

**Katmerciler Araç Üstü Ekipman  
Sanayi Ve Ticaret A.Ş.  
and  
Its Subsidiaries**

Convenience Translation into English Of  
Consolidated Financial Statements  
And Independent Auditors Report  
As at and For The Year Ended  
31 December 2019  
(Originally Issued in Turkish)

**Katmerciler Araç Üstü Ekipman Sanayi Ve Ticaret A.Ş.  
And Its Subsidiaries**

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**CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT  
(Originally issued in Turkish)**

**To the General Assembly of Katmerciler Araç Üstü Ekipman San.ve Tic. Anonim Şirketi**

**A) Audit of the Financial Statements**

**1) Opinion**

We have audited the consolidated financial statements of Katmerciler Araç Üstü Ekipman San.ve Tic. A.Ş ("the Company") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

**2) Basis for Opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing issued by the Capital Markets Board of Turkey ("CMB") and 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 (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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p><b>Revenue Recognition</b></p> <p>The Company and its subsidiaries operate in all kinds of on-board equipment manufacturing, dyeing and welding work.</p> <p>The company's output consists of onboard equipment manufacturing for the fire, trash, vacuum, grooving, ecological vehicles, transport vehicle, defense industry vehicles and construction industry vehicles.</p> <p>Revenue recognition has been identified as a key audit matter since it is an important measurement criterion in terms of evaluation of management is performance and the results of the Company strategy and inherently has risk of fraud and error.</p> <p>As of 31 December 2019, the Company's sales revenue is TL 278.914.003 and the accounting policies and amounts related to revenue are disclosed in Note 21.</p>	<p>During our audit, the following audit procedures have been applied on the recognition of the revenue:</p> <ul style="list-style-type: none"><li>• The design and implementation of the controls that are set for the management of the relevant process are examined. In this context, the Company's sales and delivery procedures have been audited.</li><li>• Trading and shipment provisions of related sales contracts signed with customers have been examined and the appropriateness of timing of revenue recognition in the financial statements has been examined.</li><li>• We have focused on substantive procedures for the products for which the invoices are issued but products have not been delivered. The customers which owned high-volume and high-risk transactions have been identified from the customer sales lists, sales in the specified period have been examined and the related samples have been selected from these population for audit procedures. The completeness and accuracy of these lists have been checked. In order to test the timing of revenue recognition and the related cut-off period, the contracts, the delivery conditions of the contracts, the delivery of products and the related accounting and other documents have been audited.</li></ul> <p>In addition, the adequacy of the disclosures in Note 21-Revenue has been assessed according to TFRS 15</p> <p>As a result of the procedures we have applied in relation to revenue recognition, we are not aware of any significant misstatement.</p>





#### **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 TAS, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with Standards on Independent Auditing issued by the CMB and 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 Standards on Independent Auditing issued by the CMB and SIA, we exercise professional judgment and maintain professional skepticism 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.

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) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 9 March 2020.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

İstanbul, 9 March 2020

Aksis Uluslararası Bağımsız Denetim A.Ş.



Tayyip Yaşar, YMM  
Partner



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

Monetary Unit: Turkish Lira ("TL")

<b>Assets</b>	<b>Note</b>	<b>Audited 31 December 2019</b>	<b>Audited 31 December 2018</b>
<b>Current assets</b>			
Cash and cash equivalents	4	33.948.135	24.738.007
Financial investments	5	8.181.583	121.644
Trade receivables		<b>145.840.710</b>	<b>118.032.243</b>
- Trade receivables from related parties	7	3.107.750	961.781
- Trade receivables from third parties	7	142.732.960	117.070.462
Other receivables		<b>7.836.647</b>	<b>4.320.042</b>
- Other receivables from third parties	8	7.836.647	4.320.042
Inventories	9	467.711.106	337.940.389
Prepaid expenses	10	51.880.824	60.149.534
Current tax assets	27	1.015.208	1.286.990
Other current assets	19	48.368.892	38.723.676
<b>Total current assets</b>		<b>764.783.105</b>	<b>585.312.525</b>
<b>Non-current assets</b>			
Other receivables		<b>22.676</b>	<b>24.598</b>
- Other receivables from third parties	8	22.676	24.598
Equity accounted investees	11	99.568	83.502
Investment property	12	2.172.000	2.172.000
Property, plant and equipment's	13	68.347.434	60.267.345
Intangible assets	14	24.089.252	23.278.640
Prepaid expenses	10	8.079.540	2.414.005
Deferred tax assets	27	21.998.637	14.990.276
<b>Total non-current assets</b>		<b>124.809.107</b>	<b>103.230.366</b>
<b>Total assets</b>		<b>889.592.212</b>	<b>688.542.891</b>



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

Monetary Unit: Turkish Lira ("TL")

Liabilities	Note	Audited	Audited
		31 December 2019	31 December 2018
<b>Short term liabilities</b>			
Short-term borrowings	6	25.148.303	246.344.918
Short-term portion of long-term borrowings	6	1.178.518	39.149.264
Trade payables		<b>70.314.642</b>	<b>71.055.952</b>
- Trade payables to third parties	7	70.314.642	71.055.952
Payables related to employee benefits	18	2.088.522	2.098.087
Other payables		<b>5.767.046</b>	<b>11.029.255</b>
- Other payables to related Parties	8	2.984.817	8.867.985
- Other payables to third Parties	8	2.782.229	2.161.270
Deferred income	10	120.827.538	73.335.571
Short term provision		<b>2.899.386</b>	<b>2.132.042</b>
- Short term provisions for employee benefits	18	1.373.615	1.327.926
- Other short-term provision	16	1.525.771	804.116
<b>Total short-term liabilities</b>		<b>228.223.955</b>	<b>445.145.089</b>
<b>Long term liabilities</b>			
Long term borrowings	6	530.571.065	152.052.583
Long term provisions		<b>6.506.676</b>	<b>5.386.098</b>
- Long term provisions for employee benefits	18	6.506.676	5.386.098
Deferred tax liability	27	11.507.658	9.841.575
<b>Total long-term liabilities</b>		<b>548.585.399</b>	<b>167.280.256</b>
<b>Total liabilities</b>		<b>776.809.354</b>	<b>612.425.345</b>
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Paid-in share capital	20	75.000.000	25.000.000
Share premium	20	2.239.089	1.839.173
Other comprehensive income or expenses not to be reclassified in profit or loss		<b>16.644.698</b>	<b>16.398.241</b>
- Revaluation reserve		16.766.665	16.766.665
- Actuarial gain/(loss)		(121.967)	(368.424)
Restricted reserves	20	4.515.382	4.477.769
Reserve from common control transactions		(1.759.039)	(1.759.039)
Retained earnings	20	29.626.010	45.827.308
Net Loss for the Year		(13.563.910)	(15.718.331)
<b>Non-controlling interest</b>	20	80.628	52.425
<b>Total equity</b>		<b>112.782.858</b>	<b>76.117.546</b>
<b>Total equity and liabilities</b>		<b>889.592.212</b>	<b>688.542.891</b>



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

Monetary Unit: Turkish Lira ("TL")

	Note	Audited 1 January–31 December 2019	Audited 1 January–31 December 2018
Revenue	21	278.914.003	270.481.715
Cost of sales (-)	21	(148.925.106)	(163.403.481)
<b>Gross profit</b>		<b>129.988.897</b>	<b>107.078.234</b>
General administrative expenses (-)	22	(29.014.851)	(20.304.757)
Marketing expenses (-)	22	(28.759.810)	(27.438.805)
Research and development expenses (-)	22	(1.827.641)	(1.351.892)
Other income from operations	24	38.247.917	89.976.214
Other expenses from operations (-)	24	(29.429.422)	(68.687.317)
<b>Operating profit</b>		<b>79.205.090</b>	<b>79.271.677</b>
Income from investing activities	25	2.742.654	3.827.516
Share of profit of equity-accounted investees	25	16.066	-
<b>Operating profit before financial income and expenses</b>		<b>81.963.810</b>	<b>83.099.193</b>
Financial income	26	43.945.210	43.904.299
Financial expenses (-)	26	(144.050.751)	(145.112.967)
<b>Profit before tax</b>		<b>(18.141.731)</b>	<b>(18.109.475)</b>
<b>Tax income / (expense)</b>		<b>4.606.024</b>	<b>2.409.588</b>
- Current tax expense	27	(680.156)	(640.877)
- Deferred tax income / (expense)	27	5.286.180	3.050.465
<b>Profit for the year</b>		<b>(13.535.707)</b>	<b>(15.699.887)</b>
<b>Distribution of profit or loss</b>			
Non-controlling interests	20	28.203	18.444
Equity holders of the Company	20	(13.563.910)	(15.718.331)
<b>Earnings per share from continuing operations</b>		<b>(0,18)</b>	<b>(0,63)</b>
<b>Diluted earnings per Share from continuing operations</b>		<b>(0,18)</b>	<b>(0,63)</b>
<b>Other comprehensive income</b>			
<b>Items not to be reclassified in profit or loss</b>			
Defined benefit plans remeasurements gains / (losses)		315.971	159.449
- Deferred tax (income / (expense))		(69.514)	(35.079)
<b>Total other comprehensive income (after tax)</b>		<b>246.457</b>	<b>124.370</b>
<b>Total comprehensive income</b>		<b>(13.289.250)</b>	<b>(15.575.517)</b>
<b>Distribution of total comprehensive income</b>			
Non-controlling interest		28.203	18.444
Equity holders of the Company		(13.317.453)	(15.593.961)



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

Monetary Unit: Turkish Lira ("TL")

Notes	Paid in Capital	Share Premiums	Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss			Retained Earnings				Total	
			Identified Benefit Plans Reclassification Income / (Loss)	Increase from Revaluation Property, Plant and Equipment	Reserve from Common Control Transactions	Restricted Reserve	Retained Profit	Net Period Profit	Equity Holders of the Company		Non Controlling Interests
<b>PREVIOUS PERIOD</b>											
20	25.000.000	1.839.173	(492.794)	16.766.665	(1.759.039)	3.765.426	35.553.220	11.740.168	92.412.819	33.980	92.446.799
	--	--	--	--	--	712.343	11.027.825	(11.740.168)	--	--	--
20	--	--	--	--	--	--	(753.737)	--	(753.737)	--	(753.737)
	--	--	124.370	--	--	--	--	(15.718.331)	(15.593.961)	18.444	(15.575.517)
20	25.000.000	1.839.173	(368.424)	16.766.665	(1.759.039)	4.477.769	45.827.308	(15.718.331)	76.065.121	52.425	76.117.546
<b>CURRENT PERIOD</b>											
20	25.000.000	1.839.173	(368.424)	16.766.665	(1.759.039)	4.477.769	45.827.308	(15.718.331)	76.065.121	52.425	76.117.546
	--	--	--	--	--	37.613	(15.755.945)	15.718.331	--	--	--
2.1.3	--	--	--	--	--	--	(445.353)	--	(445.353)	--	(445.353)
20	50.000.000	399.916	--	--	--	--	--	--	50.399.916	--	50.399.916
20	--	--	246.457	--	--	--	--	(13.563.910)	(13.317.453)	28.203	(13.289.250)
20	75.000.000	2.239.089	(121.967)	16.766.665	(1.759.039)	4.515.382	29.626.010	(13.563.910)	112.702.231	80.628	112.782.858

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



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019

Monetary Unit: Turkish Lira ("TL")

	Notes	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(74.789.974)</b>	<b>(60.441.741)</b>
Net Profit/(Loss) for The Period		(13.535.707)	(15.699.887)
Adjustments to Reconcile Net Profit/(Loss)		<b>32.584.324</b>	<b>58.999.953</b>
Depreciation and Amortization	13-14	3.895.245	4.226.075
Changes in Provisions	16	(2.856.472)	5.379.802
Interest Income and Expense		10.685.864	11.214.294
Unrealized Exchange Loss / (Gain)		25.465.711	38.567.665
Loss on sale of property and equipment's		--	2.021.705
Other Profit / (Loss) Reconciliations		(4.606.024)	(2.409.588)
<b>Changes in Working Capital</b>		<b>(117.004.166)</b>	<b>(81.167.523)</b>
Increases / (Decreases) in Inventories	9	(129.770.717)	(125.628.566)
Increases / (Decreases) in Trade Receivables	7	(27.808.467)	9.949.871
Increases / (Decreases) in Other Receivables		(3.516.605)	(389.858)
Increases (Decreases) in Trade Payables	7	(741.310)	25.513.992
Increases (Decreases) in Other Payables		(5.262.209)	6.494.657
Other Increase / (Decreases) in Working Capital		50.095.142	2.892.381
<b>Cash Flow from Operating Activities</b>		<b>(408.374)</b>	<b>(3.213.365)</b>
Tax Payments / Returns		23.573.949	(19.360.919)
Other Cash Flows / Outflows		<b>(74.789.974)</b>	<b>(60.441.741)</b>
<b>B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES</b>		<b>(9.326.946)</b>	<b>(9.253.793)</b>
Acquisition of Property, Plant and Equipment	13-14	(9.463.747)	(16.946.446)
Cash Inflows from the Sale of Investment Property		--	7.665.000
Interest Received		136.801	27.653
<b>C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		<b>86.371.232</b>	<b>49.675.250</b>
Sales of Company Shares		44.096.193	--
Proceeds from Borrowings		506.815.252	425.009.717
Payments of Borrowings		(410.083.591)	(339.658.164)
Payments due to leasing transactions		(996.234)	(2.399.142)
Interest Paid		(46.504.572)	(22.426.310)
Other Cash Inflows / Outflows	4	(6.955.816)	(10.850.851)
<b>NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS (A+B+C)</b>		<b>2.254.312</b>	<b>(20.020.284)</b>
<b>D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS</b>		--	--
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C+D)</b>		<b>2.254.312</b>	<b>(20.020.284)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>24.738.007</b>	<b>33.907.440</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)</b>	4	<b>26.992.319</b>	<b>13.887.156</b>



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

Monetary Unit: Turkish Lira ("TL")

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# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AND FOR THE YEAR ENDED 31 DECEMBER 2019

Monetary Unit: Turkish Lira ("TL")

### 1. ORGANIZATION AND ACTIVITIES

Katmerciler Araç Üstü Ekipman Sanayi ve Ticaret Anonim Şirketi ("Company") was established in 1985 by registered to İzmir Trade Registry and announced at 1380 numbered and 05.11.1985 dated trade registry gazette.

The Group's head office address: Ataturk Organized Industrial Zone 10032 Sokak No: 10 Çiğli / IZMİR. The Group has a branch which is located in Kızılırmak Mah. 1445 Sok. No: 2b/82 The Pragon İş Merkezi Çukurambar – Çankaya / ANKARA and has a branch which is located in production facility in Malıköy Mah. 23.Cad.No:3 Başkent OSB Sincan Ankara.

The Group also has a liaison office which is located in Küçükbakkalköy Mah. Önder Sk. Panorama Plaza Ataşehir İstanbul.

The Company and its subsidiaries (together referred as the "Group" ) operate in all manner of onboard equipment manufacturing , painting workshop and weld workshop fields. The business segment which details given below underlie Group's reporting by field of activity.

Group 's main activities are as follows:

Painting Work - Painting of vehicle equipment

Weld Work - Onboard equipment weld workshop

Vehicle Equipment Manufacturing- onboard equipment manufacturing for the fire, trash, vacuum, grooving, ecological vehicle, transport vehicle, defense industry vehicles and construction industry vehicles.

Company shares were offered to the public in 2010, as at 31 December 2019, 56,59% (31 December 2018: 45,09 %) of shares are trading Istanbul Stock Exchange Inc. (Borsa İstanbul).

As of 31 December 2019, the total number of people employed by the Group is 426 (31 December 2018: 461).

The ultimate parent of Group is İsmail Katmerci. (Note 20).

The nature of operations of the subsidiaries included in consolidation are presented as follows:

<u>Company Title</u>	<u>Nature of Business</u>	<u>Establishment Place</u>
Katmerciler Profil San. ve Tic. A.Ş.	Painting Works	Turkey
Isıpan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş.	Weld Workshop Onboard Equipment	Turkey
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş.	Manufacturing	Turkey

Company does not have any subsidiary whose shares are traded on the stock exchange market



## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. Basis of Presentation

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

In addition, financial statements and footnotes are presented in accordance with the formats announced by the CMB on 7 June 2013.

Consolidated financial statements are prepared on the basis of historical cost except for in financial assets, investment properties and land and buildings recognized, property, plant and equipment measured at their fair value. When the historical cost is determined, the fair value of the amount usually paid for the assets is taken as basis. The measurement principle of fair value is disclosed in the related accounting policies.

#### *Approval of financial statements:*

The financial statements of the Company for the fiscal period ending on 31 December 2019 were approved by the management on 9 March 2019. The General Assembly and certain regulatory bodies have the right to amend the financial statements after their publication.

#### 2.1.1. Functional and Presentation Currency

The consolidated financial statements are presented in ("TL"), which is Company's functional currency. The financial statements of the Group's subsidiaries are reported in terms of their local currencies which is ("TL") also as well.

#### 2.1.2. Consolidation Principles

The consolidated financial statements include the accounts of the parent company, its subsidiaries on the basis set out in sections below. Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

#### *Subsidiaries*

Subsidiaries are those entities on which the Group has the power to control. The Group controls the companies when it is incurred changeable returns due to relations of any companies or has a right to own these returns and has a power to affect these returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group to the date on which control is transferred out from the Group. The Group has made adjustments on the financial statements of the subsidiaries to be inconsistent with the basis of applied accounting standards if it is necessary.

For each business combination, the Group elects to measure any non-controlling interests in the acquire either:

- At fair value; or
- At their proportionate share of the acquires identifiable net assets, which are generally at fair value

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

Losses in non-controlling interest of subsidiaries are transferred to non-controlling interest even if the result is negative.



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AND FOR THE YEAR ENDED 31 DECEMBER 2019**

Monetary Unit: Turkish Lira ("TL")

**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)****2.1. Basis of Presentation (continued)****2.1.2 Basis of Consolidation (continued)***Subsidiaries (continued)*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus of deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The table below demonstrates the rates of the effective ownership held in terms of percentages (%) as of 31 December 2019 and 2018 for all subsidiaries directly or indirectly controlled by the Group and included in the scope of consolidation:

Subsidiaries	Main Operation	Functional Currency	Establishment & Operation Country	Effective Ownership Rate (%)	
				31 December 2019	31 December 2018
Katmerciler Profil San. ve Tic. A.Ş. (Katmerciler Profil)	Painting Works	Turkish Lira	Turkey	100,00	100,00
Isipan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş. (Ekipman Metal)	Weld Workshop	Turkish Lira	Turkey	95,67	95,67
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş.	Onboard Equipment Manufacturing	Turkish Lira	Turkey	100,00	100,00

*Equity Accounted Investees*

Associates are those entities, in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are accounted for using the equity accounting method.

The Group's associates are accounted under equity accounting method in the accompanying consolidated financial statements. Under the equity accounting method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of net assets in the associate.

The table below demonstrates the rates of the effective ownership and the voting power held in terms of percentages (%) as of 31 December 2019 and 2018 for the associates:

	Main Operation	Functional Currency	Establishment & Operation Country	Effective Ownership Rate (%)	
				31 December 2019	31 December 2018
Lika	Defense Industry	Turkish Lira	Turkey	20,00	20,00



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.2 Basis of Consolidation (continued)

##### *Consolidation adjustments*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss statements.

##### *Under Common Control Interests*

Transactions arising from transferring or acquisition shares of entities under the common control are recognized as at the beginning of the period in which the transaction accrued. For that purpose, comparative periods are restated. Acquired assets and liabilities are recognized at book value which is the same as recorded book value in under common control entity's financial statements. Shareholder's equity items of entities under common control are recognized in equity of the Group except for capital and current profit or loss is recognized in equity.

#### 2.1.3. Significant change in the Accounting Policies

Accounting policy changes arising from the first application of a new TAS are applied retroactively or prospectively in accordance with the transition provisions of the said TAS. Significant accounting errors are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period when the change is made only for a period, and both in the period when the change is made and prospectively.

The Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of 1 January 2019 and the first application of the "IFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard.

The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

##### *Group - as a lessee*

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.1. Basis of Presentation (continued)**

**2.1.3. Significant change in the Accounting Policies (continued)**

*Group - as a lessee (continued)*

- c) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
- the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  - the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- The costs assumed by the Group related to the restoration of the underlying asset to bring it in line with the terms and conditions of the lease (except those assumed for manufacturing inventory).

To apply a cost model, the Group measure the right-of-use asset at cost:

- Less any accumulated depreciation and any accumulated impairment losses; and
- Adjusted for any remeasurement of the lease liability

The Group applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.3. Significant change in the Accounting Policies (continued)

##### Lease Liability (continued)

- c) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;  
b) Reducing the carrying amount to reflect the lease payments made; and  
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

##### *Extension and termination options*

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

##### *Facilitative practices*

Lease agreements with lease periods of 12 or fewer months, and agreements related to information technology equipment identified as impaired by the Group (mostly printers, laptops, mobile phones and the like), are considered within the scope of the exemption in the TFRS 16 lease standard, and payments related to these agreements continue to be recognized as expenses in the period in which they occur.

### First Adoption to IFRS 16

As of January 1, 2019, the first application date of the TFRS 16 "Leases" standard, which replaces the TAS 17 "Leasing Transactions" standard, the Group has recognized the cumulative effect of the first-time application of the standard retrospectively ("cumulative effect method") in previous years' losses. Within the scope of the simplified transition application of the mentioned method defined in the relevant standard, no re-arrangement in the comparative information of the financial statements.

Within the scope of the first application of TFRS 16 "Leases" standard, prior to January 1, 2019, lease commitments were accounted as "lease liability" in the consolidated financial statements in accordance with TAS 17 "Leasing Transactions" standard.

The lease liability in question was measured over at the present value of the lease payments that were not realized as of the date of transition, discounted by using the alternative borrowing interest rate on the Group's first date of application. On the other hand, the right of use assets are accounted for at an amount equal to the lease liability (made in advance or adjusted according to the amount of the rental payments accrued) within the scope of the simplified transition application in the relevant standard.

The Group reflected the effects of TFRS 16 to the financial statements for the first time in the year ended 31 December 2019, and re-measured the impact from the opening as a result of detailed analysis. The effect of the amendment to the previous years' losses of the Group as of 1 January 2019 is as follows:



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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.1. Basis of Presentation (continued)**

**2.1.3. Significant change in the Accounting Policies (continued)**

	<b>Retained earnings</b>
<b>1 January 2019 (Reported)</b>	45.827.308
TFRS 16 Adjustment	570.964
Deferred Tax Effect (Not 27)	(125.612)
Net Effect	445.353
<b>1 January 2019 (Adjusted)</b>	<b>45.381.956</b>

Lease agreements with lease periods of 12 or fewer months have been evaluated within the scope of exemption in TFRS 16, liabilities from lease agreements with lease periods of more than 12 months have been discounted by 15%.

**2.1.4. New and Revised Turkish Accounting Standards**

The company has applied the new and revised standards and interpretations which are published by TAS and Turkish Financial Reporting Standards effective as of 31 December 2019, those related to its field of activity.

**As at 31 December 2019, new standards in force and amendments to existing previous standards and interpretations:**

Explanations on the effects of the new TAS / TFRS on the financial statements

- a) Title of TAS / TFRS,
- b) If any the accounting policy change, was made in accordance with the relevant transitional provisions
- c) explanation of change in accounting policy
- d) a description of the transitional provisions, if any
- e) the effects of transitional provisions, if any, on future periods,
- f) as much as possible, the correction amounts for the current and each previous period submitted:
  - i. should present for each affected financial statement item and
  - ii. If "TAS 33, Earnings per Share" standard is valid for the company, ordinary shares and diluted earnings per share should be recalculated.

if possible, the correction amounts for the periods prior to the periods not presented and if the retrospective application is not possible for any period or periods, the events leading to this situation should be explained and the date and how the change in accounting policy was applied should be explained.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.4. New and Revised Turkish Accounting Standards (continued)

**IFRS 9, "Financial instruments";** Effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39

**Amendment to IAS 28, "Investments in associates and joint venture";** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

**IFRS 16, "Leases";** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**IFRIC 23, "Uncertainty over income tax treatments";** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.4. New and Revised Turkish Accounting Standards (continued)

**Annual improvements 2015 - 2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

**Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement;
- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

#### **Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:**

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

- i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information.

**Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.4. New and Revised Turkish Accounting Standards (continued)

IFRS 17, "Insurance contracts"; effective from annual periods beginning on or after 1 January 2021. 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.

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

The changes in estimates of accounting are about only one period, when the change is made, are about future, prospectively applied by including future periods. There is no change in accounting estimates in the current period. Determined significant accounting estimates errors are applied retrospectively and readjust prior financial statements. There is no significant accounting error that was discovered in the current period.

### 2.2. Summary of significant accounting policies

#### (a) Financial instruments

##### *Financial Assets*

##### Classification

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

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

##### Recognition and Measurement

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

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

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

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



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (a) Financial instruments (continued)

##### Derecognition

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

##### Impairment

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

Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

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

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

##### Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are measured at amortized cost, using the effective interest rate method. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

The Company has preferred to apply "simplified approach" defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortized cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, The Company measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the consolidated statement of income or loss.

##### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.2. Summary of significant accounting policies (continued)**

**(a) Financial instruments (continued)**

***Financial liabilities***

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value. Financial liabilities are classified as equity instruments and other financial liabilities.

***Equity instruments***

Ordinary shares are classified as equity. Additional costs attributed directly to the issuance of ordinary shares are recognized as a decrease in shareholders' equity after deduction of tax effect.

***Other financial liabilities***

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

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

***Trade payables***

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (b) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are stated historical costs less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets includes the following items:

- The material and direct labor costs;
- Expenses made in accordance to the company's purpose which are directly attributable to assets.
- Expenses; in case of disposal of the asset, de-structuring, relocating and also restoration of the area
- Capitalized borrowing costs.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Lands have been recognized by using revaluation method. Increases of value are recognized under equity as "revaluation reserves".

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Property, plant and equipment of the subsidiaries and joint ventures that operate in Turkey and acquired before 1 January 2005 are stated at restated cost until 31 December 2004 less accumulated depreciation and permanent impairment losses. Property, plant and equipment of such entities acquired after 1 January 2005 are stated at cost, less accumulated depreciation and permanent impairment losses.

##### (ii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### (iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is recognized on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation is recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and the useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (c) Intangible assets

##### *(I) Recognition and measurement*

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

##### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### *(iii) Amortization:*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (d) Investment Property

Investment property is a land, building or part of a building or both held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. Investment properties are measured in accordance with fair value model. Related changes are recognized in profit or loss in the period.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects that the fair value of the property to be reliably determinable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Costs incurred during the acquisition and construction of these assets and subsequent expenditures are capitalized if it is probable that they will increase the future economic benefits obtained from that asset.

Leased properties are not classified as investment property in the context of operating leases.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.2. Summary of significant accounting policies (continued)**

**(e) Impairment of Assets**

*Non-Financial Assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that one not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.2. Summary of significant accounting policies (continued)**

**(f) Employee Benefits**

*(I) Severance Indemnities*

In accordance with existing labor law in Turkey, the Company is required to make lump-sum severance indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated without cause or who retire, are called up for military service or die.

In the financial statements, the Company has recognized a liability using the actuarial method. As a result of the adoption of TAS 19 (2011), all actuarial losses are recognized immediately in other comprehensive income. Actuarial gains and losses are recognized over the average remaining working lives of the employees. The employee severance indemnities are discounted to the present value of the estimated future cash flows using the discount rate estimate of qualified actuaries.

Provision for severance pay for each year is calculated based on total gross salary and other benefits. As of 31 December 2019, it is maximum 6.380 TL (31 December 2018: 5.434 TL).

TMS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans.

*(ii) Other short-term employee benefits*

Short-term employee benefits are calculated without discount and identified as an expense when they are serviced. If expected payables are measurable reliably, they are recorded for the short-term vacation pay liabilities originated from the past services of employees. According to Turkish Business Law, if employment is terminated without due cause by the Company, the Company is subject to pay the gross amount of the dates of unused vacations employee considering the gross amount of salary



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.2. Summary of significant accounting policies (continued)**

**(g) Subsequent Events**

Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected information.

The Group adjusts the amounts recognized in its consolidated financial statements to reflect adjusting events after the reporting period. Non adjusting events are disclosed in the notes to the consolidated financial statements, if material.

**(h) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

*(I) Onerous contracts*

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.2. Summary of significant accounting policies (continued)**

**(I) Revenue**

The Company transfers its revenue to a committed product or service customer and brings the proceeds to our financial statements. It is conceptually transferred when it passes (or passes).

The Company records the proceeds in the financial statements in accordance with the following basic principles:

- (a) Determination of contracts with customers
- (b) Determination of performance obligations in the contract
- (c) Determination of the transaction price in the contract
- (d) Dividing the transaction price into the contractual performance obligations.
- (e) Revenue recognition when each performance obligation is met

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

- (a) The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
- (b) The Company may define rights related to the goods or services to be transferred by each party,
- (c) The Company may define payment terms for the goods or services to be transferred,
- (d) The contract is essentially commercial,
- (e) It is probable that the Company will be charged for the goods or services to be transferred to the customer.

When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

Service revenues are recognized as income in the period of service. Service revenues within the scope of maintenance contracts for more than one year are recognized by spreading equally to the contract periods and the amounts for the future periods are reflected to the financial statements as deferred income.

In the event that there is an important financing cost in the sales, the fair value is determined by discounting the future collections with the implied interest rate included in the financing cost. The difference between the fair value and the nominal value is considered as interest income on an accrual basis.

Interest income is accrued in the related period at the effective interest rate that reduces the estimated cash inflows from the financial asset to the carrying value of the asset during the expected life of the remaining principal amount.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (j) Government Subsidies and Incentives

All subsidies and incentives, including non-monetary incentives stated at fair market values, are included in the consolidated financial statements when there is reasonable certainty that the Group will qualify for and receive such subsidies and incentives.

#### (k) Related Parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with the Company (this includes Parent, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Company that gives it significant influence over the Company; or
- (iii) has joint control over the Company;

(b) the party is an associate of the Company

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company as its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e)

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (I) Leases

##### Right of use asset

The right of use asset is initially recognized at cost comprising of:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- The costs assumed by the Group related to the restoration of the underlying asset to bring it in line with the terms and conditions of the lease (except those assumed for manufacturing inventory).

To apply a cost model, the Group measure the right-of-use asset at cost:

- Less any accumulated depreciation and any accumulated impairment losses; and
- Adjusted for any remeasurement of the lease liability

The Group applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

##### Lease Liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

##### Lease Liability (continued)

- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

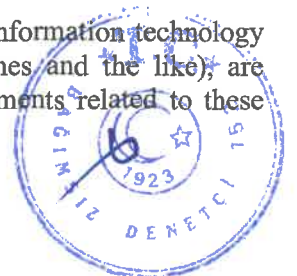
- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

##### Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

##### Facilitative practices

Lease agreements with lease periods of 12 or fewer months, and agreements related to information technology equipment identified as impaired by the Group (mostly printers, laptops, mobile phones and the like), are considered within the scope of the exemption in the TFRS 16 lease standard, and payments related to these agreements continue to be recognized as expenses in the period in which they occur.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (m) Finance income and finance cost

Finance income comprises interest income on funds invested, interest income on time deposits and receivables and foreign currency exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on borrowings, foreign currency exchange losses, and other finance costs. All borrowing costs are recognized in profit or loss using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### (n) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

##### (I) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Implementation details in Turkey are given in Note:27.

##### (ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

Taxable temporary differences related to initial recognition of goodwill.

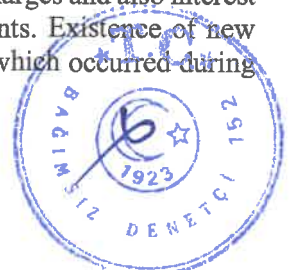
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 balance sheet date. 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 Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

##### (iii) Tax Risk

The company takes into consideration whether it has the uncertain tax positions and tax surcharges and also interest surcharges. This assessment relate to the future events includes assumptions and judgments. Existence of new information about the Company's current tax liability will change the current tax expense which occurred during the term.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

**2.2. Summary of significant accounting policies (continued)**

**(o) Cash Flow Statement**

Cash flows for the period are classified as cash flows from operations, investing activities and financing activities. Cash flows from operations are the cash flows generated from the principal activities of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (purchase of property, plant and equipment and intangible assets and financial investments).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Cash and cash equivalents are short term investments with high liquidity that comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

**(p) Dividends**

Dividend receivables are recorded as income in the period of declaration. Dividend payments are recognized in consolidated financial statements when a distribution of profit decided by General Assembly

**(q) Segment Reporting**

The Group does not conduct segment reporting of financial information since there are no different types of products and different geographical regions which require segment reporting.

**(r) Gain or losses from investing activities**

Investment income comprises gains from derivative financial instruments and gain from disposal of property and equipment.

Investment expense comprises losses from derivative financial instruments and losses from disposal of property and equipment.

**(s) Other operating income and expenses**

Other operating income comprises of interest income on loans and receivables and trade and other payables accounted by effective interest method, allowance for bad debt receivables which are no longer required, provision for inventories which are no longer required, and foreign exchange differences arising from financial instruments other than debt instruments.

Other operating expenses comprises of interest expenses on loans and receivables and trade and other payables accounted by effective interest method, allowance for bad debt receivables, provision for inventories, and foreign exchange differences arising from financial instruments other than debt instruments.

Foreign exchange differences arising from financial instruments other than debt instruments are reported on a net basis for each Group entity.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

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

#### (t) Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (I) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### (ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values of trade and other receivables are determined as their costs and are assumed to approximate to their carrying value.

### 2.3 Summary of Significant Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with TFRS requires management to make judgments, estimates and assumptions that affect both the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting judgements, estimates and assumptions used in preparing the consolidated financial statements, are consistent with the accounting judgements, estimates and assumptions used in preparing the consolidated financial statements as at 31 December 2018.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 13.14(b, c) Useful lives of property, plant and equipment and intangible assets and concession intangible assets
- Note 7 Impairment losses on trade receivables
- Note 16 Provisions, contingent assets and liabilities
- Note 18 Assumptions for provision of employment termination benefit
- Note 27 Tax assets and liabilities
- Note 32 Determination of fair value



# KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AND FOR THE YEAR ENDED 31 DECEMBER 2019

Monetary Unit: Turkish Lira ("TL")

### 3. SEGMENT REPORTING

Since the proportion of the revenues from the departments other than "On-Board Equipment Production ", which is the main section reported earlier, is lower than 1% of the total revenues, and the " Weld Workshop " and "Painting Work" sections are inseparable part of main section and cannot generate revenue by themselves.

As a result of that, there is no segment reporting in the financial statements ending 31 December 2019.

### 4. CASH AND CASH EQUIVALENTS

	<b>31.12.2019</b>	<b>31.12.2018</b>
Cash on Hand	25.370	23.466
Banks	<b>33.893.115</b>	<b>24.689.231</b>
-Demand Deposits	33.883.115	24.689.231
<i>TL</i>	<i>11.489.402</i>	<i>3.054.505</i>
<i>USD</i>	<i>11.828.599</i>	<i>4.722.010</i>
<i>EURO</i>	<i>10.565.114</i>	<i>16.912.716</i>
-Time Deposit (*)	<b>10.000</b>	--
<i>TL</i>	10.000	--
Credit Cards	29.650	25.310
<b>Total</b>	<b>33.948.135</b>	<b>24.738.007</b>

As of 31 December 2019, there are cash blockages amounting to TL 6.955.816 (31.12.2018: TL 10.850.851) in the accounts of the Company.

(\*) Time Deposit

	<b>31.12.2019</b>	<b>31.12.2018</b>
Between 30-90 Days	10.000	--

Explanations on the nature and level of risks in cash and equivalents are made on note 31.

### 5. FINANCIAL INVESTMENTS

	<b>31.12.2019</b>		<b>31.12.2018</b>	
	<b>Nominal Value</b>	<b>Carrying Value</b>	<b>Nominal Value</b>	<b>Carrying Value</b>
Financial assets at fair value through profit or loss				
Şekerbank Bonds	100.000	143.869	100.000	121.644
Kuveyt Türk Bonds	1.499.999	8.037.714	--	--
<b>Total</b>	<b>1.599.999</b>	<b>8.181.583</b>	<b>100.000</b>	<b>121.644</b>



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AND FOR THE YEAR ENDED 31 DECEMBER 2019

Monetary Unit: Turkish Lira ("TL")

6. FINANCIAL BORROWINGS

	<u>31.12.2019</u>	<u>31.12.2018</u>
a) Bank Borrowing	551.456.748	432.196.180
b) Financial Leases	5.441.138	5.350.584
<b>Total</b>	<b>556.897.886</b>	<b>437.546.764</b>

a) Bank Loans

		<u>31.12.2019</u>		
	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>
<u>Currency</u>				
TL	15,29- 28	--	70.084	55.811.088
EUR	7 – 8,08	--	--	17.525.951
USD	6,84 – 7,45	24.887.907	1.108.434	452.053.284
<b>Total</b>		<b>24.887.907</b>	<b>1.178.518</b>	<b>525.390.323</b>

		<u>31.12.2018</u>		
	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>
<u>Currency</u>				
TL	22,00-36,00	111.731.262	22.528.343	77.859.408
EUR	5,00-9,00	86.608.348	16.620.921	70.855.171
USD	6,00-8,00	45.992.727	--	--
<b>Total</b>		<b>244.332.337</b>	<b>39.149.264</b>	<b>148.714.579</b>

	<u>31.12.2019</u>	<u>31.12.2018</u>
Less than a year	26.066.425	283.481.601
Between 1-2 year	92.875.324	45.172.471
Between 2-3 year	175.453.208	9.388.156
Between 3-4 year	151.636.486	59.190.291
More than a year	105.425.305	34.963.661
<b>Total</b>	<b>551.456.748</b>	<b>432.196.180</b>

The fair value of short- and long-term debts is equal to its book value because the effect of amortization is insignificant. As of the reporting date, the bank loans have been secured over the values of the buildings of EUR 3.680.000, USD 5.000.000 and TL 77.500.000. (31.12.2018: EUR 8.900.000, USD 5.000.000 ve TL 10.500.000).



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AND FOR THE YEAR ENDED 31 DECEMBER 2019**

Monetary Unit: Turkish Lira ("TL")

**6. FINANCIAL BORROWINGS (continued)****b) Short-term Portions of Long-Term Loans**

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
TL	15,29 – 28,00	70.084	22.528.343
EUR	6,84 – 7,45	1.108.434	16.620.921
<b>Total</b>		<b>1.178.518</b>	<b>39.149.264</b>

**c) Financial Lease Obligations**

Financial lease obligations show the unpaid portion of leasing obligations of plant, machinery and equipment acquired through financial leasing.

- Net carrying value of financial lease assets as at balance sheet dates:

<u>Net Value</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Machinery, Equipment and Instalments (net)	5.441.138	5.350.584

- Net carrying value of financial lease assets as at balance sheet date:

**31.12.2019**

	<u>Less than 1 year</u>	<u>Between 1-8 years</u>	<u>Total</u>
<b>Amount of minimum lease payments</b>			
TL denominated financial lease	128.617	681.450	810.067
EUR denominated financial lease	385.283	6.091.230	6.476.513
USD denominated financial lease	185.601	164.187	349.788
<b>Total</b>	<b>699.501</b>	<b>6.936.897</b>	<b>7.636.368</b>
<b>Present value of payments</b>			
TL denominated financial lease	48.972	398.978	447.950
EUR denominated financial lease	45.648	4.633.972	4.679.620
USD denominated financial lease	165.777	147.791	313.568
<b>Total</b>	<b>260.397</b>	<b>5.180.741</b>	<b>5.441.138</b>



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****AS AND FOR THE YEAR ENDED 31 DECEMBER 2019**

Monetary Unit: Turkish Lira ("TL")

**6. FINANCIAL BORROWINGS (continued)****d) Financial Lease Obligations (continued)****31.12.2018**

	<u>Less than 1 year</u>	<u>Between 1-5 years</u>	<u>Total</u>
<b>Amount of minimum lease payments</b>			
TL denominated financial lease	458.990	707.019	1.166.009
EUR denominated financial lease	1.432.290	2.542.046	3.974.335
USD denominated financial lease	438.268	405.248	843.516
<b>Total</b>	<b>2.329.548</b>	<b>3.654.313</b>	<b>5.983.861</b>
<b>Present value of payments</b>			
TL denominated financial lease	276.625	597.982	874.607
EUR denominated financial lease	1.358.378	2.393.420	3.751.798
USD denominated financial lease	377.577	346.603	724.179
<b>Total</b>	<b>2.012.580</b>	<b>3.338.004</b>	<b>5.350.584</b>

Financial leasing's are related to purchasing of machinery and fixtures whose rental periods are 8 years. Company has options to buy these machinery and fixtures. The Company's obligations under finance leases, the lessor of the leased asset is secured by property right on.

The interest rates are fixed for the entire rental period. Contract average effective interest rate is about 7% per annum.

**7. TRADE RECEIVABLES AND PAYABLES****a) Trade Receivables:**

As at balance sheet date, the details of Group's trade receivables are as follows:

<u>Short-Term Trade Receivables</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Current Accounts	142.585.606	116.838.614
Postdated Checks	275.000	423.432
Less: Unrealized Finance Income	(127.646)	(191.584)
Doubtful Trade Receivables (*)	7.687.988	7.719.494
Less: Provisions for Doubtful Trade Receivables	(7.687.988)	(7.719.494)
<b>Sub Total</b>	<b>142.732.960</b>	<b>117.070.462</b>
- Related Parties (Not 29)	3.107.750	961.781
<b>Total</b>	<b>145.840.710</b>	<b>118.032.243</b>



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**7. TRADE RECEIVABLES AND PAYABLES (continued)**

Current Accounts, Notes Receivables and Checks maturity details are as follows:

<b><u>Customers, Notes Receivables and Postdated Checks (*)</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Less than 3 months	116.774.685	93.707.299
Maturity between 3-6 months	29.193.671	24.516.528
<b>Total</b>	<b>145.968.356</b>	<b>118.223.827</b>

As of 31 December 2019, the weighted average interest rates to calculate unrealized finance income for the short-term trade receivables in terms of TL, USD and EUR are respectively % 10,41, %1,88 and %-0,40 (31.12.2018: respectively % 21,26, %2,76 and % -0,33)

As of 31 December 2019, the trade receivables amounting of TL 7.687.988 TL (31.12.2018: 7.719.494 TL) are doubtful receivables. The provision of doubtful receivables increased TL 230.907 with in the year (31.12.2018: 3.607.016). Doubtful receivables consist of uncollectible amounts related to customer receivables.

The details of doubtful trade receivables are as follows:

<b><u>Doubtful Trade Receivables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Opening	7.719.474	3.519.568
Period Expense	230.907	3.607.016
IFRS 9	--	966.330
Currency Translation Differences	423.648	292.080
Less: Cancelled within the Period	(686.042)	(665.520)
<b>Closing</b>	<b>7.687.988</b>	<b>7.719.474</b>

**b) Trade Payables:**

As at balance sheet date, the details of Group's trade payables are as follows:

<b><u>Short-term Trade Payables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Suppliers (*)	47.471.712	41.399.723
Notes Payables (*)	17.204.790	17.506.801
Less: Unrealized Finance Expense	(407.316)	(532.135)
Other Trade Payables	6.045.456	12.681.563
<b>Total</b>	<b>70.314.642</b>	<b>71.055.952</b>

(\*) Details of suppliers and notes payables are as follows:

<b><u>* Suppliers and Notes Payables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Maturity between 0-6 months	45.273.551	58.570.046
Maturity between 6-9 months	19.402.951	336.478
<b>Total</b>	<b>64.676.502</b>	<b>58.906.524</b>

As of 31 December 2019, the weighted average interest rates to calculate unrealized finance expense for the short-term trade payable in terms of TL, USD and EUR are respectively % 10,41, %1,88 and % -0,40. (31.12.2018: %21,26, %2,76 and % -0,33)



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**8. OTHER RECEIVABLES AND PAYABLES**

<b><u>Short-Term Other Receivables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Deposits and Guarantees	198.221	325.282
Receivables from Tax Office	7.410.804	3.743.059
Receivables from Social Security Institution	6.316	19.767
Deniz bank Blocked Receivables (*)	217.061	227.690
Other Receivables	4.245	4.244
<b>Total</b>	<b>7.836.647</b>	<b>4.320.042</b>

(\*) The amount consists of Deniz bank loans and would be collected after closing of the loans.

<b><u>Long-Term Other Receivables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Deposits and Guarantees	22.676	24.598
<b>Total</b>	<b>22.676</b>	<b>24.598</b>

<b><u>Short-Term Other Payables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Tax Payables	2.725.200	1.207.505
Other Payables	57.029	38.671
Restructured Tax According to 6736 and 7143 Numbered Tax Laws	--	915.094
<b>Total</b>	<b>2.782.229</b>	<b>2.161.270</b>
Related Parties (Note 29)	2.984.817	8.867.985
<b>Total</b>	<b>5.767.046</b>	<b>11.029.255</b>

**9. INVENTORIES**

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Raw Materials and Supplies	137.104.820	109.852.475
Work-in Progress	310.810.634	211.362.850
Finished Goods	13.814.615	14.941.249
Commercial Goods	1.414.459	1.445.790
Other Inventories	4.566.578	369.357
Impairment on Inventories (-)	--	(31.332)
<b>Total</b>	<b>467.711.106</b>	<b>337.940.389</b>

As of 31 December 2019, the Group has TL 30.000.000 insurance on its inventories. (31.12.2018: 25.000.000TL)

<b><u>Provision for Impairment of Inventories</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Opening Balance	(31.332)	(31.332)
Cancelled Provision (-)	31.332	-
<b>Closing Balance</b>	<b>--</b>	<b>(31.332)</b>

Group does not have any pledged inventory in return for loans as at 31 December 2019. (31.12.2018: None).



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**10. PREPAID EXPENSES AND DEFERRED INCOME**

**Short-Term Prepaid Expenses**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Advances Given for Inventories	51.589.236	58.605.229
Prepaid Expenses for Future Months	291.588	1.544.305
<b>Total</b>	<b>51.880.824</b>	<b>60.149.534</b>

**Long-Term Prepaid Expenses**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Advances Given for Property, Plant and Equipment's	7.416.721	2.403.249
Prepaid Expenses for Future Years	662.819	10.756
<b>Total</b>	<b>8.079.540</b>	<b>2.414.005</b>

**Short-Term Deferred Income**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Deferred Income for Future Months	120.827.538	73.335.571
<b>Total</b>	<b>120.827.538</b>	<b>73.335.571</b>

**11. EQUITY ACCOUNTED INVESTEEES**

	<u>31.12.2019</u>		<u>31.12.2018</u>	
	(%)	TL	(%)	TL
LİKA Savunma	20	99.568	20	83.502
<b>Total</b>	<b>20</b>	<b>99.568</b>	<b>20</b>	<b>83.502</b>

**Summary of Financial Information of Equity Accounted Investees**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Total Assets	195.667	430.195
Total Liabilities	195.667	430.195
Period Profit / (Loss)	(449.610)	(492.869)



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**12. INVESTMENT PROPERTY**

<u>Fair Value</u>	<u>01.01.2019</u> <u>Opening Balance</u>	<u>Disposal (Sale)</u>	<u>31.12.2019</u> <u>Closing Balance</u>
Land	1.050.000	-	1.050.000
Building	1.122.000	-	1.122.000
Investment Property	<b>2.172.000</b>	-	<b>2.172.000</b>

<u>Fair Value</u>	<u>01.01.2018</u> <u>Opening Balance</u>	<u>Increase in Fair Value</u>	<u>31.12.2018</u> <u>Closing Balance</u>
Land	6.383.750	5.333.750	1.050.000
Building	1.568.250	446.250	1.122.000
Investment Property	<b>7.952.000</b>	<b>5.780.000</b>	<b>2.172.000</b>

TSKB Gayrimenkul Değerleme A.Ş., which is an independent expertise company licensed by CMB, which is independent from the Group, valued the Group's lands, buildings and apartments located in Gazimir / İzmir and its buildings located in Güzelbahçe / İzmir and Ataşehir. The Group Management believes that the valuation companies have professional background and have up-to-date information about the class and location of the investment properties.

According to expertise report dated 30 September 2017, the total fair value of the buildings and lands in Gazimir / İzmir is TL 5,780,000 and the value of the lands in Güzelbahçe / İzmir is 1,050,000 TL and the fair with the amount of buildings in Ataşehir / İstanbul TL 1,122,000. The fair value of real estate is determined by the methods of market value, cost method and discounted cash flow methods respectively.

The buildings and land in Gazimir/Izmir with a fair value of 5.780.000 TL were sold for a value of 7.650.000 TL in 04.05.2018. Sales profit is accounted under income for investment activities.

As of the balance sheet date, there are no liabilities resulting from the construction or development, maintenance, repair or improvement contracts of the investment property.

In the current period, the Group earned 96.500 TL rent income from investment property (31.12.2018: 114.698 TL). The mortgage on the investment properties of the Group amounts to TL 4.250.000, EURO 1.080.000 (31.12.2018: 4.250.000 TL, 1.080.000 EURO).



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13. PROPERTY, PLANT AND EQUIPMENT

	<u>31.12.2019</u>							
<u>Costs</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Plants Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Opening Balance</b>	26.650.420	1.332.125	22.333.977	9.453.742	1.801.845	3.174.271	4.680.010	69.426.390
Purchases	-	-	89.401	817.941	13.305	547.621	8.003.954	9.472.222
Disposals	-	-	-	-	(305.305)	-	(3.311)	(308.616)
Transfer to Intangible Assets	-	-	-	1.236.554	-	-	(17.635)	1.218.919
Transfer from Construction in Progress	-	-	-	31.500	-	-	(31.500)	-
<b>Closing Balance</b>	26.650.420	1.332.125	22.423.378	11.539.737	1.509.845	3.721.892	12.631.518	79.808.914
<b>Opening Balance</b>	-	(204.973)	(669.145)	(5.579.881)	(677.060)	(2.027.986)	-	(9.159.045)
Period Expense	-	(171.276)	(655.197)	(906.392)	(213.319)	(356.168)	-	(2.302.352)
Adjustment	-	-	-	(1.318)	(146)	1.402	-	(84)
Disposals	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	-	(376.249)	(1.324.342)	(6.487.591)	(890.525)	(2.382.752)	-	(11.461.481)
<b>Carrying Value, net</b>	26.650.420	955.876	21.099.035	5.052.146	619.320	1.339.140	12.631.518	68.347.434



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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>31.12.2018</u>							
<u>Costs</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Opening Balance</b>	<b>26.650.420</b>	<b>1.332.125</b>	<b>13.220.769</b>	<b>9.785.817</b>	<b>1.736.008</b>	<b>2.947.028</b>	<b>3.576.722</b>	<b>59.248.889</b>
Purchases	-	-	304.868	32.742	310.350	227.244	10.603.012	11.478.196
Disposals	-	-	-	954.887	220.909	-	-	(1.175.796)
Reclassification	-	-	-	590.070	-	-	(691.384)	(101.294)
Adjustments	-	-	-	-	(23.604)	-	-	(23.604)
Transfer from Construction in Progress	-	-	8.808.340	-	-	-	(8.808.340)	-
<b>Closing Balance</b>	<b>26.650.420</b>	<b>1.332.125</b>	<b>22.333.977</b>	<b>9.453.742</b>	<b>1.801.845</b>	<b>3.174.271</b>	<b>4.680.010</b>	<b>69.426.390</b>

Accumulated Depreciation and Impairment

<b>Opening Balance</b>	-	(33.697)	(108.415)	(4.564.257)	(560.391)	(1.617.732)	-	(6.884.492)
Period Expense	-	(171.276)	(560.730)	(1.214.919)	(262.751)	(409.463)	-	(2.619.139)
Adjustment	-	-	-	(346)	124.579	(791)	-	123.442
Disposals	-	-	-	199.641	21.503	-	-	221.144
<b>Closing Balance</b>	-	(204.976)	(669.145)	(5.579.881)	(677.060)	(2.027.986)	-	(9.159.045)
<b>Carrying Value, net</b>	<b>26.650.420</b>	<b>1.127.149</b>	<b>21.664.832</b>	<b>3.873.861</b>	<b>1.124.786</b>	<b>1.146.285</b>	<b>4.680.010</b>	<b>60.267.345</b>

TSKB Gayrimenkul Değerleme A.Ş., which is an independent expertise company with CMB license, which is independent from to the Group, has valued the factory building and building in Çiğli / İzmir and the Factory Building construction in Ankara. The group management believes that the valuation companies have professional background and have up-to-date information about the class and location of the investment property.

According to expertise report dated 30 September 2017, total fair values of factory building and lands located in Çiğli / İzmir amounts TL 33.725.000, the total value of land and factory located in Ankara Industrial Estate set as TL 3.528.000. Property fair values are calculated according to market value method and discounted cash flow methods. There are TL 73.500.000, USD 5.000.000 and EUR 2.600.000 mortgage over property, plant and equipment's.



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**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

Useful lives of property, plant and equipment are as follows:

	Year
Land Improvements	5
Buildings	50
Plants, Machinery and Equipment	2-10
Plants, Machinery and Equipment (Leasing)	3-10
Vehicles	5
Furniture and Fixtures	2-10

The total amount of depreciation cost of property, plant and equipment is TL 2.302.352 (31.12.2018: TL 2.619.139). The amount of TL 1.468.781 (31.12.2018: 1.716.156 TL) is charged to cost of goods sold (Note 23), TL 376.438 (31.12.2018: TL 373.508) is charged to cost of service sold, TL 46.917 (31.12.2018: TL 63.462) is charged to research and development expenses, TL 47.249 (31.12.2018: TL 89.497) is charged to marketing expense (Note 23), TL 362.965 (31.12.2018: TL 376.516) is charged to general administrative expenses (Note 23).

As of 31.12.2019, there are USD 5.000.000, EUR 2.600.000 and TL 73.500.000 mortgage on property, plant and equipment (31.12.2018: EUR 2.600.000, USD 5.000.000 and TL 73.500.000 mortgage on property, plant and equipment). There is TL 10.406.000 insurance coverage (31.12.2018: TL 8.671.000).

**14. INTANGIBLE ASSETS**

	31.12.2019				
<u>Acquisition Cost</u>	<u>Rights</u>	<u>Capitalized Development Costs</u>	<u>Other Intangible Assets</u>	<u>Other Intangible Assets (restructured)</u>	<u>Total</u>
<b>1 January 2019</b>	<b>1.564.142</b>	<b>18.335.024</b>	<b>7.228.742</b>	<b>-</b>	<b>27.127.908</b>
Purchases	172.901	5.923.645	-	-	6.096.620
Transfers to property, plant and equipment	17.635	(1.236.554)	-	-	(1.218.919)
Difference from restructured financial lease contracts	-	-	-	309.750	309.750
Transfers to Inventories	-	(2.783.957)	-	-	(2.783.957)
<b>Closing Balance</b>	<b>1.754.678</b>	<b>20.238.158</b>	<b>7.228.742</b>	<b>309.750</b>	<b>29.531.329</b>
Accumulated Amortization	(1.146.879)	(675.587)	(2.026.797)	-	(3.849.263)
Period Expense	(256.023)	(331.187)	(1.005.684)	-	(1.592.893)
Adjustment	253	54	(227)	-	80
<b>Closing Balance</b>	<b>(1.402.649)</b>	<b>(1.006.720)</b>	<b>(3.032.708)</b>	<b>-</b>	<b>(5.442.076)</b>
Carrying Value	<b>352.030</b>	<b>19.231.438</b>	<b>4.196.034</b>	<b>309.750</b>	<b>24.089.252</b>



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14. INTANGIBLE ASSETS (continued)

31.12.2018

<u>Acquisition Cost</u>	<u>Rights</u>	<u>Capitalized Development Costs</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<b>1 January 2018</b>	<b>1.406.601</b>	<b>10.035.887</b>	<b>6.529.228</b>	<b>17.971.716</b>
Purchases	157.541	8.299.137	1.289.584	9.746.263
Transfers to property, plant and equipment	-	-	(590.070)	(590.070)
Disposals	-	-	-	-
<b>Closing Balance</b>	<b>1.564.142</b>	<b>18.335.024</b>	<b>7.228.743</b>	<b>27.127.909</b>
Accumulated Amortization	(865.861)	(344.697)	(1.210.742)	(2.421.300)
Period Expense	(282.869)	(330.023)	(994.044)	(1.606.936)
Disposals	-	-	178.967	178.967
<b>Closing Balance</b>	<b>(1.148.730)</b>	<b>(674.720)</b>	<b>(2.025.819)</b>	<b>(3.849.269)</b>
Carrying Value	<b>415.412</b>	<b>17.660.304</b>	<b>5.202.924</b>	<b>23.278.640</b>

Intangible assets consist of computer software and user licenses.

Total amortization expense for the current year amounts to TL 1.592.893. (31.12.2018: TL 1.606.936) TL 724.347 is charged to cost of sales (31.12.2018: TL 721.829) (Note 23)., TL 257.578 is charged to general administration expenses (31.12.2018: TL 250.946) (Note 23), TL 608.121 is charged to research and development expenses (TL 31.12.2018: TL 626.890) and TL 2.847 is charged to marketing expenses (31.12.2018: TL 7.721) (Note 23).

Useful lives terms of intangible assets are as follows:

	Useful Lives
Rights	3-15 years
Other Intangible Assets	3 years
Capitalized Development Costs	5 years

**Cost of Borrowing**

None. (31.12.2018: 1.928.281 TL)



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**15. LEASES**

**Operating Leases**

**The Group as lessee**

*Leasing Contracts:*

Group has 4 rental agreement related with Ankara and İzmir branch offices and İzmir storage buildings. Also, there are 3 vehicle rent agreements.

<b><u>Payments recognized as expenses:</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Minimum Rental Payments	1.340.077	1.126.528

<b><u>Minimum future lease payments:</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Within 1 year	1.340.077	1.126.528

**The Group as lessor**

The lease period for operational leases is the year 2018 which is related to leasing of vehicles, warehouses and offices. All operating leases are subject to reconsideration of conditions according to market conditions. The tenant does not have the right to purchase the property at the end of the lease period.

As of 31 December 2019, the Group earned TL 96.500 revenue from operating leasing (31.12.2018: 114.698 TL).

**16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<b><u>Short-Term Payable Provision</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Warranty Expense Provision	513.000	493.000
Provisions for Lawsuits	59.378	311.116
IFRS 16	953.393	--
<b>Total</b>	<b>1.525.771</b>	<b>804.116</b>

**Ongoing Lawsuits and Execution Proceedings**

There are 3 lawsuits amounting TL 59.378 filed and continuing as of 31 December 2019 which Group raised a full provision (31.12.2018: TL 311.116).



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**16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

**Collateral, Pledges, Mortgages, Bails**

Collaterals, Pledges, Mortgages and Sureties position table as of 31 December 2019 ve 31 December 2018 as below:

<b><u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u></b>	<b><u>31.12.2019</u></b>				
	<b><u>TL</u></b> <b><u>Equivalent</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>OAR</u></b>	<b><u>TL</u></b>
A. CPMB's given for company's own legal personality	288.409.873	10.891.624	16.214.828	162.000	115.607.058
B. CPMB's given on behalf of fully consolidated Companies	-	-	-	-	-
C. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-	-
D. CPMB's given within the scope of Corporate Governance Communique's 12/2 clause	-	-	-	-	-
I) Total amount of CPMB's given on behalf of majorly shareholder	-	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-	-
<b>Total</b>	<b>288.409.873</b>	<b>10.891.624</b>	<b>16.214.828</b>	<b>162.000</b>	<b>115.607.058</b>

<b><u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u></b>	<b><u>31.12.2018</u></b>			
	<b><u>TL Equivalent</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>TL</u></b>
A. CPMB's given for company's own legal personality	332.245.734	9.257.395	26.666.096	122.800.278
B. CPMB's given on behalf of fully consolidated Companies	-	-	-	-
C. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-
D. CPMB's given within the scope of Corporate Governance Communique's 12/2 clause	-	-	-	-
I) Total amount of CPMB's given on behalf of majorly shareholder	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-
<b>Total</b>	<b>332.245.734</b>	<b>9.257.395</b>	<b>26.666.096</b>	<b>122.800.278</b>

Group have not been given any "Other CPM". (31.12.2018: None).



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**16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

Collaterals, Pledges, Mortgages and Sureties position table as of 31 December 2019 ve 31 December 2018 as below:

<u>Collaterals, Pledges, Mortgages</u>	<u>31.12.2019</u>					<u>31.12.2018</u>				
	<u>Total TL Equivalent s</u>	<u>USD</u>	<u>EUR</u>	<u>OAR</u>	<u>TL</u>	<u>Total TL Equivalent s</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>	
Collaterals	155.788.315	5.891.624	12.534.828	162.000	37.160.708	205.311.844	4.257.395	22.986.096	44.353.928	
Pledges	696.350	-	-	-	696.350	696.350	-	-	696.350	
Mortgages	131.925.208	5.000.000	3.680.000	-	77.750.000	126.237.540	5.000.000	3.680.000	77.750.000	
<b>Total</b>	<b>288.409.873</b>	<b>10.891.624</b>	<b>16.214.828</b>	<b>162.000</b>	<b>115.607.058</b>	<b>332.245.734</b>	<b>9.257.395</b>	<b>26.666.096</b>	<b>122.800.278</b>	

**17. GOVERNMENT GRANTS**

Incentives received by the Group has been recognized under other income, are as follows:

- Group get benefit from SSI for the exemption from employer costs TL 1.507.952 within the scope of various laws of Social Security Institution (31.12.2018: 1.556.895).
- The Group also get benefit from tender decisions, contracts and payment of stamp duty exemption amounting TL 1.842.319 belonging to various public institutions in the frame of Tax, and Exemption Certificate which is regulated by Ministry of Economy on various dates. (31.12.2018: TL 958.946)
- The Group get tax and SSI Premium benefit regarding research and development amounting to TL 660.541 (31.12.2018: 638.835).
- Regarding the employee cost, the Group got corporate tax deduction regarding research and development operations amounting to TL 1.692.208 (31.12.2018: 1.601.712)
- The Group get benefit from the Teydep project incentive TL 128.670 (31.12.2018: None) and the ministry of commerce's design incentive TL 172.195 (31.12.2018: None).

**18. EMPLOYEE BENEFITS**

**Provision for Short-Term Employee Benefits**

Unused Vacation Provision

**Total**

**31.12.2019**

1.373.615

**1.373.615**

**31.12.2018**

1.327.926

**1.327.926**

**Provision for Long-Term Employee Benefits**

Severance Pay Provision

**Total**

**31.12.2019**

6.506.676

**6.506.676**

**31.12.2018**

5.386.098

**5.386.098**

**Scope of Employee Benefit Obligations**

Payables to Personnel

Social Security Premiums Payable

**Total**

**31.12.2019**

913.591

1.174.931

**2.088.522**

**31.12.2018**

1.229.881

868.206

**2.098.087**



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### 18. EMPLOYEE BENEFITS (continued)

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

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 ("Employee Benefits") stipulates the development of Company's liabilities by using actuarial valuation methods under defined benefit plans.

As at balance sheet date, provisions calculated according to assumption % 5 expected salary increasing rate and % 10,41 inflation rate and retiring assumption as follows. (31.12.2018: %5 expected salary increasing rate, %21,26 inflation rate)

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of December 31, 2019 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

Group's retirement pay provision calculated over amounting to TL 6.380 (31.12.2018: TL 5.434) which is effective from 1 July 2019.

The movement of provision for severance pay are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Provision as of 1 set January	5.386.098	4.500.334
Service Cost	1.615.147	1.186.627
Interest Cost	836.494	406.323
Severance Paid	(1.015.092)	(547.738)
Actuarial Gain / Loss (*)	(315.971)	(159.448)
<b>Total Provisions as of Period End</b>	<b>6.506.676</b>	<b>5.386.098</b>

(\*) For the year ended 31 December 2019, TL -315.971 (2018: TL -159.448) actuarial gain / losses recognized in other comprehensive income.

The total other service cost and interest costs have been included to the general administrative, marketing and general production expenses.

### 19. OTHER ASSETS AND LIABILITIES

<u>Other Current Assets</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Deferred VAT	47.896.284	38.479.551
Work Advances	461.993	241.313
Other	10.615	2.812
<b>Total</b>	<b>48.368.892</b>	<b>38.723.676</b>



## KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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## 20. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

### a) Capital

Company's capital structure as of 31 December 2019 and 31 December 2018 are as follows:

	<u>31.12.2019</u>		<u>31.12.2018</u>	
	<u>%Rate</u>	<u>Share Amount</u>	<u>Share Rate</u>	<u>Share Amount</u>
<b>Shareholders</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>TL</b>
İsmail Katmerci	25,81	19.354.000	37,31	9.328.333
Havva Katmerci	4,40	3.300.000	4,40	1.100.000
Mehmet Katmerci	4,40	3.300.000	4,40	1.100.000
Ayşenur Çobanoğlu	4,40	3.300.000	4,40	1.100.000
Furkan Katmerci	4,40	3.300.000	4,40	1.100.000
Listed (*)	56,59	42.446.000	45,09	11.271.667
<b>Capital</b>	<b>100,00</b>	<b>75.000.000</b>	<b>100,00</b>	<b>25.000.000</b>
<b>Paid-in Capital</b>		<b>75.000.000</b>		<b>25.000.000</b>

(\*) The listed part of the capital is trading in Istanbul Stock Exchange, Inc. (BIST).

Company's paid-in capital is TL 75.000.000 (31.12.2018: 25.000.000 TL) The paid-in capital consists of 75.000.000 registered shares. Each shares nominal value is 1 TL. 6.000.000 pcs. of shares nominative A Group and 69.000.000 pcs. of shares are nominal B Group shares. There is not any restriction on Katmerciler shares (31.12.2018 None).

A group shares are privileged and 4.800.000 pcs. owned by İsmail Katmerci, 3.300.000 pcs. own by Havva Katmerci, 3.300.000 pcs owned by Mehmet Katmerci, 3.300.000 pcs owned by Ayşenur Çobanoğlu and 3.300.000 pcs owned by Furkan Katmerci. Privileged shares give right to owner as mentioned below;

Company manages by the board of management consist of 5 people chosen by general assembly from the A group shareholders accordingly with Turkish Commercial Code. (Articles of Association article 10) issued shares are fully paid.

### **b) Gain from Sales of Treasury Shares**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Gain from Sales of Treasury Shares	2.239.089	1.839.173
	<b>2.239.089</b>	<b>1.839.173</b>



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**20. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)****c) Revaluation and Remeasurement Reserve**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Property, Plant and Equipment Revaluation and Remeasurement Gain / (Loss)	16.766.665	16.766.665
	<b>16.766.665</b>	<b>16.766.665</b>

**Property, Plant and Equipment Revaluation and Remeasurement Gain / (Loss)**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Opening Balance	16.766.665	16.766.665
Closing Balance	<b>16.766.665</b>	<b>16.766.665</b>

**d) Other Cumulative Comprehensive Income / Expense not to be Reclassified in Profit or Loss**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Defined Benefit Plans Actuarial Gain / Loss	(121.967)	(368.424)
	<b>(121.967)</b>	<b>(368.424)</b>

**e) Restricted Reserves**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Legal Reserves	4.515.382	4.477.769
<b>Total</b>	<b>4.515.382</b>	<b>4.477.769</b>

**f) Retained Profit / (Loss)**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Retained Profit / (Loss)	29.626.010	45.827.308
<b>Total</b>	<b>29.626.010</b>	<b>45.827.308</b>

**g) Non-controlling Interests**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Balance at 1 January	52.425	33.980
Additions / Disposals	-	1
Profit / (Loss) Attributable to Non-controlling Interest	28.203	18.444
Balance at 31 December	<b>80.628</b>	<b>52.425</b>

**h) Merge Effect of Common Controlled Entity and Business**

	<u>31.12.2019</u>	<u>31.12.2018</u>
Merge Effect of Common Control Transactions (*)	(1.759.039)	(1.759.039)
<b>Total</b>	<b>(1.759.039)</b>	<b>(1.759.039)</b>

(\*) Company has been purchased İspan and Profil's TL 89.000 and TL 466.677 nominal amount of shares by paying respectively TL 89.000 and TL 4.017.133 from shareholder İsmail Katmerci. This operation considered as "Merging of Common Controlled Entity and Business" and TL 1.759.039 difference between purchasing price and fair value discounted from purchasing price and presented as "Merge Effect of Common Control Transactions" in equity.



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

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**20. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**

**1) Dividend Distribution**

Publicly held companies make their dividend distribution according to CMB's announcement No-II-19, which published at 1 February 2014.

Partnerships, profits will be determined by the General Assembly in accordance with the dividend distribution policy and in accordance with the provisions of the relevant legislation by the General Assembly distributes. Comes within the scope of the notification a minimum distribution rate has not been determined. Companies based in contract or in the manner specified in the dividend distribution policy will pay dividends. In addition, dividends may be paid in installments of equal or different, consistent and interim financial statements of the profits in advance may distribute dividends in cash.

TCC based on separation of reserves required by the articles of association or dividend distribution policy for the shareholders determine dividend allotted other reserves to allocate to the next year to transfer profit and dividend shareholders, management board members subsidiaries to their employees and shareholders, persons other than the profit share to be distributed could not be given, as determined for the shareholders in cash dividends are paid on these shares may not be distributed to persons on the card.

**21. SALES AND COST OF SALES**

<b><u>Sales (net)</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Domestic Sales	179.950.632	163.150.908
- <i>Finished Good Sales</i>	179.950.632	163.150.908
Export Sales	99.010.593	102.849.639
Other Sales	2.394.226	5.614.011
- <i>Other Income</i>	2.394.226	5.614.011
<b>Total</b>	<b>281.355.451</b>	<b>271.614.558</b>
Return from Sales (-)	(2.441.448)	(1.132.843)
<b>Sales, (net)</b>	<b>278.914.003</b>	<b>270.481.715</b>
<b><u>Cost of Sales (-)</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
-Cost of Services	6.482.545	4.443.044
-Provisions for Severance Payments	1.976.694	1.009.409
-Cost of Finished Goods Sold	125.841.833	154.662.398
-Cost of Commercial Goods Sold	14.624.034	3.288.630
<b>Cost of Sales</b>	<b>148.925.106</b>	<b>163.403.481</b>
<b>Gross Profit (Loss)</b>	<b>129.988.897</b>	<b>107.078.234</b>



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**22. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES**

	<u>01.01.-31.12.2019</u>	<u>01.01.-31.12.2018</u>
General Administrative Expenses (-)	29.014.851	20.304.757
Marketing Expenses (-)	28.759.810	27.438.805
Research and Development Expenses (-)	1.827.641	1.351.892
<b>Total</b>	<b>59.602.302</b>	<b>49.095.454</b>

<u>General Administrative Expenses (-)</u>	<u>01.01.-31.12.2019</u>	<u>01.01.-31.12.2018</u>
Personnel Expenses	16.710.875	10.635.601
Services Rendered from 3rd Parties	969.984	1.073.602
Tax, Duties and Fees	1.257.622	963.173
Depreciation Expenses	786.736	627.014
Court case Execution and Notary Expense	460.929	611.481
Advisory Expenses	687.070	535.292
Rent Expenses	515.492	490.166
Travelling Expense	712.825	477.365
Contribution Expenses	338.683	382.933
Electricity, Water and Heating Expenses	309.435	301.149
Consulting Expenses	359.113	276.510
Communication Expense	117.784	104.078
Advertising Expenses	42.160	85.298
Maintenance Expenses	101.600	67.584
IT Expense	62.215	64.765
Insurance Expense	77.893	59.694
Capital increase expenses	245.265	-
Other Expenses	5.259.170	3.548.692
<b>Total</b>	<b>29.014.851</b>	<b>20.304.757</b>



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**22. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH  
AND  
DEVELOPMENT EXPENSES (continued)**

<u>Marketing Expenses (-)</u>	<u>01.01.-31.12.2019</u>	<u>01.01.-31.12.2018</u>
Export Commissions	9.081.048	1.821.919
Domestic Sales, Service, Commission Expenses	6.693.809	9.333.247
Personnel Expenses	4.545.703	5.248.130
Export Expenses	2.915.680	3.226.181
Travelling Expense	880.453	852.469
Rent Expenses	845.324	767.072
Exhibition Expense	610.970	920.566
Tax, Duties and Fees	268.602	1.275.632
Court case Execution and Notary Expense	248.081	234.280
Transportation Expense	234.301	437.269
Services Rendered from 3rd Parties	205.071	136.783
Electricity, Water and Heating Expenses	191.270	249.140
Representation Expenses	182.763	366.094
Tender Expense	125.212	139.426
Depreciation Expenses	51.395	97.218
Communication Expense	40.691	46.455
Insurance Expense	33.069	53.292
Contribution Expenses	13.683	16.443
Maintenance Expenses	7.335	11.142
Advertising Expenses	3.679	483
Other Expenses	1.581.671	2.205.564
<b>Total</b>	<b>28.759.810</b>	<b>27.438.805</b>

<u>Research and Development Expenses (-)</u>	<u>01.01.-31.12.2019</u>	<u>01.01.-31.12.2018</u>
Personnel Expenses	743.386	593.640
Equipment Expenses	785.417	580.081
Depreciation Expenses	106.460	95.787
Consultancy Expenses	139.291	44.411
Training Expenses	90	3.515
Contribution Expenses	2.713	3.419
Other Expenses	50.284	31.039
<b>Total</b>	<b>1.827.641</b>	<b>1.351.892</b>



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**23. EXPENSES BY NATURE**

<b>Depreciation Expense</b>	<b>01.01-31.12.2019</b>	<b>01.01-31.12.2018</b>
General Production Expenses	1.468.781	1.716.156
Service Cost	376.438	373.508
Research and Development Expenses	46.917	63.462
Marketing Expenses	47.249	89.497
General Administrative Expenses	362.965	376.516
<b>Total</b>	<b>2.302.352</b>	<b>2.619.139</b>

<b>Amortization Expenses</b>	<b>01.01-31.12.2019</b>	<b>01.01-31.12.2018</b>
General Production Expenses	724.347	721.829
Research and Development Expenses	608.121	626.890
Marketing Expenses	2.847	7.721
General Administrative Expenses	257.578	250.496
<b>Total</b>	<b>1.592.893</b>	<b>1.606.936</b>

<b>Personnel Expenses</b>	<b>01.01-31.12.2019</b>	<b>01.01-31.12.2018</b>
Personnel Expenses	23.733.582	20.084.822
Severance Pay Expense	2.451.641	1.592.950
Vacation Provision Expense	45.689	221.417
<b>Total</b>	<b>26.230.912</b>	<b>21.899.189</b>

**24. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

<b>Other Operating Income</b>	<b>01.01.-31.12.2019</b>	<b>01.01.-31.12.2018</b>
Reversal of Provisions	4.320.748	2.024.022
Foreign Exchange Differences from Trading Operations	30.384.050	84.491.508
Rediscount Income	191.584	287.769
Other	3.351.535	3.172.915
<b>Total</b>	<b>38.247.917</b>	<b>89.976.214</b>

<b>Other Operating Expenses</b>	<b>01.01.-31.12.2019</b>	<b>01.01.-31.12.2018</b>
Provision Expense (-)	(230.907)	(3.976.687)
Foreign Exchange Differences from Trading Operations (-)	(28.801.917)	(64.343.202)
Rediscount Expense (-)	(279.118)	(145.115)
Other Expenses	(117.480)	(222.313)
<b>Total</b>	<b>(29.429.422)</b>	<b>(68.687.317)</b>



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**25. INCOME AND EXPENSES FROM INVESTING OPERATIONS**

<b><u>Other Income from Investing Activities</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Rental Income	96.500	114.698
Gain on Sale of Property, Plant and Equipment's	-	2.021.705
Income from Sale of Marketable Securities	136.801	27.653
Interest Income	2.493.132	1.661.491
Other	16.221	1.969
<b>Total</b>	<b>2.742.654</b>	<b>3.827.516</b>

**26. FINANCIAL INCOME AND EXPENSES**

<b><u>Financial Income</u></b>	<b><u>01.01.2018 -31.12.2019</u></b>	<b><u>01.01.2018- 31.12.2018</u></b>
Foreign Exchange Gains	43.945.210	43.904.299
<b>Total</b>	<b>43.945.210</b>	<b>43.904.299</b>

<b><u>Financial Expense</u></b>	<b><u>01.01.2018-31.12.2019</u></b>	<b><u>01.01.2018-31.12.2018</u></b>
Interest and Commission Expense (-)	72.607.058	40.661.657
Foreign Exchange Losses (-)	71.443.693	104.451.310
<b>Total</b>	<b>144.050.751</b>	<b>145.112.967</b>



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**27. INCOME TAXES**

		01.01-31.12.2019		01.01-31.12.2018	
Profit/(Loss) for the year		(13.535.707)		(15.699.887)	
Less: current period tax expense		4.606.024		2.409.588	
<b>Profit/loss before tax</b>	<b>%</b>	<b>(18.141.731)</b>	<b>%</b>	<b>(18.109.475)</b>	
Calculated tax via statutory rate	22%	3.991.181	22%	3.984.085	
Non-deductible expenses	-5%	(841.909)	-4%	(766.615)	
Discounts / exceptions	-9%	1.692.208	-3%	480.769	
Other	-1%	(235.456)	7%	(1.288.651)	
<b>Total tax income/(expense) recognized in profit or loss</b>	<b>8%</b>	<b>4.606.024</b>	<b>-13%</b>	<b>2.409.588</b>	

**Corporate Tax**

The Group is subject to corporate tax resolutions applied in Turkey. Provision is made in the accompanying financial statements for the estimated tax liabilities related to the Group's results for the current period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2019 is %22 (2018: %22).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2019 (2018: 22%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior year's retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.



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**27. INCOME TAXES (continued)****Income Tax Withholding**

In addition to corporate taxes, for which their share of the profit from the distribution of dividends in the event of the company's income in the statements, including non-resident institutions and branches of foreign companies in Turkey on any dividends distributed, except for the calculation of income tax withholding is required. Income tax for the period 24 April 2003 - 22 July 2006 was 10%. This rate changed starting from 22 July 2006 with the decision of Council of Minister numbered 2006/10731 to be 15%. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

	<u>Deferred Tax</u> <u>Income</u>		<u>Deferred Tax</u> <u>Expense</u>		<u>Deferred Tax</u> <u>Income/Expense</u>	
	2019	2018	2019	2018	2019	2018
Property, plant and equipment and intangible assets	-	-	361.581	(289.863)	361.581	(289.863)
Provisions	(64.471)	722.002	-	-	(64.471)	722.002
Rediscount	(20.620)	(59.506)	-	-	(20.620)	(59.506)
Inventory Impairment	-	(147.612)	-	-	-	(147.612)
Severance Pay	270.606	229.947	-	-	270.606	229.947
Tax losses carried forward	3.594.945	2.450.110	-	-	3.594.945	2.450.110
Other	1.144.139	145.387	-	-	1.144.139	145.387
<b>Total Deferred Tax Income/(Expense)</b>	<b>4.924.599</b>	<b>3.340.328</b>	<b>361.581</b>	<b>(289.863)</b>	<b>5.286.180</b>	<b>3.050.465</b>
Set Off of Tax	361.581	(289.863)	(361.581)	289.863	-	--
<b>Net Deferred Tax Income/(Expense)</b>	<b>5.286.180</b>	<b>3.050.465</b>	<b>--</b>	<b>--</b>	<b>5.286.180</b>	<b>3.050.465</b>

**Deferred Tax**

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is calculated using tax rates that have been enacted in the period in which assets acquired and/or liabilities carried out and included in the statement of income as income or expense.

Deferred tax rate is %22. (2018: %22)



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**27. INCOME TAXES (continued)**

The details of tax income / expense for the years ended 31 December are as follows:

	2019	2018
<b><u>Income tax expense recognized in profit or loss</u></b>		
<b>Current tax expense</b>		
Current tax expense	(680.156)	(640.877)
<b><u>Deferred tax income/(expense):</u></b>		
Arising from Temporary Differences	1.691.235	600.355
Arising from Tax losses carried forward	3.594.945	2.450.110
	<b>4.606.024</b>	<b>2.409.588</b>
<b><u>Recognized in Other Comprehensive Income</u></b>		
<b>Deferred tax income/(expense):</b>		
Tax effects of actuarial differences	(69.514)	(35.079)
<b>Total</b>	<b>(69.514)</b>	<b>(35.079)</b>
<b>Total tax effect income/ (expense)</b>	<b>4.536.510</b>	<b>2.374.509</b>

***Current Period Tax Assets/Liabilities***

	31.12.2019	31.12.2018
Assets related to current period tax	1.015.208	1.286.990
<b>Balance at 31 December</b>	<b>1.015.208</b>	<b>1.286.990</b>

***Current tax reconciliation***

	31.12.2019	31.12.2018
Balance at 1 January	(1.286.990)	(746)
Recognized in profit or loss	680.156	640.877
Paid	(408.374)	(1.927.121)
<b>Balance at 31 December</b>	<b>(1.015.208)</b>	<b>(1.286.990)</b>

***Current Period Tax Assets/Liabilities***

	31.12.2019	31.12.2018
Deferred Tax Asset	21.998.637	14.990.276
Deferred Tax Liabilities	(11.507.658)	(9.841.575)
<b>Balance at 31 December</b>	<b>10.490.979</b>	<b>5.148.701</b>



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27. INCOME TAXES (continued)

*Deferred tax reconciliation*

	31.12.2019	31.12.2018
Balance at 1 January	5.148.701	1.920.720
Recognized in profit or loss	5.286.180	3.050.465
Recognized in other comprehensive income	(69.514)	(35.079)
IFRS 16 adjustment (Not:2.1.3)	84.135	-
Other	41.477	212.593
<b>Balance at 31 December</b>	<b>10.490.979</b>	<b>5.148.701</b>

*Tax losses carried forward*

		31.12.2019		31.12.2018	
Year which tax loss occurred	Expiration Date	Tax Losses	Deferred Tax	Tax Losses	Deferred Tax
2018	2023	11.136.866	2.450.110	11.136.866	2.450.110
2019	2024	16.340.659	3.594.945	-	-
<b>Total</b>		<b>27.477.525</b>	<b>6.045.055</b>	<b>11.136.866</b>	<b>2.450.110</b>

28. EARNING PER SHARE

Balances with Related Parties	<u>01.01.2019</u>	<u>31.12.2019</u>	<u>01.01.2018</u>	<u>31.12.2018</u>
Net Profit / (Loss), Parent		(13.563.910)		(15.718.331)
Weighted Average Number of Shares		75.000.000		25.000.000
Earnings / (Loss) Per Share from Continuing Operations		(0,18)		(0,63)



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**29. RELATED PARTY DISCLOSURES**

	<b>31.12.2019</b>			
	<b>Receivable</b>		<b>Liabilities</b>	
	<b>Short-Term</b>		<b>Short-Term</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
<b>Balances with Related Parties</b>				
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(*)	3.039.803	--	--	--
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	67.947	--	--	--
Shareholders	--	--	--	2.984.817
<b>Total</b>	<b>3.107.750</b>	<b>--</b>	<b>--</b>	<b>2.984.817</b>

	<b>31.12.2018</b>			
	<b>Receivable</b>		<b>Liabilities</b>	
	<b>Short-Term</b>		<b>Short-Term</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
<b>Balances with Related Parties</b>				
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(*)	932.040	--	--	--
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	29.741	--	--	--
Shareholders	--	--	--	8.867.985
<b>Total</b>	<b>961.781</b>	<b>--</b>	<b>--</b>	<b>8.867.985</b>



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**29. RELATED PARTY DISCLOSURES (continued)**

Transactions with related parties between 01.01.-31.12.2019 and 01.01.-31.12.2018 as follows:

**01 January - 31 December 2019**

<b>Transactions with Related Parties</b>	<b>Purchases</b>	<b>Sales</b>
Shareholders (*)	309.600	6.797
Related Party	-	-
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(**)	8.585.750	-
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	-	10.195
<b>Total</b>	<b>8.895.350</b>	<b>16.992</b>

(\*) It is a result of the leasing of the properties owned by the partners.

(\*\*) It originates from the production facility completed in Ankara Capital Organized Industrial Zone.

**01 January - 31 December 2018**

<b>Transactions with Related Parties</b>	<b>Purchases</b>	<b>Sales</b>
Shareholders (*)	258.000	5.664
Related Party	-	-
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(**)	9.008.000	-
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	-	7.788
<b>Total</b>	<b>9.266.000</b>	<b>13.452</b>

(\*) It is a result of the leasing of the properties owned by the partners.

(\*\*) The amount is related with construction cost of management building located in ve İzmir AOSB and production facility located in Ankara Başkent Organized Industrial Zone.

**30. KEY MANAGEMENT PERSONNEL**

The Group's top management consists of chairman of the executive board and board members, general manager, executive president and acting chairman, chief financial officer, export sales director. Benefits to key management personnel for the period 1 January-31 December 2019 and 1 January-31 December 2018 are listed below:

<b>Benefits to Key Personnel</b>	<b>01.01-31.12.2019</b>	<b>01.01-31.12.2018</b>
Salary, bonus, and other benefits	2.556.947	2.810.134
Severance pay provision	103.681	70.836
<b>Total</b>	<b>2.660.628</b>	<b>2.880.970</b>



### 31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

#### **a) Capital Risk Management**

The aims of Group are to be beneficial for all shareholders and maintaining the best capital combination to reduce capital cost and keeping on entity when managing the capital.

The Group's share capital structure consists of the financial liabilities disclosed in Note 6, the cash and cash equivalents disclosed in Note 4 and paid-in capital, other reserves, premiums / discounts on shares, revaluation gains and losses, including the restated measurement of profit / loss, defined benefit plans, retained earnings / losses, retained earnings reserves and retained earnings/losses disclosed in Note 20.

Group capital cost and each risk regarding capital evaluate by executives. According to the evaluate company aim to equalize the capital structure by borrowing, redemption, dividend payment and issuance of shares.

The Group uses Liabilities / Equity rate while they follow capital sufficiency. This rate is found by net liabilities divided by total equity. Net liabilities are counted by cash and cash equivalents minus total liabilities which appears in balance sheet.

Equity to debts ratio as of 31 December 2019 and 2018 are as follows:

	<u>31.12.2019</u>	<u>31.12.2018</u>
Financial Liabilities	556.897.886	437.546.764
Less: Cash and Cash Equivalents	(33.948.135)	(24.738.007)
Net Financial Liabilities	<u>522.949.751</u>	<u>412.808.757</u>
Total Equity	112.782.858	76.117.546
Liabilities / Equity Ratio	4,64	5,42

The Group's current capital risk management strategy does not differ from previous periods.

#### **b) Financial Risk Factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

##### **b.1) Credit Risk**

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk. Company trying to decrease credit risk by making operations with confidential parties and attain enough collateral. Trade receivables contain lots of customers gathered on same sector and geographical area. Credit consideration making over Customer's trade receivables permanently.



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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.1) Credit Risk (continued)**

Types of credit risks subject to financial instruments:

	31.12.2019		Receivables			Cash and Cash Equivalents	
	Current Period		Trade Receivables		Other Receivables		
	Related Parties	3rd Parties	Related Parties	3rd Parties	Related Parties		3rd Parties
<b>The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D) (1)</b>	<b>3.107.750</b>	<b>142.732.960</b>	-	<b>7.859.323</b>	<b>33.893.115</b>		
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	
<b>A. Financial assets that are either past due or impaired (2)</b>	<b>3.107.750</b>	<b>142.732.960</b>	-	<b>7.859.323</b>	<b>33.893.115</b>		
<b>B. The amount of financial assets that are past due as at the end of reporting period but not impaired</b>	-	-	-	-	-	-	
<b>C. The amount of financial assets that are impaired (3)</b>	-	-	-	-	-	-	
- Overdue (gross book value)	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	
- Net value guaranteed with collateral etc.	-	-	-	-	-	-	
- Not overdue (gross book value)	-	-	-	-	-	-	
- Impairment (-)	-	7.687.988	-	-	-	-	
- Net value guaranteed with collateral etc.	-	(7.687.988)	-	-	-	-	
<b>D. Off balance sheet credit risk amount</b>	-	-	-	-	-	-	



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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.1) Credit Risk (continued)**

	31.12.2018	Receivables						Cash and Cash Equivalents	
		Trade Receivables			Other Receivables				Trade Receivables
		Related Parties	3rd Parties	3rd Parties	Related Parties	3rd Parties	Related Parties		
<b>The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D) (1)</b>		961.781	117.070.462	117.070.462	-	4.344.640	24.689.231		
- Total receivable that have been secured with collaterals, other credit enhancements etc.		-	-	-	-	-	-		
A. Financial assets that are either past due or impaired (2)		961.781	117.070.462	117.070.462	-	4.344.640	24.689.231		
B. The amount of financial assets that are past due as at the end of reporting period but not impaired		-	-	-	-	-	-		
C. The amount of financial assets that are impaired (3)		-	-	-	-	-	-		
- Overdue (gross book value)		-	-	-	-	-	-		
- Impairment (-)		-	-	-	-	-	-		
- Net value guaranteed with collateral etc.		-	-	-	-	-	-		
- Not overdue (gross book value)		-	-	-	-	-	-		
- Impairment (-)		-	7.719.494	7.719.494	-	-	-		
- Net value guaranteed with collateral etc.		-	(7.719.494)	(7.719.494)	-	-	-		
D. Off balance sheet credit risk amount		-	-	-	-	-	-		

(1) It was not considered collaterals taken which is raising credit reliability when the amounts were determined

(2) All of the trade receivables are receivables from clients. Company management predicted that it would not be encountered any problem regarding Collection of Receivables because of considering their past experiences.

(3) Impairment tests, Company's receivables from customers regarding the policy framework set by the management is made in doubtful receivables.



**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)****b) Financial Risk Factors (continued)****b.2) Liquidity Risk Management**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Company's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections. The Company manages short, medium- and long-term funding and liquidity management requirements by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments. The Company does not have any derivative liabilities.

**Current Period**

Terms According to Agreements	Book Value	According to the Contracts	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
		Total Cash Outflows (=I+II+III+IV)			
<b>Non-derivative financial liabilities</b>	<b>632.979.574</b>	<b>632.979.574</b>	<b>40.898.513</b>	<b>61.509.996</b>	<b>530.571.065</b>
Bank Credits	550.278.230	550.278.230	7.487.709	17.400.198	525.390.323
Principals and Interest Payments of Long-Term Loans	1.178.518	1.178.518	-	1.178.518	-
Financial Leasing Liabilities	5.441.138	5.441.138	65.098	195.298	5.180.742
Trade Payables	70.314.642	70.314.642	27.578.660	42.735.982	-
Other Payables	5.767.046	5.767.046	5.767.046	-	-
<b>TOTAL</b>	<b>632.979.574</b>	<b>632.979.574</b>	<b>40.898.513</b>	<b>61.509.996</b>	<b>530.571.065</b>

**Previous Period**

Terms According to Agreements	Book Value	According to the Contracts	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
		Total Cash Outflows (=I+II+III+IV)			
<b>Non-derivative financial liabilities</b>	<b>519.631.971</b>	<b>519.631.971</b>	<b>207.037.584</b>	<b>160.541.805</b>	<b>152.052.582</b>
Bank Credits	393.046.916	393.046.916	156.896.360	87.435.977	148.714.579
Principals and Interest Payments of Long-Term Loans	39.149.264	39.149.264	9.503.696	29.645.568	-
Financial Leasing Liabilities	5.350.584	5.350.584	650.822	1.361.759	3.338.003
Trade Payables	71.055.952	71.055.952	28.957.451	42.098.501	-
Other Payables	11.029.255	11.029.255	11.029.255	-	-
<b>TOTAL</b>	<b>519.631.971</b>	<b>519.631.971</b>	<b>207.037.584</b>	<b>160.541.805</b>	<b>152.052.582</b>



**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.3) Market Risk Management**

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

In the current year, the Group's exposure to market risks or exposures to the risk management and assessment, has not changed compared to the previous year.

**b.3.1) Foreign Exchange Risk Management**

Foreign currency transactions expose the Group to foreign currency risk. These risks are monitored and limited by the analysis of foreign currency position.

The group's foreign currency denominated monetary and non-monetary assets and liabilities as of the date of the balance sheet are as follows:



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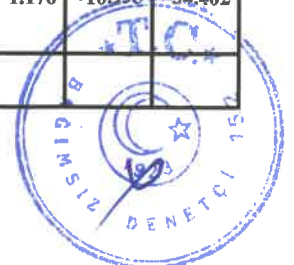
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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.3.1) Foreign Exchange Risk Management (continued)**

CONSOLIDATED FOREIGN EXCHANGE POSITION TABLE							
31.12.2019							
	TL Equivalent	USD	Euro	GBP	CHF	QA	SE
1.Trade Receivables	136.684.243	7.659.391	13.710.932	-	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	22.568.474	2.014.142	1.593.013	1.231	-	-	14
2b. Non-Monetary Financial Assets	35.237.139	5.084.649	751.730	4.353	-	-	0
3.Other	-	-	-	-	-	-	-
<b>4.Current Assets (1+2+3)</b>	<b>194.489.856</b>	<b>14.758.182</b>	<b>16.055.675</b>	<b>5.584</b>	-	-	<b>14</b>
5. Trade Receivables	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-
<b>8.Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.Total Assets (4+8)</b>	<b>194.489.856</b>	<b>14.758.182</b>	<b>16.055.675</b>	<b>5.584</b>	-	-	<b>14</b>
10.Trade Payables	33.615.437	1.453.215	3.735.401	10.400	1.176	10.993	54.416
11.Financial Liabilities	26.926.007	34.582	4.017.770	-	-	-	-
12a.Other Monetary Financial Liabilities	442.609	20.192	48.516	-	-	-	-
12b.Other Non-Monetary Financial Liabilities	90.797.475	8.819.291	5.775.287	-	-	-	-
<b>13.Short-Term Liabilities (10+11+12)</b>	<b>151.781.529</b>	<b>10.327.281</b>	<b>13.576.974</b>	<b>10.400</b>	<b>1.176</b>	<b>10.993</b>	<b>54.416</b>
14. Trade Payables	-	-	-	-	-	-	-
15.Financial Liabilities	477.308.300	2.980.796	69.106.813	-	-	-	-
16a.Other Monetary Financial Liabilities	-	-	-	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-
<b>17.Long-Term Liabilities (14+15+16)</b>	<b>477.308.300</b>	<b>2.980.796</b>	<b>69.106.813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>629.089.828</b>	<b>13.308.077</b>	<b>82.683.787</b>	<b>10.400</b>	<b>1.176</b>	<b>10.993</b>	<b>54.416</b>
19.Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-	-	-	-
19a.Total Assets Hedged	-	-	-	-	-	-	-
19b.Total Liabilities Hedged	-	-	-	-	-	-	-
<b>20.Net Foreign Currency Assets / (Liabilities) (9-18+19)</b>	<b>-434.599.972</b>	<b>1.450.105</b>	<b>-66.628.113</b>	<b>-4.815</b>	<b>-1.176</b>	<b>-10.993</b>	<b>-54.402</b>
<b>21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>-379.039.635</b>	<b>5.184.747</b>	<b>-61.604.555</b>	<b>-9.168</b>	<b>-1.176</b>	<b>-10.993</b>	<b>-54.402</b>
<b>22. Total Fair Value of Financial Instruments Used for Currency Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.3.1) Foreign Exchange Risk Management (continued)**

CONSOLIDATED FOREIGN EXCHANGE POSITION TABLE				
31.12.2018				
	TL Equivalent	USD	Euro	GBP
1.Trade Receivables	106.461.127	6.830.393	11.699.393	-
2a. Monetary Financial Assets (including cash and bank accounts)	21.822.617	924.935	2.812.771	189
2b. Non-Monetary Financial Assets	27.783.824	3.550.879	1.504.903	4.728
3.Other	-	-	-	-
<b>4.Current Assets (1+2+3)</b>	<b>156.067.569</b>	<b>11.306.206</b>	<b>16.017.594</b>	<b>4.917</b>
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7.Other	-	-	-	-
<b>8.Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.Total Assets (4+8)</b>	<b>156.067.569</b>	<b>11.306.206</b>	<b>16.017.594</b>	<b>4.917</b>
10.Trade Payables	36.513.874	956.253	5.222.815	-
11.Financial Liabilities	151.417.383	8.827.500	17.414.862	-
12a.Other Monetary Financial Liabilities	438.219	18.311	56.716	-
12b.Other Non-Monetary Financial Liabilities	33.665.406	591.403	5.068.695	-
<b>13.Short-Term Liabilities (10+11+12)</b>	<b>222.034.882</b>	<b>10.393.468</b>	<b>27.763.088</b>	<b>-</b>
14.Trade Payables	-	-	-	-
15.Financial Liabilities	74.084.696	140.540	12.167.440	-
16a.Other Monetary Financial Liabilities	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-
<b>17.Long-Term Liabilities (14+15+16)</b>	<b>74.084.696</b>	<b>140.540</b>	<b>12.167.440</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>296.119.578</b>	<b>10.534.008</b>	<b>39.930.528</b>	<b>-</b>
19.Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-
19a.Total Assets Hedged	-	-	-	-
19b.Total Liabilities Hedged	-	-	-	-
<b>20.Net Foreign Currency Assets / (Liabilities) (9-18+19)</b>	<b>-140.052.009</b>	<b>772.199</b>	<b>-23.912.934</b>	<b>4.917</b>
<b>21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>-379.039.635</b>	<b>5.184.747</b>	<b>-61.604.555</b>	<b>9.168</b>
<b>22. Total Fair Value of Financial Instruments Used for Currency Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.3) Market Risk Management (continued)**

**b.3.1) Foreign Exchange Risk Management (continued)**

The Group is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD and EURO.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items.

Exchange Rate Risk Analysis Table			
31.12.2019			
	Profit / Loss		Equity
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency
10% change in USD against TL:			
1-USD Net Assets / Liabilities	861.391	(861.391)	-
2-The Amount of USD Hedging (-)	-	-	-
<b>3-USD Net Effect (1+2)</b>	<b>861.391</b>	<b>(861.391)</b>	-
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(44.311.693)	44.311.693	-
5-The Amount of EUR Hedging (-)	-	-	-
<b>6-EUR Net Effect (4+5)</b>	<b>(44.311.693)</b>	<b>44.311.693</b>	-
<b>TOTAL (3+6)</b>	<b>(43.450.301)</b>	<b>43.450.301</b>	-
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	(3.745)	3.745	-
8- The Amount of Other Hedging (-)	-	-	-
<b>9- Other Net Effect (7+8)</b>	<b>(3.745)</b>	<b>3.745</b>	-
<b>TOTAL (3+6+9)</b>	<b>(43.454.046)</b>	<b>43.454.046</b>	-
Exchange Rate Risk Analysis Table			
31.12.2018			
	Profit/Loss		Equity
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency
10% change in USD against TL:			
1-USD Net Assets / Liabilities	(1.150.705)	1.150.705	-
2-The Amount of USD Hedging (-)	-	-	-
<b>3-USD Net Effect (1+2)</b>	<b>(1.150.705)</b>	<b>1.150.705</b>	-
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(12.266.463)	12.266.463	-
5-The Amount of EUR Hedging (-)	-	-	-
<b>6-EUR Net Effect (4+5)</b>	<b>(12.266.463)</b>	<b>12.266.463</b>	-
<b>TOTAL (3+6)</b>	<b>(13.417.167)</b>	<b>13.417.167</b>	-
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	125	(125)	-
8- The Amount of Other Hedging (-)	-	-	-
<b>9- Other Net Effect (7+8)</b>	<b>125</b>	<b>(125)</b>	-
<b>TOTAL (3+6+9)</b>	<b>(13.417.042)</b>	<b>13.417.042</b>	-



**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)****b) Financial Risk Factors (continued)****b.3) Market Risk Management (continued)****b.3.2) Interest Rate Risk Management**

The Company borrows funds at fixed and variable rates that the Company is exposed to interest rate risk. By the Company, such risk is managed between fixed and variable rate debt by making an appropriate distribution with the interest rate swap contracts and term interest rate contracts. Hedging strategies, with the interest rate expectations and defined risk, is evaluated on a regular basis. Thus, the creation of an optimal hedging strategy, is intended to control review to balance sheet position and interest payments with different interest rates.

The interest rate risk table as at 31.12.2019 and 31.12.2018 are presented as below:

<b>Interest Position Table</b>			<b>Current Period</b>	<b>Previous Period</b>
<b>Fixed-Rate Financial Instruments</b>				
	Financial assets fair value through profit or loss		-	-
Financial Assets	Cash and Cash Equivalents			-
Financial Liabilities			<b>556.897.886</b>	<b>362.382.401</b>
Euro Loans		-	476.941.191	96.539.361
Usd Loans		-	17.525.951	-
TL Loans		-	55.811.088	111.991.707
Principal Payments of Long-Term Loans		-	1.178.518	7.493.303
Leasing Payables		-	5.441.138	4.632.109
<b>Floating-rate Financial Instruments</b>				
Financial Assets				
Financial Liabilities			-	<b>75.164.363</b>
Euro Loans		-	-	34.940.042
Usd Loans		-	-	-
TL Loans		-	-	40.224.321
Issued Bonds		-	-	-

Group's financial liabilities are mainly fixed rated borrowings. In addition, Company is exposed to interest rate risk because of floating-rated financial liabilities. The Group's short- and long-term debts to financial institutions (Banks, Financial Leasing and participation bank etc.) were restructured within the scope of the protocol signed in 03.04.2019 and the variable interest rates of financial instruments were reclassified as fixed interest financial instruments.



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**32. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES)**

Group management think that the carrying values of financial instruments represent their fair values.

	Financial Assets at Fair Value Through Profit or Loss	Financial Asset Measured at Amortized Cost	Financial assets at Fair Value Through Other Comprehensive Income	Financial Liabilities are Measured at Amortized Cost	Book Value	Note
<b>31.12.2019</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents		33.948.135			33.948.135	4
Trade Receivables		145.840.710			145.840.710	7
Other Receivables		7.836.647			7.836.647	8
Financial Investments					8.181.583	5
<b>Financial Liabilities</b>						
Financial Payables				556.897.886	556.897.886	6
Trade Payables				70.314.642	70.314.642	7
Other Payables				5.767.046	5.767.046	8
<b>31.12.2018</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents		24.738.007			24.738.007	4
Trade Receivables		118.032.243			118.032.243	7
Other Receivables		4.230.042			4.230.042	8
Financial Investments	121.644				121.644	5
<b>Financial Liabilities</b>						
Financial Payables				437.546.764	437.546.764	6
Trade Payables				71.055.952	71.055.952	7
Other Payables				11.029.255	11.029.255	8



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**32. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES) (continued)**

Financial Instrument fair values determine as follows;

- First Level: Financial Instruments valued with market values of the similar instruments which traded on active market.
- Second Level: Financial Instruments valued with data uses to find price which observable directly or indirectly on the market in addition to first level.
- Third Level: Financial Instruments valued with data which not based on data uses to find fair value of the instruments on the market.

**33. SUBSEQUENT EVENTS**

**31.12.2019:**

- As at 31 December 2019, TL 6.380 severance pay ceiling has been increased to TL 6.730 to be effective from 1 January 2020.

**31.12.2018:**

- As at 31 December 2018, TL 5.434 severance pay ceiling has been increased to TL 6.017 to be effective from 1 January 2019.

