

**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 2021
(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 2021, 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 the 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRSs”).

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>Revenue Recognition</p> <p>The Company and its subsidiaries operate in all kinds of on-board equipment manufacturing, dyeing and welding work.</p> <p>The Group'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 performance and the results of the Group strategy and inherently has risk of fraud and error.</p> <p>For the year ended 31 December 2021, the Company's sales revenue is TL 400.554.104 and the accounting policies and amounts related to revenue are disclosed in Note 2.2 k and Note 20.</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"> • The design and implementation of the controls that are set for the management of the relevant process are examined. In this context, the Group's sales and delivery procedures have been audited. • 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. • 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. <p>In addition, the adequacy of the disclosures in Note 2.2 k and Note 20-Revenue has been assessed according to TFRS 15.</p> <p>As a result of the procedures we have applied regarding the 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 TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 11 March 2022.
- 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 2021, 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.



Tayyip Yaşar, YMM
Partner

İstanbul, 11 March 2022

Aksis Uluslararası Bağımsız Denetim A.Ş.



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

Monetary Unit: Turkish Lira ("TL")

Assets	Note	Audited	Audited
		31 December 2021	31 December 2020
Current assets		1.571.608.931	917.166.118
Cash and cash equivalents	4	93.945.220	10.445.910
Financial investments	5	4.718.787	165.852
Trade receivables		348.880.162	197.587.899
- Trade receivables from third parties	7	348.880.162	197.587.899
Other receivables		3.363.554	4.019.581
- Other receivables from third parties	8	3.363.554	4.019.581
Inventories	9	718.524.429	573.654.237
Prepaid expenses	10	329.376.440	69.230.254
Current tax assets	26	32.925	--
Other current assets	18	72.767.414	62.062.385
Total non-current assets		195.519.408	186.935.388
Other receivables		20.948	22.676
- Other receivables from third parties	8	20.948	22.676
Equity accounted investees	11	-	46.995
Investment property	12	5.390.000	5.390.000
Property, plant and equipment	13	105.094.897	98.663.039
Intangible assets	14	24.021.611	24.096.261
Prepaid expenses	10	36.436.936	24.072.133
Deferred tax assets	26	24.555.016	34.644.284
Total assets		1.767.128.339	1.104.101.506

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

Monetary Unit: Turkish Lira (“TL”)

Liabilities	Note	Audited 31 December 2021	Audited 31 December 2020
Short-term borrowings	6	27.544.000	51.340.178
Short-term portion of long-term borrowings	6	44.182.029	105.430.236
Trade payables		124.372.243	74.995.118
- Trade payables to third parties	7	124.372.243	74.995.118
Payables related to employee benefits	17	1.433.156	1.421.084
Other payables		2.610.816	1.860.578
- Other payables to related Parties	8	7.969	-
- Other payables to third Parties	8	2.602.847	1.860.578
Deferred income	10	323.128.215	67.813.751
Short term provision		5.172.780	5.609.610
- Short term provisions for employee benefits	17	1.928.120	1.343.125
- Other short-term provisions	15	3.244.660	4.266.485
Total short-term liabilities		528.443.239	308.470.555
Long term liabilities			
Long term borrowings	6	591.223.495	531.497.039
Long term provisions		9.900.617	8.015.389
- Long term provisions for employee benefits	17	9.900.617	8.015.389
Deferred tax liability	26	1.145.838	16.106.036
Total long-term liabilities		602.269.950	555.618.464
Total liabilities		1.130.713.189	864.089.019
Equity			
Equity attributable to the owners of the Company		636.286.573	239.912.561
Paid-in share capital	19	652.500.000	217.500.000
Share premium	19	3.996.748	2.590.034
Other comprehensive income or expenses not to be reclassified in profit or loss		40.150.241	38.488.484
- Revaluation reserve		36.826.372	36.826.372
- Actuarial gain/(loss)		3.323.869	1.662.112
Restricted reserves	19	4.913.435	4.649.846
Reserve from common control transactions		(1.759.039)	(1.759.039)
Retained earnings	19	(21.820.352)	15.927.638
Net Loss for the Year		(41.694.460)	(37.484.402)
Non-controlling interest	19	128.577	99.926
Total equity		636.415.150	240.012.487
Total equity and liabilities		1.767.128.339	1.104.101.506

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 2021

Monetary Unit: Turkish Lira ("TL")

	Note	Audited 1 January–31 December 2021	Audited 1 January –31 December 2020
Revenue	20	400.554.104	353.082.258
Cost of sales (-)	20	(182.551.034)	(136.774.509)
Gross profit		218.003.070	216.307.749
General administrative expenses (-)	21	(37.805.502)	(25.782.400)
Marketing expenses (-)	21	(52.079.653)	(29.010.794)
Research and development expenses (-)	21	(1.529.533)	(1.117.061)
Other operating income	23	223.273.533	64.316.468
Other operating expenses (-)	23	(123.862.458)	(45.793.670)
Operating profit		225.999.457	178.920.292
Income from investing activities	24	5.519.273	3.376.433
Expenses from investing activities (-)	24	(201.260)	(1.569)
Share of profit of equity-accounted investees		(781)	(1.329)
Operating profit before financial income and expenses		231.316.689	182.293.827
Financial income	25	37.757.718	18.963.166
Financial expenses (-)	25	(313.406.237)	(247.263.492)
Loss before tax		(44.331.830)	(46.006.499)
Tax income / (expense)		2.666.022	8.541.395
- Current tax expense	26	(2.759.709)	(2.317.431)
- Deferred tax income / (expense)	26	5.425.731	10.858.826
Loss for the year		(41.665.808)	(37.465.104)
Distribution of profit or loss			
Non-controlling interests	19	28.652	19.298
Equity holders of the Company		(41.694.460)	(37.484.402)
Earnings per share from continuing operations		(0,06)	(0,17)
Other comprehensive income			
Items not to be reclassified in profit or loss			
Gains on revaluation of Property, plant and equipment		--	22.288.563
Defined benefit plans remeasurements gains / (losses)		2.215.675	2.366.780
- Deferred tax (income / (expense))		(553.919)	(2.749.548)
Total other comprehensive income (after tax)		1.661.756	21.905.795
Total comprehensive income		(40.004.052)	(15.559.309)
Distribution of total comprehensive income			
Non-controlling interest		28.652	19.298
Equity holders of the Company		(40.032.704)	(15.578.607)

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

Monetary Unit: Turkish Lira ("TL")

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

Notes	Paid in Capital	Share Premiums	Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss		Reserve from Common Control Transactions	Restricted Reserve	Retained Earnings		Equity Holders of the Company	Non Controlling Interests	Total	
			Identified Benefit Plans Reclassification Income /(Loss)	Increase from Revaluation Property, Plant and Equipment			Prior Years' Profit	Net Period Profit				
PREVIOUS PERIOD												
January 2020 Opening	19	75.000.000	2.239.089	(121.967)	16.766.665	(1.759.039)	4.515.382	29.626.010	(13.563.910)	112.702.230	80.628	112.782.858
Transfers		--	--	--	--	--	134.464	(13.698.372)	13.563.910	--	--	--
Share issue and Capital Increase		142.500.000	350.945	--	--	--	--	--	--	142.850.945	--	142.850.945
Total Comprehensive Income		--	--	1.846.088	20.059.707	--	--	--	(37.484.402)	(15.578.607)	19.298	(15.559.309)
Increase, Decrease from Other Adjustments		--	--	(62.009)	--	--	--	--	--	(62.007)	--	(62.007)
Balance at 31 December 2020 Closing		217.500.000	2.590.034	1.662.112	36.826.372	(1.759.039)	4.649.846	15.927.638	(37.484.402)	239.912.561	99.926	240.012.487
CURRENT PERIOD												
January 2021 Opening	19	217.500.000	2.590.034	1.662.112	36.826.372	(1.759.039)	4.649.846	15.927.638	(37.484.402)	239.912.561	99.926	240.012.487
Transfers		--	--	--	--	--	263.589	(37.747.990)	37.484.402	--	--	--
Share issue and Capital Increase		435.000.000	1.406.714	--	--	--	--	--	--	436.406.715	--	436.406.715
Total Comprehensive Income		--	--	1.661.757	--	--	--	--	(41.694.460)	(40.032.703)	28.652	(40.004.052)
Balance at 31 December 2021 Closing		652.500.000	3.996.748	3.323.869	36.826.372	(1.759.039)	4.913.435	(21.820.352)	(41.694.460)	636.286.573	128.577	636.415.150

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

Monetary Unit: Turkish Lira (“TL”)

	Notes	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		(22.858.444)	(109.210.677)
Net Profit/(Loss) for The Period		(41.665.809)	(37.465.104)
Adjustments to Reconcile Net Profit/(Loss)		137.044.238	159.546.345
Depreciation and Amortization	13-14	4.445.626	3.451.449
Changes in Provisions	15	8.457.982	4.501.035
Interest Income and Expense		12.353.267	9.054.071
Unrealized Exchange Loss / (Gain)		114.453.385	151.081.185
Other Profit / (Loss) Reconciliations		(2.666.022)	(8.541.395)
Changes in Working Capital		(262.575.590)	(239.455.056)
Increases / (Decreases) in Inventories	9	(144.870.192)	(105.943.131)
Increases / (Decreases) in Trade Receivables	7	(151.292.263)	(51.747.189)
Increases / (Decreases) in Other Receivables		656.027	4.499.448
Increases (Decreases) in Trade Payables	7	49.377.125	4.680.476
Increases (Decreases) in Other Payables		750.238	(4.588.850)
Other Increase / (Decreases) in Working Capital		(17.196.525)	(86.355.810)
Cash Flow from Operating Activities		(167.197.161)	(117.373.815)
Tax Payments / Returns	26	(2.792.634)	(1.302.223)
Other Cash Flows / Outflows		147.131.351	9.465.361
B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES		(13.299.540)	(10.961.156)
Acquisition of Property, Plant and Equipment	13-14	(17.599.963)	(10.997.508)
Cash Outflows of Property, Plant and Equipment	13-14	672.370	-
Interest Received		3.628.053	36.352
C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES		116.941.894	95.603.073
Proceeds from Borrowings		53.820.360	104.142.645
Payments of Borrowings		(255.856.120)	(96.581.819)
Capital increase and Sales of Company Shares		382.873.512	137.120.976
Payments due to leasing transactions		(1.632.237)	(805.412)
Interest Paid		(59.548.222)	(47.206.782)
Other Cash Inflows / Outflows	4	(2.715.399)	(1.066.535)
NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS (A+B+C)		80.783.910	(24.568.760)
D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS		--	--
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C+D)		80.783.910	(24.568.760)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	10.445.910	33.948.135
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)	4	91.229.820	9.379.375

NOTES TO CONSOLIDATED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021

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 / IZMIR. The Group has a branch which is located in Kızıllırmak 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 2021, 79,85% (31 December 2020: 68,59 %) of shares are trading Istanbul Stock Exchange Inc. (Borsa İstanbul).

As of 31 December 2021, the total number of people employed by the Group is 387 (31 December 2020: 402)

The ultimate parent of Group is İsmail Katmerci. (Note 19).

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
Isipan 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AND FOR THE YEAR ENDED 31 DECEMBER 2021**

Monetary Unit: Turkish Lira (“TL”)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Statement of Compliance to TFRS

The consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) 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.

Consolidated financial statements are presented in accordance with the formats specified in the "Announcement on TMS Taxonomy" published by the POA on April 15, 2019, and also the Financial Statement Examples and Usage Guide published by the CMB.

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 2021 were approved by the management on 11 March 2022. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Monetary Unit: Turkish Lira (“TL”)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**2.1. Statement of Compliance to TFRS (continued)****2.1.2 Consolidation Principles (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 2021 and 2020 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 2021	31 December 2020
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.

İştirakler	Main Operation	Functional Currency	Establishment & Operation Country	Effective Ownership Rate (%)	
				31 December 2021	31 December 2020
Lika (*)	Defense Industry	Turkish Lira	Turkey	-	20

(*) At the board of Directors Meeting of our company dated 23.12.2021;

Lika Savunma Sanayii ve Ticaret A.Ş. which is established by the decision of the Board of Directors dated 14 March 2017, have been transferred to Limak Holding A.Ş. due to its inactivity. 800.000 shares that we own were transferred with a nominal value of TL 1 and the transactions were registered by Ankara registry of commerce on 30.12.2021.

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

2.1. Statement of Compliance to TFRS (continued)

2.1.2 Consolidation Principles (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.

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 new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2021. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Monetary Unit: Turkish Lira (“TL”)

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

2.1. Statement of Compliance to TFRS (continued)

2.1.3. Significant change in the Accounting Policies (continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows: (continued)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid- 19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

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

2.1. Statement of Compliance to TFRS (continued)

2.1.3. Significant change in the Accounting Policies (continued)

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (2018 Version).

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first-time adopters.

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

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach” . Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

2.1. Statement of Compliance to TFRS (continued)

2.1.3. Significant change in the Accounting Policies (continued)

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The Group expects no significant impact on its balance sheet and equity.

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

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

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

2.1. Statement of Compliance to TFRS (continued)

2.1.3. Significant change in the Accounting Policies (continued)

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

Annual Improvements – 2018–2020 Cycle

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

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

2.1.4. 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.

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Monetary Unit: Turkish Lira ("TL")

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Monetary Unit: Turkish Lira (“TL”)

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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

Except from which were recognized by revaluation method, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Monetary Unit: Turkish Lira (“TL”)

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) Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred:

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured,
- If the good will be sold or will be used within the Company
- If there's a potential market or can be proved that it is used within the Company,
- If necessary technological, financial and other resources can be provided to complete the project.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime.

(e) Inventories

Inventories consist of the raw materials owned by the Group, real estates under construction (semi-finished), ready for sale properties (goods) and other inventories as of the reporting date. Related stocks are held for production and sales. As of the reporting date, the goods on the road are shown in stocks if the right of use and ownership have been transferred to the Group.

Inventories are valued at the lower of cost and net realizable value.

Net realizable value refers to the amount obtained by subtracting the estimated total sales cost and estimated sales costs required to realize the sales within the normal flow of the business.

The cost of stocks includes all purchasing costs, conversion costs and other costs incurred to bring the stocks to their current state and position.

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

2.2. Summary of significant accounting policies (continued)

(f) 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.

(g) 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 are 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.

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

2.2. Summary of significant accounting policies (continued)

(h) 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 2021, it is maximum 8.285 TL (31 December 2020: 7.117 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.

(I) 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.

(j) 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)

(k) 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.

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

2.2. Summary of significant accounting policies (continued)

(l) Government Subsidies and Incentives

Unconditional government grants received are recognized in profit or loss under other revenues if these incentives become receivable. Other government incentives are recorded as deferred income at fair value if there is sufficient assurance that the Group will meet the necessary conditions for the incentive and that this incentive will be received, and then they are systematically recognized under other income in profit or loss throughout the useful life of the asset.

The incentives given to the Group regarding the costs incurred are systematically recognized under other revenues in profit or loss in the periods when the costs occur.

(m) 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.

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Monetary Unit: Turkish Lira (“TL”)

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

2.2. Summary of significant accounting policies (continued)

(n) Leases

Right of use asset

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

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

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) 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:

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

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

2.2. Summary of significant accounting policies (continued)

(o) Financial income and financial cost

Financial income consists of interest income and foreign exchange gains from cash and cash equivalents.

Financial expenses consist of interest and commission expenses of bank loans and impairment losses and exchange differences recognized on cash and cash equivalents and financial liabilities.

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.

(p) 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:26.

(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)

(q) 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.

(r) 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.

(s) 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.

(t) Gain or losses from investing activities

Gain on investing activities comprises profit on sales of property, plant and equipment, profit on sales of securities rental income and time deposit interest income.

Loss from investing activities comprises losses from sales of securities.

(u) Other operating income and expenses

Other operating income comprises of allowance for bad debt receivables which are no longer required, foreign exchange differences arising from financial instruments other than debt instruments, rediscount interest income and income from other activities.

Other operating expenses comprises of allowance for bad debt receivables, grants, foreign exchange differences arising from financial instruments other than debt instruments, rediscount interest expenses and other operating expenses.

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

2.2. Summary of significant accounting policies (continued)

(v) 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 2020.

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.

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

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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.

4. CASH AND CASH EQUIVALENTS

	<u>31.12.2021</u>	<u>31.12.2020</u>
Cash on Hand	23.948	20.734
Banks	93.921.272	10.425.176
-Demand Deposits	92.784.258	10.415.176
<i>TL</i>	6.663.739	3.781.303
<i>USD</i>	18.919.653	5.219.116
<i>EURO</i>	67.200.866	1.414.757
-Time Deposit (*)	1.137.014	10.000
<i>TL</i>	1.137.014	10.000
Total	93.945.220	10.445.910

As of 31 December 2021, there are cash blockages amounting to TL 2.715.399 (31.12.2020: TL 1.066.535) in the accounts of the Group.

(*) Time Deposit

	<u>31.12.2021</u>	<u>31.12.2020</u>
Between 30-60 Days	1.137.014	10.000

Explanations on the nature and level of risks in cash and equivalents are made on note 30.

5. FINANCIAL INVESTMENTS

	<u>31.12.2021</u>		<u>31.12.2020</u>	
	<u>Nominal Value</u>	<u>Carrying Value</u>	<u>Nominal Value</u>	<u>Carrying Value</u>
Financial assets at fair value through profit or loss				
Sekerbank Bonds	100.000	190.084	100.000	161.958
Halkbank Bonds	2.917	2.309	2.917	3.894
Futures and Options Market	1.202.077	4.526.394	-	-
Total	1.304.994	4.718.787	102.917	165.852

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6. FINANCIAL BORROWINGS

	<u>31.12.2021</u>	<u>31.12.2020</u>
a) Bank Borrowing	653.057.885	681.383.607
b) Financial Leases	9.891.639	6.883.846
Total	662.949.524	688.267.453

a) Bank Loans

	<u>31.12.2021</u>				
<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>	<u>Total</u>
TL	15 – 25	-	37.695.995	123.652.018	161.348.013
USD	2,40 – 7,45	-	4.339.623	14.363.530	18.703.153
EUR	7,57	26.039.752	2.146.411	444.820.556	473.006.719
Total		26.039.752	44.182.029	582.836.104	653.057.885

	<u>31.12.2020</u>				
<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>	<u>Total</u>
TL	7,50 – 25	28.677.593	6.484.246	42.153.117	77.314.956
USD	2,40 – 7,45	-	4.459.030	12.997.865	17.456.895
EUR	7 – 8,08	21.897.331	94.486.960	470.227.465	586.611.756
Total		50.574.924	105.430.236	525.378.447	681.383.607

	<u>31.12.2021</u>	<u>31.12.2020</u>
Less than a year	70.221.781	156.005.160
Between 1-2 year	110.603.537	159.986.798
Between 2-3 year	242.148.167	175.620.893
Between 3-4 year	133.971.128	104.307.445
More than a year	96.113.272	85.463.311
Total	653.057.885	681.383.607

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. (31.12.2020: EUR 3.680.000, USD 5.000.000 ve TL 77.500.000).

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6. FINANCIAL BORROWINGS (continued)**b) 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>31.12.2021</u>	<u>31.12.2020</u>
Machinery and Equipment (net)	9.891.639	6.883.846

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

31.12.2021

	<u>Less than 1 year</u>	<u>Between 1-8 years</u>	<u>Total</u>
Amount of minimum lease payments			
TL denominated financial lease	95.327	334.706	430.033
EUR denominated financial lease	2.113.351	9.781.649	11.895.000
USD denominated financial lease	47.703	30.578	78.280
Total	2.256.381	10.146.933	12.403.313
Present value of payments			
TL denominated financial lease	40.778	190.123	230.901
EUR denominated financial lease	1.421.482	8.176.431	9.597.914
USD denominated financial lease	41.987	20.837	62.824
Total	1.504.247	8.387.392	9.891.639

31.12.2020

	<u>Less than 1 year</u>	<u>Between 1-8 years</u>	<u>Total</u>
Amount of minimum lease payments			
TL denominated financial lease	129.468	551.985	681.453
EUR denominated financial lease	1.119.516	7.160.251	8.279.767
USD denominated financial lease	158.609	46.941	205.550
Total	1.407.593	7.759.177	9.166.770
Present value of payments			
TL denominated financial lease	59.412	339.557	398.969
EUR denominated financial lease	558.746	5.743.498	6.302.244
USD denominated financial lease	147.096	35.537	182.633
Total	765.254	6.118.592	6.883.846

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.

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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>31.12.2021</u>	<u>31.12.2020</u>
Current Accounts	350.305.032	196.213.381
Cheques	364.800	1.505.435
Less: Unrealized Finance Income	(452.598)	(130.917)
Doubtful Trade Receivables (*)	11.514.054	8.975.499
Less: Provisions for Doubtful Trade Receivables	(11.514.054)	(8.975.499)
Expected Credit Loss	(1.337.072)	--
Total	<u>348.880.162</u>	<u>197.587.899</u>

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

<u>Customers, Notes Receivables and Postdated Checks</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Less than 3 months	205.200.949	148.641.123
Between 3-6 months	145.468.883	49.077.693
Total	<u>350.669.832</u>	<u>197.718.816</u>

As of 31 December 2021, 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 % 21,20, %0,28 and % -0,57 (31.12.2020: respectively % 15,22, %0,23 and % -0,55)

As of 31 December 2021, the trade receivables amounting of TL 11.514.054 TL (31.12.2020: 8.975.499 TL) are doubtful receivables. Provision for the expected credit loss amounting to TL 1.337.072 (31.12.2020: 2.257.041) disclosed in Note 16. The provision of doubtful receivables is none within the year (31.12.2020: 44.057). Doubtful receivables consist of uncollectible amounts related to customer receivables.

The details of doubtful trade receivables are as follows:

<u>Doubtful Trade Receivables (*)</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Opening	8.975.499	7.687.988
Period Charge	--	44.057
Currency Exchange Differences	3.699.771	1.243.454
Less: Cancelled in the Period	(1.161.216)	--
Closing	<u>11.514.054</u>	<u>8.975.499</u>

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7. TRADE RECEIVABLES AND PAYABLES (continued)**b) Trade Payables:**

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

<u>Short-term Trade Payables</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Suppliers (*)	51.393.196	40.317.481
Notes Payables (*)	59.973.577	24.891.426
Less: Unrealized Finance Expense	(1.715.583)	(628.559)
Other Trade Payables	14.721.053	10.414.770
Total	<u>124.372.243</u>	<u>74.995.118</u>

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

<u>Suppliers and Notes Payables</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Maturity between 0-6 months	85.111.366	48.955.201
Maturity between 6-9 months	26.255.407	16.253.706
Total	<u>111.366.773</u>	<u>65.208.907</u>

As of 31 December 2021, 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 % 21,20, %0,28 and % -0,57 (31.12.2020: %15,22 %0,23 and %-0,55)

8. OTHER RECEIVABLES AND PAYABLES

<u>Short-Term Other Receivables</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Deposits and Guarantees	163.870	252.295
Receivables from Tax Office	2.711.016	3.124.168
Receivables from Social Security Institution	355.841	421.812
Denizbank Blocked Receivables	-	217.061
Other Receivables	132.827	4.245
Total	<u>3.363.554</u>	<u>4.019.581</u>

<u>Long-Term Other Receivables</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Deposits and Guarantees	20.948	22.676
Total	<u>20.948</u>	<u>22.676</u>

<u>Short-Term Other Payables</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Tax Payables	2.482.190	1.767.494
Other Payables	120.657	93.084
Total	<u>2.602.847</u>	<u>1.860.578</u>
Related Parties (Note 28)	7.969	-
Total	<u>2.610.816</u>	<u>1.860.578</u>

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9. INVENTORIES

	<u>31.12.2021</u>	<u>31.12.2020</u>
Raw Materials and Supplies	332.410.841	215.207.644
Work-in Progress	347.344.268	336.211.729
Finished Goods	23.022.269	12.255.269
Other Inventories	15.747.051	9.979.595
Total	<u>718.524.429</u>	<u>573.654.237</u>

As of 31 December 2021, the Group has TL 34.500.000 insurance on its inventories. (31.12.2020: 30.000.000TL)

10. PREPAID EXPENSES AND DEFERRED INCOME

Short-Term Prepaid Expenses

	<u>31.12.2021</u>	<u>31.12.2020</u>
Advances Given for Inventories	327.214.741	68.670.329
Prepaid Expenses for Future Months	2.161.699	559.925
Total	<u>329.376.440</u>	<u>69.230.254</u>

Long-Term Prepaid Expenses

	<u>31.12.2021</u>	<u>31.12.2020</u>
Advances Given for Property (*) (Note 28)	36.434.724	24.067.634
Prepaid Expenses for Future Years	2.212	4.499
Total	<u>36.436.936</u>	<u>24.072.133</u>

(*) Advances given for property: These expenses consist of amounts given for ongoing investments in Ankara Capital Organized Industrial Zone

Short Term Deferred Income

	<u>31.12.2021</u>	<u>31.12.2020</u>
Advanced Received	323.128.215	67.813.751
Total	<u>323.128.215</u>	<u>67.813.751</u>

11. EQUITY ACCOUNTED INVESTEEES

	<u>31.12.2021</u>		<u>31.12.2020</u>	
	(%)	TL	(%)	TL
LİKA Savunma	--	--	20	46.995
Total	<u>--</u>	<u>--</u>	<u>20</u>	<u>46.995</u>

Summary of Financial Information of Equity Accounted Investees

	<u>31.12.2021</u>	<u>31.12.2020</u>
Total Assets	--	192.510
Total Liabilities	--	192.510
Period Profit / (Loss)	--	(11.103)

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12. INVESTMENT PROPERTY

<u>Fair Value</u>	<u>01.01.2021</u>		<u>31.12.2021</u>
	<u>Opening Balance</u>	<u>Disposal (Sale)</u>	<u>Closing Balance</u>
Land	4.000.000	-	4.000.000
Building	1.390.000	-	1.390.000
Investment Property	5.390.000	-	5.390.000

<u>Fair Value</u>	<u>01.01.2020</u>		<u>31.12.2020</u>
	<u>Opening Balance</u>	<u>Increase in Fair Value</u>	<u>Closing Balance</u>
Land	1.050.000	2.950.000	4.000.000
Building	1.122.000	268.000	1.390.000
Investment Property	2.172.000	3.218.000	5.390.000

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 Güzelbahçe / İzmir and Atasehir. 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 31 December 2020, the total fair value of the lands in Güzelbahçe / İzmir is TL 4.000.000 and the fair value of the buildings in Atasehir / İstanbul is TL 1.390.000. The fair value of real estate is determined by the methods of market value, cost method and discounted cash flow methods respectively.

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 TL 106.276 rent income from investment property (31.12.2020: TL 94.050). The mortgage on the investment properties of the Group amounts to TL 4.250.000, EURO 1.080.000 (31.12.2020: 4.250.000 TL, 1.080.000 EURO).

(*) At the board of Directors Meeting of our company dated 23.12.2021;

Lika Savunma Sanayii ve Ticaret A.Ş which is established by the decision of the Board of Directors dated 14 March 2017, have been transferred to Limak Holding A.Ş. due to its inactivity. 800.000 shares that we own were transferred with a nominal value of TL 1 and the transactions were registered by Ankara registry of commerce on 30.12.2021.

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13. PROPERTY, PLANT AND EQUIPMENT

								<u>31.12.2021</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>
Opening Balance	45.380.000	3.005.426	40.006.159	14.968.094	1.509.845	4.546.688	256.174	109.672.388
Purchases	-	-	6.367.690	17.724	3.010.376	302.757	33.017	9.731.564
Disposals	-	-	-	-	(227.182)	-	-	(227.182)
Transfer to İntangible Assets	-	-	-	382.352	-	-	(175.318)	207.034
Transfer from Construction in Progress	-	-	-	-	(1)	12.503	(12.503)	1
Adjustments	-	-	-	-	-	(3.919)	-	(3.919)
Closing Balance	45.380.000	3.005.426	46.373.849	15.368.170	4.293.038	4.858.029	101.370	119.379.884
Opening Balance	-	-	-	(7.106.182)	(1.097.991)	(2.805.173)	-	(11.009.346)
Period Charge	-	(488.189)	(1.347.393)	(768.507)	(267.512)	(373.697)	-	(3.245.298)
Transfer to Tangible Assets	-	-	-	(212.081)	-	-	-	(212.081)
Adjustment	-	-	-	(105)	367	(2)	-	260
Disposals	-	-	-	-	181.478	-	-	181.478
Closing Balance	-	(488.189)	(1.347.393)	(8.086.875)	(1.183.658)	(3.178.872)	-	(14.284.987)
Carrying Value, net	45.380.000	2.517.237	45.026.456	7.281.295	3.109.380	1.679.157	101.370	105.094.897

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>31.12.2020</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>
Opening Balance	26.650.420	1.332.125	22.423.378	11.539.737	1.509.845	3.721.892	12.631.518	79.808.914
Purchases	-	272.392	7.180.000	3.088.136	-	436.161	202.726	11.179.416
Revaluation	18.729.580	1.400.909	(2.088.173)	-	-	-	-	18.042.316
Transfer to İntangible Assets	-	-	-	259.913	-	394.051	(5.645)	648.319
Transfer from Construction in Progress	-	-	12.490.954	80.201	-	-	(12.571.155)	-
Adjustment	-	-	-	107	-	(5.416)	(1.270)	(6.577)
Closing Balance	45.380.000	3.005.426	40.006.159	14.968.094	1.509.845	4.546.688	256.174	109.672.388
<u>Accumulated Depreciation and Impairment</u>								
Opening Balance	-	(376.249)	(1.324.342)	(6.487.591)	(890.525)	(2.382.752)	-	(11.461.481)
Period Charge	-	(181.647)	(683.303)	(620.950)	(207.560)	(422.708)	-	(2.116.168)
Adjustment	-	(8)	1	2.358	94	287	-	2.752
Revaluation	-	557.904	2.007.644	-	-	-	-	2.565.548
Closing Balance	-	-	-	(7.106.182)	(1.097.991)	(2.805.173)	-	(11.009.349)
Carrying Value, net	45.380.000	3.005.426	40.006.158	7.861.912	411.854	1.741.515	256.174	98.663.039

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 land 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 31 December 2020, the fair value of the factory building and land in Güzelbahçe/İzmir is TL 49.983.043, the fair value of the lands and factory building in Ankara. Capital Organized Industrial Zone is TL 34.278.116 and the fair value of the office building in Çankaya/Ankara is TL 1.125.000.

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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 3.245.298 (31.12.2020: TL 2.116.168). The amount of TL 1.970.219 (31.12.2020: 1.272.295 TL) is charged to cost of goods sold (Note 22), TL 723.867 (31.12.2020: TL 380.035) is charged to cost of service sold, TL 22.037 (31.12.2020: TL 39.224) is charged to research and development expenses, TL 37.638 (31.12.2020: TL 39.374) is charged to marketing expense (Note 22), TL 491.538 (31.12.2020: TL 385.240) is charged to general administrative expenses (Note 22).

As of 31.12.2021, there are USD 5.000.000, EUR 2.600.000 and TL 73.500.000 mortgage on property, plant and equipment.

There is an insurance coverage of TL 34.823.700 on property, plant and equipment. (31.12.2020: TL 34.823.700)

14. INTANGIBLE ASSETS

	31.12.2021				
<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>
1 January 2021	1.760.323	21.874.644	6.971.029	287.908	30.893.905
Purchases	21.410	7.844.132	-	-	7.865.542
Transfers to property, plant and equipment	175.318	-	(382.352)	-	(207.034)
Transfers to Inventories	-	(5.767.456)	-	-	(5.767.456)
Reclassification to research and development expenses	-	(1.034.824)	-	-	(1.034.824)
Difference from restructured financial lease contracts	-	-	-	188.422	188.422
Adjustment	-	-	50.114	-	50.114
Disposals	-	-	(445.189)	-	(445.189)
Closing Balance	1.957.051	22.916.496	6.193.603	476.330	31.543.480
Accumulated Amortization	(1.550.442)	(1.311.985)	(3.935.213)	-	(6.797.644)
Period Charge	(112.891)	(333.683)	(753.753)	-	(1.200.327)
Disposals	-	-	264.022	-	264.022
Transfers to property, plant and equipment	-	-	212.081	-	212.081
Adjustment	-	-	(4)	-	(4)
Closing Balance	(1.663.333)	(1.645.668)	(4.212.868)	-	(7.521.869)
Carrying Value	293.718	21.270.828	1.980.735	476.330	24.021.611

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14. INTANGIBLE ASSETS (continued)

<u>Acquisition Cost</u>	<u>Rights</u>	<u>Capitalized Development Costs</u>	<u>Other Intangible Assets</u>	31.12.2020	
				<u>Other Intangible Assets (restructured)</u>	<u>Total</u>
1 January 2021	1.754.678	20.238.158	7.228.742	309.750	29.531.329
Purchases	-	8.210.687	2.200	-	8.212.887
Transfers to property, plant and equipment	5.645	(394.051)	(259.913)	-	(648.319)
Transfers to Inventories	-	(5.413.017)	-	-	(5.413.017)
Reclassification to research and development expenses	-	(767.133)	-	-	(767.133)
Difference from restructured financial lease contracts	-	-	-	(21.842)	(21.842)
Closing Balance	1.760.323	21.874.644	6.971.029	287.908	30.893.905
Accumulated Amortization	(1.402.649)	(1.006.720)	(3.032.708)	-	(5.442.076)
Period Charge	(146.530)	(305.487)	(913.979)	-	(1.365.996)
Adjustment	(1.263)	222	11.475	-	10.428
Closing Balance	(1.550.442)	(1.311.985)	(3.935.213)	-	(6.797.644)
Carrying Value	209.881	20.562.659	3.035.817	287.908	24.096.261

Total amortization expense for the current year amounts to TL 1.200.328 (31.12.2020: TL 1.365.996) TL 627.727 is charged to cost of sales (31.12.2020: TL 715.840) (Note 22), TL 73.787 is charged to general administration expenses (31.12.2020: TL 260.127) (Note 22), TL 498.327 is charged to research and development expenses (TL 31.12.2020: TL 388.266) and TL 486 is charged to marketing expenses (31.12.2020: TL 1.763) (Note 22).

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. (31.12.2020: None TL)

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<u>Short-Term Payable Provision</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Warranty Expense Provision	2.625.655	1.867.858
Provisions for Lawsuits	619.005	141.586
Provision for the expected credit loss (*)	--	2.257.041
Total	3.244.660	4.266.485

(*) In the financial statements dated 31.12.2021, it has been shown under doubtful trade receivables in Note 7.

Ongoing Lawsuits and Execution Proceedings

There are 7 lawsuits amounting TL 619.005 filed and continuing as of 31 December 2021 which Group raised a full provision (31.12.2020: TL 141.586).

Collateral, Pledges, Mortgages, Bails

Collaterals, Pledges, Mortgages and Sureties position table as of 31 December 2021 ve 31 December 2020 as below:

	<u>31.12.2021</u>				
<u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u>	<u>TL Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>QAR</u>	<u>TL</u>
A. CPMB's given for company's own legal personality	398.914.946	9.033.312	10.784.804	1.025.020	119.706.433
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	-	-	-	-	-
Total	398.914.946	9.033.312	10.784.804	1.025.020	119.706.433

	<u>31.12.2020</u>				
<u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u>	<u>TL Equivalent</u>	<u>USD</u>	<u>EUR</u>	<u>QAR</u>	<u>TL</u>
A. CPMB's given for company's own legal personality	224.829.365	7.339.967	7.191.350	-	106.171.376
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	-	-	-	-	-
Total	224.829.365	7.339.967	7.191.350	-	106.171.376

Group have not been given any “Other CPM”. (31.12.2020: None).

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

Collaterals, Pledges, Mortgages and Sureties position table as of 31 December 2021 ve 31 December 2020 as below:

<u>Collaterals, Pledges, Mortgages</u>	<u>31.12.2021</u>					<u>31.12.2020</u>				
	<u>Total TL Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>QAR</u>	<u>TL</u>	<u>Total TL Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>QAR</u>	<u>TL</u>
Collaterals	202.246.582	4.033.312	7.104.804	1.025.020	41.956.433	77.227.793	2.339.967	3.511.350	--	28.421.376
Pledges	-	-	-	-	-	--	--	--	--	--
Mortgages	196.668.364	5.000.000	3.680.000	-	77.750.000	147.601.572	5.000.000	3.680.000	-	77.750.000
Total	398.914.946	9.033.312	10.784.804	1.025.020	119.706.433	224.829.365	7.339.967	7.191.350	--	106.171.376

16. 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 2.169.190 within the scope of various laws of Social Security Institution (31.12.2020: 1.788.811).
- The Group also get benefit from tender decisions, contracts and payment of stamp duty exemption amounting TL 982.873 belonging to various public institutions in the frame of Tax, and Exemption Certificate which is regulated by Ministry of Economy on various dates. (31.12.2020: TL 733.130)
- Regarding the employee cost, the Group got corporate tax deduction regarding research and development operations amounting to TL 10.311.248 (31.12.2020: 3.585.828)
- The Group get benefit from the Teydep project incentive TL 349.035 (31.12.2020: 163.255)

17. EMPLOYEE BENEFITS

<u>Provision for Short-Term Employee Benefits</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Unused Vacation Provision	1.928.120	1.343.125
Total	1.928.120	1.343.125
<u>Provision for Long-Term Employee Benefits</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Provisions for Severance Payments	9.900.617	8.015.389
Total	9.900.617	8.015.389
<u>Payables related to employee benefits</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Payables to Personnel	201.355	421.330
Social Security Premiums Payable	1.231.801	999.754
Total	1.433.156	1.421.084

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17. 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 % 21,19 inflation rate and retiring assumption as follows. (31.12.2020: %5 expected salary increasing rate, % 15,22 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, 2021 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 8.285 (31.12.2020: TL 7.117) which is effective from 1 July 2021.

The movement of provision for severance pay are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Balance at 1 January	8.015.389	6.506.676
Service Cost	1.670.593	1.562.630
Interest Cost	1.063.270	1.285.981
Canceled Severance pay provisions / Severance Paid	1.367.040	1.026.882
Actuarial Gain / Loss (*)	(2.215.675)	(2.366.780)
Total Provisions as of Period End	9.900.617	8.015.389

(*) For the year ended 31 December 2021, TL (2.215.675) (2020: TL (2.366.780)) 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.

18. OTHER ASSETS AND LIABILITIES

<u>Other Current Assets</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Deferred VAT	70.731.942	61.328.564
Work Advances	2.033.365	679.399
Other	2.107	54.422
Total	72.767.414	62.062.385

KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS**a) Capital**

Company's capital structure as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021		31.12.2020	
	%Rate	Share Amount	Share Rate	Share Amount
<u>Shareholders</u>	(%)	TL	(%)	TL
İsmail Katmerci	9,26	60.409.802	13,81	30.026.601
Havva Katmerci	2,69	17.550.000	4,40	9.570.000
Mehmet Katmerci	2,82	18.390.000	4,40	9.570.000
Ayşenur Çobanoğlu	2,69	17.550.000	4,40	9.570.000
Furkan Katmerci	2,69	17.550.000	4,40	9.570.000
Listed (*)	79,85	521.050.198	68,59	149.193.399
Capital	100,00	652.500.000	100,00	217.500.000
Paid-in Capital		652.500.000		217.500.000

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

During the period, the Company's paid-in capital has been increased from TL 217.500.000 to TL 652.500.000. The paid-in capital consists of 652.500.000 registered shares. Each shares nominal value is 1 TL. 52.200.000 pcs. of shares nominative A Group and 600.300.000 pcs. of shares are nominal B Group shares. A group shares are privileged and 41.760.000 pcs. owned by İsmail Katmerci, 2.610.000 pcs. own by Havva Katmerci, 2.610.000 pcs owned by Mehmet Katmerci, 2.610.000 pcs owned by Ayşenur Çobanoğlu and 2.610.000 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) Share Premium

	31.12.2021	31.12.2020
Share Premium	3.996.748	2.590.034
	3.996.748	2.590.034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**c) Revaluation and Remeasurement Reserve**

	<u>31.12.2021</u>	<u>31.12.2020</u>
Property, Plant and Equipment Revaluation and Remeasurement Gain / (Loss)	36.826.372	36.826.372
	<u>36.826.372</u>	<u>36.826.372</u>

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

	<u>31.12.2021</u>	<u>31.12.2020</u>
Opening Balance	36.826.372	16.766.665
Increase in Value	-	22.288.563
Deferred Tax Effect	-	(2.228.857)
Closing Balance	<u>36.826.372</u>	<u>36.826.372</u>

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

	<u>31.12.2021</u>	<u>31.12.2020</u>
Defined Benefit Plans Actuarial Gain / Loss	3.323.869	1.662.112
	<u>3.323.869</u>	<u>1.662.112</u>

e) Restricted Reserves

	<u>31.12.2021</u>	<u>31.12.2020</u>
Legal Reserves	4.913.435	4.649.846
Total	<u>4.913.435</u>	<u>4.649.846</u>

f) Retained Profit / (Loss)

	<u>31.12.2021</u>	<u>31.12.2020</u>
Retained Profit / (Loss)	(21.820.352)	15.927.638
Total	<u>(21.820.352)</u>	<u>15.927.638</u>

g) Non-controlling Interests

	<u>31.12.2021</u>	<u>31.12.2020</u>
Balance at 1 January	99.926	80.628
Profit / (Loss) Attributable to Non-controlling Interest	28.652	19.298
Balance at 31 December	<u>128.577</u>	<u>99.926</u>

h) Merge Effect of Common Controlled Entity and Business

	<u>31.12.2021</u>	<u>31.12.2020</u>
Merge Effect of Common Control Transactions (*)	(1.759.039)	(1.759.039)
Total	<u>(1.759.039)</u>	<u>(1.759.039)</u>

(*) Company has been purchased Isipan 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.

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

20. SALES AND COST OF SALES

<u>Sales (net)</u>	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
Domestic Sales	142.544.601	82.093.506
- <i>Finished Good Sales</i>	142.544.601	82.093.506
Export Sales	258.917.252	274.317.952
- <i>Finished Good Sales</i>	258.917.252	274.317.952
Other Sales	1.485.315	2.377.660
- <i>Other Income</i>	1.485.315	2.377.660
Total	402.947.169	358.789.118
Sales discount (-)	(88.630)	(101.010)
Return from Sales (-)	(2.304.435)	(5.605.850)
Sales, (net)	400.554.104	353.082.258
<u>Cost of Sales (-)</u>	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
-Cost of Services	580.361	7.746.039
-Cost of Finished Goods Sold	171.456.381	114.903.738
-Cost of Commercial Goods Sold	10.514.292	14.124.732
Cost of Sales	182.551.034	136.774.509
Gross Profit (Loss)	218.003.070	216.307.749

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21. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	<u>01.01.-31.12.2021</u>	<u>01.01.-31.12.2020</u>
General Administrative Expenses (-)	37.805.502	25.782.400
Marketing Expenses (-)	52.079.653	29.010.794
Research and Development Expenses (-)	1.529.533	1.117.061
Total	<u>91.414.688</u>	<u>55.910.255</u>
<u>General Administrative Expenses (-)</u>	<u>01.01.-31.12.2021</u>	<u>01.01.-31.12.2020</u>
Personnel Expenses	12.221.139	10.009.077
Services Rendered from 3rd Parties	383.386	249.428
Tax, Duties and Fees	7.145.734	716.009
Depreciation Expenses	565.325	773.189
Court case Execution and Notary Expense	285.506	53.367
Advisory Expenses	802.856	668.198
Rent Expenses	748.986	614.114
Travelling Expenses	783.672	1.144.961
Contribution Expenses	352.959	318.209
Electricity, Water and Heating Expenses	303.590	243.005
Consulting Expenses	903.051	246.262
Communication Expenses	169.274	119.582
Advertising Expenses	288.767	68.568
Maintenance Expenses	165.344	134.289
Entertainment Expenses	980.406	--
Exposition Expenses	1.016.844	--
IT Expense	357.240	167.934
Insurance Expense	173.640	102.351
Capital increase Expenses	2.006.367	695.523
Covid-19 Expenses	295.841	443.025
Turquality Expenses	277.330	521.254
Other Expenses	7.578.245	8.494.055
Total	<u>37.805.502</u>	<u>25.782.400</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

<u>Marketing Expenses (-)</u>	<u>01.01.-31.12.2021</u>	<u>01.01.-31.12.2020</u>
Export Commissions	27.743.147	6.009.487
Sales, Service, etc.	2.211.397	6.638.722
Personnel Expenses	4.262.803	3.538.372
Export Expenses	11.083.974	8.069.940
Travelling Expense	969.353	1.555.957
Rent Expenses	403.870	520.361
Tax, Duties and Fees	238.698	140.048
Court case Execution and Notary Expense	128.715	69.040
Transportation Expense	356.954	87.275
Services Rendered from 3rd Parties	190.822	152.528
Electricity, Water and Fuel Expenses	117.636	121.284
Representation Expenses	2.057.145	177.989
Tender Expense	116.691	162.749
Depreciation Expenses	38.124	53.959
Communication Expense	60.718	30.776
Insurance Expense	1.664	6.281
Maintenance Expenses	13.175	2.880
Other Expenses	2.084.767	1.673.146
Total	52.079.653	29.010.794

<u>Research and Development Expenses (-)</u>	<u>01.01.-31.12.2021</u>	<u>01.01.-31.12.2020</u>
Personnel Expenses	777.977	413.365
Equipment Expenses	737.925	514.302
Depreciation Expenses	5.365	49.278
Consultancy Expenses	4.212	127.564
Other Expenses	4.054	12.552
Total	1.529.533	1.117.061

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22. EXPENSES BY NATURE

Depreciation Expense	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
General Production Expenses	1.970.218	1.272.295
Service Cost	723.867	380.035
Research and Development Expenses	22.037	39.224
Marketing Expenses	37.638	39.374
General Administrative Expenses	491.538	385.240
Total	<u>3.245.298</u>	<u>2.116.168</u>

Amortization Expenses	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
General Production Expenses	627.728	715.840
Research and Development Expenses	498.327	388.266
Marketing Expenses	486	1.763
General Administrative Expenses	73.787	260.127
Total	<u>1.200.328</u>	<u>1.365.996</u>

Personnel Expenses	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
Personnel Expenses	20.473.758	16.695.977
Severance Pay Expense	2.733.863	2.848.611
Vacation Provision Expense	584.995	(30.490)
Total	<u>23.792.616</u>	<u>19.514.098</u>

Independent Audit Cost

	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
Independent Audit Period for the reporting period	82.000	73.000
Fees for Tax Advisory Services	-	-
Fee for other Assurance Services	-	-
Fees for Services Other than Independent Audit	-	-
Toplam	<u>82.000</u>	<u>73.000</u>

23. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

<u>Other Operating Income</u>	<u>01.01.-31.12.2021</u>	<u>01.01.-31.12.2020</u>
Reversal of Provisions	4.019.272	1.812.956
Foreign Exchange Differences from Trading Operations	216.458.525	60.532.976
Rediscount Income	130.917	127.646
Other	2.664.819	1.842.890
Total	<u>223.273.533</u>	<u>64.316.468</u>

<u>Other Operating Expenses</u>	<u>01.01.-31.12.2021</u>	<u>01.01.-31.12.2020</u>
Provision Expense (-)	(1.813.710)	(2.434.963)
Foreign Exchange Differences from Trading Operations (-)	(121.755.930)	(40.370.460)
Rediscount Expense (-)	(292.818)	(241.769)
Other Expenses	--	(2.746.478)
Total	<u>(123.862.458)</u>	<u>(45.793.670)</u>

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24. INCOME AND EXPENSES FROM INVESTING OPERATIONS**Other Income from Investing Activities**

	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
Rental Income (Note 12)	106.276	94.050
Change in Fair Value of Investment Property (Note 12)	--	3.218.000
Profit on Sale of Marketable Securities	3.628.053	36.331
Interest Income	589.639	28.031
Fixed Asset Sales Revenues	1.195.305	--
Other	--	21
Total	<u>5.519.273</u>	<u>3.376.433</u>

Other Expense from Investing Activities

	<u>01.01-31.12.2021</u>	<u>01.01-31.12.2020</u>
Losses from Sale of Marketable Securities (-)	(1.260)	(1.569)
Lika A.Ş Share Transfer Loss	(200.000)	--
Total	<u>(201.260)</u>	<u>(1.569)</u>

25. FINANCIAL INCOME AND EXPENSES**Financial Income**

	<u>01.01.2020 -31.12.2021</u>	<u>01.01.2020- 31.12.2020</u>
Foreign Exchange Gains	37.757.718	18.963.166
Total	<u>37.757.718</u>	<u>18.963.166</u>

Financial Expense

	<u>01.01.2020-31.12.2021</u>	<u>01.01.2020-31.12.2020</u>
Interest and Commission Expenses (-)	66.856.507	58.173.432
Foreign Exchange Losses (-)	246.549.820	189.090.060
Total	<u>313.406.327</u>	<u>247.263.492</u>

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26. INCOME TAXES

		01.01-31.12.2021		01.01-31.12.2020
Profit/(Loss) for the year		(41.665.808)		(37.465.104)
Less: current period tax expense		2.666.022		8.541.395
Profit/loss before tax		(44.331.830)	%	(46.006.499)
Calculated tax via statutory rate	25%	11.082.957	22%	10.121.430
Non-deductible expenses	(19)%	(8.353.365)	(4)%	(1.884.917)
Discounts / exceptions	1%	351.678	(0)%	77.208
Different Tax Rates Effect and Other	(1)%	(415.248)	0%	227.674
Total tax income/(expense) recognized in profit or loss	7%	2.666.022	18%	8.541.395

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 2021 is %25 (2020: %22).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 25% in 2021 (2020: 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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26. 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>	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment and intangible assets	142.595	1.752	(1.623.678)	(3.081.851)	(1.481.083)	(3.080.099)
Provisions	4.129.433	4.128.804	--	--	4.129.433	4.128.804
Rediscount	--	916	(292.490)	(110.580)	(292.490)	(109.664)
Severance Pay	1.980.123	1.673.379	--	--	1.980.123	1.673.379
Investment Properties	--	--	(1.932.072)	(539.000)	(1.932.072)	(539.000)
Tax losses carried forward	19.477.385	15.288.142	--	--	19.477.385	15.288.142
Impairment of Properties	1.462.574	1.278.061	--	--	1.462.574	1.278.061
Other	65.308	403.801	--	(505.176)	65.308	(101.375)
Total Deferred Tax Income/(Expense)	27.257.418	22.774.855	(3.848.240)	(4.236.607)	23.409.178	18.538.248
Set Off of Tax	(2.702.402)	(3.053.840)	2.702.402	3.053.840	--	--
Net Deferred Tax Income/(Expense)	24.555.016	19.721.015	(1.145.838)	(1.182.767)	23.409.178	18.538.248

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 % 10-%23. (2020: % 10- %22)

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26. INCOME TAXES (continued)

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

	2021	2020
<u>Income tax expense recognized in profit or loss</u>		
Current tax expense		
Current tax expense	(2.759.709)	(2.317.431)
<u>Deferred tax income/(expense):</u>		
Arising from temporary differences	1.236.488	1.615.739
Arising from tax losses carried forward	4.189.243	9.243.087
	2.666.022	8.541.395
<u>Recognized in Other Comprehensive Income</u>		
Deferred tax income/(expense):		
Tax effects of actuarial differences	(553.919)	(520.692)
Tax effects of revaluation	-	(2.228.857)
Total	(553.919)	(2.749.548)
Total tax effect income/ (expense)	2.112.103	5.791.846
<i>Current Period Tax Assets/Liabilities</i>		
	31.12.2021	31.12.2020
Current tax assets	32.925	--
Balance at 31 December	32.925	--
<i>Current tax reconciliation</i>		
	31.12.2021	31.12.2020
Balance at 1 January	--	(1.015.208)
Recognized in profit or loss	2.759.709	2.317.431
Paid	(2.792.634)	(1.302.223)
Balance at 31 December	(32.925)	--
<i>Current Period Tax Assets/Liabilities</i>		
	31.12.2021	31.12.2020
Deferred Tax Asset	24.555.016	19.721.015
Deferred Tax Liabilities	(1.145.838)	(1.182.767)
Balance at 31 December	23.409.178	18.538.248

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26. INCOME TAXES (continued)

Deferred tax reconciliation

	31.12.2021	31.12.2020
Balance at 1 January	18.538.248	10.490.979
Recognized in profit or loss	5.425.731	10.858.826
Recognized in other comprehensive income	(553.919)	(2.749.548)
Other	(882)	(62.009)
Balance at 31 December	23.409.178	18.538.248

Tax losses carried forward

		31.12.2021		31.12.2020	
Year which tax loss occurred	Expiration Date	Tax Losses	Deferred Tax	Tax Losses	Deferred Tax
2018	2023	10.219.907	2.350.579	11.136.866	2.450.110
2019	2024	16.340.659	3.758.352	16.340.659	3.594.945
2020	2025	42.014.030	9.663.227	42.014.030	9.243.087
2021	2026	16.109.682	3.705.227	--	--
Total		84.684.279	19.477.385	69.491.555	15.288.142

27. EARNING PER SHARE

Balances with Related Parties	<u>01.01.2021</u>	<u>31.12.2021</u>	<u>01.01.2020</u>	<u>31.12.2020</u>
Net Profit / (Loss)		(41.694.460)		(37.484.402)
Weighted Average Number of Shares		652.500.000		217.500.000
Earnings / (Loss) Per Share from Continuing Operations		(0,06)		(0,17)

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28. RELATED PARTY DISCLOSURES

	31.12.2021				
	Receivable		Liabilities		Advances
	Short-Term		Short-Term		Long-Term
Balances with Related Parties	Trade	Non-Trade	Trade	Non-Trade	Trade
Shareholders	--	--	--	7.969	--
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(*) (Note 10)	--	--	--	--	36.434.724
Total	--	--	--	7.969	36.434.724

(*) These advances which are showed in prepaid expenses in balance sheet consist of amounts given for ongoing investments in Ankara Capital Organized Industrial Zone.

	31.12.2020					
	Receivable		Liabilities		Advances	
	Short Term		Short-Term		Long-Term	
Balances with Related Parties	Trade	Non-Trade	Trade	Non-Trade	Trade	Trade
KTM Gayrimenkul Yatırım Tah.Tic.A.Ş.(*)	--	--	--	--	24.067.634	--
Toplam	--	--	--	--	24.067.634	--

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28. RELATED PARTY DISCLOSURES (continued)

Transactions with related parties between 01.01.-31.12.2021 and 01.01.-31.12.2020 as follows:

01 January - 31 December 2021

Transactions with Related Parties	Purchases	Sales
Shareholders (*)	--	8.195
Related Party		
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(**)	6.925.000	--
Total	6.925.000	8.195

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

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

01 January - 31 December 2020

Transactions with Related Parties	Purchases	Sales
Shareholders (*)	129.375	7.458
Related Party		
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(**)	6.395.680	--
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	--	5.841
Total	6.525.055	13.299

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

(**) 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.

29. 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 2021 and 1 January-31 December 2020 are listed below:

Benefits to Key Personnel	01.01-31.12.2021	01.01-31.12.2020
Salary, bonus, and other benefits	1.852.306	1.712.281
Total	1.852.306	1.712.281

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30. 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 19.

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 2021 and 2020 are as follows:

	<u>31.12.2021</u>	<u>31.12.2020</u>
Financial Liabilities	662.949.524	688.267.453
Less: Cash and Cash Equivalents	(93.945.220)	(10.445.910)
Net Debt	569.004.304	677.821.543
Total Equity	636.415.149	240.012.487
Liabilities / Equity Ratio	0,89	2,82

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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30. 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:

31.12.2021	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		
Current Period	Related Parties	3rd Parties	Related Parties	3rd Parties	Banks Deposit
The maximum amount of exposure to credit risk at the end of the reporting period	-	348.880.162	-	3.384.502	93.921.272
(A+B+C+D) (1)					
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	-	350.217.234		3.384.502	93.921.272
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 (-)	-	11.514.054	-	-	-
- Net value guaranteed with collateral etc.	-	(11.514.054)	-	-	-
D. Expected Credit Loss	-	(1.337.072)	-	-	-

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

b) Financial Risk Factors (continued)

b.1) Credit Risk (continued)

31.12.2020	Receivables				Cash and Cash Equivalents
	Trade Receivables		Other Receivables		
Current Period	Related Parties	3rd Parties	Related Parties	3rd Parties	Banks Deposit
The maximum amount of exposure to credit risk at the end of the reporting period	-	197.587.899	-	4.042.257	10.425.176
(A+B+C+D) (1)					
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-
A. Financial assets that are either past due or impaired (2)	-	197.587.899	-	4.042.257	10.425.176
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 (-)	-	8.975.499	-	-	-
- Net value guaranteed with collateral etc.	-	(8.975.499)	-	-	-
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.

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30. 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)			
Non-derivative financial liabilities	789.932.583	789.932.583	112.159.503	86.549.584	591.223.495
Bank Loans	608.875.856	608.875.856	9.587.253	16.452.499	582.836.104
Short Term Portion of Long-Term Loans	44.182.029	44.182.029	19.288.741	24.893.288	-
Financial Leasing Liabilities	9.891.639	9.891.639	685.241	819.006	8.387.391
Trade Payables	124.372.243	124.372.243	79.987.452	44.384.791	-
Other Payables	2.610.816	2.610.816	2.610.816	-	-
TOTAL	789.932.583	789.932.583	112.159.503	86.549.584	591.223.495

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)			
Non-derivative financial liabilities	765.123.148	765.123.148	46.534.628	187.092.481	531.497.039
Bank Loans	575.953.371	575.953.371	15.518.709	35.056.215	525.378.447
Short Term Portion of Long-Term Loans	105.430.236	105.430.236	-	105.430.236	-
Financial Leasing Liabilities	6.883.845	6.883.845	205.236	560.017	6.118.592
Trade Payables	74.995.118	74.995.118	28.950.105	46.045.013	-
Other Payables	1.860.578	1.860.578	1.860.578	-	-
TOTAL	765.123.148	765.123.148	46.534.628	187.092.481	531.497.039

30. 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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30. 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							
31.12.2021							
	TL Equivalent	USD	Euro	GBP	CHF	QA	SE
1.Trade Receivables	312.728.795	8.750.863	13.564.937	-	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	87.454.869	1.509.205	4.622.516	-	-	-	-
2b. Non-Monetary Financial Assets	269.151.216	18.766.087	1.744.572	-	-	-	-
3.Other	-	-	-	-	-	-	-
4.Current Assets (1+2+3)	669.334.880	29.026.155	19.932.024	-	-	-	-
5. Trade Receivables	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-
8.Non-Current Assets (5+6+7)	-	-	-	-	-	-	-
9.Total Assets (4+8)	669.334.880	29.026.155	19.932.024	-	-	-	-
10.Trade Payables	46.276.799	1.500.243	1.823.219	-	-	-	26.880
11.Financial Liabilities	33.989.256	337.631	2.016.554	-	-	-	-
12a.Other Monetary Financial Liabilities	688.958	21.271	28.123	-	-	-	-
12b.Other Non-Monetary Financial Liabilities	304.718.638	4.485.496	16.789.476	-	-	-	-
13.Short-Term Liabilities (10+11+12)	385.673.651	6.344.641	20.657.371	-	-	-	26.880
14.Trade Payables	-	-	-	-	-	-	-
15.Financial Liabilities	467.381.355	1.108.408	30.853.271	-	-	-	-
16a.Other Monetary Financial Liabilities	-	-	-	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-
17.Long-Term Liabilities (14+15+16)	467.381.355	1.108.408	30.853.271	-	-	-	-
18.Total Liabilities (13+17)	853.055.006	7.453.050	51.510.642	-	-	-	26.880
19.Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-	-	-	-
19a.Total Assets Hedged	-	-	-	-	-	-	-
19b.Total Liabilities Hedged	-	-	-	-	-	-	-
20.Net Foreign Currency Assets / (Liabilities) (9-18+19)	(183.720.125)	21.573.105	(31.578.618)	-	-	-	(26.880)
21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	(148.152.703)	7.292.514	(16.533.714)	-	-	-	(26.880)
22. Total Fair Value of Financial Instruments Used for Currency Hedge	-	-	-	-	-	-	-

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30. 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							
31.12.2020							
	TL Equivalent	USD	Euro	GBP	CHF	QA	SE
1.Trade Receivables	182.653.772	8.549.916	13.309.774	-	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	6.862.729	735.041	162.502	-	-	1	-
2b. Non-Monetary Financial Assets	39.177.600	4.618.624	585.552	-	-	-	-
3.Other	-	-	-	-	-	-	-
4.Current Assets (1+2+3)	228.694.101	13.903.581	14.057.828	-	-	1	-
5. Trade Receivables	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-
8.Non-Current Assets (5+6+7)	-	-	-	-	-	-	-
9.Total Assets (4+8)	228.694.101	13.903.581	14.057.828	-	-	1	-
10.Trade Payables	33.800.216	1.366.009	2.639.124	-	-	-	-
11.Financial Liabilities	122.693.729	630.632	13.106.814	-	-	-	-
12a.Other Monetary Financial Liabilities	625.332	22.405	51.163	-	-	-	-
12b.Other Non-Monetary Financial Liabilities	44.900.550	1.659.903	3.631.927	-	-	-	-
13.Short-Term Liabilities (10+11+12)	202.019.828	3.678.949	19.429.028	-	-	-	-
14.Trade Payables	-	-	-	-	-	-	-
15.Financial Liabilities	491.860.680	1.778.654	53.153.839	-	-	-	-
16a.Other Monetary Financial Liabilities	-	-	-	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-
17.Long-Term Liabilities (14+15+16)	491.860.680	1.778.654	53.153.839	-	-	-	-
18.Total Liabilities (13+17)	693.880.508	5.457.603	72.582.867	-	-	-	-
19.Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-	-	-	-
19a.Total Assets Hedged	-	-	-	-	-	-	-
19b.Total Liabilities Hedged	-	-	-	-	-	-	-
20.Net Foreign Currency Assets / (Liabilities) (9-18+19)	(465.186.406)	8.445.978	(58.525.039)	-	-	1	-
21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)	(459.463.456)	5.487.257	(55.478.664)	-	-	1	-
22. Total Fair Value of Financial Instruments Used for Currency Hedge	-	-	-	-	-	-	-

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30. 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 be 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			
31.12.2021			
	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	27.996.497	(27.996.497)	-
2-The Amount of USD Hedging (-)	-	-	-
3-USD Net Effect (1+2)	27.996.497	(27.996.497)	-
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(46.364.674)	46.364.674	-
5-The Amount of EUR Hedging (-)	-	-	-
6-EUR Net Effect (4+5)	(46.364.674)	46.364.674	-
TOTAL (3+6)	(18.368.177)	18.368.177	-
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	(3.835)	3.835	-
8- The Amount of Other Hedging (-)	-	-	-
9- Other Net Effect (7+8)	(3.835)	3.835	-
TOTAL (3+6+9)	(18.372.012)	18.372.012	-
Exchange Rate Risk Analysis Table			
31.12.2020			
	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	4.027.921	(4.027.921)	-
2-The Amount of USD Hedging (-)	-	-	-
3-USD Net Effect (1+2)	4.027.921	(4.027.921)	-
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(49.974.626)	49.974.626	-
5-The Amount of EUR Hedging (-)	-	-	-
6-EUR Net Effect (4+5)	(49.974.626)	49.974.626	-
TOTAL (3+6)	(45.946.705)	45.946.705	-
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	-	-	-
8- The Amount of Other Hedging (-)	-	-	-
9- Other Net Effect (7+8)	-	-	-
TOTAL (3+6+9)	(45.906.705)	45.906.705	-

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30. 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 31.12.2021 and 31.12.2020 are presented as below:

Interest Position Table			Current Period	Previous Period
Fixed-Rate Financial Instruments				
	Financial assets fair value through profit or loss		-	-
Financial Assets	Cash and Cash Equivalents			-
Financial Liabilities			662.949.524	688.267.453
Euro Loans			470.860.308	492.124.796
USD Loans			14.363.530	12.997.865
TL Loans			123.652.018	70.830.711
Principal Payments of Long-Term Loans			44.182.029	105.430.236
Leasing Payables			9.891.639	6.883.846
Floating-rate Financial Instruments				
Financial Assets				
Financial Liabilities			-	-
Euro Loans		-	-	-
USD Loans		-	-	-
TL Loans		-	-	-
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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31 FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES)

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

31.12.2021	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
Financial Assets						
Cash and Cash Equivalents	-	93.945.220	-	-	93.945.220	4
Trade Receivables	-	348.880.162	-	-	348.880.162	7
Other Receivables	-	3.363.554	-	-	3.363.554	8
Financial Investments	4.718.787	-	-	-	4.718.787	5
Financial Liabilities						
Financial Payables	-	-	-	662.949.524	662.949.524	6
Trade Payables	-	-	-	124.372.243	124.372.243	7
Other Payables	-	-	-	2.602.847	2.602.847	8
31.12.2020						
	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 Measured at Amortized Cost	Book Value	Note
Financial Assets						
Cash and Cash Equivalents	-	10.445.910	-	-	10.445.910	4
Trade Receivables	-	197.587.899	-	-	197.587.899	7
Other Receivables	-	4.019.581	-	-	4.019.581	8
Financial Investments	165.852	-	-	-	165.852	5
Financial Liabilities						
Financial Payables	-	-	-	688.267.453	688.267.453	6
Trade Payables	-	-	-	74.995.118	74.995.118	7
Other Payables	-	-	-	1.860.578	1.860.578	8

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

Financial Instrument fair values determine as follows;

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

32. SUBSEQUENT EVENTS

31.12.2021:

- As at 31 December 2021, TL 8.285 severance pay ceiling has been increased to TL 10.849 to be effective from 1 January 2022.