(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SMART GÜNEŞ ENERJİSİ TEKNOLOJİLERİ AR-GE ÜRETİM SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020 TOGETHER WITH SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

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To the Shareholders and the Board of Directors of
Smart Güneş Enerjisi Teknolojileri
Ar-Ge Üretim Sanayi Ve Ticaret A.Ş.
İstanbul

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret Anonim Şirketi ("Company" or "Smart") and its subsidiaries (all together "the Group"), which comprise the consolidated balance sheets as of 31 December 2021 and 2020 and of the accounting periods ended on the same dates; the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the periods ended and a summary of significant accounting policies and explanatory notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. and its subsidiaries as of 31 December 2021 and 2020 and their financial performance and their cash flows for the periods then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

Basis for Opinion

Our independent audit completed in accordance with the independent auditing standards published by the Capital Markets Board ("CMB") and the Independent Standards on Auditing ("ISA"), which are part of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We would like to draw your attention to Note 29, which includes the possible effects and consequences of the COVID-19 outbreak on the Group. However, this does not affect the opinion given by us.

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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 financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

By us, the matters described below have been identified as key audit matters and reported in our report.

Key Audit Matters	How the Key Audit Matter was Handled in the Audit
Trade receivables and recoverability	
As of 31 December 2021, the Group's total trade receivable is TL 365.450.354 (31 December 2020: TL 200.745.984). The trade receivable from the third parties amounting to TL 259.160.029 (31 December 2020: TL 180.941.523), which is a part of total trade receivables, constitutes approximately 32% (31 December 2020: 31%) of the Group's assets. The assessment of the recoverability of these receivables made by the Group management includes considerations of the amount of guarantees/collateral received from the customers, past collection performance, analysis of aging of receivables and litigations or disputes regarding receivables. As a result of all these assessments, determination of doubtful receivables and setting of impairment provision for these receivables include also management judgements and estimations. In addition, the Group has calculated the Expected Credit Loss Provision for its receivables within the scope of TFRS 9. These estimations used are highly sensitive to expected future market conditions. For these reasons, trade receivables and their recoverability are an important issue for our audit. The Group's explanations regarding trade receivables, provision for doubtful receivables and credit risk are included in Notes 2.6 and 27.	During our audit, the following audit procedures regarding the recoverability of trade receivables were applied: The processes applied by the Group during the verification of trade receivables have been understood. Trade receivable balances have been tested with the confirmation method. It was ensured that the Group's process regarding the collection follow-up of its trade receivables and financial reporting for credit risk was understood, and the operational effectiveness of the internal controls included in the process was evaluated. Collection receipts and invoice controls regarding trade receivables were provided. The balances of the receivables in the previous year and the current year have been comparatively controlled, and especially the exchange rate differences arising from foreign currency balances have been controlled. The collection turnover rate was compared with the previous year. The collections in the following periods were tested by sampling method. The sufficiency of the explanations in the notes to the consolidated financial statements regarding the recoverability of trade receivables has been evaluated. As a result of the audit procedures we have applied, we have not had any significant findings regarding the recoverability of trade receivables.

Key Audit Matters	How the matter was addressed in our audit
Revenue recognition	
Revenue is an important measurement in terms of evaluating the results of the Group's strategies implemented during the year and monitoring the performance. As of 31 December 2021, revenue is the most important caption and account in the consolidated financial statements, the issue of "revenue recognition" has been determined as a key audit matter. Group's revenue consists of income from domestic and foreign sales. Revenues are recorded on accrual basis the fair value of the consideration received or receivable upon the delivery of the product, the transfer of risks and benefits associated with the product, the reliable determination of the amount of income and the probable flow of economic benefits of transaction. As of 31 December 2021, the Group's sales revenue is TL 846.114.782 (31 December 2020: TL 579.697.636) and explanations regarding the relevant accounting policies are given in Note 2.6 and Note 20.	The audit procedures that we perform consist of testing internal controls, analytical reviews and test of details regarding the revenue recognition process, including reporting on performance evaluation and controls performed by Group management. Our audit procedures also include procedures for testing evidence that obtained about risks and benefits of products have been delivered to the customer. The main audit procedures that we made as follows: ·Revenue examined with analytical procedures, · Revenue invoice vouching test, · Revenue Cut-off testing . The processes applied by the Group during the confirmation of trade receivables have been understood, · Invoice tests made by sampling method regarding the accuracy of sales transactions and records, and these invoices were matched with the bill of parcels and collections from the customer, · The collection risk of trade receivables was evaluated and the controls used in the follow-up of the collection process were tested. · Customer contracts were reviewed, and if there is any management judgments were evaluated. As a result of the audit procedures we have applied, we have not had any significant findings regarding the revenue recognition.

Key Audit Matters	How the matter was addressed in our audit
Trade Receivables From Related Parties	
As of 31 December 2021, Group has receivables from related parties amounting to TL 106.290.325 (31 December 2020: TL 19.804.461) in its consolidated financial statements. As seen in Note 6 of the financial statements, the Group's receivables consist of group companies under Smart Holding and the Group management is reconciling the related receivables. Receivables from related parties are important for the business finance management, therefore, this issue has been considered as a key audit matter by us. Detailed explanations about the receivables from related parties are given in Note 2.6 and Note 6.	During our audit, the following audit procedures were applied regarding the accuracy of the receivables from related parties: - Confirmation letters of receivables from related parties obtained, - The explanations into the footnotes of the financial statements regarding the receivables from related parties were examined and the sufficiency of the information included in these notes was evaluated. As a result of the audit procedures we have applied, we have not had any significant findings regarding the trade receivables from related parties.

Key Audit Matters	How the matter was addressed in our audit
Inventories	
There is a risk of impairment of inventories in the financial statements dated 31 December 2021 due to macroeconomic factors. However, the calculation of the provision for inventory also includes management estimations and assumptions. These estimates and assumptions include the evaluation of inventories sold for macroeconomic reasons and the evaluation of the provision for inventories that have not moved for a certain period and are damaged. For these reasons, provision for inventory is an important issue for our audit. Explanations on the Company's accounting policies and amounts related to inventory impairment are given in Note 2.6 and Note 8.	During our audit, the following procedures have been applied regarding the impairment of inventories. i) Understanding and evaluating the appropriateness of the accounting policy related to the impairment of inventory, ii) Discussing with the company management the changing customer demand, the qualitative characteristics of the inventories and the risk of macroeconomic factors and comparing the inventory turnover rate with the previous year, iii) Observing whether there are inactive or damaged inventories in the year-end stock counts, iv) Sample testing of selling prices deducted from the discounts used in the net realizable value calculation. v) Assessment of the necessity for an inventory impairment. As a result of the audit procedures we have applied, we have not had any significant findings regarding the inventory impairment.

Key Audit Matters	How the matter was addressed in our audit
Advances received	
The Group's revenue consists of the installation and construction of solar power plants and the sales of solar panels and power plant equipment related to solar power plants. Revenue is recognized when the significant risks and controls of ownership are transferred to the buyer. The Group's solar power plant installations and investments are delivered to customers on a turnkey basis because of the installations. As explained in Note 9 (advances received included in deferred income), it results from the advances received by the Group from its customers regarding sales. We consider the Group's advances received to be a key audit matter.	During our audit, the following procedures were applied regarding the revenue recognition and the order advances received: - Obtained the delivery confirmations with supporting documents regarding the delivery of the revenue realized in the power plant revenues within the framework of the periodicity principle; - The substantive procedures focused on the assessment of cases where income was earned but not invoiced. - We specifically examined the billing transactions regarding the power plants the Group made abroad and the services it provided during the period. - The arithmetic calculations of the advances given and the data forming the basis for these calculations have been checked by audit team. - We have inquired the convenience of the information in the financial statements and its footnotes, considering the importance of the information disclosed to the readers of the financial statements. As a result of the audit procedures we have applied, we have not had any significant findings regarding the advances received.

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

In preparing the 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's 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.

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

Responsibilities of independent auditors in an independent audit are as follows: Our aim is to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IAS (of Turkey) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with IAS (of Turkey), we exercise professional judgment and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of 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.

- Obtain an understanding of internal control relevant to the audit 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 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 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

The engagement partner who conducted and concluded this independent audit is Nazım Hikmet.

Eren Bağımsız Denetim A.Ş.
Member Firm of Grant Thornton International

Nazım HİKMET
Partner

İstanbul, 23.02.2022

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

ASSETS	*Notes*	Audited 31 December 2021	Audited 31 December 2020
Current Assets			
Cash and cash equivalents	3	23.734.489	25.869.747
Trade receivables	5	365.450.354	200.745.984
- *Due from related parties*	*6*	*106.290.325*	*19.804.461*
- *Due from third parties*		*259.160.029*	*180.941.523*
Other receivables	7	83.135.874	18.198.149
- *Other receivables from related parties*	*6*	*62.708.571*	--
- *Other receivables from third parties*		*20.427.303*	*18.198.149*
Inventories	8	98.969.813	82.967.102
Prepaid expenses	9	111.703.385	152.082.514
- *Due from related parties*	*6*	*5.640.039*	*78.575.532*
- *Prepaid expenses, third parties*		*106.063.346*	*73.506.982*
Other current assets	10	29.662.936	21.017.073
TOTAL CURRENT ASSETS		**712.656.851**	**500.880.569**
Non-current Assets			
Other receivables		778.650	440.630
- *Other receivables from third parties*		*778.650*	*440.630*
Right of use assets	13	4.379.081	7.247.517
Property plant and equipment	11	82.705.278	56.275.474
Intangible assets	12	2.199.954	854.541
Deferred tax assets	18	15.611.949	12.359.202
TOTAL NON-CURRENT ASSETS		**105.674.912**	**77.177.364**
TOTAL ASSETS		**818.331.763**	**578.057.933**

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

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

LIABILITIES	***Notes***	**Audited 31 December 2021**	**Audited 31 December 2020**
Current Liabilities			
Short-term borrowings	14	131.586.339	57.497.688
Short-term portion of long-term borrowings	14	7.394.989	2.876.377
Lease liabilities	14	2.923.536	6.901.081
Trade payables	5	231.218.044	137.520.919
- *Due to related parties*	*6*	*109.402.642*	*20.363.202*
- *Trade payables third parties*		*121.815.402*	*117.157.717*
Employee benefits obligations	17	6.129.347	3.872.929
Other Payables	7	13.944.900	7.476.005
- *Other payables, related parties*		--	*1.876.994*
- *Other payables from third parties*		*13.944.900*	*5.599.011*
Deferred income	9	158.807.989	212.050.078
- *Due from related parties*	*6*	--	*24.747.135*
- *Deferred income from third parties*		*158.807.989*	*187.302.943*
Current income tax liabilities	18	5.362.132	2.320.596
Provisions		2.775.732	2.913.410
- *Provisions for employee benefits*	*15*	*994.443*	*614.114*
- *Other short-term provisions*	*16*	*1.781.289*	*2.299.296*
Other current liabilities	10	18.939.282	5.818.574
TOTAL CURRENT LIABILITIES		**579.082.290**	**439.247.657**
Non-current liabilities			
Long-term borrowings	14	33.915.175	12.874.983
Lease liabilities	14	1.940.779	2.286.045
Trade payables	5	--	48.862.331
- *Due to related parties*	*6*	--	*48.862.331*
Long-term provisions		2.781.957	760.599
- *Long-term provisions for employee benefits*	*15*	*2.781.957*	*760.599*
TOTAL NON-CURRENT LIABILITIES		**38.637.911**	**64.783.958**
Shareholders' Equity		**193.452.799**	**71.204.251**
Paid-in capital	19	127.500.000	30.998.000
Accumulated comprehensive income and loss			
- *Other comprehensive income/(loss) not to be reclassified to profit or loss*		*(629.877)*	*(388.124)*
- *Other comprehensive income/(loss) to be reclassified to profit or loss*		*(17.281.711)*	*(14.242)*
Reserves on retained earnings		5.978.453	1.802.897
Retained earnings		(2.122.664)	(16.126.616)
Net profit for the period		80.008.598	54.932.336
Non-controlling interest		7.158.763	2.822.067
TOTAL SHAREHOLDER'S EQUITY		**200.611.562**	**74.026.318**
TOTAL LIABILITIES		**818.331.763**	**578.057.933**

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

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

		Audited 1 January- 31 December 2021	**Audited 1 January- 31 December 2020**
Revenue	20	846.114.782	579.697.636
Cost of sales (-)	20	(711.568.123)	(459.117.786)
GROSS PROFIT		**134.546.659**	**120.579.850**
General administrative expense (-)	22	(26.791.987)	(15.797.096)
Selling, Marketing and Distribution expense (-)	21	(17.656.692)	(9.977.731)
Other Operating Income	24	779.827.363	284.783.673
Other Operating Expense (-)	24	(724.826.325)	(318.814.255)
OPERATING PROFIT		**145.099.018**	**60.774.441**
Expected credit loss according to TFRS 9		(6.285.398)	--
OPERATING PROFIT BEFORE FINANCE EXPENSES		**138.813.620**	**60.774.441**
Financial Income	25	25.260.250	15.768.130
Financial Expenses (-)	25	(67.622.503)	(17.663.746)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**96.451.367**	**58.878.825**
Tax Income / (Expense) from Continuing Operations			
Current Period Tax Expense / (Income)		(6.455.267)	(4.004.172)
Deferred Tax Expense / (Income)	18	(5.650.806)	2.867.248
PROFIT FROM CONTINUING OPERATIONS		**84.345.294**	**57.741.901**
NET PROFIT FOR THE PERIOD		**84.345.294**	**57.741.901**
Attributable to:			
Non-controlling interest		4.336.696	2.634.081
Equity holder of the parent		80.008.598	55.107.820
		84.345.294	**57.741.901**
OTHER COMPREHENSIVE INCOME / (LOSS)			
Not to be reclassified to profit or loss, before tax			
- *Gain /loss arising from defined benefits plan*		(302.191)	(395.815)
To be reclassified to profit or loss, before tax			
- Currency translation differences		(303.695)	22.521
- Tangible and intangible asset revaluation fund		15.070.509	--
- Cash flow hedge expense		(40.575.987)	--
Total other comprehensive income / (loss), before tax		**(26.111.364)**	**(373.294)**
Other comprehensive income, total tax effect			
- Not to be reclassified to profit or loss other comprehensive income, tax effect			
- Deferred tax income/(expense)		60.438	87.079
- Reclassified to profit or loss other comprehensive income, tax effect			
- Period Tax Expense/Income		(301.411)	--
- Deferred tax income/(expense)		8.843.115	--
TOTAL OTHER COMPREHENSIVE LOSS		**(17.509.222)**	**(286.215)**
TOTAL COMPREHENSIVE INCOME		**66.836.072**	**57.455.686**
Attributable to:			
Equity holder of the parent		62.499.376	54.821.605
Non-controlling interest		4.336.696	2.634.081

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

		Other accumulated comprehensive income							
	Paid-in capital	**Not to be reclassified to profit or loss**	**To be reclassified to profit or loss**	**Reserves on retained earnings**	**Retained earnings**	**Net income/(loss) for the period**	**Total equity holder of the parent company**	**Non controlling interests**	**Total equity**
Balance on 1 January 2020	**5.000.000**	**(79.388)**	**(36.763)**	**336.637**	**932.384**	**10.405.260**	**16.558.130**	**187.986**	**16.746.116**
Transfers	--	--	--	1.466.260	8.939.000	(10.405.260)	--	--	**--**
Net profit for the period	--	--	--	--	--	54.932.336	**54.932.336**	**2.634.081**	**57.566.417**
Total Comprehensive Income	--	(308.736)	22.521	--	--	--	**(286.215)**	**--**	**(286.215)**
Capital Increase	25.998.000	--	--	--	(25.998.000)	--	--	--	**--**
As of 31 December 2020	**30.998.000**	**(388.124)**	**(14.242)**	**1.802.897**	**(16.126.616)**	**54.932.336**	**71.204.251**	**2.822.067**	**74.026.318**
Balance on 1 January 2021	**30.998.000**	**(388.124)**	**(14.242)**	**1.802.897**	**(16.126.616)**	**54.932.336**	**71.204.251**	**2.822.067**	**74.026.318**
Transfers	--	--	--	3.893.563	51.038.773	(54.932.336)	--	--	**--**
Net profit for the period	--	--	--	--	--	80.008.598	80.008.598	4.336.696	**84.345.294**
Total Comprehensive Income	--	(241.753)	(17.267.469)	--	--	--	(17.509.222)	--	**(17.509.222)**
Capital Increase	96.502.000	--	--		(38.722.203)	--	57.779.797	--	**57.779.797**
Effects of business under common controls	--	--	--	281.993	1.687.382	--	1.969.375	--	**1.969.375**
As of 31 December 2021	**127.500.000**	**(629.877)**	**(17.281.711)**	**5.978.453**	**(2.122.664)**	**80.008.598**	**193.452.799**	**7.158.763**	**200.611.562**

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

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

	Notes	*Audited* 1 January- 31 December 2021	*Audited* 1 January- 31 December 2020
A. Cash flow from Operating activities		**(59.939.134)**	**15.836.482**
Profit for the period		80.008.598	54.932.336
Adjustments to reconcile net profit for the period		**57.432.881**	**17.898.407**
Adjustment for depreciation and amortisation expense	11,12,13	12.473.543	12.502.020
Provisions for employee benefits	15	1.995.911	402.848
Provisions for accumulated vacation rights	15	380.329	276.880
Provisions for lawsuits	16	(518.007)	2.000.000
Unrealised foreign exchange gain / (loss)		51.281.655	2.634.081
Adjustment for discount gain / (loss)	24	(4.988.241)	2.949.827
Adjustments for Deferred Tax Expense / Income	18	(3.192.309)	(2.867.249)
Cash flow from Operating activities		**(197.380.613)**	**(56.994.261)**
Change in trade receivables and other receivables		(224.473.868)	27.717.637
Change in inventories		(16.002.711)	(29.671.795)
Change in other current assets and other non-current asset		3.956.838	(12.000.209)
Change in trade payables and due to related parties		51.303.689	61.017.353
Adjustment for increasing prepaid expense		40.379.129	(133.068.672)
Adjustment for increasing deferred income		(53.242.089)	29.391.570
Change in lease liabilities		(4.322.811)	(3.689.247)
Adjustment for employee benefit obligations		2.256.418	2.545.156
Taxes paid		3.041.536	1.240.496
Severance paid		(276.744)	(476.550)
B. Cash flows from investing activities		**(19.674.281)**	**(24.959.321)**
Cash outflows on purchases to obtain control of subsidiaries		1.969.375	--
Cash outflows from purchase of property, plant and equipment and intangible assets	11,12,13	969.056	(24.959.321)
Cash outflows from the purchase of tangible and intangible assets	11,12,13	(22.612.712)	--
C. Cash flows from financing activities		**77.478.157**	**26.669.389**
Cash inflows from financial borrowings		170.162.412	59.373.860
Cash outflows in-order to debt payments		(114.018.634)	(39.581.748)
Capital increase	19	57.779.797	--
Cash inflows related to debt payments arising from lease agreements		12.916.167	12.404.515
Currency translation differences		(33.004.136)	22.521
Interests paid	25	(16.357.449)	(5.549.759)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(2.135.258)**	**17.546.550**
D. Cash and cash equivalents on January 1		**25.869.747**	**8.323.197**
Cash and cash equivalents on December 31 (A+B+C+D)	**3**	**23.734.489**	**25.869.747**

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. Ve Tic. A.Ş. and Its Subsidiaries ("Company" or "Smart Enerji") was established in 2014 in Istanbul. The Company and its subsidiaries are collectively referred to as the ("Group")..

<u>The Main Field of Group.</u>

The main field of the Group includes the installation of renewable energy power plants, the production of solar panels, the sale and marketing of various Solar Power Plant system equipment, and the provision of engineering and labour services.

The details of 10 important turnkey projects undertaken by the Group are as follows:

Project name	Country	Project Location	Capacity	Starting Date	Completion Date
Gün Güneş 55MW	Turkey	Van	55.010 kWp	June 2020	The project continues.
Solhan PV Power Plant	Turkey	Bingöl	22.642 kWp	May 2018	The entire project was completed in October 2019.
Akfel 18MW	Turkey	Niğde, Adıyaman	20.700 kWp	January 2020	The entire project was completed in 2020.
Siverek PV Power Plant	Turkey	Şanlıurfa	18.205 kWp	March 2018	The entire project was completed in January 2019.
Tuzluca PV Power Plant	Turkey	Şanlıurfa	14.440 kWp	February 2019	The entire project was completed in December 2020
Yaytaş PV Power Plant	Turkey	Diyarbakır	13.960 kWp	October 2018	The project continues.
Oğlaklı 10MW	Turkey	Diyarbakır	12.560 kWp	June 2020	The entire project was completed in September 2021.
Eskil PV Power Plant	Turkey	Aksaray	11.797 kWp	June 2017	The entire project was completed in October 2017.
Slobidka PV Power Plant	Ukraine	Khmelnitsky	11.035 kWp	December 2019	The entire project was completed in September 2019.
Mardin Licenced PV Power Plant	Turkey	Mardin	10.794 kWp	August 2019	The entire project was completed in January 2020.

The owner of the Group is Smart Holding A.Ş.(Smart Holding) with the participation rate of 100%. As of 31.12.2021, the Company is registered to Turkey and the headquarter of the Group is located at Halil Rıfat Paşa Mah. Yüzer Havuz Sokak B Blok Perpa İş Merkezi No:1 Şişli/İSTANBUL. As of 31.12.2021, the factory building of the Group is located at Gebze Organize Sanayi Bölgesi Tembelova Mevki, 3200 Cadde No:3207, 41400 Gebze/Kocaeli.

As of 31 December 2021 and 2020 the total number of personnel employed by the Group is 549 and 379 respectively.

The company is registered at Istanbul Trade Registry Office and the registration number is 934086.

The subsidiaries

The subsidiaries, the countries in which they operate, and their fields of activity are as follows:

31 December 2021

Company Title	Main Activity	Share Owned (%)	Country of Establishment
Smart Güneş Teknolojileri Pazarlama A.Ş.	Solar Power Plant Equipment	100	Turkey
Smart Güneş Enerji Ekipmanları Pazarlama A.Ş.	Solar Power Plant Equipment	100	Turkey
Smart GES Enerji Üretim A.Ş.	Solar Power Plant Equipment	100	Turkey
Smart Sumec Enerji Ekipmanları ve Pazarlama A.Ş.	Solar Power Plant Equipment	50	Turkey
Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim Sanayi Ticaret A.Ş & IHK Holding A.Ş Consortium	Solar Power Plant Equipment	60	Turkey
Icarus Solar GmbH	Solar Power Plant Equipment	100	Germany
Smart Solar Ukraine	Solar Power Plant Equipment	100	Ukraine
Smart Solar Technology Gmbh	Solar Power Plant Equipment	100	Germany

31 December 2020

Company Title	Main Activity	Share Owned (%)	Country of Establishment
Smart Güneş Teknolojileri Pazarlama A.Ş.	Solar Power Plant Equipment	100	Turkey
Smart Sumec Enerji Ekipmanları ve Pazarlama A.Ş.	Solar Power Plant Equipment	50	Turkey
Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim Sanayi Ticaret A.Ş & IHK Holding A.Ş Consortium	Solar Power Plant Equipment	60	Turkey
Icarus Solar GmbH	Solar Power Plant Equipment	100	Germany
Smart Solar Ukraine	Solar Power Plant Equipment	100	Ukraine
Smart Solar Technology Gmbh	Solar Power Plant Equipment	100	Germany

1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

The details of the Group's subsidiaries are summarized below:

Smart Güneş Teknolojileri Pazarlama A.Ş.

The company was established on 22.01.2018. Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. Ve Tic. A.Ş. and Tic. A.Ş. owns 100% of the company. The company, to make and have all kinds of processes of all kinds of products, semi-products, raw materials and materials; To buy, sell, import, export and wholesale marketing and to establish, operate, operate or lease facilities for the purpose of packaging all these products, to wholesale all kinds of materials for the installation of photovoltaic solar power plants and to establish stores and sales offices for this business, electricity to establish service units to serve companies engaged in energy generation, distribution, retail sale, wholesale and other activities; It was established to carry out all kinds of research and development activities for the electrical energy sector, including electricity networks and electricity generation facilities. The company was merged on 31.03.2021 as Smart Güneş Enerjisi Teknolojileri AR-GE Üretim San. and Tic. A.Ş. continues its activities within the body of the parent company.

Smart Güneş Enerji Ekipmanları Pazarlama A.Ş.

The company was established on 20.04.2021. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. owns 100% of the company. To carry out all kinds of research and development activities for the electrical energy sector, including electricity networks and electricity generation facilities, to provide maintenance and operation services of all technical infrastructure and systems, to manage turnkey projects for the electrical energy sector, To make project installation and maintenance repairs of low voltage lines and facilities, electricity networks, transformers, electricity distribution panels and tables, control systems, meters, and to undertake contracting works in this regard, to benefit from renewable and alternative energy sources such as sun, wind, river. tools and software for measuring, protection, automation, remote monitoring, communication in high, medium and low voltage networks, devices that transfer electrical energy obtained from renewable energy sources to all kinds of electrical networks and tools related to the automation of these devices, all kinds of power electronic systems, devices such as frequency converters, rectifiers, inverters and systems and software for remote monitoring and control of these systems and devices, systems for remote monitoring and communication of all kinds of information and telecommunication devices and systems, and To produce and have all kinds of panels made, to buy, to sell, to import and export of ready-made panels, to establish all kinds of marketing networks and to market the products and semi-products that are used for energy production from the sun, with the power plant to be established in and outside Turkey and the generation and sale of electrical energy from this power plant. Regarding power plants, refineries, factories, tunnels, highways, canals, waterways, gas plants, steam turbines, wind turbines, water turbines and other turbines, solar panels and all kinds of construction, including buildings and accessories of all kinds of work done. connected t It may design, design, provide settlement and engineering services, equip, maintain, operate and install the facilities. It was established to develop software programs related to its subject, to make sales and marketing, to prepare studies, research and reports, to provide official-private, national-international consultancy services related to its subject.

Smart GES Enerji Üretim A.Ş.

The company was established on 05.03.2021. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. owns 100% of the company. By complying with all applicable legislation and obtaining permission from the relevant authorities, the purpose and subject of the company are as follows; By obtaining the necessary license from the Energy Market Regulatory Authority, it is aimed to increase and support energy efficiency in the production, transmission, distribution and consumption stages of energy, in industrial enterprises, buildings, electric power generation facilities, transmission and distribution networks and transportation, to develop energy awareness in the society, to benefit from renewable energy sources. Establishing, commissioning, leasing, generating electrical energy, producing electrical energy and/or capacity, to legal entities holding wholesale licenses, in order to produce electrical energy, to convert energy resources into electrical energy in generation facilities, to cover the procedures and principles to be applied for to sell to retail license holder legal entities and eligible consumers through bilateral agreements, to provide project, contracting, engineering and consultancy services for all necessary facilities and transmission lines, and/or have it made. To establish facilities to generate electricity by utilizing the sun, to manufacture power plants that operate with wind to provide electrical energy in parts or as a whole. To carry out all kinds of electrical-electronic contracting works in the country and abroad, to participate in tenders, to prepare projects and feasibility studies, to have them prepared, to undertake the electrical-electronic works partially or completely with real or legal persons or to tender them to others, responsible engineering and control engineering was established to do so.

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Smart Sumec Enerji Ekipmanları ve Pazarlama A.Ş.

The company was established on 08.08.2019. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. owns 50% of the company. To carry out all kinds of transactions related to all kinds of products, semi-finished products and raw materials; Establishing various facilities for buying, selling, importing, exporting these goods, dealing with the full trade of these goods and packaging these goods, operating these enterprises, having them operated by third parties or renting and leasing, For the installation of photovoltaic solar power plants Opening and establishing warehouses, showrooms and offices for the purchase and sale of all kinds of necessary materials, establishment of relevant service units to serve companies engaged in electrical energy production, distribution, retail and wholesale, managing and selling turnkey projects for the electrical energy sector and/or include power grids and power generation facilities for sale; systems used for remote monitoring and control of all kinds of data processing and telecommunication devices and systems; was established to market, import and export software. However, there is no personnel working in the company, and its administration and accounting is entirely under the control of Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. it says. In addition, Smart Enerji carries out the Company's customer portfolio and new customer acquisitions, and Sumec is not involved in these matters. For this reason, it has been consolidated using the full consolidation method in the accompanying financial statements.

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim Sanayi Ticaret A.Ş. & IHK Holding A.Ş. Konsorsiyumu

The company was established on 08.05.2020. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. is the 60% owner and leading partner of the relevant company. The relevant consortium is between Smart Solar Energy R&D Production Industry Trade A.Ş. and IHK Holding, "Gün Güneş Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş." was established for the project "Engineering, Procurement and Construction Turnkey Works for Van Arısu GES 45MWe/55 MWp Licensed Van Arisu Solar Power Plant (GES)", which was put out to tender by the parties, to create a partnership and complete the project. In the said consortium, Smart Energy has 60% and IHK Holding 40%. In the founding agreement, the parties agreed that Smart Energy is the leading partner and coordinator. It has been accepted and declared by all partners that if a unanimous vote cannot be reached at the board of directors meetings of the said consortium, the matter will be conveyed to the parties for resolution by the Lead partner within 2 business days, and if an agreement cannot be reached within the specified day, the decision of the lead partner regarding the works and transactions that will cause delay in the work program will be considered final. For this reason, it has been consolidated using the full consolidation method in the accompanying financial statements.

Icarus Solar GmbH

The company was established in Germany in 2019. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. owns 100% of the company. There are no personnel working in the company. Solar panel, Inverter, construction etc. was established to wholesale solar energy products to Europe, mainly Germany, Netherlands, Belgium, France, Spain, through channel management.

Smart Solar Technology Gmbh

The company was established in Germany in 2019. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. owns 100% of the company. There are no personnel working in the company. It was established to provide turnkey installation and engineering services in Europe.

Smart Solar Ukraine

The company was established in Ukraine in 2019. Smart Güneş Enerji Teknolojileri Ar-Ge Üretim Sanayi ve Ticaret A.Ş. owns 100% of the company. Due to COVID, there are no personnel working in the company. It was established to provide turnkey installation and engineering services in countries in Eastern Europe.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Accounting policies

The accompanying consolidated financial statements are prepared in accordance with the announcement of the Capital Markets Board ("CMB") "Communiqué on Principles Regarding Financial Reporting in the Capital Markets" ("Communiqué") No. II-14.1 published in the Official Gazette dated 13.06.2013 and numbered 28676 and Turkish Financial Reporting Standards (''TFRS'') published by Public Oversight Accounting and Auditing Standards Board ("POA").

TASs; Turkish Accounting Standards, includes Turkish Financial Reporting Standards ("TFRS") and related annexes and comments.

Consolidated financial statements are presented in accordance with the "TFRS Taxonomy" published by POA dated on 15 April 2019 and Financial Statement Examples and User Guide published by CMB.

The financial statements are prepared on the historical cost basis, except for the revaluation of some non-current assets and financial instruments. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis.

Approval of consolidated financial statements

Consolidated financial statements as of 1 January - 31 December 2021 have been approved by the Board of Directors and authorized for publication on 23 February 2021. The General Assembly of the Company and the relevant regulatory authorities have the right to request the amendment of the consolidated financial statements after the publication of the consolidated financial statements.

Comparative Information and Correction of Prior Financial Statements

The current period consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. Comparative information is reclassified when deemed necessary in order to comply with the presentation of the current period consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005, no:29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Functional and presentation currency

The Group prepares and maintains its legal books and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), accounting principles set forth by tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The valid currency of the Group is Turkish Lira ("TL"). These consolidated financial statements are presented in TL, which is the valid currency of the Group.

Financial statements of subsidiaries operating in countries other than Turkey
Subsidiaries in foreign country assets and liabilities are translated into TL from the foreign exchange rate at the reporting date and income and expenses are translated into TL at the average foreign exchange rate. The retranslation of net assets at the beginning of the period and the exchange differences which resulting from the using of average exchange rates are followed on differences of foreign currency translation account within shareholders' equity. Currency translation differences are recorded under other comprehensive income unless there are translation differences related to non-controlling interests and are presented under foreign currency translation differences under equity. However, if the operation relates to a wholly owned subsidiary, the portion of the non-controlling interest is proportionately classified as a non-controlling interest.

Netting/Offsetting

Financial assets and liabilities are shown in net, if the required legal right already exists, there is an intention to pay the assets and liabilities on a net basis, or if there is an intention to realize the assets and the fulfilment of the liabilities simultaneously.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period consolidated financial statements are restated.

2.3. Restatement and Errors in the Accounting Policies and Estimates

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. There was no significant change in accounting estimates of the Group in the current year. The detected significant accounting errors are applied retrospectively, and prior period consolidated financial statements are restated.

2.4. Going concern

The consolidated financial statements prepared on a going concern basis, with the assumption that the Group will benefit from its assets and fulfil its obligations in the next year and in the natural course of its activities.

2.5 New and amended standards and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as of 31 December 2021 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Financial Reporting Standards ("TFRS") and TFRS interpretations effective as of 1 January 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations that are issued but not effective as of 31 December 2021:

Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2021 These amendments to TMS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting,
ii) clarify the explanation of the definition of material and
iii) incorporate some of the guidance in TAS 1 about immaterial information.

This change does not have any impact on the Group's financial performance.

Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This change does not have any impact on the Group's financial performance.

Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to this change.

Amendment to TFRS 16, 'Leases' – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change does not have any impact on the Group's financial performance.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 New and amended standards and interpretations

Standards, amendments and interpretations that are issued but not effective as of 31 December 2021:

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.
The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was **issued** on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
(c) Clarifying how lending conditions affect classification; and
(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 New and amended standards and interpretations (continued)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (continued)

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its consolidated financial statements.

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 New and amended standards and interpretations (continued)

Definition of Accounting Estimates (Amendments to TAS 8) (continued)

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group does not expect that application of these amendments to Amendments to TAS 8) will have significant impact on its consolidated financial statements.

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to TAS 1) will have significant impact on its consolidated financial statements.

2.6. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Consolidation Principles

Full Consolidation:

The paid-in capital and balance sheet items of the Company and its subsidiary have been collected. In the collection process, the receivables and payables of the partnership subject to the consolidation method from each other are mutually deducted.

- The paid-in capital of the consolidated balance sheet is the paid-in capital of the Company, the paid-in capital of the subsidiary is not included in the consolidated balance sheet.

- From all equity group items of the subsidiary within the scope of consolidation, including the paid/issued capital, the amounts corresponding to the parent and non-subsidiary interests have been deducted and shown as the "Non-Controlling Interests" account group after the equity account group of the consolidated balance sheet.

- Current and non-current assets purchased from each other by the partnership subject to the consolidation method, in principle, are included in the consolidated balance sheet over the amounts found before the sale transaction, by making adjustments to ensure that these assets are shown over the acquisition cost to the corporations subject to the consolidation method.

- The income statement items of the Company and its subsidiary are collected separately, and the sales of goods and services made by the partnerships subject to the consolidation method to each other are deducted from the total sales amounts and the cost of goods sold. The profit arising from the purchase and sale of goods between these partnerships regarding the inventories of the partnerships subject to the consolidation method is added to the cost of goods sold by deducting from the inventories in the consolidated financial statements, while the loss is added to the inventories and reduced from the cost of the goods sold. Income and expense items resulting from the transactions of the partnerships subject to the consolidation method are mutually deducted in the relevant accounts.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Consolidation Principles (continued)

-The portion corresponding to the shares other than the partnership subject to the consolidation method from the net profit or loss of the subsidiary within the scope of consolidation is shown under the account group name “Non-Controlling Interests” after the net consolidated profit for the period.

- When deemed necessary, adjustments have been made to bring the financial statements of subsidiaries into line with the accounting principles applied by other group companies.

Related Parties

To the accompanying consolidated financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group is referred to as related parties.

(a) A person or a close member of that person’s family is related to a reporting entity if that person:
(i) has control or joint control over the reporting entity,
(ii) has significant influence over the reporting entity,
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
(iii) Both entities are joint ventures of the same third party,
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
(vi) The entity is controlled or jointly controlled by a person identified in (a),
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 (Note 3). To consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents because of a specific event, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectations for the future indications.

Trade Receivables and Allowance for Doubtful Receivables

Trade receivables that are created by the Group by way of providing goods or services in the ordinary course of business directly to a debtor are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for impairment. Short-term trade receivables with no specific interest rates are measured at original invoice amount if the effect of interest accrual is unsignificant.

Impairment

TAS 39, “Financial Instruments” valid before 1 January 2018: Instead of “realised credit losses model” in Accounting and Measurement Standard, “expected credit loss model” was defined in TFRS 9 “Financial Instruments” Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

Trade Payables

Trade payables are stated at their nominal value, discounted to present value as appropriate.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Costs comprise direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Property, plant and equipment and related depreciation

As of 31 December 2020, the Group's property, plant and equipment are presented at acquisition cost less accumulated depreciation and permanent value losses. The lands are not subject to depreciation.

As of 31 December 2021, the fixed assets of the Group are shown in their legal records with their revalued (increased) amounts within the scope of Law No. 7326. In the attached TFRS financial statements, these increased amounts (excluding machinery and equipment) have been cancelled. However, for the fair values of machinery and equipment, an independent valuation company authorized by the Capital Markets Board "CMB" has prepared a valuation report as of 06.10.2021 and it has been seen that the increased values in the legal records reflect the fair values. The valuation difference between the increased net book value in the legal records and the fair value of the machinery and equipment is accounted for in the revaluation fund in equity, taking into account the tax effect. Balances related to the relevant valuation records are shown in Note 11.

Gains and losses from sales of tangible assets are included in other income and expense accounts. If the carrying value of the assets is higher than the estimated replacement value, they are reduced to the replacement value by making a provision. Repair and maintenance expenses related to tangible fixed assets are expensed as they occur.

Except for the land and the investments in progress, tangible fixed assets are depreciated on a pro-rata basis in accordance with the useful life principle using the straight-line method. Depreciation rates have been determined according to the approximate economic life of tangible fixed assets and are stated below:

	Year
Machinery and Equipment	4-14
Motor vehicles	5-10
Furniture and Fixtures	4-10
Leasehold improvements	10-20

Right – of - use assets

The Group recognizes right-of-use assets at the beginning date of the lease agreement. Right-of-use assets are calculated at cost less accumulated depreciation and impairment losses. In case of revaluation of rental debts, this figure is also adjusted.

The cost of the right-of-use asset includes:

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

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably certain, the Group depreciates the right-of-use asset using the straight-line method from the date the lease commences to the end of the useful life of the underlying asset.

Right-of-use assets are included to impairment assessment.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Intangible assets and related amortization

An intangible asset is recognized if it meets the identifiability criterion of intangibles, control exists over the asset; it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Intangible assets are carried at cost less accumulated amortization and impairment. Amortization of intangible assets is allocated on a systematic pro-rata basis using the straight-line method Intangible assets including acquired rights, information systems and computer software are amortized using the straight-line.

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period.

The useful lives of intangible assets are as follows:

	Year
Rights	3-5
Other intangible asset	5-10

Impairment of assets

The carrying values of all tangible or intangible fixed assets, other than goodwill which is reviewed for impairment at least annually, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Financial assets

The Group performs the classification process regarding its financial assets during the acquisition of the related assets and reviews them regularly.

Classification

The 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.

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

Recognition and Measurement

a) Financial assets measured at amortized cost

Financial assets measured at amortized cost, are non-derivative assets that are held within a business model whose objective is to hold assets 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 Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables", "other 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 statement of income.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Financial assets

b) Financial assets measured at fair value

i. Financial assets measured at fair value through other comprehensive 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.

In case of sale of assets, valuation differences classified to other comprehensive income are reclassified to retained earnings.

Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss. If the said preference is made, dividends from related investments are recognized in the income statement.

ii. Financial assets measured at fair value through profit or 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 statement of income.

Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers 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 is recognized as a separate asset or liability.

Impairment

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

Provisions for losses are measured as below.

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

Provisions for losses are 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 Group 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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

a) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

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

Financial Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>Leasing-the Company as lessor</u>

Finance lease receivables are recorded as the Group's net investment in the lease. Finance lease income is allocated to accounting periods as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

<u>Leasing-the Company as lessee</u>

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation and Deferred Income Taxes

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

<u>Current tax</u>: The tax currently payable is based on taxable profit for the year.

<u>Deferred tax</u>: Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Employee Benefits / Retirement Pay Provision

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No: 19 “Employee Benefits” (“TAS 19”). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

Revenue Recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations,
(c) Determination of transaction price in the contract,
(d) Allocation of price to performance obligations,
(e) Recognition of revenue when the performance obligations are fulfilled.

Group recognizes revenue from its customers only when all the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party’s rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred.
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

Provisions

Provisions are recognized when, and only when the Group has a present obligation because of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Commitments and Contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events unless the expected performance is remote. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Transactions in foreign currency

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement. The periods-end rates used for USD, EURO and UAH are shown below:

	31.12.2021	**31.12.2020**
USD	12,9775 TL	7,3405 TL
EUR	14,6823 TL	9,0079 TL
UAH	0,47613 TL	0,2592 TL

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as “hedge reserves”. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Share capital

Share premium

Share premium represents differences resulting from the sale of the Company’s subsidiaries and associates’ shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings or inflation adjustments. To earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Government incentives and grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all the attached conditions. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (continued)

Cash Flow statement

Cash and cash equivalents comprise of cash in hand and bank deposits.

EBITDA

This financial data is an indicator of a business's measured income without taking into account financing, tax expenses, and depreciation and amortization expenses. This financial information should be evaluated together with other financial data in the cash flow statement. The Group's EBITDA calculations for the ended periods are given below.

The Group's "Earnings Before Interest, Depreciation and Taxes (EBITDA)" is calculated by adding depreciation and amortization expenses, severance pay for employee benefits and leave payments, and other non-cash income/expenses to the "Main operating profit" item.

	31 December 2021	31 December 2020
Operating profit	145.099.018	60.774.441
Depreciation and amortization expenses (Note 11)	12.473.543	12.502.020
Vacation and termination expenses (Note 15)	2.376.240	679.728
EBITDA	**159.948.801**	**73.956.189**

2.7. Significant Accounting Assessments, Estimates and Assumptions

The preparation of the financial statements requires the disclosure of the amounts of assets and liabilities reported as of the balance sheet date, the disclosure of contingent assets and liabilities, and the use of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. The Group makes predictions and assumptions about the future. Due to their nature, accounting estimates may not result in exactly the same amounts as the actual results. Some estimates and assumptions that may cause significant adjustments in the carrying values of assets and liabilities in the upcoming financial reporting period are given below.

Provisions for doubtful trade receivables: The provision for doubtful receivables reflects the amounts that the management believes will cover the future losses of the receivables that exist as of the reporting date but have the risk of being uncollectible within the current economic conditions. While evaluating whether the receivables are impaired or not, the past performance of the debtors, their credibility in the market, their performance from the date of the consolidated financial statements until the approval date of the consolidated financial statements and the renegotiated conditions are also taken into. In addition, the “simplified approach” defined in TFRS 9 has been preferred within the scope of the impairment calculations of trade receivables that are accounted at amortized cost in the consolidated financial statements and that do not contain a significant financing component (with a maturity of less than one year). With this approach, the Group measures the provision for impairment on trade receivables at an amount equal to “lifetime expected credit losses”, unless the trade receivables are impaired for certain reasons (excluding realized impairment losses).

Provision for employee benefit: Employment termination benefits pay liability is determined by actuarial calculations based on some assumptions including discount rates, future salary increases and employee turnover rates. Since these plans are long term, these assumptions contain significant uncertainties.

Lawsuit provisions: The probability of loss of ongoing lawsuits and the consequences that will be endured if they are lost are evaluated in line with the opinions of the Group's legal advisors. The Group management makes its best estimates using the data in hand and estimates the provision it deems necessary.

Deferred tax: The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TFRS and Tax Law

3. CASH AND CASH EQUIVALENTS

The details of the Group's cash and cash equivalents for the periods are as follows:

	31 December 2021	31 December 2020
Cash on hand	460.042	17.486
Cash at banks	23.078.902	25.658.155
- Demand deposit	18.915.675	25.658.155
- Time deposit (*)	4.163.227	--
Other liquid assets	195.545	194.106
	23.734.489	**25.869.747**

(*) The Group's time deposits consist of USD 320.803 with an interest rate of 0,02% and ended on 03.01.2022.

4. SHARES IN OTHER BUSINESSES

The summary financial data of the subsidiaries and affiliates of the Group included in the accompanying consolidated financial statements by periods are as follows:

	31 December 2020							
	Smart Sumec	**Smart-IHK Consortium**	**Smart Güneş Teknolojileri**	**Smart Enerji Ekipmanları**	**Smart Solar Ukraine**	**Icarus GMBH**	**Smart Solar GMBH**	**Smart GES**
Current assets	36.583.375	48.942.855	--	97.778.997	60.353	32.624	235.780	14.872
Fixed assets	12.590	21.014.804	--	--	--	--	112.804	--
Total assets	**36.595.965**	**69.957.659**	**--**	**97.778.997**	**60.353**	**32.624**	**348.584**	**14.872**
Short-term liabilities	26.500.157	64.951.267	--	96.399.752	20.858	387.765	1.553.958	38.129
Long-term liabilities	--	--	--	--	--	--	--	--
Total liabilities	**26.500.157**	**64.951.267**	**--**	**96.399.752**	**20.858**	**387.765**	**1.553.958**	**38.129**
Net Assets	**10.095.808**	**5.006.392**	**--**	**1.379.245**	**39.495**	**(355.141)**	**(1.205.374)**	**(23.257)**
Profit/Loss for the Periods								
Revenue	215.394.537	189.091.250	13.152.850	91.401.947	--	--	--	--
EBITDA	6.523.356	2.687.554	(18.702.824)	1.379.245	--	(66.547)	(70.361)	(37.500)
Profit/(loss) for the period	6.523.356	2.687.554	(19.174.981)	1.379.245	--	(66.547)	(70.361)	(35.757)
Total comprehensive income (loss)	**6.523.356**	**2.687.554**	**(19.174.981)**	**1.379.245**	**--**	**(66.547)**	**(70.361)**	**(35.757)**

	31 December 2020							
	Smart Sumec	**Smart-IHK Consortium**	**Smart Güneş Teknolojileri**	**Smart Enerji Ekipmanları**	**Smart Solar Ukraine**	**Icarus GMBH**	**Smart Solar GMBH**	**Smart GES**
Current assets	219.995.468	77.728.357	349.341.747	--	2.682	20.016	144.655	--
Fixed assets	--	--	1.688.675	--	--	--	69.208	--
Total assets	**219.995.468**	**77.728.357**	**351.030.422**	**--**	**2.682**	**20.016**	**213.863**	**--**
Short-term liabilities	216.423.016	74.755.490	341.974.999	--	69.451	237.901	953.386	--
Long-term liabilities	--	--	--	--	--	--	--	--
Total liabilities	**216.423.016**	**74.755.490**	**341.974.999**	**--**	**69.451**	**237.901**	**953.386**	**--**
Net Assets	**3.572.452**	**2.972.867**	**9.055.423**	**--**	**(66.769)**	**(217.885)**	**(739.523)**	**--**
Profit/Loss for the Periods								
Revenue	286.614.316	107.152.656	296.092.062	--	--	--	--	--
EBITDA	3.961.952	1.932.858	11.547.886	--	--	(150.057)	(255.535)	--
Profit/(loss) for the period	3.171.480	2.972.867	1.810.187	--	--	(150.057)	(255.535)	--
Total comprehensive income (loss)	**3.171.480**	**2.972.867**	**1.810.187**	**--**	**--**	**(150.057)**	**(255.535)**	**--**

5. TRADE RECEIVABLES AND PAYABLES

The details of the Group's trade receivables for the periods are as follows:

Short-term trade receivables	**31 December 2021**	**31 December 2020**
Trade receivables	147.278.611	173.099.113
Trade receivables from related parties (Note 6)	106.290.325	19.804.461
Notes receivables	115.064.769	9.903.091
Discount on trade receivables	(3.183.351)	(2.060.681)
Doubtful receivables	19.530.075	37.205.796
Allowance for doubtful receivables (-) (*)	(19.530.075)	(37.205.796)
	365.450.354	**200.745.984**

As of 31 December 2021, the average maturity of the Group's trade receivables is 163 days (31 December 2020: 117 days).

Explanations on the nature and level of risks in trade receivables are given in Note 27.

(*) The movement of the allowance for doubtful receivables is as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Balance at beginning of the period	37.205.796	18.764.967
Additions (Note 24)	4.988.241	18.440.829
Amounts recovered during the year (Note 24)	(22.663.962)	--
End of the period	**19.530.075**	**37.205.796**

The details of the trade payables are as follows:

	31 December 2021	**31 December 2020**
Short-term trade payables		
Trade payables (*)	83.130.591	57.675.182
Notes payables	44.526.339	62.605.886
Receivables from related parties (Note 6)	109.402.642	20.363.202
Discount on trade payables	(5.841.528)	(3.123.351)
	231.218.044	**137.520.919**

(*) As of the ended periods, the amount of letter of credit in the trade payables of the Group is 19.937.327 TL (31 December 2020: 366.364 TL).

	31 December 2021	**31 December 2020**
Long-term trade payables		
Receivables from related parties (Note 6)	--	51.861.333
Trade payables	--	--
Discount on trade payables	--	(2.999.002)
	--	**48.862.331**

As of 31 December 2021, the average maturity of the Group's trade payables is 119 days (31 December 2020: 109 days).
Explanations on the nature and level of risks in trade payables are given in Note 27.

6. RELATED PARTIES

The details of the Group's related party transactions for periods are as follows:

	Trade Receivables	
	31 December 2021	**31 December 2020**
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti. (*)	55.313.795	--
Smart Holding A.Ş.	24.514.725	--
Şems 4 Yenilenebilir Enerji Yatırımları A.Ş.	5.792.505	--
Şems 8 Yenilenebilir Enerji Yatırımları A.Ş.	3.289.774	--
Şems 1 Enerji Üretim San. ve Tic. A.Ş	3.289.774	763
Şems 3 Yenilenebilir Enerji Yatırımları A.Ş.	3.289.774	--
Şems 2 Yenilenebilir Enerji Yatırımları A.Ş.	2.469.800	--
Smart Energy Ukraine	2.275.757	--
Şems 5 Yenilenebilir Enerji Yatırımları A.Ş.	1.990.450	--
Şems 6 Yenilenebilir Enerji Yatırımları A.Ş.	1.646.534	--
Hakan Akkoç	2.315.563	--
Smart Energy Group AD (Bulgaria)	--	533.056
Tuzluca 8 Güneş Enerjisi San.ve Tic. A.Ş.	--	12.237
Tuzluca 6 Güneş Enerjisi San.ve Tic. A.Ş.	37.252	449.082
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	37.174	1.053.114
Tuzluca 5 Güneş Enerjisi San.ve Tic. A.Ş.	24.566	655.777
Tuzluca 4 Güneş Enerjisi San.ve Tic. A.Ş.	2.882	921.581
Smart Solar LTD Bulgaria	--	1.408
Tuzluca 1 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.076.968
Tuzluca 2 Güneş Enerjisi San.ve Tic. A.Ş.	--	945.706
Smart Doğu Güneş Enerjisi Üretim A.Ş.	--	1.076.866
Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	--	13.077.903
	106.290.325	**19.804.461**

	Other Receivables	
	31 December 2021	**31 December 2020**
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti. (*)	62.708.571	--
	62.708.571	**--**

(*) Smart Solar ARGE Enerji San. San. Ltd. Sti. TL 86,376,838 of the balance consists of notes receivable balance.

	Prepaid Expenses	
	31 December 2021	**31 December 2020**
Smart Energy Group AD (Bulgaria)	5.640.039	27.638.075
Smart Holding A.Ş.	--	50.677.053
Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	--	256.000
Şems 2 Yenilenebilir Enerji Yatırımları A.Ş.	--	1.468
Şems 6 Yenilenebilir Enerji Yatırımları A.Ş.	--	1.468
Şems 8 Yenilenebilir Enerji Yatırımları A.Ş.	--	1.468
	5.640.039	**78.575.532**

	Short-term Trade Payables	
	31 December 2021	**31 December 2020**
Smart Energy Group AD (Bulgaria)	108.907.642	20.363.202
Smart Alternatif Enerji Tic. A.Ş.	495.000	--
	109.402.642	**20.363.202**

	Long-term Trade Payables	
	31 December 2021	**31 December 2020**
Sumec Hardware & Tools Co. Ltd. (China)	--	35.446.011
Sumec Hong Kong Co. Ltd. (China)	--	8.503.573
Smart Energy Group AD (Bulgaria)	--	4.912.747
	--	**48.862.331**

6. RELATED PARTIES (continued)

The Group's transactions with its related parties for periods are as follows:

	Deferred Income	
	31 December 2021	**31 December 2020**
Smart Solar LTD Bulgaria	--	11.392.496
Şems 11 Yenilenebilir Enerji Yatırımları A.Ş.	--	360.000
Şems 12 Yenilenebilir Enerji Yatırımları A.Ş.	--	300.000
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti.	--	2.367.863
Sumec A.E.	--	3.599.115
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.681.243
Smart Doğu Güneş Enerjisi Üretim A.Ş.	--	1.128.300
Tuzluca 4 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.018.118
Tuzluca 2 Güneş Enerjisi San.ve Tic. A.Ş.	--	908.421
Tuzluca 1 Güneş Enerjisi San.ve Tic. A.Ş.	--	901.456
Tuzluca 5 Güneş Enerjisi San.ve Tic. A.Ş.	--	595.123
Smart Alternatif Enerji Tic. A.Ş.	--	495.000
	--	**24.747.135**

	Other payables	
	31 December 2021	**31 December 2020**
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.876.994
	--	**1.876.994**

	Sales		Purchases	
	2021	**2020**	**2021**	**2020**
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti	68.423.708	1.307.192	13.109.912	31.492.017
Smart Holding A.Ş.	55.420.165	--	--	--
Şems 4 Yenilenebilir Enerji Yatırımları A.Ş.	23.232.775	--	--	--
Şems 1 Enerji Üretim San. ve Tic. A.Ş	13.299.980	--	--	--
Şems 8 Yenilenebilir Enerji Yatırımları A.Ş.	13.299.980	--	--	--
Şems 3 Yenilenebilir Enerji Yatırımları A.Ş.	13.299.980	--	--	--
Sumec Energy Holdings Co. Ltd. (China)	12.485.135	--	141.877.852	184.280.271
Şems 2 Yenilenebilir Enerji Yatırımları A.Ş.	9.802.095	--	--	--
Şems 5 Yenilenebilir Enerji Yatırımları A.Ş.	7.882.549	--	--	--
Şems 6 Yenilenebilir Enerji Yatırımları A.Ş.	6.473.777	--	--	--
Smart Energy Group AD (Bulgaria)	3.378.573	3.291.649	137.364.198	10.206.654
Sumec Hong Kong Co. Ltd. (China)	--	--	3.765.058	18.560.415
Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	--	891.165	--	--
Smart Doğu Güneş Enerjisi Üretim A.Ş.	--	7.678.800	--	2.484.826
Tuzluca 1 Güneş Enerjisi San.ve Tic. A.Ş.	--	3.722.689	--	--
Tuzluca 2 Güneş Enerjisi San.ve Tic. A.Ş.	--	3.742.576	--	--
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.420.055	--	--
Tuzluca 4 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.629.526	--	--
Tuzluca 5 Güneş Enerjisi San.ve Tic. A.Ş.	--	3.802.008	--	--
Tuzluca 6 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.768.182	--	--
Tuzluca 7 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.311.762	--	--
Tuzluca 8 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.207.278	--	--
	226.998.717	**61.772.882**	**296.117.020**	**247.024.183**

Key management remuneration:

Total amount of wages and similar benefits provided to the Group's President and Vice President of the Board of Directors and other key executives in the current period is TL 3.031.595 (31 December 2020: TL 898.500).

7. OTHER RECEIVABLES AND PAYABLES

The details of the Group's other receivables and payables for the periods are as follows:

Short term other receivables	**31 December 2021**	**31 December 2020**
Other receivables from related parties (Note 6)	62.708.571	--
VAT return receivables	19.935.465	17.889.372
Deposits and guarantees given	491.838	308.777
	83.135.874	**18.198.149**

Short term other payables	**31 December 2021**	**31 December 2020**
Tax structuring liabilities (*)	13.165.758	4.884.493
Other payables from related parties (Note 6)	--	1.876.994
Other various payables	779.142	714.518
	13.944.900	**7.476.005**

(*) On 23 August 2021, within the scope of the Law No. 7326, the Corporate Tax base for the previous period was increased, and the amounts in the payment plan for the said base increase are included in the tax structuring liabilities.

8. INVENTORIES

The details of the Group's inventories for the periods are as follows:

	31 December 2021	**31 December 2020**
Raw materials	66.452.397	41.211.205
Trade goods	28.535.220	25.192.833
Finished goods	9.147.971	20.256.182
Other Inventories	35.241	1.507.898
Provision for impairment in inventory (-)	(5.201.016)	(5.201.016)
	98.969.813	**82.967.102**

9. PREPAID EXPENSES VE DEFERRED INCOME

The details of short and long-term prepaid expense for the periods are as follows:

Short-term prepaid expenses	**31 December 2021**	**31 December 2020**
Advances given to suppliers (*)	94.187.482	67.247.661
Advances given to related parties (Note 6)	5.640.039	78.575.532
Prepaid expenses	11.875.864	6.259.321
	111.703.385	**152.082.514**

(*) Advances given consist of prepayments made by the Group to suppliers for raw material purchases.

Deferred Incomes	**31 December 2021**	**31 December 2020**
Advances received (*)	158.807.989	186.419.368
Advances received from related parties (Note 6)	--	24.747.135
Prepaid expenses	--	883.575
	158.807.989	**212.050.078**

(*) Advances received consist of advances received by the Group from customers regarding sales.

10. OTHER ASSETS AND LIABILITIES

The details of other assets and liabilities for the periods are as follows:

Other current assets	**31 December 2021**	**31 December 2020**
Accrued income	22.186.514	1.171.710
Deferred VAT	4.318.955	16.187.954
Receivables from personnel	2.865.194	3.462.858
Other VAT	292.273	--
Advances given to personnel	--	3.750
Other current assets	--	190.801
	29.662.936	**21.017.073**

Other short-term liabilities	**31 December 2021**	**31 December 2020**
Prepaid taxes and dues	15.570.456	5.676.672
Accrued expenses	3.368.826	103.312
Social security premiums payable	--	38.590
	18.939.282	**5.818.574**

11. PROPERTY, PLANT AND EQUIPMENTS

Movement of property, plant, and equipment for the period 01.01.-31.12.2021 is as follows:

	1 January 2021	**Additions**	**Disposals (-)**	**Transfers (*)**	**Revaluation (**)**	**31 December 2021**
Cost						
Land	1.360.000	110.000	--	--	--	1.470.000
Machinery and equipment	42.739.524	769.222	(349.047)	23.488.570	23.140.228	89.788.497
Vehicles	1.964.330	270.941	(382.631)		--	1.852.640
Furniture and fixtures	2.582.051	1.693.853	(7.054)	123.042	--	4.391.892
Construction in progress	16.306.293	10.211.382	(237.378)	(26.119.691)	--	160.606
Leasehold improvements	7.747.529	5.509.163		2.508.079	--	15.764.771
	72.699.727	**18.564.561**	**(976.110)**	**--**	**23.140.228**	**113.428.406**

	1 January 2021	**Current year charge**	**Disposals (-)**	**Transfers (*)**	**Revaluation (**)**	**31 December 2021**
Accumulated depreciation						
Machinery and equipment	(11.392.450)	(3.197.824)	--	--	(7.403.561)	(21.993.835)
Vehicles	(304.921)	(397.813)	--	--	--	(702.734)
Furniture and fixtures	(813.535)	(452.719)	7.054	--	--	(1.259.200)
Leasehold improvements	(3.913.347)	(2.854.012)	--	--	--	(6.767.359)
	(16.424.253)	**(6.902.368)**	**7.054**	**--**	**(7.403.561)**	**(30.723.128)**
Net book value	**56.275.474**					**82.705.278**

As of 31 December 2021, property, plant, and equipment are insured for TL 116.836.132 and there is no mortgage on it.

(*) The Group's transfers consist of machinery purchased through leasing and followed in investments in progress, special costs incurred for machinery and capitalization from fixtures.

(**) For the fair values of the Group's machinery and equipment, an independent valuation company authorized by the CMB has prepared a valuation report as of 06.10.2021 and it has been seen that the said values reflect the fair values of the related fixed assets.

11. PROPERTY, PLANT AND EQUIPMENTS (continued)

Movement of property, plant and equipment for the period 01.01.-31.12.2020 is as follows:

	1 January 2020	Additions	31 December 2020
Cost			
Land	--	1.360.000	1.360.000
Machinery and equipment	41.515.023	1.224.501	42.739.524
Vehicles	842.191	1.122.139	1.964.330
Furniture and fixtures	983.138	1.598.913	2.582.051
Construction in progress	--	16.306.293	16.306.293
Leasehold improvements	6.035.559	1.711.970	7.747.529
	49.375.911	**23.323.816**	**72.699.727**

	1 January 2020	Current year charge	31 December 2020
Accumulated depreciation			
Machinery and equipment	(6.434.841)	(4.957.609)	(11.392.450)
Vehicles	(137.150)	(167.771)	(304.921)
Furniture and fixtures	(263.758)	(549.777)	(813.535)
Leasehold improvements	(2.434.537)	(1.478.810)	(3.913.347)
			--
	(9.270.286)	**(7.153.967)**	**(16.424.253)**
Net book value	**40.105.625**		**56.275.474**

As of 31 December 2020, property, plant, and equipment are insured for TL 33.446.625 and there is no mortgage on it.

Depreciation and amortization shown in expense accounts associated with tangible and intangible assets and right-of-use assets as of 31 December are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Cost		
Cost of sales (Note 20)	(9.978.834)	(10.685.198)
General administrative expenses (Note 22)	(2.494.709)	(1.816.822)
	(12.473.543)	**(12.502.020)**

12. INTANGIBLE FIXED ASSETS

Movement of intangible fixed asset for the period 01.01.-31.12.2021 is as follows:

	1 January 2021	Additions	Disposals (-)	31 December 2021
Cost				
Rights (*)	694.033	730.934	--	1.424.967
Research and development costs (**)	402.855	746.396	--	1.149.251
Other intangible fixed assets	37.283	--	--	37.283
	1.134.171	**1.477.330**	--	**2.611.501**

	1 January 2021	Current year charge	Disposals (-)	31 December 2021
Accumulated depreciation				
Rights	(274.526)	(131.917)	--	(406.443)
Other intangible fixed assets	(5.104)	--	--	(5.104)
	(279.630)	**(131.917)**	**--**	**(411.547)**
Net book value	**854.541**			**2.199.954**

Movement of intangible fixed asset for the period 01.01.-31.12.2020 is as follows:

	1 January 2020	Additions	Transfer	31 December 2020
Cost				
Rights (*)	314.571	379.462	--	694.033
Research and development costs (**)	--	402.855	--	402.855
Other intangible fixed assets	37.283	--	--	37.283
				--
	351.854	**782.317**	**--**	**1.134.171**

	1 January 2020	Current year charge	Transfer	31 December 2020
Accumulated depreciation				
Rights	(174.744)	(99.782)	--	(274.526)
Other intangible fixed assets	(2.749)	(2.355)	--	(5.104)
	(177.493)	**(102.137)**	**--**	**(279.630)**
Net book value	**174.361**			**854.541**

(*) Rights mostly consist of Development projects of the Group that are capitalized since the final product is developed.

(**) Research and development costs consist of ongoing Development projects of the Group.

13. RIGHT OF USE ASSETS

Movement of right of use assets for the period 01.01.-31.12.2021 is as follows:

	1 January 2021	Addition	Disposals (-)	31 December 2021
Cost				
Buildings	25.679.131	--	--	25.679.131
Vehicles	1.245.153	2.570.822	--	3.815.975
	26.924.284	**2.570.822**	**--**	**29.495.106**

	1 January 2021	Current year charge	Disposals (-)	31 December 2021
Accumulated depreciation				
Buildings	(19.054.167)	(4.817.233)	--	(23.871.400)
Vehicles	(622.600)	(622.025)	--	(1.244.625)
	(19.676.767)	**(5.439.258)**	**--**	**(25.116.025)**
Net book value	**7.247.517**			**4.379.081**

Movement of right of use assets for the period 01.01.-31.12.2020 is as follows:

	1 January 2020	Addition	Disposals (-)	31 December 2020
Cost				
Buildings	25.679.131	--	--	25.679.131
Vehicles	391.965	853.188	--	1.245.153
	26.071.096	853.188	--	26.924.284

	1 January 2020	Current year charge	Disposals (-)	31 December 2020
Accumulated depreciation				
Buildings	(14.123.522)	(4.930.645)	--	(19.054.167)
Vehicles	(307.329)	(315.271)	--	(622.600)
	(14.430.851)	**(5.245.916)**	**--**	**(19.676.767)**
Net book value	**11.640.245**			**7.247.517**

14. FINANCIAL BORROWINGS

The details of financial borrowings for the periods are as follows:

	31 December 2021	31 December 2020
Short-term bank borrowings	114.038.356	57.497.688
Financial lease liabilities	17.502.706	--
Liabilities arising from leasing transactions (*)	2.923.536	6.901.081
Other financial borrowings	45.277	--
Short-term borrowings	**134.509.875**	**64.398.769**
Short-term portion of long-term borrowings	7.394.989	2.876.377
Short-term portion of long-term borrowings	**7.394.989**	**2.876.377**
Long-term borrowings	5.966.469	12.874.983
Long-term financial lease liabilities	27.948.706	--
Liabilities arising from leasing transactions (*)	1.940.779	2.286.045
Long-term borrowings	**35.855.954**	**15.161.028**
Total financial borrowings	**177.760.818**	**82.436.174**

(*) Liabilities arising from lease transactions consist of the Group's liabilities within the scope of TFRS-16.

The details of currency-based financial liabilities are as follows:

	Interest rate	31 December 2021
TL bank borrowings	%7,50 - %25,00	54.717.589
EUR bank borrowings (**)	%4,50 - %5,50	4.041.788
USD bank borrowings	%7,00	68.640.436
		127.399.813

	Interest rate	31 December 2020
TL bank borrowings	7,50% - 19,50%	31.420.446
EUR bank borrowings (**)	0,60% - 3,00%	41.828.602
		73.249.048

(**) The Group's Euro-denominated bank loans consist of Exim bank export loans. It is insured with the Short-Term Export Credit Insurance General Policy dated 17 December 2019 and numbered 68526319.

15. EMPLOYEE BENEFITS

Severance pay provision

Under the Turkish Legislations, the Company and its subsidiaries which located in Turkey, 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, who retires after completing 25 years for man and 20 years for women of service and reaches the retirement age (58 for women and 60 for men). Due to the amendment of the legislation as of 8 September 1999, there are certain transitional obligations regarding the length of service due to retirement.

These payments are calculated based on the rate on the day of retirement or termination per year worked, with a maximum of TL 8.285 over the 30-day salary as of 31 December 2021 TL 10.849 (31 December 2020: TL 7.639). The provision for severance pay is calculated on a current basis and is reflected in the Consolidated financial statements. The provision is calculated according to the severance pay ceiling announced by the Government.

Provision for termination benefits is made by calculating the present value of the possible liability to be paid in case of retirement of employees. To calculate the liabilities of the Group in accordance with TAS 19 (Employee Benefits), a calculation made with actuarial assumptions is required. Accordingly, the actuarial assumptions used in the calculation of total liabilities are given below. The basic assumption is that the maximum liability for each year of service will increase in line with inflation. Hence the discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As a result, the liabilities in the accompanying Consolidated financial statements as of 31 December 2021 and 31 December 2020 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

	31 December 2021	31 December 2020
Discount rate	%3,85	3,67%
Estimated rate of salary increasing /inflation rate	%17,00	9,00%
The turnover ratio used to calculate the probability of retirement	%100,00	100,00%

It is planned that the severance pay rights will be paid at the end of the concession agreement. Accordingly, the terms of the concession agreements are considered in calculating the present value of the liabilities to be paid in the future.

The details of long-term severance pay provisions for the periods are as follows:

Long-term provisions	31 December 2021	31 December 2020
Severance pay provision	2.781.957	760.599
	2.781.957	**760.599**

Movement of severance pay provisions for the periods are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Balance on January 1	760.599	438.485
Service cost	1.397.790	303.970
Interest cost	598.121	98.878
Actuarial (Gain)/Loss	302.191	395.816
Termination paid (-)	(276.744)	(476.550)
Balance at the end of the period	**2.781.957**	**760.599**

15. EMPLOYEE BENEFITS (continued)

The details of short-term employee benefits provisions for the periods are as follows:

Short-term provisions	**31 December 2021**	**31 December 2020**
Provision for unused vacation liability	994.443	614.114
	994.443	**614.114**

Movement of unused vacation provisions as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Balance on January 1	614.114	337.234
Current year provision expense (*)	380.329	276.880
Balance at the end of the period	**994.443**	**614.114**

(*) Unused vacation provision expenses for the relevant periods are included in personnel expenses.

16. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The details of the Group's provisions for periods are as follows:

	31 December 2021	**31 December 2020**
Lawsuit provisions	1.781.289	2.299.296
	1.781.289	**2.299.296**

The movement table of the Group's provision for lawsuits by periods is as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Beginning of the Term	2.299.296	299.296
Provisions in the period / (Provisions no longer required)	(518.007)	2.000.000
Balance at the end of the period	**1.781.289**	**2.299.296**

a) Guarantees received

As of 31 December 2021, the Group has no guarantees received (31 December 2020: None).

b) Guarantees given

Collaterals/ pledges/ mortgages/bill of guarantees ("CPMB") position of the Group as of 31 December 2021, 31 December 2020,are as follows:

CPMB's given by the Group	**31 December 2021**	**31 December 2020**
A. CPMB's given for Group's own legal personality	159.741.685	81.178.025
B. CPMB's given on behalf of fully consolidated companies	--	--
C. CPMB's given on behalf of third parties for ordinary course of business	--	--
D. Total amount of other CPMB's	**--**	**--**
i) Total amount of CPMB's given on behalf of the majority 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	--	--
	159.741.685	**81.178.025**

As of 31 December 2021, the ratio of other CPMs given by the Group to the Group's equity is 0% (31 December 2020: 0%).

16. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

Given to	31.12.2021	31.12.2020
Yıldırım Enerji Projesi Avans Mektubu	77.865.000	--
Gün Güneş / Van 55 MWp	49.708.692	58.841.759
T.C. Enerji Bakanlığı / YEKA Diyarbakır	14.000.000	--
Global Holding Mardin Ra Projesi	11.679.750	6.606.450
Yapıen A.Ş.	6.326.466	5.103.818
Taahhüt Mektubu	161.778	10.625.998
Toplam	**159.741.686**	**81.178.025**

The balance of cautions given by the Group to its related parties and in its own favor are as follows:

Type	Given for	Reason of issue	Currency	Balance
Caution	Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	General loan agreement	USD	1.750.000
Caution	Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	General loan agreement	TL	3.050.000
Caution	Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	General loan agreement	USD	2.579.310
Caution	Smart Holding A.Ş. Ihk Consortium	General loan agreement	TL	1.000.000
Caution	Smart Holding A.Ş.	General loan agreement	TL	35.000.000
Caution	Smart Holding A.Ş.	General loan agreement	TL	9.000.000
Caution	Smart Holding A.Ş.	General loan agreement	USD	2.600.000
Caution	Smart Solar Araştırma Geliştirme Enerji San. ve Tic. Ltd. Şti.	General loan agreement	TL	18.000.000
Caution	Smart Solar Araştırma Geliştirme Enerji San. ve Tic. Ltd. Şti.	General loan agreement	USD	1.300.000
Caution	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	600.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	3.000.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	15.000.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	25.000.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	3.050.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	USD	2.579.310
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	3.050.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	USD	2.579.310
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	20.000.000
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	861.697
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	13.842.896
Secondary liability	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	8.485.000
Assignee	Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş.	General loan agreement	TL	23.889.729

17. EMPLOYEE BENEFITS OBLIGATIONS

The details of employee benefits obligations for the periods are as follows:

	31 December 2021	31 December 2020
Due to personnel	5.162.602	3.841.703
Payable to social security withholding	966.745	31.226
	6.129.347	**3.872.929**

18. INCOME TAX

The details of current period tax assets for the periods are as follows:

Current period tax assets:	31 December 2021	31 December 2020
Current tax expense	(6.455.267)	(4.004.172)
Prepaid taxes and funds	1.093.135	1.683.576
	(5.362.132)	**(2.320.596)**

	1 January-31 December 2021	1 January-31 December 2020
Deferred tax assets / liabilities	(5.650.806)	2.867.248
	(5.650.806)	**2.867.248**

18. INCOME TAX (continued)

Corporation tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one instalment until the end of the fourth month.

As of 31 December 2021, the corporate tax rate is 25% in Turkey (31 December 2020: 22%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances. In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate in Turkey for the year 2021 has been increased from 20% to 25%, for the year 2022 to 23%. The amendment is effective as of 1 January 2021. As the change has been announced after the reporting period, it is considered as a non-adjusting event according to TAS 10 and the Group continued to use 20% for the subsidiaries operating in Turkey as of the reporting date and related amendment will be applied in consolidated financial statements as of 1 July 2021. Since the tax rate change came into effect as of 22 April 2021, 20% was used as the tax rate in the long-term deferred tax calculations, 23% we used as the tax rate in the short-term deferred tax calculation in the financial statements dated 31 December 2021.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

Dividend earnings of corporations from participation in the capital of another corporation subject to full obligation (Except for the dividends obtained from mutual funds participation certificate and the shares of investment trusts) are exempt from corporation tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the real estates, founder shares, usufruct shares and pre-emptive rights owned for the same period, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with the Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

18. INCOME TAX (continued)

To benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for a period of 5 years. The sales price must be collected until the end of the second calendar year following the year of sale. There is no practice in Turkey to reach an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the period. The tax inspection authorities may examine the tax returns and the accounting records underlying them for five years following the accounting period and make a reassessment because of their findings.

As part of the Investment Incentive Certificates dated 05.10.2017-B 130930 and 30.12.2019/507856, the Group has made a Complete New Investment and Expansion Investment in Kocaeli Gebze Organize Sanayi Bölgesi, in accordance with the 15th article of the Council of Ministers Decision and the Corporate Tax Law. Pursuant to the provisions of Article 32/A, in accordance with the Reduced Corporate Tax Application, during the approval period, it has benefited from the tax advantage regarding the income obtained from other activities due to the investment expenditures actually made for the investments that are the subject of the incentive certificate. The contribution amount to the total investment utilized, including the current period, is TL 29.301.957.

Income tax withholding

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to 15% withholding tax, excluding those made to non-resident companies that generate income through a workplace or their permanent representative in Turkey, and to companies residing in Turkey. In the application of withholding tax rates for profit distributions to non-resident companies and natural persons, the withholding tax rates in the relevant Double Taxation Agreements are also considered. The addition of retained earnings to the capital is not considered as profit distribution, so it is not subject to withholding tax.

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Hidden income distribution through transfer pricing”. The notified dated 18 November 2007 on hidden income distribution via transfer pricing regulates the details of the implementation.
If the taxpayer buys or sells goods or services with related parties at the price or price, they have determined in peer assessment, the profit is deemed to have been distributed through transfer pricing, in whole or in part. Hidden income distribution through is considered as a non-deductible expense for corporate tax.

Tax applications for the Group's foreign subsidiaries

Operating in Ukraine, Smart Ukraine LTD is subject to 18% corporate tax.

Operating in Germany, Smart Solar GmbH and Icarus GmbH are subject to 15.8% corporate tax.

Deferred tax assets and liabilities:

Deferred tax liability or assets are determined by calculating the tax effects of temporary differences between the values of assets and liabilities shown in the Consolidated financial statements and the amounts considered in the legal tax base calculation. Deferred tax liability or assets are reflected in the accompanying Consolidated financial statements by considering the tax rates that are expected to be valid in the future periods when the temporary differences will disappear. In reflecting the deferred tax asset to the consolidated financial statements, the developments in the sector in which it operates, taxable profit estimates in the future, it considers factors such as the general economic and political situation in Turkey and/or the international general economic and political situation that may affect the Group. The Group considers factors such as developments in the sector in which it operates, taxable profit estimates in the future, general economic and political situation in Turkey and/or international general economic and political situation that may affect the Group while reflecting the deferred tax asset to the consolidated financial statements. The Group estimates that it will generate sufficient taxable profits in the future.

18. INCOME TAX (continued)

Recognized deferred tax assets and liabilities

The details of deferred tax assets and liabilities for the periods are as follows:

	31 December 2021		31 December 2020	
	Cumulative temporary differences	**Deferred tax**	**Cumulative temporary differences**	**Deferred tax**
Deferred tax assets				
Trade receivables	4.058.540	933.464	47.930.983	10.544.816
Lease liabilities	7.163.886	1.520.483	9.319.587	2.050.309
Inventories	44.095.913	10.142.060	5.462.682	1.201.790
Tangible and intangible assets	21.548.808	4.309.762	2.992.865	658.430
Employee benefits	3.776.400	785.113	1.374.714	302.437
Lawsuit provisions	1.781.289	409.696	2.299.296	505.845
Cash and cash equivalents	498.171	114.579	1.220.489	268.509
Deferred tax assets	**82.923.007**	**18.215.157**	**70.600.616**	**15.532.136**
Deferred tax liabilities				
Trade payables	(6.256.568)	(1.564.142)	(5.801.252)	(1.276.276)
Right of use assets	(4.379.081)	(875.816)	(7.247.517)	(1.594.454)
Financial liabilities	(709.781)	(163.250)	(1.373.656)	(302.204)
Deferred tax liabilities	**(11.345.430)**	**(2.603.208)**	**(14.422.425)**	**(3.172.934)**
Net deferred tax		**15.611.949**		**12.359.202**

The reconciliation of the period tax expense with the profit for the period is as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Deferred tax assets /(liabilities), net current period	15.611.949	12.359.202
Deferred tax assets /(liabilities), net beginning of the period (-)	(12.359.202)	(9.404.875)
	3.252.747	**2.954.327**
Deferred tax income/ (expense)	(5.650.806)	2.867.248
Current tax income/ (expense) -Other comprehensive income	8.903.553	87.079
	3.252.747	**2.954.327**

	1 January-31 December 2021	**1 January-31 December 2020**
Profit/(loss) for before taxation	96.451.367	58.878.825
Corporation tax rate	25%	22%
Calculated tax using the Company's domestic tax rate	**24.112.842**	**12.953.342**
Non-deductible expenses	(2.395.868)	(963.133)
Investment incentive discounts	(29.301.957)	(14.141.883)
Effect of current period adjustments	(4.822.502)	3.288.598
Adjustments to trade receivables and payables	*(6.060.815)*	*1.408.432*
Adjustments to tangible and intangible assets	*4.638.986*	*1.101.963*
Adjustments for provisions	*(1.438.024)*	*571.779*
Adjustments under TFRS-16	*121.309*	*182.553*
Adjustments for inventories	*6.779.349*	*57.566*
Other	*(8.863.305)*	*(33.695)*
Tax expense	**(12.407.485)**	**1.136.924**

19. SHARE CAPITAL AND NON-CONTROLLING INTERESTS

Share Capital

The paid capital structure of the Group for the periods are as follows:

Shareholders	31 December 2021 TL	Share %	31 December 2020 TL	Share %
Smart Holding A.Ş.	127.500.000	100	30.998.000	100
Total paid-in capital	**127.500.000**	**100**	**30.998.000**	**100**

The Group has entered the registered capital system with the permission of the CMB, dated 21.10.2021 and numbered E-29833736-l 10.03.03-12167, and the registered capital ceiling is 400.000.000 TL.

As of 31 December 2021, the capital of the Group consists of 127.500.000 shares. (31 December 2020: 30.998.000). The nominal value of the shares is TL 1 per share (31 December 2020: per share TL 1).

The Group's capital was increased by TL 96.502.000 to 127.500.000 with the General Assembly Decision dated 21.06.2021 and 10.12.2021. The capital increase amounting to TL 38.722.203 was deducted from previous years' profits, and the remaining balance amounting to TL 57.779.797 was realized with cash capital increase.

Capital shares were divided into groups with the General Assembly Decision of the Group dated 07.12.2021. As of 31 December 2021, the details of the shares by group are given below:

Group	Capital ratio (%)	Total balance
Group A Stocks (Registered)	27,45	35.000.000
Group B Shares (Bearer)	72,55	92.500.000
Issued capital	**100,00**	**127.500.000**

20. REVENUE AND COST OF SALES

Revenue for the periods are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Domestic Sales	828.289.464	455.592.629
Export Sales	45.170.445	131.825.478
Gross Sales (*)	**873.459.909**	**587.418.107**
Sales Returns (-)	(15.475.087)	(7.720.471)
Sales Discounts (-)	(11.870.040)	--
Net Sales	**846.114.782**	**579.697.636**
Cost of goods sold (-)	(472.778.612)	(298.396.315)
Cost of trade goods sold (-)	(228.496.511)	(140.564.773)
Cost of services sold (-)	(314.166)	(9.471.500)
Depreciation and amortization expenses (Note 11)	(9.978.834)	(10.685.198)
Gross Profit	**134.546.659**	**120.579.850**

(*) The details of the Group's gross sales based on product types by periods are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Sales of solar panels and equipment	784.634.074	505.827.419
Sales of solar energy power plant projects	74.198.152	39.558.081
Transit trade sales	13.194.643	41.253.476
Waste and scrap sales	1.433.040	779.131
	873.459.909	**587.418.107**

21. SELLING, MARKETING AND DISTRIBUTION EXPENSES

The details of selling, marketing and distribution expenses for the periods are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Project expenses (**)	(5.778.122)	(21.186)
Personnel expenses	(4.813.685)	(3.195.889)
Logistic expenses	(2.667.142)	(1.743.180)
Advertising and promotion expenses	(2.150.760)	(847.177)
Export and warehouse expenses	(782.021)	(3.042.722)
Food and travel expenses	(402.777)	(286.080)
Consultancy and lawyer expenses (*)	(379.636)	(649.805)
Representation expenses	(5.504)	(41.627)
Other	(677.045)	(150.065)
	(17.656.692)	**(9.977.731)**

(*) Consultancy expenses include the consultancy services received for customer procurement related to new projects.

(**) Project expenses consist of the expenses related to the solar power plants established by the Group in the South-east.

22. GENERAL ADMINISTRATIVE EXPENSES

The details of general administrative expenses for the periods are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	(13.511.446)	(7.472.516)
Consultancy and lawyer expenses	(3.322.180)	(2.537.866)
Depreciation and amortization expenses (Note 11)	(2.494.709)	(1.816.822)
Taxes, fees and late fees expenses	(1.780.262)	(235.584)
Bank transaction charges	(1.619.822)	(265.005)
Electricity, water, heating and fuel expenses	(902.020)	(770.508)
Representation expenses	(853.716)	(496.747)
Maintenance and repair expenses	(494.368)	(241.270)
Food and travel expenses	(419.845)	(557.209)
Security expenses	(292.453)	(166.855)
Office expenses	(270.549)	(115.556)
Logistics expenses	(233.905)	(79.203)
Certification expenses	(193.900)	(181.977)
Insurance expenses	(8.134)	(261.498)
Other	(394.678)	(598.480)
	(26.791.987)	**(15.797.096)**

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	2021	2020
Independent audit fee for the reporting period (*)	340.000	36.580
Fees for tax advisory services	459.000	150.944
	799.000	**187.524**

(*) 250.000 TL of the balance for the 01.01-31.12.2021 accounting period is related to the independent audit services provided within the scope of public offering activities.

23. EXPENSES BY NATURE

The details of expenses based on type for the periods are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Cost of goods sold (-)	(472.778.612)	(298.396.315)
Cost of merchandise sold (-)	(228.496.511)	(140.564.773)
Personnel expenses	(18.325.130)	(10.668.406)
Depreciation and amortization expenses (Note 11)	(12.473.543)	(12.502.020)
Consultancy and lawyer expenses	(3.701.816)	(3.187.671)
Logistics expenses	(2.901.047)	(1.822.383)
Export and warehouse expenses	(782.021)	(3.042.722)
Advertising and promotion expenses	(2.150.760)	(847.177)
Electricity, water, heating and fuel expenses	(902.020)	(770.508)
Representation expenses	(859.220)	(538.374)
Food and travel expenses	(822.622)	(843.288)
Cost of services sold (-)	(314.165)	(9.471.499)
Other	(11.509.335)	(2.237.477)
	(756.016.802)	**(484.892.613)**

24. OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the periods are as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Other operating income		
Foreign exchange gain	670.153.750	233.145.458
Late interest income from sales	73.858.872	46.921.361
Interest income on trade receivables	10.066.599	1.266.815
Provisions no longer required (Note 5)	22.663.962	--
Other	3.084.180	3.450.039
	779.827.363	**284.783.673**

	1 January-31 December 2021	**1 January-31 December 2020**
Other operating expenses		
Foreign exchange loss	(663.422.054)	(253.890.653)
Late interest expense due to cost of sales	(46.668.101)	(33.791.662)
Stock count and delivery shortages	(5.640.931)	(2.315.563)
Provisions for doubtful receivables (Note 5)	(4.988.241)	(18.440.829)
Other	(4.106.998)	(10.375.548)
	(724.826.325)	**(318.814.255)**

25. FINANCIAL INCOME AND EXPENSES

The details of finance income and expenses for the periods are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Finance income		
Foreign exchange gain	25.259.801	15.768.018
Interest income	449	112
	25.260.250	**15.768.130**

	1 January- 31 December 2021	1 January- 31 December 2020
Finance expenses		
Foreign exchange loss	(50.793.192)	(12.593.187)
Interest expense on borrowings	(16.357.449)	(3.805.154)
Interest expenses arising from leasing transactions	(471.862)	(1.265.405)
	(67.622.503)	**(17.663.746)**

26. FINANCIAL INSTRUMENTS

Capital Risk Management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profits by using the debt and equity balance in the most efficient way. The Group's capital structure consists of equity items including issued capital, reserves and retained earnings.

	31 December 2021	31 December 2020
Total financial borrowings	177.760.818	82.436.174
Less: Cash and cash equivalents	(23.734.489)	(25.869.747)
Net debt	**154.026.329**	**56.566.427**
Total equity	200.611.562	74.026.318
Net debt to equity ratio	**0,77**	**0,76**

(*) TL 14,769,098 of the Group's equity is related to property, plant and equipment revaluation fund (31 December 2020: None).

Risk Management System

When calculating the Group's capital risk management, debts and equity items including cash and cash equivalents, paid-in capital, defined benefit plans remeasurement gains / losses, restricted reserves from profit and retained earnings / (losses) are considered, respectively.

The risks associated with each capital class, together with the group capital cost, are evaluated by the senior management. Based on senior management assessments, it is aimed to keep the capital structure in balance through the acquisition of new debt or repayment of existing debt, as well as through dividend payments.

27. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS

Risk management disclosures

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Credit risk

Credit risk is the risk that a customer or a counterparty will not fulfil its contractual obligations and arises mainly from customer receivables.

	Receivables				
	Trade receivables		**Trade receivables**		
31 December 2021	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Cash at Banks**
Maximum credit risk exposed as of balance sheet date, (A+B+C+D)	**119.400.238**	**259.160.029**	**49.598.658**	**21.205.953**	**23.078.902**
- Secured portion of the maximum credit risk by guarantees	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	119.400.238	259.160.029	49.598.658	21.205.953	23.078.902
B. Net book value of the impaired assets	--	--	--	--	--
- Past due (gross carrying amount)	--	19.530.075	--	--	--
- Impairment (-)	--	(19.530.075)	--	--	--
- Secured portion of the net value by guarantees, etc.	--	--	--	--	--

	Receivables				
	Trade receivables		**Trade receivables**		
31 December 2020	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Cash at Banks**
Maximum credit risk exposed as of balance sheet date, (A+B+C+D)	**19.804.461**	**180.941.523**	**--**	**18.638.779**	**25.658.155**
- Secured portion of the maximum credit risk by guarantees	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	19.804.461	180.941.523	--	18.638.779	25.658.155
B. Net book value of the impaired assets	--	--	--	--	--
- Past due (gross carrying amount)	--	37.205.796	--	--	--
- Impairment (-)	--	(37.205.796)	--	--	--
- Secured portion of the net value by guarantees, etc.	--	--	--	--	--

27. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The Group monitors the collectability of its trade receivables periodically and allocates provision for doubtful receivables for possible losses that may arise from doubtful receivables based on the collection rates of previous years. Following the provision for doubtful receivables, if all or part of the doubtful receivable amount is collected, the collected amount is deducted from the doubtful receivable provision and associated with profit or loss.

Liquidity risk

The Group manages liquidity risk by maintaining adequate funds and available borrowing by regularly monitoring forecast and actual cash flows and matching the maturities of financial assets and liabilities. Prudent liquidity risk management expresses the ability to keep sufficient cash, the availability of sufficient credit transactions, the availability of fund resources and the ability to close market positions.

The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

The table below shows the maturity distribution of the Group's non-derivative financial liabilities:

	31 December 2021				
Contractual maturity	**Carrying Value**	**Contractual cash flows**	**Less than 3 months**	**3- 12 months**	**1- 5 years**
Non derivative financial liabilities	**420.323.779**	**422.923.762**	**21.385.167**	**365.682.641**	**35.855.954**
Loans and borrowings	170.296.520	172.896.503	7.440.267	131.541.061	33.915.175
Trade payables	231.218.044	231.218.044	--	231.218.044	--
Lease liabilities	4.864.315	4.864.315	--	2.923.536	1.940.779
Other payables	13.944.900	13.944.900	13.944.900	--	--

	31 December 2020				
Contractual maturity	**Carrying Value**	**Contractual cash flows**	**Less than 3 months**	**3- 12 months**	**1- 5 years**
Non derivative financial liabilities	**274.016.746**	**276.295.429**	**38.812.896**	**173.459.174**	**64.023.359**
Loans and borrowings	70.970.365	73.249.048	31.336.891	29.037.174	12.874.983
Trade payables	186.383.250	186.383.250	--	137.520.919	48.862.331
Lease liabilities	9.187.126	9.187.126	--	6.901.081	2.286.045
Other payables	7.476.005	7.476.005	7.476.005	--	--

27. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

For the periods, the Group's foreign currency position consists of foreign currency denominated assets and liabilities stated in the table below:

		31 December 2021			31 December 2020		
		TL Equivalent	USD	EUR	TL Equivalent	USD	EUR
1	Trade payables	286.716.773	19.277.224	2.489.160	168.527.326	22.708.608	4.726
2a.	Monetary financial assets	24.961.524	1.912.712	9.488	31.460.936	4.177.570	51.103
2b.	Non-Monetary financial assets	--	--	--	--	--	--
3	Other	79.210.169	2.504.820	3.180.964	59.868.464	3.079.439	4.060.909
4	**Current assets (1+2+3)**	**390.888.466**	**23.694.756**	**5.679.612**	**259.856.726**	**29.965.616**	**4.116.738**
5	Trade receivables	--	--	--	--	--	--
6a.	Monetary financial assets	--	--	--	--	--	--
6b.	Non-Monetary financial assets	--	--	--	--	--	--
7	Other	--	--	--	--	--	--
8	**Non- Current assets (5+6+7)**	**--**	**--**	**--**	**--**	**--**	**--**
9	**Total assets (4+8)**	**390.888.466**	**23.694.756**	**5.679.612**	**259.856.726**	**29.965.617**	**4.116.738**
10	Trade payables	115.826.640	8.686.266	211.181	127.359.495	15.348.814	1.478.709
11	Financial borrowings	6.411.493	458.829	31.129	42.332.427	--	4.643.546
12a.	Other Monetary financial liabilities	--	--	--	--	--	--
12b.	Other Non-Monetary financial liabilities	146.721.981	11.224.779	71.679	142.466.403	18.144.325	860.691
13	**Current liabilities (10+11+12)**	**268.960.114**	**20.369.874**	**313.989**	**312.158.325**	**33.493.139**	**6.982.946**
14	Trade payables	--	--	--	--	--	--
15	Financial borrowings	--	--	--	--	--	--
16a.	Other Monetary financial liabilities	--	--	--	--	--	--
16b.	Other Non-Monetary financial liabilities	--	--	--	--	--	--
17	**Non-Current liabilities (14+15+16)**	**--**	**--**	**--**	--	--	--
18	**Total liabilities (13+17)**	**268.960.114**	**20.369.874**	**313.989**	**312.158.325**	**33.493.139**	**6.982.946**
19	**Net asset / liability position of off-balance sheet derivatives (19a-19b)**	**--**	**--**	**--**	**--**	**--**	**--**
19a.	Total amount of assets hedged	--	--	--	--	--	--
19b.	Total amount of liabilities hedged	--	--	--	--	--	--
20	**Net foreign currency asset /(liability)position (9-18+19)**	**121.928.352**	**3.324.882**	**5.365.623**	**(52.301.599)**	**(3.527.523)**	**(2.866.208)**
21	**Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)**	**189.440.164**	**12.044.841**	**2.256.338**	**30.296.340**	**11.537.363**	**(6.066.427)**
22	**Hedged amount for foreign currency assets**	**40.575.987**	**1.490.238**	**1.446.396**	--	--	--
23	**Hedged amount for foreign currency liabilities**	**40.575.987**	**1.490.238**	**1.446.396**	--	--	--

27. NATURE AND LEVEL OF RISKS ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign currency risk(continued)

Sensibility analysis

The Group's currency risk consists of the value changes of TL against Euro and USD. The basis of the sensitivity analysis to measure the currency risk is to make the total currency statement made throughout the organization. Total foreign currency position includes all foreign currency based short-term and long-term purchase agreements and all assets and liabilities.

The exchange rate sensitivity analysis for the periods are as follows:

	2021		**2020**	
	Profit (Loss)		**Profit / (Loss)**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
	In case of 10% appreciation of USD against TL			
1- USD net asset/liability	4.314.866	(4.314.866)	(2.617.210)	2.617.210
2- Amount hedged for USD risk (-)	--	--	--	--
3- USD net effect (1+2)	**4.314.866**	**(4.314.866)**	**(2.617.210)**	**2.617.210**
	In case of 10% appreciation of EUR against TL			
4- EUR net asset/liability	7.877.970	(7.877.970)	(2.612.950)	2.612.950
5- Amount hedged for EUR risk (-)	--	--	--	--
6- EUR net effect (4+5)	**7.877.970**	**(7.877.970)**	**(2.612.950)**	**2.612.950**
Total net effect (3+6)	**12.192.835**	**(12.192.835)**	**(5.230.160)**	**5.230.160**

Cash flow hedge accounting for high probability forecast transaction currency risk

The Group provides hedging on the balance sheet by borrowing in the same currency against the foreign currency risks arising from the foreign currency sales amounts that are highly probable to be realized in the future within the scope of the agreements it has made and the corporate budget.

In this context, repayments of foreign currency borrowings that are subject to hedge accounting and determined as hedging instrument are made with foreign currency sales cash flows that will be realized on close dates and determined as hedged item within the scope of hedge accounting.

Within the scope of the currency risk management strategy it has determined, the Group applies hedging accounting for the purpose of hedging the currency risk component of the highly probable forecast transaction cash flow risk and accounted for the foreign exchange rate fluctuations that have occurred on the hedging instrument but have not yet occurred under equity.

Cash flow hedge accounting	**31 December 2021**
Gross reserve amount recorded in other comprehensive income statement	(40.575.987)
Tax effect of reserve amount recorded in other comprehensive income statement	8.843.115
Foreign exchange gain/loss adjustment for the period	40.575.987
Deferred tax income/ (expense) for the period	(8.843.115)

28. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

For the periods, the book values and fair values of assets and liabilities are shown in the table below:

		31 December 2021		31 December 2020	
Financial assets	***Note***	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and cash equivalents	*3*	23.734.489	23.734.489	25.869.747	25.869.747
Trade receivables	*5*	378.560.267	372.274.869	200.745.984	200.745.984
Other receivables	*7*	70.804.611	70.804.611	18.638.779	18.638.779
Total financial assets		**473.099.367**	**466.813.969**	**245.254.510**	**245.254.510**
Financial liabilities					
Financial borrowings	14	177.760.818	175.160.835	82.436.174	80.157.491
Trade payables	5	231.218.044	231.218.044	186.383.250	186.383.250
Other payables	7	13.944.900	13.944.900	7.476.005	7.476.005
Payables related to employment benefits	17	6.129.347	6.129.347	3.872.929	3.872.929
Total financial liabilities		**429.053.109**	**426.453.126**	**280.168.358**	**277.889.675**
Net		**44.046.258**	**40.360.843**	**(34.913.848)**	**(32.635.165)**

29. OTHER MATTERS SHOULD BE EXPLAINED

As of the report date, the "Pandemic" announced by the World Health Organization due to the COVID-19 outbreak continues. The situation is expected to cause unfavourable results in the economy all over the globe as well as Turkey. Efforts are carried out through control-protection measures and significant support is being given primarily by government authorities to minimize losses.

Necessary actions such as reviewing decisions and management strategies in line with the changes observed in the general economic activity due to the epidemic are taken by the Group. Investments continue in the renewable energy sector, and the financial support of financial institutions and international creditors has gained an increasing momentum during and after the pandemic.

30. SUBSEQUENT EVENTS

Increasing the Upper Limit of Registered Capital within the Scope of the Public Offering Application

In accordance with the Smart Enerji Board of Directors Decision dated 10/12/2021 and numbered 2021/25 announced in the Turkish Trade Registry Gazette dated 21/12/2021 and numbered 10477, 400.000.000,- TL is within the registered capital ceiling, 127.500.000- TL has been issued. It has been decided to increase the entire capital to 153,000,000 TL by increasing 25,500,000 TL in cash, and within this scope, 25,500,000 Group B shares, each with a nominal value of 1 TL, amounting to a total of 25,500,000 TL, which has been decided to be increased, in accordance with the Capital Markets Board. To be offered to the public within the framework of the Capital Market Law and Capital Markets Board (CMB) and the relevant legislation framework,

With respect to 25,500,000 Group B shares with a nominal value of 1,- TL in total amounting to 25,500,000-TL to be issued within the scope of the capital increase. completely restricted in favor of investors who will request all of the Group's new share purchase rights within the scope of the public offering,

Acceptance of the request for public offering through joint sale of 6.340.000 Group B shares, each with a nominal value of TL 1,-, amounting to TL 6.340.000 ("Public Offering Shareholder") owned by the Group as the current shareholder, and in this context, to carry out all kinds of transactions,

31,840,000 Group B shares, each with a nominal value of 1 TL, issued within the scope of capital increase and joint sales, with a total nominal value of 31,840,000 TL, will be issued at a premium over the public offering price to be determined in accordance with the price determination report to be determined, and the Capital Market Law No. 6362 and the CMB To be offered to the public within the scope of the relevant legislation, including the Communiqué and other regulations,

If there is excessive demand and it is deemed necessary, as the public offering shareholder, up to a nominal value of 6,368,000 TL, a maximum of 6,368,000 Group B shares, each with a nominal value of 1 TL, may be offered to the public, subject to the sale of additional shares. and, if it is decided to sell additional shares, to carry out all necessary transactions in this context,

The increased capital will be met from the proceeds of the public offering, and if all of the issued shares are not sold within the scope of the public offering, the shares that cannot be sold within the scope of the public offering are canceled by a board of directors decision to be taken by Smart Enerji after the public offering,

30. SUBSEQUENT EVENTS (continued)

Increasing the Upper Limit of Registered Capital within the Scope of the Public Offering Application (continued)

Borsa İstanbul A.Ş. In addition, it was unanimously decided to carry out the "Demand Collection and Sales Method at Fixed Price" within the framework of the Capital Markets Law and CMB Communiqués and the relevant legislation.

Foundation of LN Technology

The company is owned by Singapore resident LN Technology Pte. Ltd. ("LN Technology") and China resident Sumec Energy Holdings Co. Ltd. ("Sumec Energy") as a joint party to the agreement for the Company and LN Technology to establish a Cell Factory Joint Venture Company and for Sumec Energy to be the raw material co-supplier for this Cell Factory investment and the co-seller of the produced cells and solar panels in international markets. and signed a letter of understanding on 03.12.2021. With the "Cell Factory Joint Venture Letter of Understanding", the parties have expressed their will for the establishment of a cell factory and aimed to draw the general framework of the partnership to be formed in the future. The related investment within the scope of the agreement is planned to be made and put into operation in 2022.

The Impact of the Russia-Ukraine Crisis

The tension between Russia and Ukraine has increased as of the report date. Smart Solar Ukr LLC, a subsidiary of the Company, and Smart Energy Ukraine, one of its related parties continue their activities in Ukraine. The transformation of the process into a war and/or its regional-global effects remain unclear. However, as of 31.12.2021, the amount of receivable from Smart Energy Ukraine is TL 2.275.757, and no provision has been made in the attached financial statements.