contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets *(cont'd)*

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The expected credit loss of financial assets is the present value of the difference between all contractual cash flows of the Group and all cash flows that the Group expects to collect (all cash deficits), calculated over the initial effective interest rate (or credit-adjusted effective interest rate for financial assets that were credit-impaired when purchased or created).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred directly to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities (cont'd)

A financial liability is subsequently classified at amortized cost except:

(a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied:
When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

(c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The entity does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Effect of Currency Exchange

Foreign Currency Balances and Transactions

The financial statements of the Group are presented in USD, the currency (functional currency) that is valid in the basic economic environment in which its. The financial position of the Group and the results of its operations are expressed in TL which the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than US Dollar (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Group has determined TL as the reporting currency for the purpose of presenting the financial statements and footnotes. The financial statements are translated into the presentation TL currency using the period-end rate for statement of financial position items, capital and legal reserves, historical rates for other equity items excluding capital and legal reserves, and average rates for profit or loss statement items.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As of 31 December 2023, the Group has no provision for litigation.

Income Taxes

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

<u>Current tax</u>
Current year tax liability is calculated on the basis of the taxable portion of the period profit which is not included in the scope of the technology development region. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

<u>Deferred tax</u>
Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax rates which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

<u>Deferred tax (cont'd)</u>

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

<u>*Current and deferred tax for the period*</u>
Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Employee Benefits

Employee Termination Benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) Employee Benefits ("TAS 19").

The employee termination benefit liability recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Statement of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity by deducting the dividend amount from accumulated profits in the period in which they are approved and declared.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6 Significant Accounting Judgments, Estimates and Assumptions

Development Costs

Costs incurred under development activities are capitalized by the Group. Management takes into account how much time each staff member spends in research and development activities while including the salaries of staff directly involved in the calculation of the cost of the asset. Personnel expenses related to research activities are recognised as an expense when incurred.

The Useful lives of Property, Plant and Equipment

The Group depreciates its property and equipment by taking the useful lives in Notes 8 and 9 into account. Useful lives of property, plant and equipment are based on best estimation of the Management, reviewed at every date of balance sheet and corrected in case of need.

3. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	634,776	492,233
Cash at banks	217,804,116	56,643,845
Demand deposits	*16,289,897*	*37,924,900*
Time deposits	*201,514,219*	*18,718,945*
	218,438,892	57,136,078

Time Deposits	Effective Interest Rate	Maturity Date	31 December 2023
US Dollar (TL denominated)	%0,01	2.01.2024	62,703,366
US Dollar (TL denominated)	%4,00	27.06.2024	58,876,400
US Dollar (TL denominated)	%4,00	28.03.2024	58,876,400
US Dollar (TL denominated)	%2,5	2.01.2024	2,821,142
TL	%30,00	2.01.2024	11,785,000
TL	%13,00	2.01.2024	100,000
EUR (TL denominated)	%0,01	2.01.2024	6,351,911
			201,514,219

Time Deposits	Effective Interest Rate	Maturity Date	31 December 2022
US Dollar (TL denominated)	%1,50	6.01.2023	18,718,945
			18,718,945

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 22. As of 31 December 2023, the Group do not have any worth of restricted cash. (31 December 2022: None.)

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

4. SEGMENT REPORTING

The Group is managed as a single reporting unit that develop software solutions for the travel industry, especially for airlines, tour operators and airports, providing them as a service, additional development, maintenance and operating activities. The Group's Chief Operating Decision Maker is the Board of Directors. The resource utilization decisions are made from single center by considering all service categories as a whole. The objective in making resource utilization decisions is to maximize consolidated financial results, rather than highlight specific regions or categories. All other assets and liabilities have been associated with the Group's only integrated reporting section.

5. RELATED PARTY DISCLOSURES

The receivables from related parties arise from: development and maintenance services and hosting and database management services, their maturity is one month on average and bear no interest. The payables to related parties arise mainly from consultancy services, their maturity is one month on average and bear no interest.

The details of the transactions between the Group and other related parties are as follows.

	Trade Receivables	
	Current	Current
Balances with Related Parties	31 December 2023	31 December 2022
Shareholders		
Pegasus Hava Taşımacılığı A.Ş.	17,750,663	8,828,384
Others		
Amadeus Bilgi Teknolojisi Hizmetleri A.Ş.	4,353,863	2,305,911
	22,104,526	11,134,295

The transactions with related parties for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Transactions with Related Parties	Sales	Sales
Pegasus Hava Taşımacılığı A.Ş.	155,755,362	69,225,431
Amadeus Bilgi Teknolojisi Hizmetleri A.Ş.	33,649,321	21,030,443
	189,404,683	90,255,874

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

5. RELATED PARTY DISCLOSURES (cont'd)

Benefits provided to key personnel:

The Executives of the Group consist of members of its board of directors, assistant general managers and directors. The benefits provided to the Executives include salary, bonus, private health insurance, and transportation. The benefits provided to Executives in the period are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Salaries and other short term benefits	21,699,394	11,417,129
	21,699,394	11,417,129

6. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

The details of the Group's trade receivables as of balance sheet date are as follows:

	31 December 2023	31 December 2022
Current trade receivables		
Trade receivables	151,133,687	69,910,251
Trade receivables from related parties (Note: 5)	22,104,526	11,134,295
Income accruals	20,650,073	8,065,175
Expected credit loss (-)	(9,510,393)	(5,781,290)
	184,377,893	83,328,431

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The average maturity of trade receivables is 80 days (31 December 2022: 70 days) and classified as a current trade receivables.

As of 31 December 2023, receivables of the Group amounting to TL 94,406,013 are overdue but not impaired (31 December 2022: TL 35,097,059). As of 31 December 2023, The Group's provisions for doubtful receivables are TL 9,510,393 (31 December 2022: TL 5,781,290).

	1 January- 31 December 2023	1 January- 31 December 2022
Movement of Allowance for Doubtful Receivables		
Balance at beginning of the year	5,781,290	12,997,241
Charge for the period (Note: 16)	457,564	373,605
Collections	(140,708)	-
Written off provision	-	(10,630,904)
Currency translation difference	3,412,247	3,041,348
Closing balance	9,510,393	5,781,290

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

Details of the Group's trade payables as of the reporting date are as follows:

	31 December 2023	31 December 2022
Short term trade payables		
Trade payables to service providers	62,355,524	25,822,928
Other trade payables	8,637,757	430,533
	70,993,281	26,253,461

As of 31 December 2023, average maturity of the Group's trade payables is 57 days (31 December 2022: 52 days).

7. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2023	31 December 2022
Short-term prepaid expenses		
Deferred implementation expenses	25,018,555	15,557,715
Prepaid software support expenses	18,807,385	9,949,073
Prepaid insurance expenses	7,374,943	3,765,574
Prepaid marketing and sales expenses	5,504,456	1,375,496
Order advances given	2,108,423	251,604
Business advances given	542,840	129,187
Other prepaid expenses	1,379,262	949,333
	60,735,864	31,977,982

	31 December 2023	31 December 2022
Long-term prepaid expenses		
Deferred implementation expenses	64,807,520	36,034,036
Prepaid software support expenses	1,325,774	101,544
Other prepaid expenses	46,841	14,012
	66,180,135	36,149,592

	31 December 2023	31 December 2022
Short-term deferred income		
Deferred implementation income	26,577,749	16,437,919
Other deferred Income	1,166,077	700,625
	27,743,826	17,138,544

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

7. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

	31 December 2023	31 December 2022
Long-term deferred income		
Deferred implementation income	70,032,948	38,692,598
Other deferred Income	6,035	706,366
	70,038,983	39,398,964

8. PROPERTY, PLANT AND EQUIPMENT

	Furnitures & Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value				
Opening balance as of 1 January 2023	43,585,251	3,786,593	43,172,860	90,544,704
Additions	33,306,304	830,237	16,624,001	50,760,542
Disposals	(10,758)	-	-	(10,758)
Foreign currency translation difference	33,011,945	2,373,859	28,780,622	64,166,426
Closing balance as of 31 December 2023	109,892,742	6,990,689	88,577,483	205,460,914
Accumulated Depreciation				
Opening balance as of 1 January 2023	(21,192,223)	(2,223,172)	-	(23,415,395)
Charge of the year	(12,847,349)	(680,932)	-	(13,528,281)
Disposals	10,758	-	-	10,758
Foreign currency translation difference	(15,247,789)	(1,440,091)	-	(16,687,880)
Closing balance as of 31 December 2023	(49,276,603)	(4,344,195)	-	(53,620,798)
Carrying value as of 31 December 2023	60,616,139	2,646,494	88,577,483	151,840,116

	Furnitures & Fixtures	Leasehold improvements	Construction in progress	Total
Cost Value				
Opening balance as of 1 January 2022	17,963,147	2,634,623	-	20,597,770
Additions	16,279,313	80,257	38,215,381	54,574,951
Disposals	(4,535)	-	-	(4,535)
Foreign currency translation difference	9,347,326	1,071,713	4,957,479	15,376,518
Closing balance as of 31 December 2022	43,585,251	3,786,593	43,172,860	90,544,704
Accumulated Depreciation				
Opening balance as of 1 January 2022	(11,991,536)	(1,201,015)	-	(13,192,551)
Charge of the year	(3,872,866)	(476,542)	-	(4,349,408)
Disposals	4,535	-	-	4,535
Foreign currency translation difference	(5,332,356)	(545,615)	-	(5,877,971)
Closing balance as of 31 December 2022	(21,192,223)	(2,223,172)	-	(23,415,395)
Carrying value as of 31 December 2022	22,393,028	1,563,421	43,172,860	67,129,309

As of 31 December 2023, there are no mortgage on property, plant and equipment. (31 December 2022: None.)

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Useful lives of property and equipment are as follows:

	Useful Life
Furnitures & Fixtures	4 Years
Leasehold improvements	5 Years
Construction in progress	15 Years

9. INTANGIBLE ASSETS

	Rights	Developed software	Purchased software	Total
Cost Value				
Opening balance as of 1 January 2023	66,191,122	490,101,141	9,046,107	565,338,370
Additions	2,380,971	202,053,272	118,978	204,553,221
Foreign currency translation difference	38,589,225	329,914,898	5,224,395	373,728,518
Closing balance as of 31 December 2023	107,161,318	1,022,069,311	14,389,480	1,143,620,109
Accumulated Depreciation				
Opening balance as of 1 January 2023	(25,681,853)	(141,975,313)	(7,629,243)	(175,286,409)
Charge of the year	(14,010,227)	(72,232,454)	(837,836)	(87,080,517)
Foreign currency translation difference	(18,107,912)	(98,854,243)	(4,582,846)	(121,545,001)
Closing balance as of 31 December 2023	(57,799,992)	(313,062,010)	(13,049,925)	(383,911,927)
Carrying value as of 31 December 2023	49,361,326	709,007,301	1,339,555	759,708,182

	Rights	Developed software	Purchased software	Total
Cost Value				
Opening balance as of 1 January 2022	41,113,767	263,877,359	6,425,804	311,416,930
Additions	7,537,731	106,155,474	28,137	113,721,342
Foreign currency translation difference	17,539,624	120,068,308	2,592,166	140,200,098
Closing balance as of 31 December 2022	66,191,122	490,101,141	9,046,107	565,338,370
Accumulated Depreciation				
Opening balance as of 1 January 2022	(9,346,591)	(70,652,810)	(4,824,036)	(84,823,437)
Charge of the year	(11,126,759)	(37,939,819)	(762,977)	(49,829,555)
Foreign currency translation difference	(5,208,503)	(33,382,684)	(2,042,230)	(40,633,417)
Closing balance as of 31 December 2022	(25,681,853)	(141,975,313)	(7,629,243)	(175,286,409)
Carrying value as of 31 December 2022	40,509,269	348,125,828	1,416,864	390,051,961

TL 72,232,454 of depreciation and amortization expense for the current period (2022: TL 37,939,819) has been charged in "Cost of sales," TL 28,365,586 of depreciation and amortization expense for the current period has been charged in "general administrative expenses" (2022: TL 16,234,609).

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

9. INTANGIBLE ASSETS (cont'd)

Useful lives of intangible assets are as follows:

	Useful Life
Developed software	10 Years
Rights	3-15 Years
Purchased software	3 Years

10. COMMITMENTS

Collaterals-Pledges-Mortgages("CPM")

The details of the CPMs given by the Group as of 31 December 2023 and 31 December 2022 is as follows:

CPMs given by the Group:	31 December 2023				31 December 2022			
	TL equivalent	USD	EUR	TL	TL equivalent	USD	EUR	TL
A. Total amounts of CPM given on behalf of its own legal entity	81,293,589	2,761,500	-	-	41,367,651	2,212,375	-	-
-Collateral	81,293,589	2,761,500	-	-	41,367,651	2,212,375	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation	-	-	-	-	-	-	-	-
-Collateral	-	-	-	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations	-	-	-	-	-	-	-	-
-Collateral	-	-	-	-	-	-	-	-
D. Total amounts of other CPM given								
i. Total amount of CPM given on behalf of the Parent	-	-	-	-	-	-	-	-
-Collateral	-	-	-	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C	-	-	-	-	-	-	-	-
-Collateral	-	-	-	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C	-	-	-	-	-	-	-	-
-Collateral	-	-	-	-	-	-	-	-
TOTAL	81,293,589	2,761,500	-	-	41,367,651	2,212,375	-	-

The ratio of other CPMs given by the Group to banks and customers to the Group's equity is 0% as of 31 December 2023. (31 December 2022: 0%)

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

11. FINANCIAL INSTRUMENTS

Financial Investments

The details of the Group's short term financial investments as of 31 December 2023 is as follows:

Short-Term	31 December 2023	31 December 2022
Financial investments measured at amortized cost	97,056,921	192,532,581
Exchange rate protected time deposit	-	26,519,481
Exchange rate protected time deposit converted from FX	145,902,431	43,875,524
Venture capital investment fund	3,914,103	791,200
	246,873,455	263,718,786

Long-Term	31 December 2023	31 December 2022
Financial investments measured at amortized cost	-	61,123,808
	-	61,123,808

Financial investments at fair value through profit or loss

The details of the Exchange rate protected time deposit and Exchange rate protected time deposit converted from FX by the Group as of 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023		
	Nominal Value	**Interest Accrual**	**Fair Value**
Exchange Rate Protected Time Deposit Converted from FX	130,391,500	15,510,931	145,902,431
	130,391,500	15,510,931	145,902,431

The annual interest rates for Exchange Rate Protected Time Deposit accounts are 30%, 34%, 35% and 36% as of 31 December 2023.

	31 December 2022		
	Nominal Value	**Interest Accrual**	**Fair Value**
Exchange Rate Protected Time Deposit Converted from FX	42,655,875	1,219,649	43,875,524
Exchange Rate Protected Time Deposit	21,718,840	4,800,641	26,519,481
	64,374,715	6,020,290	70,395,005

The annual interest rates for Exchange Rate Protected Time Deposit accounts are 16% and the annual interest rates for Exchange rate protected time deposit converted from FX is 12% as of 31 December 2022.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

11. FINANCIAL INSTRUMENTS (cont'd)

Financial investments measured at amortized cost

Security Issuer	31 December 2023	31 December 2022
TC Hazine Müsteşarlığı	97,056,921	253,656,389
	97,056,921	253,656,389

Financial investments measured at amortized cost have has an active market and market prices (according to dirty prices) are as follows:

Security Issuer	31 December 2023	31 December 2022
TC Hazine Müsteşarlığı	98,500,470	253,510,657
	98,500,470	253,510,657

The coupon interest rates and call dates of the financial investments in TL and US Dollars that are measured by their amortized costs and continues as of the reporting date are as follows.

Security Issuer	ISIN Code	Coupon Interest Rate (%)	FX Rate	Asset Value	Call Date
TC Hazine Müsteşarlığı	US900123CW86	%7,60	US Dollar	97,056,921	14.11.2024
				97,056,921	

Security Issuer	ISIN Code	Coupon Interest Rate (%)	FX Rate	Asset Value	Call Date
TC Hazine Müsteşarlığı	TRT250123T11	%20,61	TL	204,482	25.01.2023
TC Hazine Müsteşarlığı	US900123CR91	%6,14	US Dollar	98,392,643	23.12.2023
TC Hazine Müsteşarlığı	US900123CA66	%5,20	US Dollar	93,935,453	23.03.2023
TC Hazine Müsteşarlığı	US900123CW86	%7,60	US Dollar	61,123,811	14.11.2024
				253,656,389	

Financial Liabilities

The borrowings	31 December 2023	31 December 2022
a) Bank Borrowings	-	23,372,875
b) Finance Lease Payables	-	19,211,569
	-	42,584,444

The borrowings are repayable as follows:

	31 December 2023	31 December 2022
To be paid within 1 year	-	23,372,875
	-	23,372,875

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

11. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

a) Bank Loans

	Weighted Average	31 December 2022	
Currency Type	Effective Interest Rate	Current	Non-current
USD	%2,50	23,372,875	-
		23,372,875	-

b) Finance Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Finance Lease Payables				
Amounts payable under	-	19,557,880	-	19,211,569
Within one year	-	19,557,880	-	19,211,569
Less : Future finance charges	-	-	-	-
Present value of finance lease obligations	-	19,557,880	-	19,211,569
Less: Amounts due to settlement within twelve months (shown under current liabilities)			-	(19,211,569)
			-	-

Reconciliation of obligations arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

11. FINANCIAL INSTRUMENTS (cont'd)

Reconciliation of obligations arising from financing activities (cont'd)

Financial Liabilities (cont'd)

			Non-Cash Changes			
	1 January 2023	Financing cash flows	Fair Value Adjustments	New Leases	Exchange rates movements	31 December 2023
Bank Loans (Note 11)	23,372,875	(23,777,875)	-	-	405,000	-
Financial Lease liabilities (Note 11)	19,211,569	(28,379,908)	-	-	9,168,339	-
	42,584,444	(52,157,783)	-	-	9,573,339	-

			Non-Cash Changes			
	1 January 2022	Financing cash flows	Fair Value Adjustments	New Leases	Exchange rates movements	31 December 2022
Bank Loans (Note 11)	31,741,227	(18,600,425)	-	-	10,232,073	23,372,875
Financial Lease liabilities (Note 11)	28,404,006	(19,629,093)	-	-	10,436,656	19,211,569
	60,145,233	(38,229,518)	-	-	20,668,729	42,584,444

12. EMPLOYEE BENEFITS

Employee benefit obligations

The details of the Group's employee benefit obligations as of reporting date are as follows:

	31 December 2023	31 December 2022
Employee benefit obligations		
Social security deductions to be paid	15,007,535	3,452,435
Taxes and funds to be paid	7,169,409	4,574,184
Payables to personnel	262,442	142,462
	22,439,386	8,169,081

Short-term provision for employee benefits

	31 December 2023	31 December 2022
Short-term provision for employee benefits		
Provision for unused vacations	22,238,558	9,453,636
	22,238,558	9,453,636

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

12. EMPLOYEE BENEFITS (cont'd)

Short-term provision for employee benefits (cont'd)

Movement of Provision for Unused Vacation	1 January- 31 December 2023	1 January- 31 December 2022
As of 1 January	9,453,636	3,271,310
Provision made during the period / (reversed)	7,048,120	4,551,528
Payments during the period	(1,114,765)	(245,565)
Foreign currency translation difference	6,851,567	1,876,363
Provision at the end of the period	22,238,558	9,453,636

Long-term provision for employee benefits

Provision for Severance Payment

According to the Turkish Labor Law, the Group is required to make a severance payment to every employee who retires after 25 years of working life (58 for women and 60 for men), who is called for military service or who passes away, provided that the employee has completed one year of service.

The liability for severance payment is not legally subject to any funding. Provision for this payment is calculated by estimating the present value of the probable future liabilities of the Company arising from the retirement of its employees. TAS 19 ("Employee Benefits") provides for the development of an entity's liabilities using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the following actuarial assumptions were made in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2023, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

- 29.31% real discount rate (31 December 2022: 21.58%) calculated by using 24.82% annual inflation rate (31 December 2022: 18.04%) and 3.60% discount rate (31 December 2022: 3.00%).

- Legal cap valid as of 1 January 2024 TL 35,058.58 has been used in calculations (1 January 2022: TL 19,982.83).

- Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 19.07% for employees with 0-15 years of service (2022: 13.54%), and 0% for those with 16 or more years of service.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

12. EMPLOYEE BENEFITS (cont'd)

Provision for Severance Payment (cont'd)

Movement table of provision for severance payment is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Provision at 1 January	6,180,536	2,194,300
Service cost	3,609,821	2,577,929
Interest cost	235,701	124,796
Termination benefits paid	(2,685,731)	(427,594)
Actuarial gain / (loss)	(595,327)	1,127,281
Foreign currency translation difference	3,825,669	583,824
Provision at the end of the period	10,570,669	6,180,536

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

13. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2023	31 December 2022
VAT carried forward	28,827,799	22,894,928
Deposits and guarateees given	307,659	989,364
Other current assets	2,105,626	357,549
	31,241,084	24,241,841

Other non current assets	31 December 2023	31 December 2022
Deposits and guarateees given	1,801,471	1,038,410
	1,801,471	1,038,410

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

13. OTHER ASSETS AND LIABILITIES (cont'd)

	31 December 2023	31 December 2022
Other current liabilities		
Advances received (*)	3,125,513	-
Other current liabilities	359,294	79,730
	3,484,807	79,730

(*) Advance received for future months based on the guaranteed application usage fees.

14. SHAREHOLDER'S EQUITY

Capital

The capital structure as of 31 December 2023 is as follows:

Shareholders	%	31 December 2023	%	31 December 2022
Pegasus Hava Taşımacılığı A.Ş. (*)	%36,82	46,939,893	%36,82	46,939,893
Fatma Nur Gökman (**)	%23,19	29,572,131	%23,19	29,572,131
Dilek Ovacık	%4,71	6,000,000	%4,71	6,000,000
Hakan Ünlü	%4,34	5,538,462	%4,34	5,538,462
Özkan Dülger	%4,34	5,538,462	%4,34	5,538,462
Publicly Held (***)	%26,597	33,911,052	%26,597	33,911,052
Dilek Ovacık	%0,080	*102,186*	-	-
Hakan Ünlü	%0,074	*94,326*	-	-
Özkan Dülger	%0,074	*94,326*	-	-
Other	%26,369	*33,620,214*	-	-
Nominal Capital	100%	127,500,000	100%	127,500,000
Inflation Adjustment		117,442		117,442
Adjusted Capital		127,617,442		127,617,442

(*) Including 786.047 public shares.
(**) Including 495.209 public shares.
(***) Representing shares in circulation.

The Group started trading on Yıldız Market on March 3, 2022 with the transaction code HTTBT. The issued capital of the Group has been increased from TL 100,000,000 to TL 127,500,000 as a result of the public offering of 27,500,000 shares with a total nominal value of TL 27,500,000 issued by completely restricting the rights of existing partners to purchase new shares. The completion of the said capital increase was approved by the Turkish Trade Registry Office on 7 April 2022 and published in the Trade Registry Gazette as of the same date.

As of 31 December 2023, the Group's capital consists of 127,500,000 ordinary shares (2022: 127,500,000 ordinary shares). Nominal value of each share is TL 1 (2022: TL 1).

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

14. SHAREHOLDER'S EQUITY (cont'd)

Share premiums on capital stock

	31 December 2023	31 December 2022
Share premiums on capital stock (*)	263,039,827	292,429,353
	263,039,827	292,429,353

(*) The net public offering income of TL 292,429,353 remaining as a result of the deduction of the transaction costs of 16,945,647 TL incurred in connection with the public offering from the portion of the Companie's public offering income of 336,875,000 TL, which exceeds the capital increase of 27,500,000 TL, is transferred to the shares. included in the premium account. Within the scope of the special additional taxes scoped in the 27th paragraph of the 10th article of the Law No: 7440 published in the Official Gazette on 12.03.2023; calculated over the "Emission Premiums", which exceeds the portion corresponding to the nominal capital, of some of the shares offered to the public with emission premiums through capital increase in order to be traded on the Istanbul Stock Exchange (BIST Istanbul) in 2022. The additional tax of 29,389,526 TL is reported by being deducted from the "Emission Premiums" account, which directly affects the taxation.

Foreign currency translation differences

For the purpose of preparation of the consolidated financial statements and disclosures, according to TAS 21, balance sheet items except shareholders' equity in financial statements are translated to TL using balance sheet date USD exchange rates; equity items, income/expenses and cash flows are translated to TL by using the exchange rate of the transaction date (historic rate), and currency translation differences amounting to TL 888,702,129 (31 December 2022 : TL 362,770,478) are presented under shareholders' equity.

Restricted profit reserves

	31 December 2023	31 December 2022
Legal reserves	12,506,162	2,808,433
	12,506,162	2,808,433

15. REVENUE AND COST OF SALES

Revenue From Customer Agreements

The Group derives its revenue from the transfer of services over time and at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under TFRS 8:

	1 January- 31 December 2023	1 January- 31 December 2022
Domestic Sales	176,818,437	73,948,115
Foreign Sales	467,984,222	276,323,017
Discounts and Other Adjustments	(35,751,335)	(39,168,437)
Revenue	**609,051,324**	**311,102,695**
Costs	(313,007,451)	(142,102,909)
Gross Profit	**296,043,873**	**168,999,786**

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

15. REVENUE AND COST OF SALES (cont'd)

Revenue

Revenue	1 January- 31 December 2023	1 January- 31 December 2022
Application use fee revenue	315,640,770	163,167,142
Application use and development revenue	119,140,658	44,413,507
Maintenance revenue	73,352,205	43,668,090
Infrastructure revenue	59,718,554	35,696,354
Implementation and Integration revenue	27,644,401	14,535,247
License revenue	6,386,675	3,281,193
Other	7,168,061	6,341,162
	609,051,324	311,102,695

The Group disaggregates revenues into revenues from application use fee revenue, maintenance revenue, additional developments, infrastructure revenue, implementation and integration revenue and other in accordance with TFRS 15 "Revenue from contracts with customers". Besides, the Group recognized over the period, "Implementation and integration revenue" of its disaggregated revenues. Installation revenues are recorded by spreading over the contract periods in line with the agreements made with the customers, and the revenues of the following years are accounted as deferred income.

Cost of Sales

Cost of Sales	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	(134,280,730)	(60,198,535)
Software support expenses	(86,448,221)	(37,027,616)
Amortization expenses (Note: 8,9)	(72,232,454)	(37,939,819)
Travel and accommodation expenses	(12,454,174)	(2,489,963)
Consultancy expenses	(3,782,067)	(2,172,080)
Conference, event and training expenses	(2,484,323)	(1,613,262)
Representation expenses	(228,054)	(94,458)
Other	(1,097,428)	(567,176)
	(313,007,451)	(142,102,909)

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

16. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING/ SALES EXPENSES

Marketing and Sales Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	(25,536,368)	(14,294,080)
Sales premium expenses	(19,352,527)	(11,809,182)
Advertising, marketing and sales expenses	(16,439,763)	(8,541,098)
Consultancy expenses	(4,218,108)	(2,254,307)
Travel and accomodation expenses	(3,259,892)	(3,837,263)
Rent expenses	(1,709,965)	(945,537)
Other	(5,496,782)	(3,523,501)
	(76,013,405)	(45,204,968)

General Administrative Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Depreciation and amortization expenses (Note: 8, 9)	(28,365,586)	(16,234,609)
Personnel expenses	(25,729,529)	(13,006,562)
Insurance expenses	(5,392,836)	(1,542,092)
Consultancy expenses	(5,315,583)	(4,337,772)
Conference, event and training expenses	(4,998,616)	(1,826,855)
Rent expenses	(3,914,986)	(2,259,984)
Office expenses	(3,903,064)	(1,749,760)
Taxes and fees expenses	(3,068,861)	(440,659)
Software support expenses	(1,837,754)	(1,082,117)
Representation expenses	(211,050)	(289,183)
Doubtful receivable allowance expense (Note: 6)	(457,564)	(373,605)
Other	(6,728,840)	(3,403,659)
	(89,924,269)	(46,546,857)

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

17. OTHER OPERATING INCOME AND EXPENSES

As of 31 December 2023 and 31 December 2022, detail of other operating income is as follows:

Other income from operating activities

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign exchange gain	41,733,876	6,910,457
Government incentives (*)	14,836,726	11,456,114
Other	3,158,900	2,237,141
	59,729,502	20,603,712

(*) These are the incentive incomes utilized within the scope of the E-Turquality (Stars of informatic).

Other expenses from operating activities

As of 31 December 2023 and 31 December 2022, detail of other operating expenses is as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign exchange loss	(49,479,161)	(18,109,347)
Other	(403,126)	(159,570)
	(49,882,287)	(18,268,917)

18. INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2023	1 January- 31 December 2022
Fair value gain from financial investment	81,071,183	23,704,103
Interest revenue	1,071,965	4,971,083
	1,071,965	4,971,083

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

19. FINANCE INCOME AND EXPENSES

Finance Expenses

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign exchange losses	(52,437,664)	(37,928,746)
Interest expense on bank loans	(234,205)	(611,087)
Commission expenses for letter of guarantee	(374,960)	(471,329)
	(609,165)	(1,082,416)

Finance Income

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign exchange gain	3,024,357	3,341,605
	3,024,357	3,341,605

20. OTHER COMPREHENSIVE INCOME ANALYSIS

	1 January- 31 December 2023	1 January- 31 December 2022
Foreign currency translation fund	525,931,651	224,378,517
Actuarial loss/ (gain) on defined retirement benefit plans	595,327	(1,127,281)
Tax effect	(33,698)	63,808
	526,493,280	223,315,044

Currency Translation Fund

	1 January- 31 December 2023	1 January- 31 December 2022
Balance at the beginning of the period	362,770,478	138,391,961
Balance during the period	525,931,651	224,378,517
Balance at the end of the period	888,702,129	362,770,478

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

21. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2023	31 December 2022
Current tax liability		
Current corporate tax provision	24,944,871	14,738,281
Less: prepaid taxes and funds	(19,829,424)	(14,726,501)
	5,115,447	11,780

Tax expense comprises:	1 January- 31 December 2023	1 January- 31 December 2022
Current tax expense	(45,245,748)	(14,738,281)
Deferred tax income	5,340,020	694,687
Total tax expense	(39,905,728)	(14,043,594)

Corporate Tax

The Group is subject to corporate tax in Turkey.

The Group benefits from the " Law No. 4691 on Technology Development Zones", since it is operating at ITU Teknokent. According to Provisional Article 2 of the Law No. 4691 on Technology Development Zones"; the profits earned by the taxpayers operating in the region from the software and R & D activities exclusively in this zone have been exempted from the Corporate Tax until 31 December 2028, independent of the date on which the activity was initiated.

Also, salaries of R&D and support staff regarding their work in these zones is excepted from any tax until 31 December 2028.

However, even if the profits resulting from activities performed outside the region are obtained from software and R&D activities, they are not considered as exceptions**.**

In technology development zones, companies engaged in software and R & D activities and wishing to sell the products and services they have designed as a result of these activities on their own can benefit from this exception to revenues by segmenting the revenues according to transfer pricing regulations and excluding the part of their revenue corresponding to intangible assets such as licences, patents etc. The part of the income generated by the production and marketing organization is not considered to be excepted. However, revenue as a result of activities such as installation, revision, improvement, preparation of additional software is subject to exception. The Group is subject to corporation tax for the income as a result of hosting activities and the costs that they can associate during the submission of these services.

21. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Corporate Tax (cont'd)

Provision is recorded in the accompanying financial statements for the estimated tax liabilities related to the Group's results for the current period. The corporate tax that will be accrued over the income of the Group is calculated on the tax base excluding revenue generated by activities in technology development zone revenue excepted from tax and other discounts (previous year losses and unused investment incentives, if any) and including non-deductible expenses.

In Turkey, effective corporate tax rate is 25% (2022: 23%).

In Turkey, the provisional tax is calculated and accrued on a quarterly basis. Since the Company's Shares started to be traded in İstanbul stock exchange for the first time in 2022, Article 32/6 of the Corporate Tax Law; The corporate tax rate is applied with a discount of 2 % to the corporate earnings of the 5 accounting periods, starting from the accounting period in which their shares are offered to the public for the first time, to those whose shares are offered to the public for the first time in the İstanbul stock exchange, Provisional tax rate to be calculated on corporate earnings over the period of taxation of corporate earnings in 2023 according to provisional tax periods is 23% (2022: 21%).Losses can be carried forward for a maximum period of 5 years to be deducted from the taxable profit to be incurred in future years. However, the losses can not be deducted retrospectively from the profits of the previous years.

There is no definitive and conciliatory procedure for tax assessment in Turkey. Companies prepare their tax declarations between 1-25 April of the year following the close of the accounting period of the related year. These statements and the accounting records on which they are based may be reviewed and amended by the Tax Office within 5 years.

Withholding Income Tax

In addition to the corporate tax, withholding income tax shall be additionally calculated on dividends except those paid to taxpayer corporations or local branches of foreign companies in Turkey. Withholding income tax was applied as 10% for all companies between 24 April 2003 - 22 July 2006. This rate has been applied to 15% since 22 July 2006 by the decree No. 2006/10731 by the Council of Ministers. Dividends that are not distributed and added to the capital are not subject to income tax withholding.

19.8% withholding tax is required on investment deductions based on investment incentive certificates obtained before 24 April 2003. After this date, no withholding tax is applied on investments not based on investment incentive certificates.

Deferred Taxes

The Group records deferred tax assets and liabilities for temporary timing differences arising from differences that are not covered by the exception to the technology development zone between the statutory and TFRS based financial statements. Such differences usually arise from the fact that certain income and expense items are included in different periods in the financial statements prepared in accordance with TFRS as the basis of the taxation, and the differences are stated below.

The tax rate used in the calculation of deferred tax assets and liabilities is 23% over temporary timing differences that are expected to reverse in 2023, 23% over temporary timing differences that are expected to reverse after 2024.

In addition, as stated in important accounting policies, within the scope of the Technology Development Zones Law No. 4691, 30% of the taxable adjustments in the Group's deferred tax calculation are determined as exceptions.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

21. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Taxes(cont'd)

Deferred tax assets / (liabilities)	31 December 2023	31 December 2022
Provision for doubtful receivables	59,847	26,716
Depreciation / amortization differences of property, plant and equipment and other intangible assets	4,947,569	671,759
Income and expense accruals	(872,443)	(344,029)
Impact of inflation adjustment on taxable (statutory) financial statements (*)	2,576,779	-
Other	1,906,752	938,055
	8,618,504	1,292,501

(*) As the functional currency of the Group is the US Dollar (according to TAS 21), the financial statements prepared according to TFRS are exempt from the inflation accounting practice introduced by General Communique No. 555 of the Tax Procedures Law, published on 30 December 2023. The taxable changes resulting from the practice in the statutory books are recorded as deferred tax assets in the financial statements prepared in accordance with TFRS.

The movements of deferred tax assets for the periods ending as of 31 December 2023 are given below:

Movement of deferred tax asset / (liabilities):	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance as of 1 January	1,292,501	339,143
Charged to statement of income	5,340,020	694,687
Charged to equity	(33,698)	63,808
Foreign currency translation difference	2,019,681	194,863
Closing balance at the end of the period	8,618,504	1,292,501

Reconciliaton of provision for taxes:	1 January- 31 December 2023	1 January- 31 December 2022
Profit from operations before tax	172,074,090	72,588,385
	%23	%21
Tax at the domestic income tax rate of %23 (2022:%21)	(39,577,041)	(15,243,561)
Tax effects of:		
- effect of adjustment not calculated deferred tax	(16,841,731)	(2,625,844)
- non-tax-deductible expenses	(8,154,435)	(54,657,421)
- research and development concessions and other allowances	51,460,001	24,934,125
-Exchange difference and interest to be exempted	10,964,687	1,170,865
-Premium on issued shares exemptions	-	54,200,655
- exchange differences arising on translating	(37,757,209)	(21,822,413)
Income tax expense recognised in profit	(39,905,728)	(14,043,594)

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

22. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group, in order to maintain or reorganize capital structure, can issue new shares and sell assets to decrease borrowing. The Group monitors capital on the basis of the net debt / equity ratio. This ratio is found by dividing net debt to total capital.

As of 31 December 2023 and 2022, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments is as follows:

	1 January-31 December 2023	1 January-31 December 2022
Financial Liabilities (Note: 11)	-	42,584,444
Less: Cash and Cash equivalents and Financial Investments	(465,312,347)	(381,978,672)
Net Debt	(465,312,347)	(339,394,228)
Total Equity	1,497,190,639	867,918,523
Total Shareholder's Equity (Note: 14)	127,500,000	127,500,000
	(3.65)	(2.66)

b) Financial Risk Factors

The main risks arising from the Group's financial instruments can be identified as credit risk. The Group management reviews and agrees policies for managing each of these risks. The Group also monitors the market price risk arising from all financial instruments.

b.1) Credit risk management

Credit Risks with Respect to Financial Instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2023	**Related Party**	**Other**	**Related Party**	**Other**	**Cash at Banks**
Maximum Credit Risk as of the Reporting Date (A+B+C+D)	22,104,526	162,273,367	-	-	217,804,116
- Secured Portion of the Maximum Credit Risk	-	-	-	-	-
A. Net Book Value of Due and Unimpaired Financial Assets	22,104,526	67,867,354	-	-	217,804,116
B. Net Book Value of Overdue and Unimpaired Financial Assets	-	94,406,013	-	-	-
C. Net Book Value of Impaired Financial Assets	-	-	-	-	-
- Overdue (Book Value)	-	9,510,393	-	-	-
- Impairment (-)	-	(9,510,393)	-	-	-
- Secured Portion of the Net Value	-	-	-	-	-
- Due (Book Value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured Portion of the Net Value	-	-	-	-	-
	-	-			-
D. Off-Balance Sheet Items Posing Credit Risk	-	-	-	-	-

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

22. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit Risks with Respect to Financial Instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2022	**Related Party**	**Other**	**Related Party**	**Other**	**Cash at Banks**
Maximum Credit Risk as of the Reporting Date (A+B+C+D)	11,134,295	72,194,136	-	-	56,643,845
- Secured Portion of the Maximum Credit Risk	-	-	-	-	-
A. Net Book Value of Due and Unimpaired Financial Assets	11,094,469	37,097,077	-	-	56,643,845
B. Net Book Value of Overdue and Unimpaired Financial Assets	39,826	35,097,059	-	-	-
C. Net Book Value of Impaired Financial Assets	-	-	-	-	-
- Overdue (Book Value)	-	5,781,290	-	-	-
- Impairment (-)	-	(5,781,290)	-	-	-
- Secured Portion of the Net Value	-	-	-	-	-
- Due (Book Value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured Portion of the Net Value	-	-	-	-	-
D. Off-Balance Sheet Items Posing Credit Risk	-	-	-	-	-

Remarks Regarding the Credit Quality of Financial Assets

Credit risk is defined as the risk of financial loss to the Group because one of the parties to the financial instrument cannot fulfill its contractual obligation. Financial instruments that can cause significant credit risk concentration of the Group are mainly cash and cash equivalents and trade receivables. The maximum credit risk that the Group may be exposed to is the amounts reflected in the financial statements.

The Group has cash and cash equivalents in various financial institutions. The Group manages and manages the reliability of the financial institutions in which the risk is related.

The Group controls credit risk primarily by credit ratings and credit limits to counterparties, thereby limiting the total risk from a single counterparty.

Provision for doubtful receivables for financial assets is determined based on previous experience.

Aging of overdue receivables is as follows:

	Trade Receivables	
31 December 2023	**Related Party**	**Other**
Past due up to 30 days	-	17,750,451
Past due 1 - 3 months	-	28,781,346
Past due 3 - 12 months	-	32,573,130
Past due 1 - 5 year	-	15,301,086
Total past due receivables	**-**	**94,406,013**

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

22. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Remarks Regarding the Credit Quality of Financial Assets (cont'd)

	Trade Receivables	
31 December 2022	**Related Party**	**Other**
Past due up to 30 days	39,826	8,701,621
Past due 1 - 3 months	-	9,917,342
Past due 3 - 12 months	-	10,351,987
Past due 1 - 5 year	-	6,126,109
Total past due receivables	**39,826**	**35,097,059**

b.2) Liquidity Risk Management

The main responsibility for liquidity risk management belongs to the board of directors. The Board has established an appropriate liquidity risk management framework for short, medium and long-term funding and liquidity requirements of the Group's management.

The funding risk of the current and future debt requirements is managed through obtaining perpetual accessiblity to sufficient number of high quality lenders. The Group management monitors Group's liqudity reserves according to cash flow forecasts.

The table below shows the maturity distribution of the Group's non-derivative financial liabilities. The following tables are prepared based on the Group's liabilities without discounting and taking the earliest due dates into consideration. Interests to be paid over these obligations are included in the table below.

Liquidity Risk Table:

Since the Group manages liquidity risk by considering expected maturity of liabilities, the distribution of cash flows arising from non-derivative financial liabilities according to the expected maturities of the Group is also given:

31 December 2023	Carrying value	Total Contracted Cash Outflows	Less than 1 month	3 to 12 months	1 to 5 years
Trade payables (Note: 6)	70,993,281	70,993,281	70,993,281	-	-
	70,993,281	70,993,281	70,993,281	-	-

31 December 2022	Carrying value	Total Contracted Cash Outflows	Less than 1 month	3 to 12 months	1 to 5 years
Financial lease liabilities (Note:11)	19,211,569	19,557,871	-	19,557,871	-
Trade payables (Note: 6)	26,253,461	26,253,461	26,253,461	-	-
Bank borrowings (Note: 11)	23,372,875	23,372,875	-	23,372,875	-
	68,837,905	69,184,207	26,253,461	42,930,746	-

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

22. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There is no change compared to the previous year in Group's exposure to the market risks and the methods that the Group's measurement and management of these market risks.

b.3.1) Foreign currency risk management

The Company has determined the functional currency as US Dollars in accordance with TAS 21 "Effects of Changes in Exchange Rates", since purchases and sales are mostly based on US Dollars.
The impact of foreign currency changes on the financial performance of the Goup decreases resulted from that the purchases and sales and respective trade receivables and trade payables are based on US Dollars

Transactions denominated in foreign currencies result in foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:

31 December 2023	TL	EURO	Total TL Equivalent
Bank deposits	14,578,201	426,948	28,485,562
Financial investments (*)	149,816,534	-	149,816,534
Trade receivables	24,798,252	587,484	43,934,897
Trade and other payables	(15,603,253)	(131,246)	(19,878,447)
Other	(15,303,362)	217,462	(8,219,777)
Net foreign currency position	158,286,372	1,100,648	194,138,769

(*) Financial invesments consist of 145,902,431 TL portion in USD and EURO indexed Exchange rate protected time deposit converted from FX account.

31 December 2022	TL	EURO	Total TL Equivalent
Bank deposits	1,026,035	461,891	9,404,510
Financial investments (*)	70,599,487	-	70,599,487
Trade receivables	11,212,037	403,209	18,526,042
Trade and other payables	(8,958,804)	(53,423)	(9,927,866)
Other	(15,625,215)	176,071	(12,431,379)
Net foreign currency position	58,253,540	987,748	76,170,794

(*) 26,519,481 TL portion of financial investment from EURO indexed Exchange rate protected time deposit account, 43,875,524 TL portion in USD and EURO indexed Exchange rate protected time deposit converted from FX account.

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

22. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Facotrs (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to TL and Euro.

The following table details the Group's sensitivity to a 10% appreciation and depreciation in TL and Euro against TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit/loss or equity.

31 December 2023

	Income/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% change in TL exchange rate accross USD				
1 - TL Net asset/(liability) position	18,934,534	(15,491,892)	-	-
2- TL Hedge amount (-)	-	-	-	-
3- Türk Lirası net efffect (1 +2)	18,934,534	(15,491,892)	-	-
10% change in EUR exchange rate accross USD				
4 - EUR Net asset/(liability) position	3,401,569	(2,783,102)	-	-
5- EUR Hedge amount (-)	-	-	-	-
6- EUR net effect (4+5)	3,401,569	(2,783,102)	-	-
TOTAL (3 + 6)	22,336,103	(18,274,994)	-	-

31 December 2022

	Income/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% change in TL exchange rate accross USD				
1 - TL Net asset/(liability) position	15,333,756	(12,545,800)	-	-
2- TL Hedge amount (-)	-	-	-	-
3- Türk Lirası net efffect (1 +2)	15,333,756	(12,545,800)	-	-
10% change in EUR exchange rate accross USD				
4 - EUR Net asset/(liability) position	1,744,850	(1,427,605)	-	-
5- EUR Hedge amount (-)	-	-	-	-
6- EUR net effect (4+5)	1,744,850	(1,427,605)	-	-
TOTAL (3 + 6)	17,078,606	(13,973,405)	-	-

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

22. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate risk management

Information on interest rates of the Group in financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The details of the interest-bearing financial assets of the Group are as follows:

Interest Position Table

Fixed rate instruments	31 December 2023	31 December 2022
Financial Liabilities (Note: 11)	-	42,584,444
	-	42,584,444

23. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATION ON HEDGE ACCOUNTING)

31 December 2023	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Carrying value**	**Note**
Financial assets				
Cash and cash equivalents	218,438,892	-	218,438,892	3
Financial investments	246,873,455	-	246,873,455	11
Trade receivables (including related parties)	184,377,893	-	184,377,893	6
Financial liabilities				
Trade payables (including related parties)	-	70,993,281	70,993,281	6

31 December 2022	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Carrying value**	**Note**
Financial assets				
Cash and cash equivalents	57,136,078	-	57,136,078	3
Trade receivables (including related parties)	324,842,594	-	324,842,594	11
Receivables from shareholders	83,328,431	-	83,328,431	6
Financial liabilities				
Bank loan	-	23,372,875	23,372,875	11
Trade payables (including related parties)	-	26,253,461	26,253,461	6
Financial lease liabilities	-	19,211,569	19,211,569	11

(All amounts are expressed in Turkish Lira (TL), unless otherwise is stated.)

24. EARNINGS PER SHARE

Earnings per share	1 January-31 December 2023	1 January-31 December 2022
Weighted average number of ordinary shares outstanding during the period (in full)	127,500,000	127,500,000
Net profit for the year attributable to equity holders of the parent	132,168,362	23,351,517
Diluted earnings per share	**1.0366**	**0.1831**

25. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm (IAF) for the periods which is based on the POA's Board Decision published on the Official Gazette on 30 March 2021, and the preparation principles of which are based on the POA's letter dated 19 August 2021, are as follows:

	31 December 2023	31 December 2022
Independent audit fee for the reporting period	1,000,000	600,000
Other assurance services	60,000	-
	1,060,000	600,000

26. EVENTS AFTER REPORTING PERIOD

The company "Hitit PK Seyahat Acente Dağıtım Sistemleri A.Ş." was established under the 100% ownership of Hitit Bilgisayar Hizmetleri A.Ş., headquartered in Turkey/Istanbul in order to support agency distribution services in the Pakistan market, promote and marketing Pakistan-based travel content worldwide through Hitit ADS, within this framework, to facilitate the daily activities of Hitit ADS users such as travel agencies, corporate travel and similar. The company was registered and announced at the Istanbul Trade Registry Office as of 5 January 2024.