

**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 2018  
(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 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

**2) Basis for Opinion**

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





### 3) Key Audit Matters

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

The key audit matter	How the matter was addressed in our audit
<p><b>Revenue Recognition</b></p> <p>The Company and its subsidiaries operate in all kinds of on-board equipment manufacturing, dyeing and welding work.</p> <p>The company's output consists of onboard equipment manufacturing for the fire, trash, vacuum, grooving, ecological vehicles, transport vehicle, defense industry vehicles and construction industry vehicles.</p> <p>Revenue recognition has been identified as a key audit matter since it is an important measurement criteria in terms of evaluation of management performance and the results of the Company strategy and inherently has risk of fraud and error.</p> <p>As of 31 December 2018, the Company's sales revenue is TL 270.481.715 and the accounting policies and amounts related to revenue are disclosed in Note 21.</p>	<p>During our audit, the following audit procedures have been applied on the recognition of the revenue:</p> <ul style="list-style-type: none"><li>• The design and implementation of the controls that are set for the management of the relevant process are examined. In this context, the Company's sales and delivery procedures have been audited.</li><li>• Trading and shipment provisions of related sales contracts signed with customers have been examined and the appropriateness of timing of revenue recognition in the financial statements has been examined.</li><li>• We have focused on substantive procedures for the products for which the invoices are issued but products have not been delivered. The customers which owned high-volume and high-risk transactions have been identified from the customer sales lists, sales in the specified period have been examined and the related samples have been selected from these population for audit procedures. The completeness and accuracy of these lists have been checked. In order to test the timing of revenue recognition and the related cut-off period, the contracts, the delivery conditions of the contracts, the delivery of products and the related accounting and other documents have been audited.</li></ul> <p>In addition, the adequacy of the disclosures in Note 21-Revenue has been assessed according to TFRS 15</p> <p>As a result of the procedures we have applied in relation to revenue recognition, we are not aware of any significant misstatement.</p>





<b>Recoverability of trade receivables</b>	
<p>As of 31 December 2018, the Group trade receivables amounts TL 118.032.243.</p> <p>The Group perform the business with the customers on an order basis. The Group secures its receivables by using direct debting system, collateral and various other guarantees. The Group calculates the recoverable amounts of its receivables based on the risk assesments.</p> <p>Disclosures on accounting policies and amounts related to trade receivables of the Group are on Note 2.3, 7 and 29.</p> <p>We assessed the recoverability of trade receivables as a key audit matter because of the following:</p> <ul style="list-style-type: none"><li>• Trade receivables constitute a significant amount in the consolidated financial statements,</li><li>• Use of management projections in the terms of assessing client's collection performance.</li></ul>	<p>The main audit procedures applied are as follows:</p> <ul style="list-style-type: none"><li>• Adequate and appropriate audit evidence has been obtained regarding the internal controls on the process of trade receivables, meetings with the management and sales personnel has been get based on the following audit evidence:<ul style="list-style-type: none"><li>▪ Periodic management meetings and action plans about customer collection performances and evaluation of guarantees, mortgages received from customers</li><li>▪ Reconciliation of receivables balances with customers on a periodic basis,</li><li>▪ Regular checking of customer collaterals,</li><li>▪ Customer order tracking, production, delivery and sample approval, and control mechanisms related to sales made in the accounting process has been tested.</li></ul></li><li>• The portion of the customers risk appraisal on the trade receivables that is not secured by the collateral is discussed.</li><li>• Any dispute or litigation situation related to collection has been researched and information about receivable follow-up cases which are continuing from legal counsel has been obtained.</li><li>• The receivables aging work has been reviewed and the invoices for the maturity analysis of the receivables were examined by detailed tests.</li><li>• Reconciliation letters were sent to the sample receivables selected through the population and the replies received were reconciled with the financial statements.</li><li>• The guarantees received from the customers were tested and the guarantees of the customers selected by sampling were confirmed by agreement.</li><li>• As of the balance sheet date, collections made after the balance sheet date have been tested for non-aged trade receivables.</li></ul> <p>As a result of our audit procedures applied on the recoverability of trade receivables, we are not aware of any significant misstatements.</p>





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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with Standards on Independent Auditing issued by the CMB and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with Standards on Independent Auditing issued by the CMB and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## **B) Other Responsibilities Arising from Regulatory Requirements**

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 8 March 2019.
- 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 2018, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

İstanbul, 8 March 2019

Aksis Uluslararası Bağımsız Denetim A.Ş.



Tayyip Yaşar, YMM

Partner



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Monetary Unit: Turkish Lira ("TL")

Assets	Note	Audited 31 December 2018	Audited 31 December 2017
<b>Current assets</b>			
Cash and cash equivalents	4	24.738.007	35.952.961
Financial investments	5	121.644	186.977
Trade receivables		118.032.243	127.982.114
- Trade receivables from related parties	7	961.781	1.048.585
- Trade receivables from third parties	7	117.070.462	126.933.529
Other receivables		4.320.042	3.930.184
- Other receivables from third parties	8	4.320.042	3.930.184
Inventories	9	337.940.389	212.311.823
Prepaid expenses	10	60.149.534	31.043.229
Current tax assets	27	1.286.990	746
Other current assets	19	38.723.676	20.070.295
<b>Total current assets</b>		<b>585.312.525</b>	<b>431.478.329</b>
<b>Non-current assets</b>			
Other receivables		24.598	24.598
- Other receivables from third parties	8	24.598	24.598
Equity accounted investees	11	83.502	174.636
Investment property	12	2.172.000	7.952.000
Property, plant and equipments	13	60.267.345	52.364.397
Intangible assets	14	23.278.640	15.550.415
Prepaid expenses	10	2.414.005	7.712.998
Deferred tax assets	27	14.990.276	9.338.356
<b>Total non-current assets</b>		<b>103.230.366</b>	<b>93.117.400</b>
<b>Total assets</b>		<b>688.542.891</b>	<b>524.595.729</b>



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Monetary Unit: Turkish Lira ("TL")

Liabilities	Note	Audited 31 December 2018	Audited 31 December 2017
<b>Short term liabilities</b>			
Short-term borrowings	6	246.344.918	154.690.310
Short-term portion of long term borrowings	6	7.493.303	39.149.264
Trade payables		71.055.952	45.541.960
- Trade payables to third parties	7	71.055.952	45.541.960
Payables related to the employee benefits	18	2.520.809	2.098.087
Other payables		11.029.255	4.061.747
- Other payables to related Parties	8	8.867.985	--
- Other payables to third Parties	8	2.161.270	4.061.747
Deferred income	10	73.335.571	46.635.878
Short term provision		2.132.042	1.696.626
- Short term provisions for employee benefits		1.106.509	1.327.926
- Other short-term provision	15	804.116	590.117
<b>Total short-term liabilities</b>		<b>445.145.089</b>	<b>262.640.633</b>
<b>Long term liabilities</b>			
Long term borrowings	6	152.052.583	157.117.476
Other payables		--	472.851
- Other payables to third Parties		--	472.851
Long term provisions		5.386.098	4.500.334
- Long term provisions related for employee benefits	18	4.500.334	5.386.098
Deferred tax liability	27	9.841.575	7.417.636
<b>Total long-term liabilities</b>		<b>167.280.256</b>	<b>169.508.297</b>
<b>Total liabilities</b>		<b>612.425.345</b>	<b>432.148.930</b>
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Paid-in share capital	20	25.000.000	25.000.000
Share premium	20	1.839.173	1.839.173
Other comprehensive income or expenses not to be reclassified in profit or loss		<b>16.398.241</b>	<b>16.273.871</b>
- Revaluation reserve		16.766.665	16.766.665
- Actuarial gain/(loss)		(492.794)	(368.424)
Restricted reserves	20	4.477.769	3.765.426
Reserve from common control transactions		(1.759.039)	(1.759.039)
Retained earnings	20	45.827.308	35.553.220
Net Profit for the Year		(15.718.331)	11.740.168
<b>Non-controlling interest</b>	20	52.425	33.980
<b>Total equity</b>		<b>76.117.546</b>	<b>92.446.799</b>
<b>Total equity and liabilities</b>		<b>688.542.891</b>	<b>524.595.729</b>



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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

Monetary Unit: Turkish Lira ("TL")

	Note	Audited 1 January–31 December 2018	Audited 1 January–31 December 2017
Revenue	21	270.481.715	177.225.811
Cost of sales (-)	21	(163.403.481)	(86.416.376)
<b>Gross profit</b>		<b>107.078.234</b>	<b>90.809.435</b>
General administrative expenses (-)	22	(20.304.757)	(19.190.338)
Marketing expenses (-)	22	(27.438.805)	(18.790.115)
Research and development expenses (-)	22	(1.351.892)	(872.722)
Other income from operations	24	89.976.214	26.509.508
Other expenses from operations (-)	24	(68.687.317)	(16.193.807)
<b>Operating profit</b>		<b>79.271.677</b>	<b>62.271.961</b>
Income from investing activities	25	3.827.516	5.388.239
Expenses from investing activities (-)	25	-	(2.800.263)
<b>Operating profit before financial income and expenses</b>		<b>83.099.193</b>	<b>64.859.937</b>
Financial income	26	43.904.299	12.662.283
Financial expenses (-)	26	(145.112.967)	(63.051.945)
<b>Profit before tax</b>		<b>(18.109.475)</b>	<b>14.470.275</b>
<b>Tax income / (expense)</b>		<b>2.409.588</b>	<b>(2.718.701)</b>
- Current tax expense	27	(640.877)	(2.946.345)
- Deferred tax income / (expense)	27	3.050.465	227.644
<b>Profit for the year</b>		<b>(15.699.887)</b>	<b>11.751.574</b>
<b>Distribution of profit or loss</b>			
Non-controlling interests	20	18.444	11.406
Equity holders of the Company	20	(15.718.331)	11.740.168
<b>Earnings per share from continuing operations</b>		<b>(0,63)</b>	<b>0,47</b>
<b>Diluted earnings per Share from continuing operations</b>		<b>(0,63)</b>	<b>0,47</b>
<b>Other comprehensive income</b>			
<b>Items not to be reclassified in profit or loss</b>			
Increase / (decrease) from revaluation of property, plant and equipment		--	5.810.997
Defined benefit plans remeasurements gains / (losses)		159.449	14.832
- Deferred tax (income / (expense))		(35.079)	(306.300)
<b>Total other comprehensive income (after tax)</b>		<b>124.370</b>	<b>5.519.529</b>
<b>Total comprehensive income</b>		<b>(15.575.517)</b>	<b>17.271.103</b>
<b>Distribution of total comprehensive income</b>			
Non-controlling interest		18.444	11.409
Equity holders of the Company		(15.593.961)	17.259.694



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

Monetary Unit: Turkish Lira ("TL")

20	Paid in Capital	Treasury Shares	Share Premiums	Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss			Retained Earnings			Equity Holders of the Company	Non Controlling Interests	Total
				Identified Benefit Reclassification Income / (Loss)	Increase from Revaluation Property, Plant and Equipment	Reserve from Common Control Transactions	Restricted Reserve	Retained Profit	Net Period Profit			
20	25,000,000	(1,161,298)		(504,658)	11,259,003	(1,759,039)	3,150,869	26,570,969	9,596,808	72,152,654	22,571	72,175,225
20				11,864	5,507,662		614,557	8,982,251	(9,596,808)	-		-
20		1,161,298	1,839,173						11,740,168	17,259,694	11,409	17,271,103
20	25,000,000	-	1,839,173	(492,794)	16,766,665	(1,759,039)	3,765,426	35,553,220	11,740,168	92,412,819	33,980	92,446,799
<b>CURRENT PERIOD</b>												
20	25,000,000	(1,161,298)	1,839,173	(492,794)	16,766,665	(1,759,039)	3,765,426	35,553,220	11,740,168	92,412,819	33,980	92,446,799
2.3							712,343	11,027,825	(11,740,168)			
20				124,370				(753,737)	(753,737)	(753,737)		(753,737)
20									(15,718,331)	(15,593,961)	18,444	(15,575,517)
20	25,000,000	-	1,839,173	(368,424)	16,766,665	(1,759,039)	4,477,769	45,827,308	(15,718,331)	76,065,121	52,425	76,117,546
<b>Balance at 31 December 2018 Closing</b>												

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

PREVIOUS PERIOD

January 2017 Opening

Transfers

Total Comprehensive Income

Increase / Decrease from Re-acquired Shares

Balance at 31 December 2017 Closing

CURRENT PERIOD

January 2018 Opening

Transfers

IFRS 9 Adjustment

Total Comprehensive Income

Increase / Decrease from Other Adjustments

Balance at 31 December 2018 Closing



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

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018

Monetary Unit: Turkish Lira ("TL")

	Notes	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(60.441.741)</b>	<b>(72.799.048)</b>
Net Profit/(Loss) for The Period		(15.699.887)	11.751.574
Adjustments to Reconcile Net Profit/(Loss)		<b>58.999.953</b>	<b>2.084.193</b>
Depreciation and Amortization	13-14	4.226.075	3.453.534
Changes in Provisions	16	5.379.802	1.969.907
Interest Income and Expense		11.214.294	(1.131.951)
Unrealized Exchange Loss / (Gain)		38.567.665	(4.925.999)
Loss on sale of property and equipments		2.021.705	-
Other Profit / (Loss) Reconciliations		(2.409.588)	2.718.702
<b>Changes in Working Capital</b>		<b>(81.167.523)</b>	<b>(124.526.580)</b>
Increases / (Decreases) in Inventories	9	(125.628.566)	(120.072.493)
Increases / (Decreases) in Trade Receivables	7	9.949.871	(28.581.952)
Increases / (Decreases) in Other Receivables		(389.858)	(1.252.432)
Increases (Decreases) in Trade Payables	7	25.513.992	9.788.073
Increases (Decreases) in Other Payables		6.494.657	895.127
Other Increase / (Decreases) in Working Capital		2.892.381	14.697.097
<b>Cash Flow from Operating Activities</b>		<b>(3.213.365)</b>	<b>(1.447)</b>
Tax Payments / Returns		(19.360.919)	37.893.212
Other Cash Flows / Outflows		<b>(60.441.741)</b>	<b>(72.799.048)</b>
<b>B. CASHLOW PROVIDED BY INVESTING ACTIVITIES</b>		<b>(9.253.793)</b>	<b>(10.056.548)</b>
Acquisition of Financial Investments		-	(200.000)
Proceeds from Sale of Property, Plant and Equipment	13-14	-	1.306.086
Acquisition of Property, Plant and Equipment	13-14	(16.946.446)	(14.872.872)
Cash Inflows from the Sale of Investment Property		7.665.000	-
Interest Received		27.653	3.710.238
<b>C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		<b>49.675.250</b>	<b>110.601.324</b>
Sales of Company Shares		-	3.734.369
Proceeds from Borrowings		425.009.717	366.676.444
Payments of Borrowings		(339.658.164)	(230.987.551)
Payment of Finance Lease Liabilities		(2.399.142)	(1.709.670)
Interest Paid		(22.426.310)	(25.066.747)
Other Cash Inflows / Outflows	4	(10.850.851)	(2.045.521)
<b>NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS (A+B+C)</b>		<b>(20.020.284)</b>	<b>27.745.728</b>
<b>D. FOREIGN CURRENCY CONVERSION ADJUSTMENTS EFFECTS ON CASH AND CASH EQUIVALENTS</b>		--	--
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C+D)</b>		<b>(20.020.284)</b>	<b>27.745.728</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>33.907.440</b>	<b>6.161.712</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)</b>	4	<b>13.887.156</b>	<b>33.907.440</b>



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

## NOTES TO CONSOLIDATED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 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 2018

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 Kızılırmak Mah. 1445 Sok. No: 2b/82 The Pragon İş Merkezi Çukurambar – Çankaya / ANKARA and has a branch which is located in production facility in Malıköy Mah. 23.Cad.No:3 Başkent OSB Sincan Ankara.

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

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

Group 's main activities are as follows:

Painting Work - Painting of vehicle equipment

Weld Work - Onboard equipment weld workshop

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

Company shares were offered to the public in 2010, as at 31 December 2018, 45,09% (31 December 2017 : 36,29 %) of shares are trading Istanbul Stock Exchange Inc. (Borsa İstanbul).

As of 31 December 2018, the total number of people employed by the Group is 461 (31 December 2017: 476).

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

The nature of operations of the susidiaries 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 has any subsidiary whose shares are traded on the stock exchange market



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

### 2.1. Basis of Presentation

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

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

Consolidated financial statements are prepared on the basis of historical cost except for 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 2018 were approved by the management on 8 March 2019. The General Assembly and certain regulatory bodies have the right to amend the financial statements after their publication.

#### 2.1.1. Functional and Presentation Currency

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

#### 2.1.2. Consolidation Principles

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

#### *Subsidiaries*

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

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

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

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

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



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AND FOR THE YEAR ENDED 31 DECEMBER 2018**

Monetary Unit: Turkish Lira (“TL”)

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

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

**2.1.2 Basis of Consolidation (continued)**

*Subsidiaries (continued)*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or 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 2018 and 2017 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 2018	31 December 2017
Katmerciler Profil San. ve Tic. A.Ş.(Katmerciler Profil)	Painting Works	Turkish Lira	Turkey	100,00	100,00
Isipan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş. (Ekipman Metal)	Weld Workshop	Turkish Lira	Turkey	95,67	95,67
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş.	Onboard Equipment Manufacturing	Turkish Lira	Turkey	100,00	100,00

*Equity Accounted Investees*

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

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

The table below demonstrates the rates of the effective ownership and the voting power held in terms of percentages (%) as of 31 December 2018 and 2017 for the associates:

	Main Operation	Functional Currency	Establishment & Operation Country	Effective Ownership Rate (%)	
				31 December 2018	31 December 2017
Lika	Defense Industry	Turkish Lira	Turkey	20,00	20,00



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

### 2.1. Basis of Presentation (continued)

#### 2.1.2 Basis of Consolidation (continued)

##### *Consolidation adjustments*

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

##### *Under Common Control Interests*

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

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

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January - 31 December 2018 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2017, except for the new IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers standards, which are started to be valid as of 1 January 2018.

##### **Impacts on Consolidated Financial Statements**

The Group applied IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers effective from 1 January 2018 and financial statements effects of the these standards are explained below; applied actual accounting policy is explained on Note 2.2.(a).

In the application of IFRS 9 Financial Instruments Standard, the Group have benefited from an exemption which allows not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of 1 January 2018.

The Group has applied IFRS 15 Revenue from Contracts with Customers by using "cumulative effect method" on the transition date of 1 January 2018. The cumulative effect adjustment for the first time of this adoption is recognized in retained earnings as of 1 January 2018 and no restatement has been required in the comparative information of the financial statements

##### **Classification and Measurement of Financial Instruments**

Group classifies its financial assets 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 entity'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.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)****2.1. Basis of Presentation (continued)****2.1.3. Significant change in the Accounting Policies (continued)****Classification and Measurement (continued)**

"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. Group's financial assets measured at amortized cost consist of "cash and cash equivalents", "trade receivables" and "financial investments". 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 consolidated statement of income.

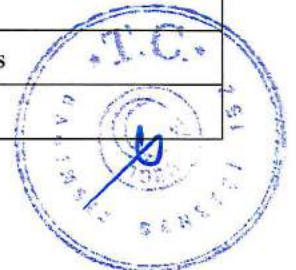
"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on 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.

Group 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 profit and loss.

"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 consolidated statement of other comprehensive income.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarized below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

Sınıflandırma ve Ölçüm	TMS 39'a sınıflandırma	TFRS-9'a göre yeni sınıflandırma
<b>Financial Assets</b>		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial investments	Held-to-maturity financial assets	Amortised cost
Financial investments	Available for sale financial assets	Fair value through other comprehensive income
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
<b>Financial Liabilities</b>		
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Other payables	Amortised cost	Amortised cost



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)****2.1. Basis of Presentation (continued)****2.1.3. Significant change in the Accounting Policies (continued)****Impairment**

The Group has made amendments to the TFRS 9 methodology for allocating impairment of financial assets in accordance with the newly anticipated credit loss model. It has reflected the impact in the financial statements for the first time in 30 June 2018 and re-measured the impact of the opening as a result of detailed analysis. The effect of the change on the Group's retained earnings for the years ended 1 January 2018 is as follows;

	<b>1 January 2018</b>
Retained Earnings, Reported	46.581.045
Allowance for impairment in cash and cash equivalents	--
Allowance for impairment in short term financial investments	--
Allowance for impairment in long term financial investments	--
Increase in allowance for doubtful trade receivables	(966.330)
Deferred tax effect	212.593
Effect of non-controlling interests	--
<b>Total</b>	<b>(753.737)</b>
Retained earnings - Restated	45.827.307

The Group allocates impairment provision for the following financial assets according to the expected credit loss model:

- Cash and cash equivalents
- Financial investments
- Trade receivables
- Other receivables

The Group uses the simplified approach in IFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables



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

### 2.1. Basis of Presentation (continued)

#### 2.1.4. New and Revised International Financial Reporting Standards (continued)

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

##### **IFRS 16 Leases**

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 *Leases*, IFRS Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, TAS Interpretation 15 *Operating Leases – Incentives*, and TAS Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and consequently changes to TAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 *Revenue from Contracts with Customers*.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

##### **IFRS Interpretation 23 –Uncertainty Over Income Tax Treatments**

On 24 May 2018, POA issued IFRS Interpretation 23 *Uncertainty over Income Tax Treatments* to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 *Income Taxes* specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS Interpretation 23.

##### **Amendments to IFRS 9 - Prepayment features with negative compensation**

On December 2017, POA has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.



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

### 2.1. Basis of Presentation (continued)

#### 2.1.4. New and Revised International Financial Reporting Standards (continued)

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

##### **Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures**

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

##### **The revised Conceptual Framework**

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

##### ***The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA***

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

##### ***Annual Improvements to IFRSs 2015-2017 Cycle***

##### **Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

##### ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements***

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.



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

### 2.1. Basis of Presentation (continued)

#### 2.1.4. New and Revised International Financial Reporting Standards (continued)

##### *Annual Improvements to IFRSs 2015-2017 Cycle*

##### **Improvements to IFRSs (continued)**

###### *IAS 12 Income Taxes*

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

###### *IAS 23 Borrowing Costs*

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

##### **Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -**

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

##### **Amendments to IAS 1 and IAS 8 - Definition of Material**

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

##### **Amendments to IFRS 3 - Definition of a Business**

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.



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

### 2.1. Basis of Presentation (continued)

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

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

### 2.2. Summary of significant accounting policies

#### (a) Financial instruments

##### *Financial Assets*

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

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

##### *Recognition and Measurement*

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

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

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

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



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

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

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

##### Derecognition

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

##### Impairment

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

Provision for loss measured as below;

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

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

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

##### Trade receivables

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

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

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

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

##### Cash and cash equivalents

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



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

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

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

***Financial liabilities***

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

***Equity instruments***

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

***Other financial liabilities***

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

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

***Trade payables***

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



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

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

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

##### (i) Recognition and measurement

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

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

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

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

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

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

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

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

##### (ii) Subsequent expenditure

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

##### (iii) Depreciation

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

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

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



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

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

**(c) Intangible assets**

*(i) Recognition and measurement*

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

*(ii) Subsequent expenditure*

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

*(iii) Amortization:*

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

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

**(d) Investment Property**

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

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

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

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



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

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

#### (e) Impairment of Assets (continued)

##### *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.



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

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

#### (f) Employee Benefits

##### (i) Severance Indemnities

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

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

Provision for severance pay for each year is calculated based on total gross salary and other benefits. As of 31 December 2018 it is maximum 5.434 TL (31 December 2017: 4.732 TL).

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

##### (ii) Other short-term employee benefits

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



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

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

**(g) Subsequent Events**

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

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

**(h) Provisions**

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

*(i) Onerous contracts*

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



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

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

#### (i) Revenue

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

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

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

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

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

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

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

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

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

The Company is engaged in loading and unloading and portorage works in Trabzon port area and establishing facilities for these works; providing services to ships, water and fuel loading, unloading, transferring work activities.



**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 2018**

Monetary Unit: Turkish Lira ("TL")

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

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

**(j) Government Subsidies and Incentives**

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

**(k) Related Parties**

Parties are considered related to the Company if:

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

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

(b) the party is an associate of the Company

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

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

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

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

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

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

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



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

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

#### (l) Leases

##### (i) Leased assets

All leases which transfer to the Group all the risks and rewards incidental to the ownership of an asset are called as financial leases. Firstly, tangible assets acquired via financial leases are measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Following the first record, related leased asset is recognized according to effective accounting policies.

Leased assets under other leases are classified as operating leases and are not recognized in the financial position of the Group.

##### (ii) Lease payments

Payments under operating leases are recognized in profit or loss via straight-line method during the lease term. Lease promotions are recognized as a part of lease expenses during the lease term.

Minimum lease payments under financial leases are distributed by decreasing finance cost and the rest liability. Finance costs are distributed to each period on condition that determining a fixed interest rate for the period on the rest balance of related liability.

##### (iii) Determining whether an Arrangement contains a Lease

At the beginning of a lease agreement, the Group determine whether that agreement is a lease agreement or that agreement is an agreement which contains a lease.

Following the beginning of the agreement or reconsidering of the agreement, the Group classify related payments required by the agreement as rent payments and other payments according to their fair value. If the Group decide that related payments are not possible to be classified in a financial lease agreement, reliably an asset or a liability are recognized as much as fair value of related lease. With in the related lease payments, liability is decreased and financial cost added to liability is recognized by using alternative debt ratio of the Group.

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

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

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

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



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

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

#### (n) Taxation

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

##### (i) Current tax

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

##### (ii) Deferred tax

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

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

Taxable temporary differences related to initial recognition of goodwill.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

##### (iii) Tax Risk

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



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

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

**(o) Cash Flow Statement**

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

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

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

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

**(p) Dividends**

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

**(q) Segment Reporting**

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

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

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

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

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

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

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

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



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

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

#### (t) Determination of fair value

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

#### (i) Trade and other receivables

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

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

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

## 2.6 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 2017.

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

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

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



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AND FOR THE YEAR ENDED 31 DECEMBER 2018

Monetary Unit: Turkish Lira ("TL")

### 3. SEGMENT REPORTING

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

As a result of that, there is no segment reporting in the financial statements ending 31 December 2018.

### 4. CASH AND CASH EQUIVALENTS

	<u>31.12.2018</u>	<u>31.12.2017</u>
Cash on Hand	23.466	13.324
Banks	24.689.231	35.939.637
-Demand Deposits	24.689.231	20.958.974
TL	3.054.505	8.717.480
USD	4.722.010	7.294.637
EURO	16.912.716	4.946.857
-Time Deposit (*)	-	14.980.663
TL	-	14.950.557
Accrued Interest Income	-	30.106
Credit Cards	25.310	
<b>Total</b>	<b>24.738.007</b>	<b>35.952.961</b>

As of 31 December 2018, there are cash blockages amounting to TL 10.850.851 (31.12.2017: TL 2.045.521) in the accounts of the Company.

(\*) Time Deposit

	<u>31.12.2018</u>	<u>31.12.2017</u>
Between 30-90 Days	--	14.980.663

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

### 5. FINANCIAL INVESTMENTS

	<u>31.12.2018</u>		<u>31.12.2017</u>	
Financial assets at fair value through profit or loss	Nominal Value	Carrying Value	Nominal Value	Carrying Value
Şekerbank Bonds	100.000	121.644	100.000	100.324
Halkbank Bonds	-	-	87.648	86.653
<b>Total</b>	<b>100.000</b>	<b>121.644</b>	<b>187.648</b>	<b>186.977</b>



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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6. FINANCIAL BORROWINGS

	<u>31.12.2018</u>	<u>31.12.2017</u>
a) Bank Borrowing	432.196.180	262.809.501
b) Issued Bonds	-	51.859.479
c) Financial Leases	5.350.584	4.632.109
<b>Total</b>	<b>437.546.764</b>	<b>319.301.089</b>

a) Bank Loans

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

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>31.12.2017</u>		
		<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>
TL	13,25 - 17,40	52.502.203	4.996.458	90.541.239
EUR	2,70 - 5,75	48.970.410	2.496.845	63.302.346
<b>Total</b>		<b>101.472.613</b>	<b>7.493.303</b>	<b>153.843.585</b>

	<u>31.12.2018</u>	<u>31.12.2017</u>
Less than a year	283.481.601	108.965.916
Between 1-2 year	45.172.471	86.492.619
Between 2-3 year	9.388.156	61.350.966
Between 3-4 year	59.190.291	6.000.000
More than a year	34.963.661	-
<b>Total</b>	<b>432.196.180</b>	<b>262.809.501</b>

The fair value of short- and long-term debts is equal to its book value because the effect of amortization is insignificant. As of the reporting date, the bank loans have been secured over the values of the buildings of EUR 8.9800.000. USD 5.000.000 and TL 100.500.000. (31.12.2017: EUR 600.000, USD 5.000.000 ve TL 45.600.000).



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

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Monetary Unit: Turkish Lira ("TL")

**6. FINANCIAL BORROWINGS (continued)**

**b) Short-term Portions of Long Term Loans**

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
TL	15,40 – 32,00	22.528.343	4.996.458
EUR	4,25 – 7,00	16.620.921	2.496.845
<b>Toplam</b>		<b>39.149.264</b>	<b>7.493.303</b>

**c) Bond Issued**

As of 31.12.2018, there are no bonds issued.

31.12.2017

<u>Currency</u>	<u>Nominal Interest Rate (%)</u>	<u>Term</u>	<u>Nominal Value</u>	<u>Carrying Value</u>
TL	4,5551(*)	08.03.2018	50.000.000	51.859.479
<b>Total</b>			<b>50.000.000</b>	<b>51.859.479</b>

(\*) The amount of accrued interest is TL 1.859.479 as at of 31.12.2017.

(\*) The coupon interest for each coupon payment period will be calculated by adding the 5.25% for TL 50.000.000 per annum to the weighted average over the last five business days of the indicative government domestic borrowing date of the BIC Bond and Bills final purchase and sale market. Bonds are paid in quarterly and principal will be paid in date of maturity..

**d) Financial Lease Obligations**

Financial lease obligations shows 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>31.12.2018</u>	<u>31.12.2017</u>
Machinery, Equipment and Instalments (net)	5.350.584	4.632.109



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

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Monetary Unit: Turkish Lira ("TL")

6. FINANCIAL BORROWINGS (continued)

d) Financial Lease Obligations (continued)

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

**31.12.2018**

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

**31.12.2017**

	Less than 1 year	Between 1-5 years	Total
<b>Amount of minimum lease payments</b>			
TL denominated financial lease	254.299	512.923	767.222
EUR denominated financial lease	1.157.248	2.600.419	3.757.667
USD denominated financial lease	215.897	503.948	719.845
<b>Total</b>	<b>1.627.444</b>	<b>3.617.290</b>	<b>5.244.734</b>
<b>Present value of payments</b>			
TL denominated financial lease	174.135	420.983	595.117
EUR denominated financial lease	1.001.976	2.400.923	3.402.899
USD denominated financial lease	182.107	451.985	634.093
<b>Total</b>	<b>1.358.218</b>	<b>3.273.891</b>	<b>4.632.109</b>

Financial leaseings are related to purchasing of machinery and fixtures whose rental periods are 2 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 5% per annum.

7. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

<b>Short-Term Trade Receivables</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Current Accounts	116.838.614	107.480.398
Post dated Checks	423.432	19.740.900
Less: Unrealized Finance Income	(191.584)	(287.769)
Doubtful Trade Receivables (*)	7.719.494	3.519.568
Less: Provisions for Doubtful Trade Receivables	(7.719.494)	(3.519.568)
<b>Sub Total</b>	<b>117.070.462</b>	<b>126.933.529</b>
- Related Parties (Not 29)	961.781	1.048.585
<b>Total</b>	<b>118.032.243</b>	<b>127.982.114</b>



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

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

<b>Customers, Notes Receivables and Postdated Checks (*)</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Less than 3 months	93.707.299	67.392.536
Maturity between 3-6 months	24.516.528	34.632.637
Maturity between 6-9 months	-	26.244.710
<b>Total</b>	<b>118.223.827</b>	<b>128.269.883</b>

As of 31 December 2018, 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 % 21,26, %2,76 and %-0,33 (31.12.2017: respectively % 13,54, %1,77 and % -0,35)

As of 31 December 2018, the trade receivables amounting of TL 7.719.494 TL (31.12.2017: 3.519.568 TL) are doubtful receivables. The provision of doubtful receivables increased TL 3.607.016 with in the year (31 Aralık 2017: 339.838). Doubtful receivables consist of uncollectible amounts related to customer receivables.

The details of doubtful trade receivables are as follows:

<b>Doubtful Trade Receivables</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Opening	3.519.568	2.911.976
Period Expense	3.607.016	339.838
IFRS 9 (First time application)	966.330	-
Currency Translation Differences	292.080	275.901
Less: Cancelled within the Period	(665.520)	(8.147)
<b>Closing</b>	<b>7.719.474</b>	<b>3.519.568</b>

**b) Trade Payables:**

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

<b>Short-term Trade Payables</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Suppliers (*)	41.399.723	9.550.795
Notes Payables (*)	17.506.801	23.704.375
Less: Unrealized Finance Expense	(532.135)	(278.682)
Other Trade Payables	12.681.563	12.565.472
<b>Total</b>	<b>71.055.952</b>	<b>45.541.960</b>

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

<b>* Suppliers and Notes Payables</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Maturity between 0-6 months	58.570.046	26.155.417
Maturity between 6-9 months	336.478	7.099.753
<b>Total</b>	<b>58.906.524</b>	<b>33.255.170</b>

As of 31 December 2018, 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 % 21,26, %2,76 and %-0,33. (31.12.2017: %13,54, %1,77 and %-0,35)



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**8. OTHER RECEIVABLES AND PAYABLES**

<b><u>Short-Term Other Receivables</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Deposits and Guarantees	325.282	164.456
Receivables from Tax Office	3.743.059	3.398.331
Receivables from Social Security Institution	19.767	19.767
Eximbank Bloked Receivables (*)	227.690	343.385
Other Receivables	4.244	4.245
<b>Total</b>	<b>4.320.042</b>	<b>3.930.184</b>

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

<b><u>Long-Term Other Receivables</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Deposits and Guarantees	24.598	24.598
<b>Total</b>	<b>24.598</b>	<b>24.598</b>

<b><u>Short-Term Other Payables</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Tax Payables	1.207.505	3.290.028
Other Payables	38.671	49.950
Restuctured Tax According to 6736 Numbered Tax Law	915.094	721.769
<b>Total</b>	<b>2.161.270</b>	<b>4.061.747</b>
Related Parties (Note 29)	8.867.985	--
<b>Total</b>	<b>11.029.255</b>	<b>4.061.747</b>

<b><u>Long-Term Other Payables</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Restuctured Tax According to 6736 Numbered Tax Law	--	472.851
<b>Total</b>	<b>--</b>	<b>472.851</b>

**9. INVENTORIES**

	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Raw Materials and Supplies	109.852.475	80.738.718
Work-in Progress	211.362.850	116.477.223
Finished Goods	14.941.249	13.213.418
Commercial Goods	1.445.790	1.477.163
Other Inventories	369.357	436.633
Impairment on Inventories (-)	(31.332)	(31.332)
<b>Total</b>	<b>337.940.389</b>	<b>212.311.823</b>

As of 31 December 2018, the Group has TL 25.000.000 insurance on its inventories. (31.12.2017: 25.000.000TL)

<b><u>Provision for Impairment of Inventories</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Opening Balance	(31.332)	(31.332)
Cancelled Provision (-)	-	-
<b>Closing Balance</b>	<b>(31.332)</b>	<b>(31.332)</b>

Group does not have any pledged inventory in return for loans as at 31 December 2018. (31.12.2017: None).



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**10. PREPAID EXPENSES AND DEFERRED INCOME**

**Short-Term Prepaid Expenses**

	<u>31.12.2018</u>	<u>31.12.2017</u>
Advances Given for Inventories	58.605.229	30.552.095
Prepaid Expenses for Future Months	1.544.305	484.814
Income Accruals	-	6.320
<b>Total</b>	<b>60.149.534</b>	<b>31.043.229</b>

**Long-Term Prepaid Expenses**

	<u>31.12.2018</u>	<u>31.12.2017</u>
Advances Given for Property, Plant and Equipments	2.403.249	7.505.275
Prepaid Expenses for Future Years	10.756	207.723
<b>Total</b>	<b>2.414.005</b>	<b>7.712.998</b>

**Short-Term Deferred Income**

	<u>31.12.2018</u>	<u>31.12.2017</u>
Deferred Income for Future Months	73.335.571	46.635.878
<b>Total</b>	<b>73.335.571</b>	<b>46.635.878</b>

**11. EQUITY ACCOUNTED INVESTEEES**

	<u>31.12.2018</u>		<u>31.12.2017</u>	
	(%)	TL	(%)	TL
LİKA Savunma	20	83.502	20	174.636
<b>Total</b>	<b>20</b>	<b>83.502</b>	<b>20</b>	<b>174.636</b>

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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Total Assets	430.195	922.484
Total Liabilities	430.195	922.484
Period Profit / (Loss)	(492.869)	(126.819)



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#### 12. INVESTMENT PROPERTY

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

<u>Fair Value</u>	<u>01.01.2017</u>	<u>Increase in Fair Value</u>	<u>31.12.2017</u>
	<u>Opening Balance</u>		<u>Closing Balance</u>
Land	5.670.750	713.000	6.383.750
Building	1.529.250	39.000	1.568.250
Investment Property	<b>7.200.000</b>	<b>752.000</b>	<b>7.952.000</b>

TSKB Gayrimenkul Değerleme A.Ş., which is an independent expertise company licensed by CMB, which is independent from the Group, valued the Group's lands, buildings and apartments located in Gazimir / İzmir and its buildings located in Güzelbahçe / İzmir and 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 30 September 2017, the total fair value of the buildings and lands in Gazimir / İzmir is TL 5,780,000 and the value of the lands in Güzelbahçe / İzmir is 1,050,000 TL and the fair with the amount of buildings in Atasehir / İstanbul TL 1,122,000. The fair value of real estate is determined by the methods of market value, cost method and discounted cash flow methods respectively.

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

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

In the current period, the Group earned 114.698 TL rent income from investment property (31.12.2017: 81.460 TL).The mortgage on the investment properties of the Group amounts to TL 4.250.000, EURO 1.080.000 (31.12.2017: TL 15.600.000).



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13. PROPERTY, PLANT AND EQUIPMENT

<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>31.12.2018</u>
								<u>Total</u>
<b>Opening Balance</b>	26.650.420	1.332.125	13.220.769	9.785.817	1.736.008	2.947.028	3.576.722	59.248.889
Purchases	-	-	304.868	32.742	310.350	227.244	10.603.012	11.478.196
Disposals	-	-	-	954.887	220.909	-	-	(1.175.796)
Reclassification	-	-	-	590.070	-	-	(691.384)	(101.294)
Adjustments	-	-	-	-	(23.604)	-	-	(23.604)
Transfer from Consturction in Progress	-	-	8.808.340	-	-	-	(8.808.340)	-
<b>Closing Balance</b>	26.650.420	1.332.125	22.333.977	9.453.742	1.801.845	3.174.271	4.680.010	69.426.390
<b>Opening Balance</b>	-	(33.697)	(108.415)	(4.564.257)	(560.391)	(1.617.732)	-	(6.884.492)
Period Expense	-	(171.276)	(560.730)	(1.214.919)	(262.751)	(409.463)	-	(2.619.139)
Adjustment	-	-	-	(346)	124.579	(791)	-	123.442
Disposals	-	-	-	199.641	21.503	-	-	221.144
<b>Closing Balance</b>	-	(204.976)	(669.145)	(5.579.881)	(677.060)	(2.027.986)	-	(9.159.045)
<b>Carrying Value, net</b>	26.650.420	1.127.149	21.664.832	3.873.861	1.124.786	1.146.285	4.680.010	60.267.345



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13. PROPERTY, PLANT AND EQUIPMENT (continued)

							31.12.2017	
	<u>Costs</u>	<u>Land</u>	<u>Land</u>	<u>Buildings</u>	<u>Plants</u>	<u>Furniture</u>	<u>Construction</u>	<u>Total</u>
		<u>Improvements</u>	<u>and</u>	<u>Equipment</u>	<u>and</u>	<u>and</u>	<u>in Progress</u>	
			<u>Improvements</u>	<u>Equipment</u>	<u>and</u>	<u>Fixtures</u>		
<b>Açılış Bakiyesi</b>	<b>21.301.000</b>	<b>1.331.150</b>	<b>12.587.850</b>	<b>8.935.958</b>	<b>1.222.801</b>	<b>2.278.192</b>	<b>587.527</b>	<b>48.244.477</b>
Purchases	790.420	9.501	-	1.908.633	56.241	674.119	4.589.697	8.028.611
Disposals	-	-	-	(1.172.221)	(413.191)	(5.283)	(80.435)	(1.671.130)
Valuation	4.559.000	(8.526)	(1.315.219)	-	-	-	1.411.676	5.810.997
Transfers from Construction in Progress	-	-	1.948.138	113.447	870.158	-	(2.931.743)	-
<b>Closing Balance</b>	<b>26.650.420</b>	<b>1.332.125</b>	<b>13.220.769</b>	<b>9.785.817</b>	<b>1.736.008</b>	<b>2.947.028</b>	<b>3.576.722</b>	<b>59.248.889</b>

**Accumulated Depreciation and Impairment**

<b>Açılış Bakiyesi</b>	-	(1.115)	(1.879)	(3.682.332)	(617.838)	(1.309.469)	-	(5.612.633)
Period Expense	-	(248.910)	(492.472)	(995.005)	(250.193)	(343.894)	-	(2.330.473)
Adjustment	-	216.327	385.936	-	17.434	35.631	-	655.328
Disposals	-	-	-	113.080	290.206	-	-	403.287
<b>Closing Balance</b>	-	(33.697)	(108.415)	(4.564.257)	(560.391)	(1.617.732)	-	(6.884.492)
<b>Carrying Value, net</b>	<b>26.650.420</b>	<b>1.298.428</b>	<b>13.112.354</b>	<b>5.221.560</b>	<b>1.175.617</b>	<b>1.329.296</b>	<b>3.576.722</b>	<b>52.364.397</b>

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

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



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

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

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

The total amount of depreciation cost of property, plant and equipment is TL 2.619.139 (31.12.2017: TL 2.330.473). The amount of TL 1.707.470 (31.12.2017: 1.612.977 TL) is charged to cost of goods sold (Note 21), TL 373.508 (31.12.2017: TL 273.425) is charged to cost of service sold, TL 63.462 (31.12.2017: TL 16.821) is charged to research and development expenses, TL 89.497 (31.12.2017: TL 64.564) is charged to marketing expense (Note 24), TL 385.202 (31.12.2017: TL 362.686) is charged to general administrative expenses (Note 23).

As of 31.12.2018, there are USD 5.000.000, EUR 2.600.000 and TL 73.500.000 mortgage on property, plant and equipment (31.12.2017: EUR 600.000, USD 5.000.000 and TL 45.600.000 mortgage on property, plant and equipment). There is TL 8.671.000 insurance coverage (31.12.2017: TL 8.671.000).

**14. INTANGIBLE ASSETS**

	<b>31.12.2018</b>			
<b><u>Acquisition Cost</u></b>	<b><u>Rights</u></b>	<b><u>Capitalized Development Costs</u></b>	<b><u>Other Intangible Assets</u></b>	<b><u>Total</u></b>
<b>1 January 2018</b>	<b>1.406.601</b>	<b>10.035.887</b>	<b>6.529.228</b>	<b>17.971.716</b>
Purchases	157.541	8.299.137	1.289.584	9.746.263
Transfers to property, plant and equipment	-	-	(590.070)	(590.070)
Disposals	-	-	-	-
<b>Closing Balance</b>	<b>1.564.142</b>	<b>18.335.024</b>	<b>7.228.743</b>	<b>27.127.909</b>
Accumulated Amortization	(865.861)	(344.697)	(1.210.742)	(2.421.300)
Period Expense	(282.869)	(330.023)	(994.044)	(1.606.936)
Disposals	-	-	178.967	178.967
<b>Closing Balance</b>	<b>(1.148.730)</b>	<b>(674.720)</b>	<b>(2.025.819)</b>	<b>(3.849.269)</b>
Carrying Value	<b>415.412</b>	<b>17.660.304</b>	<b>5.202.924</b>	<b>23.278.640</b>



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## 14. INTANGIBLE ASSETS (continued)

<u>Acquisition Cost</u>	31.12.2017			
	<u>Rights</u>	<u>Capitalized Development Costs</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<b>1 January 2017</b>	<b>1.201.464</b>	<b>5.424.459</b>	<b>4.637.863</b>	<b>11.263.786</b>
Purchases	205.137	6.654.369	3.353.946	10.213.452
Transfers to property, plant and equipment	-	(999.865)	-	(999.865)
Disposals	-	(1.043.075)	(1.462.581)	-
<b>Closing Balance</b>	<b>1.406.601</b>	<b>10.035.887</b>	<b>6.529.228</b>	<b>17.971.715</b>
<b>Accumulated Amortization</b>	(644.071)	(48.102)	(853.817)	(1.545.990)
Period Expense	(238.630)	(296.595)	(587.835)	(1.123.060)
Disposals	16.840	-	230.910	247.750
<b>Closing Balance</b>	<b>(865.861)</b>	<b>(344.697)</b>	<b>(1.210.742)</b>	<b>(2.421.300)</b>
Carrying Value	<b>540.739</b>	<b>9.691.190</b>	<b>5.318.486</b>	<b>15.550.416</b>

Intangible assets consist of computer software and user licenses.

Total amortization expense for the current year amounts to TL 1.606.936. (31.12.2017: TL 1.123.061) (Note 22). TL 721.829 is charged to cost of sales (31.12.2017: TL 413.196), TL 251.364 is charged to general administration expenses (31.12.2017: TL 133.859) (Note 22), TL 626.023 is charged to research and development expenses (TL 31.12.2017: TL 567.742) and TL 7.720 is charged to marketing expenses (31.12.2017: TL 8.264) (Note 23).

Useful lives terms of intangible assets are as follows:

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

**Cost of Borrowing**

For the year ended 31 December 2018, the Company capitalized the borrowing costs amounting to TL 1.928.281 (2017: TL 739.157), which can be directly related to the construction of the Factory which is continuing in the Ankara Capital Organized, which was announced on 07.12.2015 at KAP.



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**15. LEASES**

**Operating Leases**

The Group as lessee

*Leasing Contracts:*

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

<b><u>Payments recognized as expenses:</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Minimum Rental Payments	1.126.528	1.000.970
<b><u>Minimum future lease payments:</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Within 1 year	1.126.528	1.000.970

**The Group as lessor**

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

As of 31 December 2018, the Group earned TL 114.698 revenue from operating leasing (31.12.2017:81.460 TL).

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

<b><u>Short-Term Payable Provision</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.12.2017</u></b>
Warranty Expense Provision	493.000	376.000
Provisions for Lawsuits	311.116	214.117
<b>Total</b>	<b>804.116</b>	<b>590.117</b>

**Ongoing Lawsuits And Execution Proceedings**

There are 4 lawsuits amounting TL 311.116 filed and continuing as of 31 December 2018 which Grup raised a full provision (31.12.2017: TL 214.116).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

**Collateral, Pledges, Mortgages, Bails**

Collaterals, Pledges, Mortgages and Sureties position table as of 31 December 2018 ve 31 December 2017 as below:

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

<b><u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u></b>	<b><u>31.12.2017</u></b>			
	<b><u>TL Equivalent</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>TL</u></b>
A. CPMB's given for company's own legal personality	179.433.188	9.610.593	13.761.181	81.044.379
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 majotary shareholder	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-
<b>Total</b>	<b>179.433.188</b>	<b>9.610.593</b>	<b>13.761.181</b>	<b>81.044.379</b>



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Monetary Unit: Turkish Lira ("TL")

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

Group have not been given any "Other CPM". (31.12.2017: None).

Collaterals, Pledges, Mortgages and Sureties position table as of 31 December 2018 ve 31 December 2017 as below:

<u>Collaterals, Pledges, Mortgages</u>	<u>31.12.2018</u>				<u>31.12.2017</u>			
	<u>Total TL Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>	<u>Total TL Equivalents</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>
Collaterals	205.311.844	4.257.395	22.986.096	44.353.928	111.568.038	4.610.593	13.161.181	34.748.029
Pledges	696.350	-	-	696.350	696.350	-	-	696.350
Mortgages	126.237.540	5.000.000	3.680.000	77.750.000	67.168.800	5.000.000	600.000	45.600.000
<b>Total</b>	<b>332.245.734</b>	<b>9.257.395</b>	<b>26.666.096</b>	<b>122.800.278</b>	<b>179.433.188</b>	<b>9.610.593</b>	<b>13.761.181</b>	<b>81.044.379</b>

**17. GOVERNMENT GRANTS**

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

- Group get benefit from SSI for the exemption from employer costs TL 1.556.895 within the scope of various laws of Social Security Institution (31.12.2017: 1.237.006).
- The Group also get benefit from tender decisions, contracts and payment of stamp duty exemption amounting TL 958.946 belonging to various public institutions in the frame of Tax, and Exemption Certificate which is regulated by Ministry Of Economy on various dates. (31.12.2017: TL 2.448.225)
- The Group get tax and SSI Premium benefit regarding research and development amounting to TL 638.835 (31.12.2017: 562.412.).
- Regarding the employee cost, the Group got corporate tax deduction regarding research and development operations amounting to TL 1.601.712 (31.12.2017: 1.321.384)

**18. EMPLOYEE BENEFITS**

<u>Provision for Short-Term Employee Benefits</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Unused Vacation Provision	1.327.926	1.106.509
<b>Total</b>	<b>1.327.926</b>	<b>1.106.509</b>
<u>Provision for Long-Term Employee Benefits</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Severance Pay Provision	5.386.098	4.500.334
<b>Total</b>	<b>5.386.098</b>	<b>4.500.334</b>
<u>Scope of Employee Benefit Obligations</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Payables to Personnel	1.229.881	773.746
Social Security Premiums Payable	868.206	1.747.063
<b>Total</b>	<b>2.098.087</b>	<b>2.520.809</b>



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

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#### 18. EMPLOYEE BENEFITS (continued)

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

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

As at balance sheet date, provisions calculated according to assumption % 5 expected salary increasing rate and % 21,26 inflation rate and retiring assumption as follows. (31.12.2017: %5 expected salary increasing rate, %13,54 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, 2018 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 5.434 (31.12.2017: TL 4.732) which is effective from 1 July 2018.

The movement of provision for severance pay are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Provision as of 1 st January	4.500.334	3.498.780
Service Cost	1.186.627	994.145
Interest Cost	406.323	285.085
Severance Paid	(547.738)	(262.845)
Actuarial Gain / Loss (*)	(159.448)	(14.831)
<b>Total Provisions as of Period End</b>	<b>5.386.098</b>	<b>4.500.334</b>

(\*) For the year ended 31 December 2018, TL -159.448 (2017: TL -14.831) actuarial gain / losses recognized in other comprehensive income.

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

#### 19. OTHER ASSETS AND LIABILITIES

<u>Other Current Assets</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Deferred VAT	38.479.551	19.893.001
Work Advances	241.313	177.294
Other	2.812	--
<b>Total</b>	<b>38.723.676</b>	<b>20.070.295</b>



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Monetary Unit: Turkish Lira ("TL")

### 20. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS

#### a) Capital

Company's capital structure as of 31 December 2018 and 31 December 2017 are as follows:

	<u>31.12.2018</u>		<u>31.12.2017</u>	
	<u>%Rate</u>	<u>Share Amount</u>	<u>Share Rate</u>	<u>Share Amount</u>
<b>Shareholders</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>TL</b>
İsmail Katmerci	37,31	9.328.333	46,11	11.528.333
Havva Katmerci	4,40	1.100.000	4,40	1.100.000
Mehmet Katmerci	4,40	1.100.000	4,40	1.100.000
Ayşenur Çobanoğlu	4,40	1.100.000	4,40	1.100.000
Furkan Katmerci	4,40	1.100.000	4,40	1.100.000
Listed (*)	45,09	11.271.667	36,29	9.071.667
<b>Capital</b>	<b>100,00</b>	<b>25.000.000</b>	<b>100,00</b>	<b>25.000.000</b>
<b>Paid-in Capital</b>		<b>25.000.000</b>		<b>25.000.000</b>

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

Company's paid-in capital is TL 25.000.000 (31.12.2017: 25.000.000 TL) The paid-in capital consists of 25.000.000 registered shares. Each shares nominal value is 1 TL. 2.000.000 pcs. of shares nominative A Group and 23.000.000 pcs. of shares are nominal B Group shares. There is not any restriction on Katmerciler shares (31.12.2017 None).

A group shares are privileged and 1.600.000 pcs. owned by İsmail Katmerci, 100.000 pcs. own by Havva Katmerci, 100.000 pcs owned by Mehmet Katmerci, 100.000 pcs owned by Ayşenur Çobanoğlu and 100.000 pcs owned by Furkan Katmerci. Privileged shares gives right to owner as mantioned below;

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

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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Gain from Sales of Treasury Shares	1.839.173	1.839.173
	<b>1.839.173</b>	<b>1.839.173</b>



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**20. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)****c) Revaluation and Remeasurement Reserve**

	<u>31.12.2018</u>	<u>31.12.2017</u>
Property, Plant and Equipment Revaluation and Remeasurement Gain / (Loss)	16.766.665	16.766.665
	<b>16.766.665</b>	<b>16.766.665</b>

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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Opening Balance	16.766.665	11.259.003
Increase in Value	-	5.810.997
Deferred Tax Effect	-	(303.335)
Closing Balance	<b>16.766.665</b>	<b>16.766.665</b>

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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Defined Benefit Plans Actuarial Gain / Loss	(368.424)	(492.794)
	<b>(368.424)</b>	<b>(492.794)</b>

**e) Restricted Reserves**

	<u>31.12.2018</u>	<u>31.12.2017</u>
Legal Reserves	4.477.769	3.765.426
<b>Total</b>	<b>4.477.769</b>	<b>3.765.426</b>

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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Retained Profit / (Loss)	45.827.308	35.553.220
<b>Total</b>	<b>45.827.308</b>	<b>35.553.220</b>

**g) Non-controlling Interests**

	<u>31.12.2018</u>	<u>31.12.2017</u>
Balance at 1 January	33.980	22.571
Additions / Disposals	1	3
Profit / (Loss) Attributable to Non-controlling Interest	18.444	11.406
Balance at 31 December	<b>52.425</b>	<b>33.980</b>

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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Merge Effect of Common Control Transactions (*)	(1.759.039)	(1.759.039)
<b>Total</b>	<b>(1.759.039)</b>	<b>(1.759.039)</b>

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



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

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

**1) Dividend Distribution**

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

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

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

**21. SALES AND COST OF SALES**

<b><u>Sales (net)</u></b>	<b><u>01.01-31.12.2018</u></b>	<b><u>01.01-31.12.2017</u></b>
Domestic Sales	163.150.908	101.932.970
- Finished Good Sales	163.150.908	101.932.970
Export Sales	102.849.639	72.621.484
Other Sales	5.614.011	2.855.156
- Other Income	5.614.011	2.855.156
<b>Total</b>	<b>271.614.558</b>	<b>177.409.610</b>
Return from Sales (-)	(1.132.843)	(183.799)
<b>Sales, (net)</b>	<b>270.481.715</b>	<b>177.225.811</b>
<b><u>Cost of Sales (-)</u></b>	<b><u>01.01-31.12.2018</u></b>	<b><u>01.01-31.12.2017</u></b>
-Cost of Services	4.443.044	3.620.767
-Provisions for Severance Payments	1.009.409	822.338
-Cost of Finished Goods Sold	154.662.398	79.373.897
-Cost of Commercial Goods Sold	3.288.630	2.599.374
<b>Cost of Sales</b>	<b>163.403.481</b>	<b>86.416.376</b>
<b>Gross Profit (Loss)</b>	<b>107.078.234</b>	<b>90.809.435</b>



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

	<u>01.01.-31.12.2018</u>	<u>01.01.-31.12.2017</u>
General Administrative Expenses (-)	20.304.757	19.190.338
Marketing Expenses (-)	27.438.805	18.790.115
Research and Development Expenses (-)	1.351.892	872.722
<b>Total</b>	<b>49.095.454</b>	<b>38.853.175</b>

<u>General Administrative Expenses (-)</u>	<u>01.01.-31.12.2018</u>	<u>01.01.-31.12.2017</u>
Personnel Expenses	10.635.601	9.970.769
Other Expenses	3.548.692	3.333.179
Services Rendered from 3rd Parties	1.073.602	295.883
Tax, Duties and Fees	963.173	658.754
Depreciation Expenses	627.014	496.545
Courtcase Execution and Notary Expense	611.481	56.098
Advisory Expenses	535.292	1.577.636
Rent Expenses	490.166	360.081
Travelling Expense	477.365	592.598
Contribution Expenses	382.933	172.682
Electricity, Water and Heating Expenses	301.149	193.689
Consulting Expenses	276.510	186.162
Communication Expense	104.078	90.243
Advertising Expenses	85.298	440.456
Maintenance Expenses	67.584	94.076
IT Expense	64.765	120.309
Insurance Expense	59.694	50.462
Donations and Grants	-	500.715
<b>Total</b>	<b>20.304.757</b>	<b>19.190.338</b>



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

<u>Marketing Expenses (-)</u>	<u>01.01.-31.12.2018</u>	<u>01.01.-31.12.2017</u>
Domestic Sales, Service, Commission Expenses	9.333.247	3.254.894
Personnel Expenses	5.248.130	4.890.475
Export Expenses	3.226.181	1.840.979
Other Expenses	2.205.564	672.329
Export Commissions	1.821.919	2.441.289
Tax, Duties and Fees	1.275.632	973.925
Exhibition Expense	920.566	884.418
Travelling Expense	852.469	631.485
Rent Expenses	767.072	649.870
Transportation Expense	437.269	465.266
Representation Expenses	366.094	353.518
Electricity, Water and Heating Expenses	249.140	222.139
Courtcase Execution and Notary Expense	234.280	184.613
Tender Expense	139.426	394.054
Services Rendered from 3rd Parties	136.783	525.986
Depreciation Expenses	97.218	72.829
Insurance Expense	53.292	224.117
Communication Expense	46.455	38.687
Contribution Expenses	16.443	6.030
Maintenance Expenses	11.142	20.633
Advertising Expenses	483	42.581
<b>Total</b>	<b>27.438.805</b>	<b>18.790.115</b>

<u>Research and Development Expenses (-)</u>	<u>01.01.-31.12.2018</u>	<u>01.01.-31.12.2017</u>
Personnel Expenses	593.640	171.821
Equipment Expenses	580.081	61.493
Depreciation Expenses	95.787	584.563
Consultancy Expenses	44.411	25.540
Other Expenses	31.039	25.466
Training Expenses	3.515	-
Contribution Expenses	3.419	3.839
<b>Total</b>	<b>1.351.892</b>	<b>872.722</b>



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**23. EXPENSES BY NATURE**

<b>Depreciation Expense</b>	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
General Production Expenses	1.716.156	1.612.977
Service Cost	373.508	273.425
Research and Development Expenses	63.462	16.821
Marketing Expenses	89.497	64.564
General Administrative Expenses	376.516	362.686
<b>Total</b>	<b>2.619.139</b>	<b>2.330.473</b>

<b>Amortization Expenses</b>	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
General Production Expenses	721.829	413.196
Research and Development Expenses	626.890	567.742
Marketing Expenses	7.721	8.264
General Administrative Expenses	250.496	133.859
<b>Total</b>	<b>1.606.936</b>	<b>1.123.061</b>

<b>Personnel Expenses</b>	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
Personnel Expenses	20.084.822	34.524.520
Severance Pay Expense	1.592.950	1.279.230
Vacation Provision Expense	221.417	394.706
<b>Total</b>	<b>21.899.189</b>	<b>36.198.456</b>

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

<b>Other Operating Income</b>	<b>01.01.-31.12.2018</b>	<b>01.01.-31.12.2017</b>
Reversal of Provisions	2.024.022	817.090
Foreign Exchange Differences from Trading Operations	84.491.508	22.466.879
Rediscount Income	287.769	1.101.844
Other	3.172.915	2.123.695
<b>Total</b>	<b>89.976.214</b>	<b>26.509.508</b>

<b>Other Operating Expenses</b>	<b>01.01.-31.12.2018</b>	<b>01.01.-31.12.2017</b>
Provision Expense (-)	(3.976.687)	(533.547)
Foreign Exchange Differences from Trading Operations (-)	(64.343.202)	(14.125.155)
Rediscount Expense (-)	(145.115)	(1.098.170)
Other Expenses	(222.313)	(436.935)
<b>Total</b>	<b>(68.687.317)</b>	<b>(16.193.807)</b>



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

**Other Income from Investing Activities**

	<b><u>01.01-31.12.2018</u></b>	<b><u>01.01-31.12.2017</u></b>
Rental Income	114.698	81.460
Fair Value of Change Investment Property	-	752.000
Gain on Sale of Property, Plant and Equipments	2.021.705	398.090
Income from Sale of Marketable Securities	27.653	2.876.778
Interest Income	1.661.491	1.279.911
Other	1.969	-
<b>Total</b>	<b>3.827.516</b>	<b>5.388.239</b>

**Other Expense from Investing Activities (-)**

	<b><u>01.01-31.12.2018</u></b>	<b><u>01.01-31.12.2017</u></b>
Loss from Sale of Marketable Securities	-	2.800.263
<b>Total</b>	<b>-</b>	<b>2.800.263</b>

**26. FINANCIAL INCOME AND EXPENSES**

**Financial Income**

	<b><u>01.01.2018 -31.12.2018</u></b>	<b><u>01.01.2017- 31.12.2017</u></b>
Foreign Exchange Gains	43.904.299	12.662.283
<b>Total</b>	<b>43.904.299</b>	<b>12.662.283</b>

**Financial Expense**

	<b><u>01.01.2018-31.12.2018</u></b>	<b><u>01.01.2017-31.12.2017</u></b>
Interest and Commission Expense (-)	40.661.657	32.971.217
Foreign Exchange Losses (-)	104.451.310	30.080.728
<b>Total</b>	<b>145.112.967</b>	<b>63.051.945</b>



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**27. INCOME TAXES**

	<b>01.01-31.12.2018</b>		<b>01.01-31.12.2017</b>	
Profit/(Loss) for the year		(15.699.887)		11.751.574
Less: current period tax expense		2.409.588		(2.718.701)
<b>Profit/loss before tax</b>	<b>%</b>	<b>(18.109.475)</b>	<b>%</b>	<b>14.470.275</b>
Calculated tax via statutory rate	22%	3.984.085	20%	(2.894.055)
Non-deductible expenses	-4%	(766.615)	3%	(503.477)
Discounts / exceptions	-3%	480.769	-9%	1.286.550
Other	7%	(1.288.651)	-4%	(607.718)
<b>Total tax income/(expense) recognized in profit or loss</b>	<b>-13%</b>	<b>2.409.588</b>	<b>15%</b>	<b>(2.718.701)</b>

**Corporate Tax**

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

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

The effective tax rate in 2018 is %22 (2017: %20).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2018 (2017: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses accrued cannot be deducted from the profit accrued in the prior years retroactively.

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



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

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

	<u>Deferred Tax</u> <u>Income</u>		<u>Deferred Tax</u> <u>Expense</u>		<u>Deferred Tax</u> <u>Income/Expense</u>	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment and intangible assets	--	--	(289.863)	(128.624)	(289.863)	(128.624)
Provisions	722.002	227.560	--	--	722.002	227.560
Rediscount	(59.506)	8.903	--	--	(59.506)	8.903
Inventory Impairment	(147.612)	101.143	--	--	(147.612)	101.143
Severance Pay	229.947	96.347	--	--	229.947	96.347
Investment property	--	--	--	(37.600)	--	(37.600)
Tax losses carried forward	2.450.110	--	--	--	2.450.110	--
Other	145.387	(40.084)	--	--	145.387	(40.084)
<b>Total Deferred Tax Income/(Expense)</b>	<b>3.340.328</b>	<b>393.869</b>	<b>(289.863)</b>	<b>(166.224)</b>	<b>3.050.465</b>	<b>227.644</b>
Set Off of Tax	(289.863)	(166.224)	289.863	166.224	--	--
<b>Net Deferred Tax Income/(Expense)</b>	<b>3.050.465</b>	<b>227.644</b>	<b>--</b>	<b>--</b>	<b>3.050.465</b>	<b>227.644</b>

**Deferred Tax**

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

Deferred tax rate is %22. (2017: %20)



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**27. INCOME TAXES (continued)**

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

	2018	2017
<b><u>Income tax expense recognized in profit or loss</u></b>		
<b>Current tax expense</b>		
Current tax expense	(640.877)	(2.946.345)
<b><u>Deferred tax income/(expense):</u></b>		
Arising from Temporary Differences	600.355	227.644
Arising from Tax losses carried forward	2.450.110	-
	<b>2.409.588</b>	<b>(2.718.701)</b>
<b><u>Recognized in Other Comprehensive Income</u></b>		
<b>Deferred tax income/(expense):</b>		
Tax effects of actuarial differences	(35.079)	(2.965)
Revaluation reserves tax effect	-	(303.335)
<b>Total</b>	<b>(35.079)</b>	<b>(306.300)</b>
<b>Total tax effect income/ (expense)</b>	<b>2.374.509</b>	<b>(3.025.001)</b>

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

	31.12.2018	31.12.2017
Assets related to current period tax	1.286.990	746
Liabilities related to current period tax payable	--	--
<b>Balance at 31 December</b>	<b>1.286.990</b>	<b>746</b>

***Current tax reconciliation***

	31.12.2018	31.12.2017
Balance at 1 January	(746)	(2.193)
Recognized in profit or loss	640.877	2.946.345
Paid	(1.927.121)	(2.944.898)
<b>Balance at 31 December</b>	<b>(1.286.990)</b>	<b>(746)</b>

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

	31.12.2018	31.12.2017
Deferred Tax Asset	14.990.276	9.338.356
Deferred Tax Liabilities	(9.841.575)	(7.417.636)
<b>Balance at 31 December</b>	<b>5.148.701</b>	<b>1.920.720</b>



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27. INCOME TAXES (continued)

*Deferred tax reconciliation*

	31.12.2018	31.12.2017
Balance at 1 January	1.920.720	1.999.376
Recognized in profit or loss	3.050.465	227.644
Recognized in other comprehensive income	(35.079)	(306.300)
Other	212.593	-
<b>Balance at 31 December</b>	<b>5.148.701</b>	<b>1.920.720</b>

28. EARNING PER SHARE

Balances with Related Parties	01.01.2018-31.12.2018	01.01.2017-1.12.2017
Net Profit / (Loss), Parent	(15.593.961)	11.740.168
Weighted Average Number of Shares	25.000.000	25.000.000
Earning / (Loss) Per Share from Continuing Operations	(0,62)	0,47

29. RELATED PARTY DISCLOSURES

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

	31.12.2017			
	Receivable		Liabilities	
	Short-Term		Short-Term	
Balances with Related Parties	Trade	Non-Trade	Trade	Non-Trade
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(*)	526.810	--	--	--
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	521.775	--	--	--
<b>Total</b>	<b>1.048.585</b>	--	--	--

(\* ) The advances portion in the prepaid expenses shown in the financial statements given for the ongoing investments in the Ankara Capital Organized Industrial Zone is TL 7.505.275.



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

Transactions with related parties between 01.01.-31.12.2018 and 01.01.-31.12.2017 as follows:

**01 January - 31 December 2018**

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

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

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

**01 January - 31 December 2017**

<b>Transactions with Related Parties</b>	<b>Purchases</b>	<b>Sales</b>
Shareholders(*)	239.400	4.956
Related Party	--	--
Ktm Gayrimenkul Yatırım Tah.Tic.A.Ş.(**)	2.705.560	--
Ktm İş ve Endüstriyel Mak.Tic.A.Ş.	--	7080
<b>Total</b>	<b>2.944.960</b>	<b>12.036</b>

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

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

**30. KEY MANAGEMENT PERSONNEL**

The Group's top management consists of chairman of the executive board and board members, general manager, executive president and acting chairman, chief financial officer, export sales director. Benefits to key management personnels for the period 1 January-31 December 2018 and 1 January-31 December 2017 are listed below:

<b>Benefits to Key Personnel</b>	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
Salary, bonus, and other benefits	2.810.134	3.378.573
Severance pay provision	70.836	52.694
<b>Total</b>	<b>2.880.970</b>	<b>3.431.267</b>



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

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

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

The Group's share capital structure consists of the financial liabilities disclosed in Note 6, the cash and cash equivalents disclosed in Note 4 and paid-in capital, other reserves, premiums / discounts on shares, revaluation gains and losses, including the restated measurement of profit / loss, defined benefit plans, retained earnings / losses, retained earnings reserves and retained earnings/losses disclosed in Note 18.

Group capital cost and each risks regarding capital evaluate by executives. According to the evaluate company aim to equalise 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 is counted by cash and cash equivalents minus total liabilities which appears in balance sheet.

Equity to debts ratio as of 31 December 2018 and 2017 are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Financial Liabilities	437.546.764	319.301.089
Less : Cash and Cash Equivalents	(24.738.007)	(35.952.961)
Net Financial Liabilities	<u>412.808.757</u>	<u>283.348.128</u>
Total Equity	76.117.546	92.446.799
Liabilities / Equity Ratio	<u>5,42</u>	<u>3,06</u>

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 minimise potential adverse effects on the Company's financial performance.

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

Financial losses due to Goup'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 rathered on same sector and geographical area. Credit consideration making over Customer's trade receivables permanently.



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

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

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

Types of credit risks subject to financial instruments:

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



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

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

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

**Finansal araç türleri itibariyle maruz kalınan kredi riskleri:**

	31.12.2017	Receivables						Cash and Cash Equivalents	
		Trade Receivables			Other Receivables				Trade Receivables
		Related Parties	3rd Parties	Related Parties	3rd Parties	Related Parties	3rd Parties		
<b>The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D) (1)</b>		1.048.585	126.933.529	-	-	3.954.782	35.939.637		
- Total receivable that have been secured with collaterals, other credit enhancements etc.		-	-	-	-	-	-		
A. Financial assets that are either past due or impaired (2)		1.048.585	126.933.529	-	-	3.954.782	35.939.637		
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 (-)		-	3.519.568	-	-	-	-		
- Net value guaranteed with collateral etc.		-	(3.519.568)	-	-	-	-		
- Not overdue (gross book value)		-	-	-	-	-	-		
- Impairment (-)		-	-	-	-	-	-		
- Net value guaranteed with collateral etc.		-	-	-	-	-	-		
D. Off balance sheet credit risk amount		-	-	-	-	-	-		

(1) It was not considered collaterals taken which is raising credit reliability when the amounts was 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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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

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

**b.2) Liquidity Risk Management**

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

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

**Current Period**

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

**Previous Period**

Terms According to Agreements	Book Value	According to the Contracts	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
		Total Cash Outflows (=I+II+III+IV)			
<b>Non-derivative financial liabilities</b>	<b>368.904.796</b>	<b>368.904.796</b>	<b>57.489.344</b>	<b>154.297.976</b>	<b>157.117.476</b>
Bank Credits	255.316.198	255.316.198	29.481.492	71.991.121	153.843.585
Principals and Interest Payments of Long-Term Loans	7.493.303	7.493.303	7.493.303	-	-
Issued Bond	51.859.479	51.859.479	-	51.859.479	-
Financial Leasing Liabilities	4.632.109	4.632.109	458.482	899.736	3.273.891
Trade Payables	45.541.960	45.541.960	15.994.320	29.547.640	-
Other Payables	4.061.747	4.061.747	4.061.747	-	-
<b>TOTAL</b>	<b>368.904.796</b>	<b>368.904.796</b>	<b>57.489.344</b>	<b>154.297.976</b>	<b>157.117.476</b>

**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.



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

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

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

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

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:

CONSOLIDATED FOREIGN EXCHANGE POSITION TABLE								
	31.12.2018				31.12.2017			
	TL Equivalent	USD	Euro	GBP	TL Equivalent	USD	Euro	GBP
1.Trade Receivables	106.461.127	6.830.393	11.699.921	-	112.950.337	13.830.102	13.461.316	-
2a.Monetary Financial Assets (including cash and bank accounts)	21.822.617	924.935	2.812.771	189	16.280.161	2.444.995	1.562.946	80
2b.Non-Monetary Financial Assets	27.783.824	3.550.879	1.504.903	4.728	27.370.012	1.683.411	4.652.897	2.008
3.Other	-	-	-	-	-	-	-	-
<b>4.Current Assets(1+2+3)</b>	<b>156.067.569</b>	<b>11.306.206</b>	<b>16.017.594</b>	<b>4.917</b>	<b>156.600.510</b>	<b>17.958.509</b>	<b>19.677.159</b>	<b>2.088</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-	-	-
6b.Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-	-
<b>8.Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.Total Assets (4+8)</b>	<b>156.067.569</b>	<b>11.306.206</b>	<b>16.017.594</b>	<b>4.917</b>	<b>156.600.510</b>	<b>17.958.509</b>	<b>19.677.159</b>	<b>2.088</b>
10.Trade Payables	36.513.874	956.253	5.222.815	-	24.038.583	986.381	4.499.621	-
11.Financial Liabilities	151.417.488	8.827.500	17.414.862	-	53.029.460	66.196	11.688.578	-
12a.Other Monetary Financial Liabilities	438.219	18.311	56.716	-	19.587	2.799	2.000	-
12b.Other Non-Monetary Financial Liabilities	33.665.406	591.403	5.068.695	-	21.388.884	4.459.094	1.011.987	-
<b>13.Short-Term Liabilities (10+11+12)</b>	<b>222.034.882</b>	<b>10.393.468</b>	<b>27.763.088</b>	<b>-</b>	<b>98.476.514</b>	<b>5.514.469</b>	<b>17.202.186</b>	<b>-</b>
14.Trade Payables	-	-	-	-	-	-	-	-
15.Financial Liabilities	74.084.696	140.540	12.167.440	-	66.658.170	147.382	14.638.968	-
16a.Other Monetary Financial Liabilities	-	-	-	-	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-	-
<b>17.Long-Term Liabilities (14+15+16)</b>	<b>74.084.696</b>	<b>140.540</b>	<b>12.167.440</b>	<b>-</b>	<b>66.658.170</b>	<b>147.382</b>	<b>14.638.968</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>296.119.578</b>	<b>10.534.008</b>	<b>39.930.528</b>	<b>-</b>	<b>165.134.684</b>	<b>5.661.851</b>	<b>31.841.154</b>	<b>-</b>
<b>19.Off Balance Sheet Derivative Instruments NetAssets / (Liabilities) (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a.Total Assets Hedged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b.Total Liabilities Hedged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20.Net Foreign Currency Assets / (Liabilities) (9-18+19)</b>	<b>(140.052.009)</b>	<b>772.199</b>	<b>(23.912.934)</b>	<b>4.917</b>	<b>(8.534.175)</b>	<b>12.296.658</b>	<b>(12.163.995)</b>	<b>2.088</b>
<b>21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(134.170.427)</b>	<b>(2.187.277)</b>	<b>(20.349.142)</b>	<b>189</b>	<b>(14.515.303)</b>	<b>15.072.341</b>	<b>(15.804.905)</b>	<b>80</b>
<b>22. Total Fair Value of Financial Instruments Used for Currency Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)****b) Financial Risk Factors (continued)****b.3) Market Risk Management (continued)****b.3.1) Foreign Exchange Risk Management (continued)**

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

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only 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.

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

<b>Exchange Rate Risk Analysis Table</b>			
<b>31.12.2017</b>			
	<b>Profit/Loss</b>		<b>Equity</b>
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency
10% change in USD against TL:			
1-USD Net Assets / Liabilities	4.638.176	(4.638.176)	-
2-The Amount of USD Hedging (-)	-	-	-
<b>3-USD Net Effect (1+2)</b>	<b>4.638.176</b>	<b>(4.638.176)</b>	-
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(5.492.652)	5.492.652	-
5-The Amount of EUR Hedging (-)	-	-	-
<b>6-EUR Net Effect (4+5)</b>	<b>(5.492.652)</b>	<b>5.492.652</b>	-
<b>TOTAL (3+6)</b>	<b>(854.476)</b>	<b>854.476</b>	-
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	1.061	(1.061)	-
8- The Amount of Other Hedging (-)	-	-	-
<b>9- Other Net Effect (7+8)</b>	<b>1.061</b>	<b>(1.061)</b>	-
<b>TOTAL (6+9)</b>	<b>(853.415)</b>	<b>853.415</b>	-



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**31. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)****b) Financial Risk Factors (continued)****b.3) Market Risk Management (continued)****b.3.2) 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 31.12.2018 and 31.12.2017 are presented as below:

<b>Interest Position Table</b>			
		<b>Current Period</b>	<b>Previous Period</b>
<b>Fixed-Rate Financial Instruments</b>			
	Financial assets fair value through profit or loss	-	-
Financial Assets	Cash and Cash Equivalents		-
Financial Liabilities		<b>362.382.401</b>	<b>220.656.480</b>
Euro Loans		122.523.476	96.539.361
Usd Loans		45.992.727	
TL Loans		149.366.350	111.991.707
Principal Payments of Long-Term Loans		39.149.264	7.493.303
Leasing Payables		5.350.584	4.632.109
<b>Floating-rate Financial Instruments</b>			
Financial Assets		-	
Financial Liabilities		<b>75.164.363</b>	<b>98.644.609</b>
Euro Loans		34.940.042	17.590.130
Usd Loans			
TL Loans		40.224.321	29.195.000
<b>Issued Bonds</b>	-	-	51.859.479

Group's financial liabilities are mainly fixed rated borrowings. In addition Company is exposed to interest rate risk because of floating-rated financial liabilities. As at 31 December 2018, if interest rate for USD, Euro and TL currencies were %1 higher/lower 100 basis point and all other variables were fixed period profit before tax would be approximately TL 440.227 (31.12.2017: TL 123.301) lower/higher.



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

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

31.12.2018	Financial Assets at Fair Value		Financial Assets Measured at Amortized Cost		Financial assets at Fair Value Through Other Comprehensive Income		Financial Liabilities are Measured at Amortized Cost		Book Value	Note
	Through Profit or Loss	Through Profit or Loss	Through Profit or Loss	Through Profit or Loss	Through Other Comprehensive Income	Through Other Comprehensive Income	Through Other Comprehensive Income	Through Other Comprehensive Income		
<b>Financial Assets</b>										
Cash and Cash Equivalents	-	-	24.738.007	-	-	-	-	-	24.738.007	4
Trade Receivables	-	-	118.032.243	-	-	-	-	-	118.032.243	7
Financial Investments	121.644	-	-	-	-	-	-	-	121.644	5
<b>Financial Liabilities</b>										
Financial Payables							437.546.764		437.546.764	6
Trade Payables							71.055.952		71.055.952	7
<b>31.12.2017</b>										
<b>Financial Assets</b>										
Cash and Cash Equivalents	-	-	35.952.961	-	-	-	-	-	35.952.961	4
Trade Receivables	-	-	127.982.114	-	-	-	-	-	127.982.114	7
Financial Investments	186.977	-	-	-	-	-	-	-	186.977	5
<b>Financial Liabilities</b>										
Financial Payables							319.301.089		319.301.089	6
Trade Payables							45.541.960		45.541.960	7



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

Financial Instrument fair values determine as follows;

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

**31.12.2018**

**Financial Assets**

Financial assets at fair value through profit or loss

Borrowing Instruments Fund

**Total**

Fair Value Level as at the Reporting Date

Total	1. Level (TL)	2. Level (TL)	3. Level (TL)
121.644	121.644	-	-
<b>121.644</b>	<b>121.644</b>	-	-

**31.12.2017**

**Financial Assets**

Financial assets at fair value through profit or loss

Borrowing Instruments Fund

**Total**

Fair Value Level as at the Reporting Date

Total	1. Level (TL)	2. Level (TL)	3. Level (TL)
186.977	186.977	-	-
<b>186.977</b>	<b>186.977</b>	-	-



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**33. SUBSEQUENT EVENTS**

31.12.2018:

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

