

**HİTİT BİLGİSAYAR HİZMETLERİ A. Ş.
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX MONTHS
INTERIM PERIOD ENDED 30 JUNE 2023**

**(CONVENIENCE TRANSLATION OF THE AUDITOR'S
REVIEW REPORT AND CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH)**



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

**REPORT ON REVIEW OF INTERIM CONDENSED
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Hitit Bilgisayar Hizmetleri A.Ş. (the "Company") as at 30 June 2023 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim condensed financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with TAS 34.



Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 30 June 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

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

Orhan Öztürk, SMMM
Partner

Istanbul, 11 August 2023

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023

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

ASSETS		Reviewed	Audited
		30 June	31 December
	Notes	2023	2022
CURRENT ASSETS			
Cash and cash equivalents	3	44,948,772	57,136,078
Financial investments	11	299,164,926	263,718,786
Trade receivables	5,6	151,990,428	83,328,431
- <i>Related party trade receivables</i>	5	17,354,107	11,134,295
- <i>Other trade receivables</i>	6	134,636,321	72,194,136
Prepaid expenses	7	41,788,232	31,977,982
Current income tax assets		4,028	-
Other current assets	12	24,648,381	24,241,841
Total Current Assets		562,544,767	460,403,118
NON CURRENT ASSETS			
Financial investments	11	84,747,670	61,123,808
Property, plant and equipment	8	112,133,920	67,129,309
Intangible assets	9	589,654,995	390,051,961
Prepaid expenses	7	56,150,756	36,149,592
Deferred tax assets		5,796,408	1,292,501
Other non current assets	12	1,453,892	1,038,410
Total Non-Current Assets		849,937,641	556,785,581
TOTAL ASSETS		1,412,482,408	1,017,188,699

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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023

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

LIABILITIES AND EQUITY		Reviewed	Audited
		30 June	31 December
	Notes	2023	2022
CURRENT LIABILITIES			
Trade payables	6	13,818,922	26,253,461
Bank loans	11	-	23,372,875
Obligations under finance leases	11	13,340,007	19,211,569
Current tax liabilities		34,479,777	11,780
Deferred income	7	26,928,380	17,138,544
Employee benefit obligations		12,827,341	8,169,081
Short term provisions		14,954,545	9,453,636
- <i>Short term provision for employee benefits</i>		<i>14,954,545</i>	<i>9,453,636</i>
Other current liabilities	12	162,892	79,730
Total Current Liabilities		116,511,864	103,690,676
 NON CURRENT LIABILITIES			
Deferred Income	7	58,258,799	39,398,964
Long-term provisions		7,764,619	6,180,536
- <i>Long term provision for employee benefits</i>		<i>7,764,619</i>	<i>6,180,536</i>
Total Non-Current Liabilities		66,023,418	45,579,500
 EQUITY			
Share capital	13	127,500,000	127,500,000
Share premiums on capital stock	13	263,039,827	292,429,353
Adjustment to share capital	13	117,442	117,442
Legal reserves	13	12,506,162	2,808,433
Other Accumulated Comprehensive Loss that will not be subsequently reclassified to profit or loss		704,922,054	360,308,473
- <i>Actuarial loss on defined retirement benefit plans, net of taxes</i>		<i>(2,462,005)</i>	<i>(2,462,005)</i>
- <i>Currency translation difference</i>	13	<i>707,384,059</i>	<i>362,770,478</i>
Net Profit		46,804,548	58,544,791
Retained earnings		75,057,093	26,210,031
Total Equity		1,229,947,126	867,918,523
 TOTAL LIABILITIES AND EQUITY		1,412,482,408	1,017,188,699

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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE PERIOD 1 JANUARY-30 JUNE 2023**

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

		<u>Reviewed</u> <u>1 January</u> <u>30 June</u> <u>2023</u>	<u>Reviewed</u> <u>1 January</u> <u>30 June</u> <u>2022</u>	<u>Not Reviewed</u> <u>1 April</u> <u>30 June</u> <u>2023</u>	<u>Not Reviewed</u> <u>1 April</u> <u>30 June</u> <u>2022</u>
Revenue	14	247,624,569	116,765,898	128,052,697	63,947,114
Cost of sales (-)	14	(125,543,887)	(54,331,426)	(65,117,178)	(31,953,475)
Gross profit		122,080,682	62,434,472	62,935,519	31,993,639
Marketing and sales expenses (-)	15	(29,639,656)	(15,951,746)	(18,278,463)	(10,064,622)
General administrative expenses (-)	15	(35,788,438)	(17,875,817)	(17,934,812)	(10,165,807)
Other operating income	16	19,221,258	5,486,571	14,057,611	1,377,329
Other operating expenses (-)	16	(14,735,269)	(6,764,371)	(9,271,438)	(4,198,889)
Operating profit		61,138,577	27,329,109	31,508,417	8,941,650
Income from investment activities	17	42,513,043	12,853,129	38,262,484	9,922,482
Profit before finance expense		103,651,620	40,182,238	69,770,901	18,864,132
Finance expenses (-)	18	(30,854,455)	(28,364,325)	(30,732,553)	(16,503,495)
Finance income	18	1,840,335	1,624,944	1,604,636	1,266,115
Profit before tax		74,637,500	13,442,857	40,642,984	3,626,752
Income tax expense		(27,832,952)	(7,059,031)	(29,887,780)	(7,524,749)
Current tax expense (-)		(30,912,110)	(8,043,324)	(30,912,110)	(7,271,729)
Deferred tax expense (-)		3,079,158	984,293	1,024,330	(253,020)
NET PROFIT FOR THE YEAR		46,804,548	6,383,826	10,755,204	(3,897,997)
Distribution of Net Profit					
Owners of the Company/parent	22	46,804,548	6,383,826	10,755,204	(3,897,997)
Basic earnings per share		0.3671	0.0501	0.0844	(0.0306)
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Items that will not be reclassified to profit or loss		344,613,581	128,898,552	322,898,216	87,078,702
Currency translation difference	19	344,613,581	128,898,552	322,898,216	87,078,702
Actuarial profits / (losses) in retirement benefit plans		-	-	-	-
Deferred tax effect of actuarial profits / (losses) in retirement benefit plans		-	-	-	-
OTHER COMPREHENSIVE INCOME / (EXPENSE)		344,613,581	128,898,552	322,898,216	87,078,702
TOTAL COMPREHENSIVE INCOME		391,418,129	135,282,378	333,653,420	83,180,705

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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023

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

Note	Share Capital	Share premiums on capital stock	Adjustment to share capital	Legal Reserves	Other accumulated comprehensive loss that will not be subsequently reclassified to profit or loss		Currency translation difference	Retained earnings	Net Profit for the Period	Total Equity
					Actuarial Gain / (Loss)					
Balances as of 1 January 2022	13	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		-	-	-	-	-	-	-	6,383,826	6,383,826
Total comprehensive income		-	-	-	-	-	128,898,552	-	-	128,898,552
Capital increase		27,500,000	292,429,353	-	-	-	-	-	-	319,929,353
Balances as of 30 June 2022	13	127,500,000	292,429,353	117,442	2,808,433	(1,398,532)	267,290,513	26,210,031	6,383,826	721,341,066
Balances as of 1 January 2023	13	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		-	-	-	-	-	-	-	46,804,548	46,804,548
Total comprehensive income		-	-	-	-	-	344,613,581	-	-	344,613,581
Due to other changes increase / (decrease) (*)		-	(29,389,526)	-	-	-	-	-	-	(29,389,526)
Balances as of 30 June 2023	13	127,500,000	263,039,827	117,442	12,506,162	(2,462,005)	707,384,059	75,057,093	46,804,548	1,229,947,126

(*) 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.

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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023**

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

	Notes	Reviewed 1 January- 30 June 2023	Reviewed 1 January- 30 June 2022
Cash Flows from Operating Activities			
Profit for the Period		46,804,548	6,383,826
Adjustments to reconcile the loss			
Adjustments related to tax expenses		27,832,952	7,059,031
Adjustments related to provision for employment termination benefits		782,287	1,215,901
Adjustments related to provision for doubtful receivable		28,068	(21,004)
Adjustments related to provision for unused vacation		1,868,316	1,603,466
Adjustments related to interest income and expense	17, 18	(209,575)	(3,562,988)
Adjustments related to unrealized foreign exchange differences		18,415,828	35,405,721
Adjustments related with fair value expense (income) of financial assets	17	(42,114,328)	(9,037,334)
Depreciation and amortization of non-current assets	8, 9	39,195,529	22,785,848
Other non-cash adjustments		1,668,230	649,694
		94,271,855	62,482,161
Changes in working capital			
Adjustments related to increase in trade receivables	5,6	(70,838,277)	(14,288,413)
Adjustments related to increase in prepaid expenses	7	(5,719,584)	(5,959,008)
Adjustments related to increase in other current / non-current assets	12	(822,022)	(4,833,323)
Adjustments related to decrease in trade payables	6	(12,434,539)	(2,906,695)
Adjustments related to increase / (decrease) in deferred income	7	2,889,611	1,210,220
Adjustments related to increase / (decrease) in other liabilities		4,741,422	2,291,962
Cash generated from operations		12,088,466	37,996,904
Income taxes paid		(21,428,375)	(3,357,306)
Unused vacation paid		(410,889)	(156,715)
Employment termination benefits paid		(1,374,067)	(315,771)
Net cash flows from operating activities		(11,124,865)	34,167,112
Cash flows from investing activities			
Cash generated from disposal of property, plant and equipment	8	28,406	-
Payments for purchases of property, plant and equipment	8	(22,540,318)	(12,981,535)
Payments for purchases of intangible assets	9	(73,304,406)	(43,975,867)
Interest received		22,487,180	7,601,833
Cash inflows from the sale of shares or debt instruments of other businesses or funds		95,289,622	-
Cash outflows from the acquisition of shares or debt instruments of other businesses or funds		-	(225,495,403)
Other cash inflow		111,182,895	-
Other cash outflow		(117,438,099)	(18,907,920)
Net cash flows from investing activities		15,705,280	(293,758,892)
Cash flows from financing activities			
Proceeds from borrowings	11	-	18,278,500
Borrowings paid	11	(23,777,875)	(18,337,125)
Lease borrowings paid	11	(11,363,343)	(8,544,412)
Interest paid		(438,567)	(584,050)
Cash inflows related with the share issue		-	319,929,353
Net cash flows from financing activities		(35,579,785)	310,742,266
		-	-
INCREASE IN CASH AND CASH EQUIVALENTS		(30,999,370)	51,150,486
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		18,812,064	23,312,015
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	44,948,772	140,571,049

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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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. 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 30 June 2023, personnel number of the Company is 376 (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)

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 11 August 2023. 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”).

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(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)

The Group has prepared the condensed financial statements and its notes for the interim period ended 30 June 2023 in accordance with TAS 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not include all notes of the type normally included in annual financial statements and therefore, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2022.

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 consists 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, as a result 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 30 June 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 30 June 2023 which is 25.8231 TL=1 USD.
- Consolidated statement of profit or loss for the period ended 30 June 2023, have been converted into TL with the exchange rates of the six-month average of January - June 2023 which is 19.8218 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.

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(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 30 June 2023 and 31 December 2022 are as follows:

Subsidiaries	Country of incorporation	Currency	Share in equity of the Group (%)	
			30 June 2023	31 December 2022
Hitit Saas Turizm Servisleri A.Ş.	Turkey	US Dollar	100	100
HİTİT 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.

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

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.

2.4 New and Revised Turkish Financial Reporting Standards

a) Standards, amendments, and interpretations applicable as of 30 June 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 recognise 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 currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) 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 30 June 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.
- **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.

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

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

a) Standards, amendments, and interpretations that are issued but not effective as of 30 June 2023
(cont'd)

- **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.
- **IFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. 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 subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

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

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3. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Cash on hand	574,977	492,233
Cash at banks	44,373,795	56,643,845
<i>Demand deposits</i>	21,096,070	37,924,900
<i>Time deposits</i>	23,277,725	18,718,945
	<u>44,948,772</u>	<u>57,136,078</u>

Time Deposits	Effective Interest Rate	Maturity Date	30 June 2023
US Dollar (TL denominated)	%0,1	3.07.2023	14,202,705
TL	%25	3.07.2023	3,900,000
EUR (TL denominated)	%0,01	3.07.2023	3,660,020
TL	%14	3.07.2023	1,300,000
TL	%13	3.07.2023	215,000
			<u>23,277,725</u>

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

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 20. As of 30 June 2023, the Group do not have any worth of restricted cash. (31 December 2022: None.)

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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.

Balances with Related Parties	Trade Receivables	
	Current 30 June 2023	Current 31 December 2022
Pegasus Hava Taşımacılığı A.Ş.	13,788,827	8,828,384
Amadeus Bilgi Teknolojisi Hizmetleri A.Ş.	3,565,280	2,305,911
	<u>17,354,107</u>	<u>11,134,295</u>

The transactions with related parties for the six-months periods ended 30 June 2023 and 30 June 2022 are as follows:

Transactions with Related Parties	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
	Sales	Sales	Sales	Sales
Pegasus Hava Taşımacılığı A.Ş.	68,816,484	26,173,247	33,483,375	13,498,026
Amadeus Bilgi Teknolojisi Hizmetleri A.Ş.	14,210,382	9,566,084	7,489,339	5,012,498
	<u>83,026,866</u>	<u>35,739,331</u>	<u>40,972,714</u>	<u>18,510,524</u>

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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- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Salaries and other short term benefits	8,880,546	4,246,534	4,217,269	2,158,716
	<u>8,880,546</u>	<u>4,246,534</u>	<u>4,217,269</u>	<u>2,158,716</u>

6. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

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

	30 June 2023	31 December 2022
<u>Current trade receivables</u>		
Trade receivables	124,356,094	69,910,251
Trade receivables from related parties (Note: 5)	17,354,107	11,134,295
Income accruals	18,120,353	8,065,175
Expected credit loss (-)	(7,840,126)	(5,781,290)
	<u>151,990,428</u>	<u>83,328,431</u>

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The average maturity of trade receivables is 85 days (31 December 2022: 70 days) and classified as a current trade receivables.

b) Trade Payables

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

	30 June 2023	31 December 2022
<u>Short term trade payables</u>		
Trade payables to service providers	9,261,563	25,822,928
Other trade payables	4,557,359	430,533
	<u>13,818,922</u>	<u>26,253,461</u>

As of 30 June 2023, average maturity of the Group's trade payables is 30 days (31 December 2022: 52 days).

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7. PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2023	31 December 2022
<u>Short-term prepaid expenses</u>		
Deferred implementation expenses	21,777,240	15,557,715
Prepaid software support expenses	8,132,744	9,949,073
Prepaid marketing and sales expenses	5,011,485	1,375,496
Prepaid insurance expenses	4,098,900	3,765,574
Order advances given	1,437,934	251,604
Business advances given	603,021	129,187
Other prepaid expenses	726,908	949,333
	<u>41,788,232</u>	<u>31,977,982</u>
	30 June 2023	31 December 2022
<u>Long-term prepaid expenses</u>		
Deferred implementation expenses	53,906,341	36,034,036
Prepaid software support expenses	1,491,231	101,544
Other prepaid expenses	753,184	14,012
	<u>56,150,756</u>	<u>36,149,592</u>
	30 June 2023	31 December 2022
<u>Short-term deferred income</u>		
Deferred implementation income	23,124,870	16,437,919
Other deferred Income	3,803,510	700,625
	<u>26,928,380</u>	<u>17,138,544</u>
	30 June 2023	31 December 2022
<u>Long-term deferred income</u>		
Deferred implementation income	57,765,707	38,692,598
Other deferred Income	493,092	706,366
	<u>58,258,799</u>	<u>39,398,964</u>

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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	13,252,191	86,789	9,201,338	22,540,318
Disposals	(28,406)	-	-	(28,406)
Foreign currency translation difference	20,611,381	1,469,133	15,856,940	37,937,454
Closing balance as of 30 June 2023	77,420,417	5,342,515	68,231,138	150,994,070
Accumulated Depreciation				
Opening balance as of 1 January 2023	(21,192,223)	(2,223,172)	-	(23,415,395)
Charge of the year	(4,756,923)	(278,192)	-	(5,035,115)
Disposals	28,406	-	-	28,406
Foreign currency translation difference	(9,506,703)	(931,343)	-	(10,438,046)
Closing balance as of 30 June 2023	(35,427,443)	(3,432,707)	-	(38,860,150)
Carrying value as of 30 June 2023	41,992,974	1,909,808	68,231,138	112,133,920
Cost Value				
Opening balance as of 1 January 2022	17,963,147	2,634,623	-	20,597,770
Additions	3,784,889	-	9,196,646	12,981,535
Foreign currency translation difference	4,957,456	658,686	1,133,422	6,749,564
Closing balance as of 30 June 2022	26,705,492	3,293,309	10,330,068	40,328,869
Accumulated Depreciation				
Opening balance as of 1 January 2022	(11,991,536)	(1,201,015)	-	(13,192,551)
Charge of the year	(1,537,382)	(213,315)	-	(1,750,697)
Foreign currency translation difference	(3,187,496)	(326,555)	-	(3,514,051)
Closing balance as of 30 June 2022	(16,716,414)	(1,740,885)	-	(18,457,299)
Carrying value as of 30 June 2022	9,989,078	1,552,424	10,330,068	21,871,570

As of 30 June 2023, there are no mortgage on property, plant and equipment. (31 December 2022 : None.)

Useful lives of property and equipment are as follows:

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

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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	1,049,366	72,255,040	-	73,304,406
Foreign currency translation difference	25,558,463	208,624,258	3,446,928	237,629,649
Closing balance as of 30 June 2023	<u>92,798,951</u>	<u>770,980,439</u>	<u>12,493,035</u>	<u>876,272,425</u>
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	(5,990,429)	(27,845,606)	(352,785)	(34,188,820)
Foreign currency translation difference	(11,599,465)	(62,528,880)	(3,013,856)	(77,142,201)
Closing balance as of 30 June 2023	<u>(43,271,747)</u>	<u>(232,349,799)</u>	<u>(10,995,884)</u>	<u>(286,617,430)</u>
Carrying value as of 30 June 2023	<u>49,527,204</u>	<u>538,630,640</u>	<u>1,497,151</u>	<u>589,654,995</u>
	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	6,056,329	37,894,316	25,222	43,975,867
Foreign currency translation difference	11,025,308	70,642,522	1,609,643	83,277,473
Closing balance as of 30 June 2022	<u>58,195,404</u>	<u>372,414,197</u>	<u>8,060,669</u>	<u>438,670,270</u>
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	(4,935,925)	(15,718,804)	(380,422)	(21,035,151)
Foreign currency translation difference	(2,945,071)	(19,601,240)	(1,252,950)	(23,799,261)
Closing balance as of 30 June 2022	<u>(17,227,587)</u>	<u>(105,972,854)</u>	<u>(6,457,408)</u>	<u>(129,657,849)</u>
Carrying value as of 30 June 2022	<u>40,967,817</u>	<u>266,441,343</u>	<u>1,603,261</u>	<u>309,012,421</u>

Useful lives of intangible assets are as follows:

	Useful Life
Developed software	10 Years
Rights	5 Years
Purchased software	3 Years

TL 27,845,606 of depreciation and amortization expense for the current period (30 June 2022: TL 15,718,804) has been charged in "Cost of sales," TL 11,349,923 of depreciation and amortization expense for the current period has been charged in "general administrative expenses" (30 June 2022: TL 7,067,044).

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10. COMMITMENTS

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 30 June 2023 and 31 December 2022 is as follows:

CPMs given by the Group:	30 June 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	85,564,842	3,313,500	-	-	41,367,651	2,212,375	-	-
-Collateral	85,564,842	3,313,500	-	-	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	85,564,842	3,313,500	-	-	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 30 June 2023. (31 December 2022: 0%)

11. FINANCIAL INSTRUMENTS

Financial Investments

The details of the Group's short term financial investments as of 30 June 2023 is as follows:

Short-Term	30 June 2023	31 December 2022
Financial investments measured at amortized cost	135,083,451	192,532,581
Exchange rate protected time deposit	-	26,519,481
Exchange rate protected time deposit converted from FX	163,006,279	43,875,524
Venture capital investment fund	1,075,196	791,200
	299,164,926	263,718,786
Long-Term	30 June 2023	31 December 2022
Financial investments measured at amortized cost	84,747,670	61,123,808
	84,747,670	61,123,808

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11. FINANCIAL INSTRUMENTS (cont'd)

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 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023		
	Nominal Value	Interest Accrual	Fair Value
Exchange Rate Protected Time Deposit Converted from FX	125,737,650	37,268,629	163,006,279
	<u>125,737,650</u>	<u>37,268,629</u>	<u>163,006,279</u>

The annual interest rates for Exchange Rate Protected Time Deposit accounts are 9,0%, 11,0% and 15% as of 30 June 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
	<u>64,374,715</u>	<u>6,020,290</u>	<u>70,395,005</u>

The annual interest rates for Exchange Rate Protected Time Deposit accounts is 16,0% and the annual interest rates for Exchange rate protected time deposit converted from FX is 12,0% as of 31 December 2022.

Financial investments measured at amortized cost

Security Issuer	30 June 2023	31 December 2022
TC Hazine Müsteşarlığı	219,831,121	253,656,389
	<u>219,831,121</u>	<u>253,656,389</u>

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

Security Issuer	30 June 2023	31 December 2022
TC Hazine Müsteşarlığı	215,779,228	253,510,657
	<u>215,779,228</u>	<u>253,510,657</u>

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.

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11. FINANCIAL INSTRUMENTS (cont'd)

Financial investments measured at amortized cost (cont'd)

Security Issuer	ISIN Code	Coupon Interest Rate (%)	FX Rate	Asset Value	Call Date
TC Hazine Müsteşarlığı	US900123CR91	%6,14	ABD Doları	135,083,458	23.12.2023
TC Hazine Müsteşarlığı	US900123CW86	%7,60	ABD Doları	84,747,663	11.14.2024
				<u>219,831,121</u>	

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	ABD Doları	98,392,643	23.12.2023
TC Hazine Müsteşarlığı	US900123CA66	%5,20	ABD Doları	93,935,453	23.03.2023
TC Hazine Müsteşarlığı	US900123CW86	%7,60	ABD Doları	61,123,811	11.14.2024
				<u>253,656,389</u>	

Financial Liabilities

	30 June 2023	31 December 2022
The borrowings		
a) Bank Borrowings	-	23,372,875
b) Finance Lease Payables	13,340,007	19,211,569
	<u>13,340,007</u>	<u>42,584,444</u>

The borrowings are repayable as follows:

	30 June 2023	31 December 2022
To be paid within 1 year	-	23,372,875
	<u>-</u>	<u>23,372,875</u>

a) Bank Loans

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

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11. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

b) Finance Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Finance Lease Payables				
Amounts payable under	13,520,381	19,557,880	13,340,007	19,211,569
Within one year	13,520,381	19,557,880	13,340,007	19,211,569
Less : Future finance charges	(180,374)	(346,311)	-	-
Present value of finance lease obligations	<u>13,340,007</u>	<u>19,211,569</u>	<u>13,340,007</u>	<u>19,211,569</u>
Less: Amounts due to settlement within twelve months (shown under current liabilities)			(13,340,007)	(19,211,569)
			<u>-</u>	<u>-</u>

12. OTHER ASSETS AND LIABILITIES

	30 June 2023	31 December 2022
Other current assets		
VAT carried forward	22,779,254	22,894,928
Deposits and guarantees given	270,058	989,364
Other current assets	1,599,069	357,549
	<u>24,648,381</u>	<u>24,241,841</u>
Other non current assets		
Deposits and guarantees given	1,453,892	1,038,410
	<u>1,453,892</u>	<u>1,038,410</u>
Other current liabilities		
Other current liabilities	162,892	79,730
	<u>162,892</u>	<u>79,730</u>

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13. SHAREHOLDER'S EQUITY

Capital

The capital structure as of 30 June 2023 is as follows:

Shareholders	%	30 June 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
<i>Dilek Ovacık</i>	%0,080	<i>102,186</i>	%0,080	<i>102,186</i>
<i>Hakan Ünlü</i>	%0,074	<i>94,326</i>	%0,074	<i>94,326</i>
<i>Özkan Dülger</i>	%0,074	<i>94,326</i>	%0,074	<i>94,326</i>
<i>Diğer</i>	%26,369	<i>33,620,214</i>	%26,369	<i>33,620,214</i>
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 30 June 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).

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13. SHAREHOLDER’S EQUITY (cont’d)

Share premiums on capital stock

	30 June 2023	31 December 2022
	<u>2023</u>	<u>2022</u>
Share premiums on capital stock (*)	263,039,827	292,429,353
	<u>263,039,827</u>	<u>292,429,353</u>

(*) 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 Company'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 707,384,059 (31 December 2022 : TL 362,770,478) are presented under shareholders’ equity.

Restricted profit reserves

	30 June 2023	31 December 2022
	<u>2023</u>	<u>2022</u>
Legal reserves	12,506,162	2,808,433
	<u>12,506,162</u>	<u>2,808,433</u>

14. 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- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Domestic Sales	77,026,085	26,799,307	35,613,169	14,410,585
Foreign Sales	187,747,563	106,965,415	100,408,454	53,733,766
Discounts and Other Adjustments	(17,149,079)	(16,998,824)	(7,968,926)	(4,197,237)
Revenue	247,624,569	116,765,898	128,052,697	63,947,114
Costs	(125,543,887)	(54,331,426)	(65,117,178)	(31,953,475)
Gross Profit	<u>122,080,682</u>	<u>62,434,472</u>	<u>62,935,519</u>	<u>31,993,639</u>

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

Revenue

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Application use fee revenue	123,933,188	60,050,064	67,138,571	34,171,864
Application use and development revenue	52,254,824	15,043,592	24,382,419	8,142,542
Maintenance revenue	30,015,874	18,143,929	15,503,656	9,339,204
Infrastructure revenue	24,591,183	15,155,954	12,848,110	7,870,036
Implementation and Integration revenue	10,369,973	5,207,393	5,654,972	2,863,905
License revenue	2,907,561	971,225	1,630,198	59,518
Other	3,551,966	2,193,741	894,771	1,500,045
	<u>247,624,569</u>	<u>116,765,898</u>	<u>128,052,697</u>	<u>63,947,114</u>

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

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Personnel expenses	(58,073,414)	(22,313,184)	(29,346,298)	(13,057,089)
Software support expenses	(32,319,485)	(14,099,393)	(17,236,398)	(9,063,600)
Amortization expenses (Note: 8, 9)	(27,845,606)	(15,718,804)	(15,005,035)	(8,578,409)
Travel and accommodation expenses	(4,006,917)	(411,209)	(1,938,536)	(179,620)
Consultancy expenses	(1,838,115)	(809,987)	(848,326)	(547,765)
Conference, event and training expenses	(893,487)	(695,385)	(445,595)	(379,415)
Representation expenses	(78,792)	(48,179)	(57,265)	(19,314)
Other	(488,071)	(235,285)	(239,725)	(128,263)
	<u>(125,543,887)</u>	<u>(54,331,426)</u>	<u>(65,117,178)</u>	<u>(31,953,475)</u>

15. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING/ SALES EXPENSES

Marketing and Sales Expenses

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Personnel expenses	(10,185,293)	(5,875,114)	(5,065,057)	(3,741,340)
Sales premium expenses	(8,016,610)	(4,687,249)	(6,124,287)	(3,291,477)
Advertising, marketing and sales expenses	(6,243,530)	(2,305,317)	(4,432,790)	(1,281,296)
Consultancy expenses	(2,569,381)	(826,586)	(743,580)	(603,004)
Travel and accommodation expenses	(1,523,484)	(1,432,229)	(1,203,243)	(805,218)
Other	(1,101,358)	(825,251)	(709,506)	(342,287)
	<u>(29,639,656)</u>	<u>(15,951,746)</u>	<u>(18,278,463)</u>	<u>(10,064,622)</u>

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**15. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING/ SALES EXPENSES
(cont'd)**

General Administrative Expenses

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Depreciation and amortization expenses (Note: 8, 9)	(11,349,923)	(7,067,044)	(6,267,217)	(3,796,978)
Personnel expenses	(9,976,827)	(4,589,275)	(4,954,724)	(2,400,918)
Insurance expenses	(2,379,112)	(650,025)	(1,217,619)	(352,003)
Consultancy expenses	(2,122,399)	(1,238,225)	(1,195,757)	(839,308)
Taxes and fees expenses	(1,969,534)	(141,628)	(249,537)	(96,834)
Rent expenses	(1,881,624)	(1,105,378)	(969,402)	(557,638)
Office expenses	(1,600,135)	(659,741)	(772,530)	(359,101)
Software support expenses	(788,650)	(427,718)	(412,576)	(241,007)
Conference, event and training expenses	(777,708)	(371,218)	(604,138)	(349,329)
Representation expenses	(95,105)	(111,947)	(68,960)	(39,568)
Doubtful receivable allowance expense	(28,068)	(21,004)	(14,722)	17,892
Other	(2,819,353)	(1,492,614)	(1,207,630)	(1,151,015)
	<u>(35,788,438)</u>	<u>(17,875,817)</u>	<u>(17,934,812)</u>	<u>(10,165,807)</u>

16. OTHER OPERATING INCOME AND EXPENSES

For the six-months period ending 30 June 2023 and 30 June 2022 , detail of other operating income is as follows:

Other income from operating activities

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Foreign exchange gain	10,418,774	446,616	8,126,532	32,605
Government incentives (*)	6,864,901	4,248,065	4,302,215	938,861
Other	1,937,583	791,890	1,628,864	405,863
	<u>19,221,258</u>	<u>5,486,571</u>	<u>14,057,611</u>	<u>1,377,329</u>

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

Other expenses from operating activities

For the six-months period ending 30 June 2023 and 30 June 2022 detail of other operating expenses is as follows:

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Foreign exchange loss	(13,969,196)	(6,746,022)	(9,174,008)	(4,186,026)
Previous period expenses	(68,346)	-	(3,333)	-
Other	(697,727)	(18,349)	(94,097)	(12,863)
	<u>(14,735,269)</u>	<u>(6,764,371)</u>	<u>(9,271,438)</u>	<u>(4,198,889)</u>

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17. INCOME FROM INVESTING ACTIVITIES

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Fair value gain from financial investment	42,114,328	9,037,334	38,024,712	7,271,227
Interest revenue	398,715	3,815,795	237,772	2,651,255
	<u>42,513,043</u>	<u>12,853,129</u>	<u>38,262,484</u>	<u>9,922,482</u>

18. FINANCE INCOME AND EXPENSES

Finance Expenses

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Foreign exchange losses	(30,535,680)	(27,851,909)	(30,526,462)	(16,165,880)
Interest expense on bank loans	(189,140)	(252,807)	(78,906)	(169,783)
Commission expenses for letter of guarantee	(129,635)	(259,609)	(127,185)	(167,832)
	<u>(30,854,455)</u>	<u>(28,364,325)</u>	<u>(30,732,553)</u>	<u>(16,503,495)</u>

Finance Income

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Foreign exchange gain	1,840,335	1,624,944	1,604,636	1,266,115
	<u>1,840,335</u>	<u>1,624,944</u>	<u>1,604,636</u>	<u>1,266,115</u>

19. OTHER COMPREHENSIVE INCOME ANALYSIS

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Foreign currency translation fund	344,613,581	128,898,552	322,898,216	87,078,702
	<u>344,613,581</u>	<u>128,898,552</u>	<u>322,898,216</u>	<u>87,078,702</u>

Currency Translation Fund

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Balance at the beginning of the period	362,770,478	138,391,961	384,485,843	180,211,811
Balance during the period	344,613,581	128,898,552	322,898,216	87,078,702
Balance at the end of the period	<u>707,384,059</u>	<u>267,290,513</u>	<u>707,384,059</u>	<u>267,290,513</u>

20. 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 determines the amount of share capital in proportion to the risk level. The equity structure of the Group is arranged in accordance with the economic outlook and the risk attributes of assets.

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

As of 30 June 2023 and 31 December 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 is as follows:

	1 January- 30 June 2023	1 January- 31 December 2022
Financial Liabilities (Note: 11)	13,340,007	42,584,444
Less: Cash and Cash equivalents and Financial Investments	(428,861,368)	(381,978,672)
Net Debt	(415,521,361)	(339,394,228)
Total Equity	1,229,947,126	867,918,523
Total Shareholder's Equity (Note: 13)	127,500,000	127,500,000
Net Debt / Total Equity Ratio	<u>(3.26)</u>	<u>(2.66)</u>

Financial Risk Factors

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 Group 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:

30 June 2023	<u>TL</u>	<u>EURO</u>	<u>Total TL Equivalent</u>
Bank deposits	5,633,429	276,020	13,404,496
Financial investments (*)	164,081,475	-	164,081,475
Trade receivables	15,038,107	622,971	32,577,233
Trade and other payables	(3,865,134)	(1,875)	(3,917,923)
Other	(20,569,418)	241,275	(13,776,562)
Net foreign currency position	<u>160,318,459</u>	<u>1,138,391</u>	<u>192,368,719</u>

(*)Financial investments consist of 163,006,279 TL portion in USD and EURO indexed Exchange rate protected time deposit converted from FX account.

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

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 December 2022			Total
	TL	EURO	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	<u>58,253,540</u>	<u>987,748</u>	<u>76,170,794</u>

(*) 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.

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.

30 June 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	19,910,797	(16,290,652)	-	-
2- TL Hedge amount (-)	-	-	-	-
3- Türk Lirası net effect (1 +2)	<u>19,910,797</u>	<u>(16,290,652)</u>	<u>-</u>	<u>-</u>
10% change in EUR exchange rate accross USD				
4 - EUR Net asset/(liability) position	3,108,821	(2,543,581)	-	-
5- EUR Hedge amount (-)	-	-	-	-
6- EUR net effect (4+5)	<u>3,108,821</u>	<u>(2,543,581)</u>	<u>-</u>	<u>-</u>
TOTAL (3 + 6)	<u>23,019,618</u>	<u>(18,834,233)</u>	<u>-</u>	<u>-</u>

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

Financial Risk Factors (cont'd)

Foreign currency sensitivity analysis (cont'd)

	31 December 2022			
	Income/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% change in TL exchange rate across USD				
1 - TL Net asset/(liability) position	15,333,756	(12,545,800)	-	-
2- TL Hedge amount (-)	-	-	-	-
3- Türk Lirası net effect (1 +2)	15,333,756	(12,545,800)	-	-
10% change in EUR exchange rate across 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)	-	-

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

30 June 2023	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	44,948,772	-	44,948,772	3
Financial investments	383,912,596	-	383,912,596	11
Trade receivables (including related parties)	151,990,428	-	151,990,428	6
<u>Financial liabilities</u>				
Trade payables (including related parties)	-	13,818,922	13,818,922	6
Financial lease liabilities	-	13,340,007	13,340,007	11
31 December 2022	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	57,136,078	-	57,136,078	3
Financial investments	324,842,594	-	324,842,594	11
Trade receivables (including related parties)	83,328,431	-	83,328,431	6
<u>Financial liabilities</u>				
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

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

HİTİT BİLGİSAYAR HİZMETLERİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

22. EARNINGS PER SHARE

	1 January- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2023	1 April- 30 June 2022
Earnings per share				
Weighted average number of ordinary shares outstanding during the period (in full)	127,500,000	127,500,000	127,500,000	127,500,000
Net profit for the year attributable to equity holders of the parent	46,804,548	6,383,826	10,755,204	(3,897,997)
Diluted earnings per share	0.3671	0.0501	0.0844	-0.0306

23. EVENTS AFTER REPORTING PERIOD

The earthquake that took place in Kahramanmaraş on February 6, 2023 and affected many provinces of Turkey did not have a significant impact on the Company's activities. The Corporate Tax rate has been increased by 5 points with the "Draft Law Regarding the Establishment of Additional Motor Vehicles Tax for the Compensation of Economic Losses Caused by the Earthquakes on 6 February 2023, and Amending Some Laws and the Decree Law No. corporate tax rate as a result of increasing. It has been increased from 20% to 25% and the new rate is valid for declarations to be submitted after October 2023. The Group continues to evaluate the possible effects of the related law on the consolidated financial statements as of the date of issue of these financial statements.