KLİMASAN KLİMA SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT

(Convenience Translation of the Financial Report and Statements Originally Issued in Turkish)

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KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

ASSETS	**Notes**	**Audited Current Period 31 December 2021**	**Audited Prior Period 31 December 2020**
Current Assets		**2.282.374.634**	**1.286.678.306**
Cash and Cash Equivalents	31	578.830.539	243.520.371
Financial Investments	28	345.285.590	223.803.132
Trade Receivables		710.597.255	232.731.006
-Trade Receivables from Related Parties	*3,4*	*66.577.147*	*35.523.068*
-Trade Receivables from Third Parties	*4*	*644.020.108*	*197.207.938*
Other Receivables		58.477.209	312.832.530
-Other Receivables from Related Parties	*3*	*54.489.063*	*309.246.462*
-Other Receivables from Third Parties	*5*	*3.988.146*	*3.586.068*
Inventories	6	392.901.281	187.396.553
Derivative Financial Instruments		-	13.058.581
Prepaid Expenses	7	124.117.880	54.001.409
Other Current Assets	16	72.164.880	19.334.724
Non-Current Assets		**937.916.904**	**193.012.863**
Other Receivables		467.084.232	-
-Other Receivables from Related Parties	*3*	467.084.232	-
Property, Plant and Equipment	8	413.881.295	150.076.955
Right of Use Assets	9	18.426.770	10.927.374
Intangible Assets		35.471.333	30.086.996
-Goodwill	*11*	*383.655*	*383.655*
-Other Intangible Assets	*10*	*35.087.678*	*29.703.341*
Prepaid Expenses	7	3.053.274	721.592
Deferred Tax Assets	25	-	1.199.946
TOTAL ASSETS		**3.220.291.538**	**1.479.691.169**

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

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LIABILITIES	Notes	Audited Current Period 2021	Audited Prior Period 2020
Current Liabilities		**1.748.406.261**	**591.829.220**
Short-Term Borrowings	28	277.641.522	108.277.497
-Bank Loans		*264.955.624*	*100.071.968*
-Lease Liabilities		*12.685.898*	*8.205.529*
Short-Term Portion of Long-Term Borrowings	28	801.444.238	206.618.632
Trade Payables		551.692.990	223.290.984
-Trade Payables to Related Parties	*3,4*	*1.309.267*	*376.960*
-Trade Payables to Third Parties	*4*	*550.383.723*	*222.914.024*
Payables Related to Employee Benefits	15	12.605.705	8.456.679
Other Payables		-	4.878
-Other Payables to Third Parties		-	*4.878*
Deferred Income	7	16.229.813	12.719.826
Derivative Financial Instruments	27	5.812.542	-
Current Tax Liability	25	25.641.597	2.849.304
Short-Term Provisions		41.279.736	18.795.880
-Short-Term Provisions for Employee Benefits	*15*	*11.978.103*	*3.493.346*
-Other Short-Term Provisions	*13*	*29.301.633*	*15.302.534*
Other Current Liabilities	16	16.058.118	10.815.540
Non-Current Liabilities		**863.198.203**	**546.214.507**
Long-Term Borrowings	28	833.202.562	534.436.420
-Bank Loans		*825.035.085*	*532.021.666*
-Lease Liabilities		*8.167.477*	*2.414.754*
Other Payables		-	11.454
-Other Payables to Third Parties		-	*11.454*
Long-Term Provisions		19.253.878	11.766.633
Long-Term Provisions for Employee Benefits	*15*	*19.253.878*	*11.766.633*
Deferred Tax Liability	25	10.741.763	-
EQUITY		**608.687.074**	**341.647.442**
Equity Holders of the Parent		**609.152.545**	**341.725.841**
Share Capital	17	79.200.000	39.600.000
Adjustments to Share Capital	17	980.882	980.882
Restricted Reserves	17	11.479.131	11.177.131
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		77.366.191	12.452.743
Currency Translation Differences		*77.366.191*	*12.452.743*
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		181.636.257	(3.951.307)
Tangible Asset Revaluation and Measurement Gains		*189.322.012*	-
Loss on Remeasurement of Defined Benefit Plans		*(7.685.755)*	*(3.951.307)*
Retained Earnings		236.564.392	232.760.657
Net Profit for the Period		21.925.692	48.705.735
Non-Controlling Interests		**(465.471)**	**(78.399)**
TOTAL LIABILITIES AND EQUITY		**3.220.291.538**	**1.479.691.169**

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

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KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
Revenue	18	1.735.021.684	978.280.732
Cost of Sales (-)	18	(1.361.730.374)	(752.509.182)
GROSS PROFIT		**373.291.310**	**225.771.550**
General Administrative Expenses (-)	20	(46.718.952)	(36.609.317)
Marketing Expenses (-)	20	(101.054.750)	(69.398.321)
Research and Development Expenses (-)	20	(8.372.265)	(8.140.353)
Other Income from Operating Activities	21	308.278.874	57.288.186
Other Expenses from Operating Activities (-)	21	(217.290.499)	(93.110.448)
OPERATING PROFIT		**308.133.718**	**75.801.297**
Income from Investing Activities	22	86.960.594	74.770.403
Expenses from Investing Activities (-)	22	(31.976.620)	(20.738.162)
OPERATING PROFIT BEFORE FINANCE EXPENSE		**363.117.692**	**129.833.538**
Finance Income	23	541.518.265	333.543.670
Finance Expense	23	(842.429.906)	(398.479.052)
PROFIT BEFORE TAX		**62.206.051**	**64.898.156**
Tax Income/Expense		**(40.667.431)**	**(16.325.378)**
-Current Tax Expense	*25*	*(60.536.424)*	*(10.407.731)*
-Deferred Tax Income / (Expense)	*25*	*19.868.993*	*(5.917.647)*
PROFIT FOR THE YEAR		**21.538.620**	**48.572.778**
Profit for the Year Attributable to:			
Non - controlling interest		(387.072)	(132.957)
Equity holders of the Parent		21.925.692	48.705.735
		21.538.620	**48.572.778**
Earnings Per Share	26	**0,2768**	**0,6150**
OTHER COMPREHENSIVE INCOME		**250.501.012**	**708.187**
Items that will not be Reclassified Subsequently to Profit or Loss	25	**185.587.564**	**(78.193)**
Gains on Remeasurement of Defined Benefit Plans		(4.849.933)	(100.248)
Revaluation Increases in Tangible Assets		220.276.571	-
Deferred Tax Profit Related to Other Comprehensive Income	25	(29.839.074)	22.055
Comprehensive (Expense) / Income Taxes			
-Revaluation Increases on Tangible Fixed Assets, Tax Effect		(30.954.559)	-
-Defined Benefit Plans Remeasurement Gains, Tax Impact		1.115.485	22.055
Items that will be Reclassified Subsequently to Profit or Loss		**64.913.448**	**786.380**
Foreign Currency Translation Differences		64.913.448	786.380
TOTAL COMPREHENSIVE INCOME		**272.039.632**	**49.280.965**
Total Comprehensive Income Attributable to:			
Non - controlling interest		(387.072)	(132.957)
Equity holders of the Parent		272.426.704	49.413.922

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

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KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(All amounts expressed in Turkish Lira ("TL"))

			Accumulated Other Comprehensive Income or Expenses that will not be reclassified Subsequently to Profit or Loss		Accumulated Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		Accumulated Profit				
	Share Capital	**Adjustments to Share Capital**	**Revaluation Fund**	**Loss on Remeasurement Of Defined Benefit Plans**	**Foreign Currency Translation Reserves**	**Restricted Reserves**	**Retained Earnings**	**Net Profit for the Year**	**Equity Holders of the Parent**	**Non-Controlling Interests**	**Total Equity**
Balances as of 1 January 2020	**39.600.000**	**980.882**	--	**(3.873.114)**	**11.666.363**	**8.514.000**	**148.981.831**	**112.926.270**	**318.796.232**	**54.558**	**318.850.790**
Transfers	--	--	--	--	--	--	112.926.270	(112.926.270)	--	--	--
Transfers to the Legal Reserves	--	--	--	--	--	2.663.131	(2.663.131)	--	--	--	--
Dividend	--	--	--	--	--	--	(26.484.313)	--	(26.484.313)	--	**(26.484.313)**
Total Comprehensive Income	--	--	--	(78.193)	786.380	--	--	48.705.735	49.413.922	(132.957)	**49.280.965**
Balances as of 31 December 2020	**39.600.000**	**980.882**	--	**(3.951.307)**	**12.452.743**	**11.177.131**	**232.760.657**	**48.705.735**	**341.725.841**	**(78.399)**	**341.647.442**
Balances as of 1 January 2021	**39.600.000**	**980.882**	--	**- (3.951.307)**	**12.452.743**	**11.177.131**	**232.760.657**	**48.705.735**	**341.725.841**	**(78.399)**	**341.647.442**
Transfers	--	--	--	--	--	--	48.705.735	(48.705.735)	--	--	--
Transfers to the Legal Reserves	--	--	--	--	--	302.000	(302.000)	--	--	--	--
Capital Increase	39.600.000	--	--	--	--	--	(39.600.000)	--	--	--	--
Dividend	--	--	--	--	--	--	(5.000.000)	--	(5.000.000)	--	**(5.000.000)**
Total Comprehensive Income	--	--	189.322.012	- (3.734.448)	64.913.448	--	--	21.925.692	272.426.704	(387.072)	**272.039.632**
Balances as of 31 December 2021	**79.200.000**	**980.882**	**189.322.012**	**- (7.685.755)**	**77.366.191**	**11.479.131**	**236.564.392**	**21.925.692**	**609.152.545**	**(465.471)**	**608.687.074**

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

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KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(All amounts expressed in Turkish Lira ("TL")

	Notes	Audited Current Period 1 January-31 December 2021	Audited Prior Period 1 January-31 December 2020
A. Cash Flows from Operating Activities			
Profit for the Period		21.538.620	48.572.778
Adjustments to Reconcile Profit for the Period			
Adjustments Related to Depreciation and Amortization Expenses	8,9,10	41.362.839	34.345.667
Adjustments Related to Impairment/(Reversal)			
Adjustments Related to Impairment/(Reversal) for Inventories	*6*	*(2.491.197)*	*2.649.890*
Adjustments Related to Impairment for Receivables	*4*	*1.587.447*	*700.660*
Adjustments Related to Provisions			
Adjustments Related to Provision for Employee Benefits		*13.320.941*	*7.826.316*
Adjustments Related to Legal Claims	*13*	*1.031.210*	*2.765.359*
Adjustments Related to Warranty Provisions	*13*	*3.458.905*	*1.067.202*
Adjustments Related to Other Provisions		*9.992.052*	*(257.803)*
Adjustments Related to Interest Income and Expenses			
Adjustments Related to Interest Income		*(32.443.978)*	*(22.351.222)*
Adjustments Related to Interest Expenses		*30.643.815*	*27.047.981*
Deferred Financial Expense from Terms of Purchases	*4*	*(1.041.596)*	*(196.769)*
Unearned Financial Income from Terms of Sales	*4*	*(301.867)*	*1.223.293*
Adjustments Related to Unrealized Foreign Currency Exchange Differences		*468.786.213*	(78.683.609)
Adjustments Related to Fair Value Losses / (Gains)			
Adjustments Related to Fair Value (gains) /loses on Financial Assets	*22*	*4.906.910*	*(16.551.595)*
Adjustments Related to Fair Value (gains) / loses on Derivative Intruments		*18.871.123*	*(20.349.996)*
Adjustments Related to Tax Expense / (Income)	25	*40.667.431*	*16.325.378*
Adjustments related to (Gain) / Loss on Disposal of Fixed Assets			
Adjustment Related to (Gain)/Loss on Disposal of Property, Plant and Equipment and Intangible Assets	*22*	*(59.206)*	*(57.742)*
		598.291.042	(44.496.990)
Changes in Working Capital			
Adjustments Related to (Increase) / Decrease in Inventories	6	(203.013.531)	(74.120.257)
Adjustments Related to (Increase) / Decrease in Trade Receivables	4	(258.735.730)	105.233.521
Adjustments Related to (Increase) / Decrease in Other Receivables from Operations		(204.538.735)	(83.231.780)
Adjustments Related to Increase / (Decrease) in Trade Payables	4	329.443.602	20.934.439
Adjustments Related to (Increase) / Decrease in Prepaid Expenses	7	(72.448.153)	(20.729.194)
Adjustments Related to Increase / (Decrease) in Deferred Income	7	3.509.987	6.928.725
Adjustments Related to Increase / (Decrease) in Other Payables for Operations		(51.161.152)	(3.502.585)
		(456.943.712)	(48.487.131)
Cash Generated from Operations			
Payments for Employee Termination Benefits	15	(2.198.872)	(6.186.696)
Payments for Other Provisions	13	(2.218.426)	(137.560)
Tax (Payments) / Returns	25	(37.744.131)	(7.558.427)
		120.724.521	(58.294.026)

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

KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(All amounts expressed in Turkish Lira ("TL")

	Notes	Audited Current Period 1 January- 31 December 2021	Audited Prior Period 1 January- 31 December 2020
B. Cash Flows from Investing Activities			
Proceeds on Sale of Property, Plant and Equipment and Intangible Assets	8	422.958	189.782
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets			
-Payments for Acquisition of Property, Plant and Equipment	*8*	*(36.293.611)*	*(19.782.398)*
-Payments for Acquisition of Intangible Assets	*10*	*(13.765.683)*	*(10.249.355)*
Cash Outflow for Acquisition of Shares in Other Entities or Shares in Funds or Debt Instruments		(126.389.368)	(84.746.819)
Interest Received		32.443.978	22.382.441
		(143.581.726)	(92.206.349)
C. Cash Flows from Financing Activities			
Proceeds from Borrowings			
-Cash Inflow from Borrowings	*28*	*679.472.364*	*527.107.589*
Cash Outflow of Borrowings			
-Cash Outflows on Repayment of Borrowings	*28*	*(364.512.679)*	*(521.348.643)*
Cash Outflows on Payment of Lease Liabilities	9	(11.130.490)	(13.256.279)
Cash Inflow (Outflows), Net from Derivative Instruments		-	-
Interest Payment		(23.871.492)	(23.587.402)
Interest Received		-	-
Dividend Payment		(5.000.000)	(26.484.313)
		274.957.703	(57.569.048)
Net (Decrease)/Increase in Cash and Cash Equivalents Before the Effect of Foreign Exchange Rate Changes (A+B+C)		**252.100.498**	**(208.069.423)**
D. Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		83.209.670	222.089.774
NET INCREASE / (DECREASE) ON CASH AND CASH EQUIVALENTS (A+B+C+D)		**335.310.168**	**14.020.351**
E. Cash and Cash Equivalents at the Beginning of the Period	**31**	**243.520.371**	**229.500.020**
Cash and Cash Equivalents at the End of the Period (A+B+C+D+E)	**31**	**578.830.539**	**243.520.371**

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

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1. ORGANIZATION AND OPERATIONS OF THE GROUP

Klimasan Klima Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (all together referred to as the "Group") operate in the production and sales of industrial type coolers and freezers both in foreign and domestic markets. The main product range items of the Group are coolers of soft drinks, beer and beverages, and fridges for frozen foods and ice cream. The Company was established on 7 January 1969 in Izmir and current headquarter is located in Manisa.

The address of its registered office is Manisa OSB 1. Kısım Keçilikoy OSB Mh. Cumhuriyet Cad. No: l 45030 Yunusemre, Manisa.

The main parent and ultimate controlling party of the Company is Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş. The ultimate shareholder of the "Company" is Metalfrio Solutions S.A. The Company is registered to Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("Borsa Istanbul") since 1997. As of 31 December 2021, 39% portion of its shares is listed in Borsa Istanbul. In addition, the shares of Metalfrio Solutions S.A, the ultimate parent company of the group, are traded on the Brazilian stock exchange.

The average number of personnel of the Group is 1.617 as of 31 December 2021. (Average number of personnel in 2020: 1.834).

The Company's Subsidiaries

The Company acquired 100% of 'Metalfrio Solutions Poland Spolka z ograniczona odpowiedzialnoscia' ("Metalfrio Solutions Poland SP. Z.o.o.") as of 1 April 2016 which perform sales and marketing of Klimasan's products in Poland from its ultimate shareholder Metalfrio Solutions Sogutma Sanayi ve Ticaret A.Ş. for a consideration of EUR 176.807 (TL 567.374) considering the organizational efficiencies.

As per the board decision dated 20 February 2017, Metalfrio West Africa Ltd. was established with a capital of USD 10.000 and a participation of 97% in order to manage sales, marketing, and logistics operations in Nigeria and to improve the potential sales opportunities in West Africa. The Company stipulated NGN 3.100.000 of total NGN 3.007.000 (TL 36.107) capital of Metalfrio West Africa.

The Company's subsdiary, Metalfrio West Africa Ltd., has acquired the 90% of the shares of Sabcool Ltd., a Nigerian company, with a cost of NGN 48 million (approximately USD 145.000) on 28 December 2017. The shares were acquired in exchange of trade receivables instead of cash.

As per the board decision dated 20 October 2017, The Company acquired shares of LLC Metalfrio Solutions ("OOO Metalfrio Solutions") and LLC Estate ("OOO Estate") amounting to EUR 1.600.666 (TL 7.498.000) and EUR 4.105.053 (TL 19.229.300), respectively, of which registered offices are located in Kaliningrad, Russian Federation, from Metalfrio Solutions A/S of which registered office is located in Viborg, Denmark. Acquisition process of these companies was completed on 7 February 2018.

The Company established Klimasan North America LLC which has 99.99% ownership in the United States, with 9.000.000 USD amount of investment in June 2021.

Dividend Payable

As of the date of this report, Group directors have not decided on the distribution of profit. Dividends is subject to approval by shareholders in annual general assembly meeting.

Approval of financial statements

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 10 March 2022. General Assembly has the authority to modify the consolidated financial statements.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

Statement of Compliance with Turkish Financial Reporting Standards ("TFRS")

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communique Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No: 28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Turkish Financial Reporting Standards ("TFRS") contains the published Standards and Interpretations by Public Oversight Accounting and Auditing Standards Authority under the name of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, Interpretations of TAS and Interpretations of TFRS.

The consolidated financial statements and disclosures have been prepared in accordance with TFRS Taxonomy, which published on Official Gazette No: 30794 dated 7 June 2019 about the Illustrations of Financial Statements and Application Guidance.

The Group maintains its statutory accounts and statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries operating in foreign countries prepare their accounting records and statutory financial statements in the currencies of the countries in which they operate and in accordance with the legislation of such countries.

The financial statements have been prepared on the historical cost basis except for financial instruments that are revalued. Historical cost is generally based on the fair value of the amount of paid for the asset.

Functional and Reporting Currency

Stand alone financial statements of each component are presented in the currency of the economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in Turkish Lira ("TL"), which is the functional currency of the Company, and the presentation currency for the financial statements.

Financial Statements of Subsidiaries Operating in Foreign Countries

The financial statements of the subsidiaries operating in foreign countries have been prepared by reflecting the necessary adjustments and classifications to make the right presentation in accordance with the TAS / TFRSs published by the POA. The assets and liabilities of the related foreign subsidiaries have been converted into TL by using the period end exchange rate, income and expenses have been converted into TL by using average exchange rate of the respective year. Foreign exchange differences arising from the period end and average exchange rates are accounted under foreign currency translation differences in equity.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the announcement published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") on 20 January 2022, since the cumulative change in the general purchasing power of the last three years has been 74,41% according to the Consumer Price Index ("CPI") rates, it has been stated that entities applying the Turkish Financial Reporting Standards ("TFRS") are not required to make any restatements in their financial statements for 2021 within the scope of TAS 29 "Financial Reporting in High Inflation Economies".

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

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2.1 Basis of presentation (continued)

Adjustment of Financial Statements in Hyperinflationary Periods (continued)

In accordance with the communique issued by CMB and published on 17 March 2005 numbered 11 /367, it has been decided that Companies operate in Turkey and prepare their financial statements in accordance with TFRSs, are not required to apply inflation accounting starting from 1 January 2005. Accordingly, starting from 1 January 2005 TAS No: 29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

Comparative Information and Correction of Previous Period Financial Statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to allow the determination of financial status and performance trends. When necessary, comparative information is reclassified and important differences are explained to ensure compliance with the presentation of the current period consolidated financial statements.
In the current period, in the consolidated financial statements of the previous period; Rediscount income and expense (net) in the note of income and expenses from operating activities showed a gross amount of TL (1.458.941), rediscount income as TL 572.761 and rediscount expense (2.031.702) in gross. Foreign exchange gains/expenses (net) of related items amounted to TL 15.071.682, foreign exchange income of items related to investment activities TL 29.848.663 and foreign exchange expenses related to investment activities TL (14,776.981). These reclassifications have no effect on the consolidated statement of profit or loss.

Basis of Consolidation

Details of the Group's subsidiaries as of 31 December 2021 and 31 December 2020 are as follows:

			Group Share in Capital and Voting Rights (%)	
Name of Subsidiary	Place of Incorporation and Operation	Functional Currency	31 December 2021	31 December 2020
Metalfrio Solutions Poland SP. Z.o.o.	Poland	Avro	100%	100%
Metalfrio West Africa Ltd.	Nigeria	Nigerian Naira	97%	97%
Sabcool Ltd.	Nigeria	Nigerian Naira	87,3%	87,3%
LLC Metalfrio Solutions	Russia	Ruble	100%	100%
LLC Estate	Russia	Ruble	100%	100%
Klimasan North America, LLC	USA	American Dolar	99,99%	-

The consolidated financial statements include the financial statements that are controlled by the Group and its subsidiaries. Control is achieved when the Company meet the following conditions:

- has power over of the invested company or asset
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

2.1 Basis of presentation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In cases where the company does not have the majority voting right over the invested company / asset, it means that the relevant investment has control power over the invested company / asset if it has sufficient

voting rights to manage / manage its activities on its own. The Group takes into account all relevant events and conditions in evaluating whether the majority of votes in the investment is sufficient to provide control power, including:

- Comparing the voting right of the Group with the voting right of other shareholders;
- Potential voting rights of the group and other shareholders;
- Rights arising from other contractual agreements; and
- Other events and conditions that may indicate whether the Group has current power in managing the relevant activities (including voting at previous general meetings) in cases where a decision is required.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of acquisition to the date of disposal.

Profit or loss and each component of other comprehensive income is attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If necessary, adjustments were made on the financial statements of the subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intercompany assets and liabilities, equity balances, income and expenses and all cash flow transactions between the related parties are eliminated in consolidation.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

2.1 Basis of presentation *(continued)*

Combination of Entities or Businesses under common control (continued)

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Combination of entities or businesses under common control

Business combinations under common control are outside the scope of TFRS 3 “Business Combinations” (“TFRS 3”). In accordance with the Board decision of the POA published in the Official Gazette on 17 October 2018, assets and liabilities subject to business combination are included in the consolidated financial statements with their book values. Profit or loss statements are consolidated from the first period when comparative financial statements are presented and prior period financial statements are restated. Goodwill or negative goodwill arising from these transactions are not recognized in the consolidated financial statements.

The residual balance is calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity accounted for as "Effect of Business Combinations Involving Entities under Common Control" within equity.

The Company completed the acquisition for LLC Metalfrio Solutions and LLC Estate of which registered offices are located in Kaliningrad, Russia on 7 February 2018. The Company acquired shares from a group company, Metalfrio Solutions A/S of which registered office is located in Viborg, Denmark for a consideration of EUR 5.705.719 (TL 26.727.300). This acquisition is considered within the scope of business combinations involving entities under common control but since the acquired company's financial impact to the acquiree's financial statements is not significant, financial statements in the the prior period is not restated and the difference between the Company's share in the subsidiary's equity and the difference arising from offsetting of participation rate and equity shares of the company acquired amounting to TL 2.044.067 is recognized directly under equity.

Going Concern

The consolidated financial statements including the accounts of the parent company and its subsidiaries have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge of liabilities in the normal course of business.

Ukraine – Russia Conflict

Since the end of February 2022 when the military activity between Russia and Ukraine started, we have been closely monitoring the situation and its potential impact on our operation in Russia and our sales activity in Ukraine.

- Sales: Impact in 1Q22 shall be limited as most of orders already delivered/confirmed. As most of customers are domestic the impact of possible export barriers shall not have significant impact, but a recession of Russian market may impact negatively sales. Sales in Russia market corresponded to approx 5% of Klimasan consolidated sales in 2021.

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

2.1 Basis of presentation *(continued)*

Ukraine – Russia Conflict (continued)

- Purchasing of material: Impact in 1Q22 shall also be limited due to inventory levels. New purchases from 2Q22 may present some difficulties as most of suppliers are foreigners that may not be able to export to Russia. If needed, we are able to purchase materials through another entity of the Group and ship to the Kaliningrad factory.

- Net Profit: We will experience a lot of volatility mainly due to FX fluctuations along next months, but the cash impact shall be limited.

- Foreign Exchange:

  - Receivables: Most of receivables are in EUR which will contribute positively from the RUB devaluation, compensating for the loss of the sales in RUB

  - Payables: Most of the payments are denominated in EUR which will impact negatively from the RUB devaluation;

Net Debt: The Company has approx EUR 6m of loan and another EUR 0,5m as intercompany loan. This exposure may impact adversely the equity of the Company.

- Impairment: Assets of Metalfrio Russia and Metalfrio Estate accounts for aprox 5% of Klimasan group assets, therefore we do not expect significant impairment risk.

- Credit Risk: Most of our customers are global key accounts and also customers of other entities of Klimasan group, therefore we do not expect potential credit risk. Furthermore, to our best knowledge, customers are not directly related to the individuals subjected to personal sanctions applied by US.

- Others: Entities in Russia may face some difficulties in short-term regarding SWIFT access as well as hacker attacks, but due to the connection with other Klimasan's entities in other countries, we believe we have some room to face some temporary issues in the short/mid-terms.

In general the scenario is very unstable and volatile, and any estimate at this stage may lead to wrong interpretations. We continue to monitor closely the new developments of this conflict.

2.2 Changes in Accounting Policies

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively, in accordance with the transitional provisions. Changes without any transitional provisions, optional changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are for only one period, are applied in the current period, If the changes regarding future periods, it is applied both in the period when the change is made and prospectively.

Property, plant and equipment accounting policy change

As of September 30, 2021, the Group changed its accounting policy and stopped measuring lands, buildings and underground land improvements at cost and started to measure them with their fair values by revaluing.

The first application of an accounting policy to revalue assets in accordance with IAS 16 Tangible Assets or IAS 38 Intangible Assets is an accounting policy change that should be treated as a revaluation.

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2.2 Changes in Accounting Policies *(continued)*

Property, plant and equipment accounting policy change (continued)

Revaluation model is used within the framework of IAS 16 “Tangible Fixed Assets” in the valuation of lands, buildings and underground land improvements followed under tangible fixed assets. The positive difference between the values of the land, buildings and underground surface improvements in the appraisal reports prepared by the appraisal companies and the related net book values is recognized in other comprehensive income. In case of an indication of impairment, the recoverable amount of the related property, plant and equipment is estimated in accordance with IAS 36 “Impairment of Assets” and if the recoverable amount is below the book value, a provision for impairment is made. Since it has been revalued, significant changes in accounting policies and significant accounting errors have not been applied retrospectively and the prior period financial statements have not been restated.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current period, there are not any material errors and changes in accounting estimate methods of the Group. Identified significant accounting errors are applied retrospectively and the prior year’s financial statements are restated accordingly.

2.4 New and Revised Turkish Accounting Standards

Standards and interpretations issued but not yet effective as of 31 December 2021

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

International Standard Board(IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

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

2.4 New and Revised Turkish Accounting Standards*(continued)*

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

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

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.

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/Company] 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.

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

2.4 New and Revised Turkish Accounting Standards*(continued)*

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

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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.

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 does not expect that application of these amendments to IAS 1 will have significant impact on its consolidated financial statements.

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.

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

2.4 New and Revised Turkish Accounting Standards*(continued)*

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.

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.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments are effective on 1 January 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

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

2.5 Summary of significant accounting policies

Important Changes Regarding the Current Period

The necessary actions have been taken by the Group management and continue to be taken in order to minimize the possible effects of Covid-19, which affects the whole world, on the Group's activities and financial status. Due to the Covid-19 outbreak, there were some disruptions in the supply, production and sales processes in parallel with the developments / slowdowns in the sector and general economic activity, mainly in the second quarter of the year, and there is a normalization in these processes with the 3rd and 4th quarter. has been. Activities gained momentum by eliminating the problems experienced. In general, actions were taken to minimize costs, investment expenditures and operational expenses, and the cash management strategy was reviewed by examining the payment and collection terms in order to strengthen the liquidity position.

While preparing the consolidated financial statements dated December 31, 2021, the Group evaluated the possible effects of the Covid-19 outbreak on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairment in the consolidated financial statements as of December 31, 2021 has been evaluated and no significant impact has been identified.

The important accounting policies applied in the preparation of the consolidated financial statements are summarized below:

Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Vacation Liability

In accordance with the existing Labor Law in Turkey, the Group is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees. Liabilities occurred due to unused vacation are accrued in the periods they are entitled.

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

2.5 Summary of significant accounting policies (continued)

Other long-term employee benefits

In accordance with the existing Labor Law in Turkey, the Group is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause, or due to retirement, military service or death. It is calculated with respect to 30 day gross wages and recognized in the consolidated financial statements as the present value of the estimated total reserve of the future probable obligation of the Group. It is calculated as if all employees are subject to that payment and recognized in the financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the government. As at 31 December 2021, the ceiling amount is TL 8.284 (31 December 2020: TL 7.117) As explained in Note 15, the Group management used some assumptions in the calculation employee benefits.

All actuarial gains or losses are recognized in other comprehensive income.

Revenue

General Model for Recognizing Revenue

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract which within the scope of TFRS 15, exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contract were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines ‘performance obligation’ as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation one of below;

(a) a good or service that is distinct or
(b) a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

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

2.5 Summary of significant accounting policies (continued)

Revenue (continued)

The Group defines good or service is distinct if it is both (i) can define separately from other commitments in the contract, and (ii) the good/service can be used on its own, or can be used in conjunction with an asset that is either already obtained by the customer or is readily obtainable. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

The Group evaluates how much it expects to obtain after fulfilling its contractual obligation to determine the transaction price. When making this determination, the Group considers variable elements of contract, as well as the existence of a significant financing component

Significant financing component

If a contract contains an important financing component; In order to estimate the transaction price in the contract, the Group adjusts according to the effect of the time value of money on the promised price. If the timing of the payments (explicitly or implicitly) agreed by the parties to the contract provides a substantial benefit to the customer or the Group, in the form of financing the transfer of goods or services to the customer, this contract has an important financing component. The Group does not have a sales transaction that includes an important financing component

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

General Model for Recognizing Revenue (continued)

Step 5: Recognition of revenue

The Group recognizes revenue over-time if any of the following conditions is met:

- The customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs, or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created; or

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

2.5 Summary of significant accounting policies (continued)

Revenue (continued)

The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Company recognize revenue at the point in time at which it transfers control of the good or service to the customer

Revenue is recognized when the control of the products is transferred to the customer in accordance with the delivery terms agreed with the customer.

The Company recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

If the Group makes a commitment to provide additional goods or services, accepts the contract change as a separate contract. If the existing contract is terminated and a new contract is created, if the goods or services offered are different, the relevant changes are recognized. If the amendment to the contract does not create separate goods or services, the Group recognize for additional goods or services by combining them together with the first contract as if it were component of the first contract.

The details of important accounting policies regarding the various goods and services of the Group and revenue recognition methods are given below.

The Group includes the proceeds from the following main activities in its consolidated financial statements:

- Industrial type cooler and freezer sales
- Guarantees and after sales services for the products sold
- Other material, spare parts and merchandise sales

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

2.5 Summary of significant accounting policies (continued)

Finance income and finance expenses

Finance income is comprised of bank deposit interest income which is a part of the cycle used for financing purposes, interest income from funds made, and foreign exchange gains on financial assets and liabilities (except for trade receivables and payables).

Financial expenses include interest expenses on bank loans, commissions on credit card receivables and letters of guarantees, foreign exchange losses on financial assets and liabilities (other than trade receivables and payables) and net of income or loss generated from derivatives . Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset are recognized in the statement of profit or loss using the effective interest rate.

Foreign exchange gains and losses on the financial assets and liabilities (other than trade receivables and payables) are reported in financial income or financial expenses in accordance with the position of foreign exchange movements on net basis. Exchange differences and rediscount income on trade receivables and payables are recognized as other operating income in the statement of income.

Interest income is calculated using the effective interest method.

a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.

b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

An entity that calculates interest income by applying the effective interest method to the amortized cost of the financial asset in a reporting period, if the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be credit-impaired, and the interest in the subsequent reporting periods can be attributed to an event that occurred objectively (like an increase in the credit rating of the borrower) , calculates its income by applying the effective interest rate to the gross book value.

Dividend income is recognized in profit or loss on the date the Group is entitled to receive payment.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit and loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

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2.5 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipments are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost amounts of tangible assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes occurring in the estimates and are accounted for prospectively if there is a change in estimates. The estimated useful lives of these assets are stated below.

	Useful Life
Land Improvements	15 years
Buildings	40-50 years
Machinery and equipment	3-20 years
Vehicles	5 years
Furniture and Fixtures	2-15 years
Other tangible Assets	4-15 years
Leasehold Improvements	3 years

Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. Legal fees are also included in cost. When these assets are constructed and ready for use they are classified into the relevant tangible assets. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Regular maintenance and repair expenses on tangible assets are recognized as expense. Investment expenditures that increase the future benefit of the tangible asset by increasing its capacity are added to the cost of the tangible asset. Extensive maintenance and repair expenses, including spare parts replacement and labor costs, are activated and depreciated within their average lifetime during the next major maintenance.

When a tangible asset is disposed of or if no future economic benefits are expected from its use or sale, it is derecognized. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

2.5 Summary of significant accounting policies (continued)

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses

The estimated useful lives of these assets are given below.

	Useful Life
Capitalized development cost	5 years
Rights	3 – 15 years

Intangible assets created within the business - research and development expenses

Research costs are recorded in the profit or loss statement during the period they occur.

Intangible assets created within the company resulting from development activities (or the development phase of an in-group project) are recorded only when all of the following conditions are met:

- It is technically possible to complete the intangible asset in order to be ready for use or ready for sale,
- Intention to complete, use or sell the intangible asset,
- the intangible asset can be used or sold
- it is clear how the asset will provide a prospective economic benefit
- There are appropriate technical, financial and other resources to complete the development of the intangible asset, to use or sell it, and.
- the development cost of the asset can be reliably measured in the development process.

Computer software

The computer software purchased is activated over the costs incurred during the purchase and from the purchase until it is ready for use. These costs are amortized according to their useful lives.

Costs associated with developing and maintaining computer software are recorded in the statement of profit or loss in the period they occur.

Computer software development costs, which are considered as fixed assets, are amortized over their useful lives.

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

2.5 Summary of significant accounting policies (continued)

Intangible Assets (continued)

Derecognition of Intangible Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group assesses whether there is any indication of impairment on the carrying value of tangible and intangible assets which is computed by deducting accumulated depreciation from their cost value. If there is such an indicator, the recoverable amount of the asset is estimated to determine the amount of the impairment. Where it is not possible to calculate the recoverable amount of the asset alone, the recoverable amount of the cash-generating unit to which the asset belongs is calculated. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

2.5 Summary of significant accounting policies (continued)

Leases

The Group has applied TFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under TAS 17 and TFRS Interpretation 4. The details of accounting policies under TAS 17 and TFRS Interpretation 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in TFRS 16. This policy was applied only to contracts entered into or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates to each lease component by consideration of the relative stand-alone prices of each lease component and total amount of stand-alone prices of non-lease component.

Group has elected not to separate non-lease components from lease components. Instead of that, the Group account for the lease and non-lease components as a single lease component.

The Group reflected the right-of-use asset and the lease liability in its financial statements at the commencement date of the lease. The initial measurement of the right-of-use asset's cost liability is the amount obtained by deducting all lease incentives received from all lease payments made on or before the actual commencement of the lease and all initial direct costs and the removal and removal of the asset, the restoration of the area in which it is placed, or the terms and conditions of the lease of the underlying asset. It consists of estimated costs anticipated to be incurred in the future in relation to the restoration to bring it to the required condition.

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

2.5 Summary of significant accounting policies (continued)

Leases (continued)

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment of the right-of-use asset is made according to new leases amount and it reflected to the financial statements. However, corresponding amount reflected in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero or remained amount reflected only if more decreasing than remeasured lease liability amount is exist.

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

2.5 Summary of significant accounting policies (continued)

Short term leases and low-value leases

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value include short-term (up to 12 months) machine leases and information technology equipments leases assets.

The Group has reflected the lease payments related with these leases in the consolidated financial statements as linear expenses during the lease period.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

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

2.5 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 substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. General borrowings of the Group are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets 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.

Financial Instruments

Recognition and initial measurement

The Group issued trade receivables and debt securities initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as; amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Classification and subsequent measurement (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial liability, is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective are to hold assets to collect contractual cash flows and to sell financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These includes whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

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

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets – Business model assessment (continued)

- How the performance of the financial assets held within that business model and its is reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected) and
- volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets are classified as at FVTPL if it is held-for-trading or managed based on fair value and evaluated on this basis.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers followings:

- Contingent events that would change the amount or timing of cash flows ;(in other words trigger events);
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension feature and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, it is considered to comply with the criteria if, (i) financial asset acquired at a discount or premium to its contractual per amount, (ii) a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) (iii) if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.. Other financial liabilities are subsequently measured at amortised cost of future principal and interest cash flows using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

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Derecognition

<u>*Financial Assets*</u>

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group continues to retain substantial risks and benefits arising from the ownership of a financial asset, continue to record the relevant financial asset in the statement of financial position.

<u>*Financial Liabilities*</u>

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Instead, it requires the recognize of a new financial liability at its fair value, based on the modified conditions. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The Group uses derivative financial instruments for the purpose of hedging foreign currency and interest risk rate. Embedded derivative instruments are separated from the main contract and recognized separately when the underlying contract is not a financial asset and mets certain criteria. Derivatives are initially recognized at fair value.

Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

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

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

During the sale of the relevant cash generating unit, the amount determined for goodwill is included in the calculation of profit / loss in the sale transaction. The Group's policy for goodwill arising on the acquisition of an associate is described under Note 11.

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortised cost and,
- debt investments measured at FVOCI and,
- contract assets.

The Group measures loss allowances below, at an amount equal to lifetime ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

2.5 Summary of significant accounting policies (continued)

Impairment (continued)

The Group applied lifetime ECLs for calculation of loss allowances for trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when;

- The borrower is unlikely to pay its credit obligations to the Group in full, without using of colleteral by the Group (if any is held); or
- 180 days past due for the financial instrument.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. As credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

ECLs are discounted at the effective interest rate of the financial asset.

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

2.5 Summary of significant accounting policies (continued)

Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty if the borrower or issuer;
- a breach of contract such as a default of debtor or being more than 180 days past due of financial instrument
- the restructuring of a loan or advance by the Group on terms that the Company would not consider
- Probability of the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Write Off

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event

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

2.5 Summary of significant accounting policies (continued)

Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill which occurred from business combination is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Effect of Exchange Differences

Foreign Currency Transactions and Balances

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Metalfrio Solutions Poland SP. Z.o.o. uses Euro, Metalfrio West Africa Ltd. and Sabcool Ltd. uses Nigerian Naira, while LLC Estate and LLC Metalfrio Russia use the Ruble as their functional currency. The results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.5 Summary of significant accounting policies (continued)

Effect of Exchange Differences (continued)

Exchange differences are recognized in profit or loss in the period in which they arise except fort the situation stated below:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Financial Statements o Subsidiaries Operating Abroad

The assets and liabilities of foreign operations, including fair value adjustments and goodwill arising from the acquisition, are translated into TL using exchange rates prevailing at the end of each reporting period. All income and expense items arising from foreign operations are translated into TL using exchange rates prevailing on the date of the transaction.

Foreign currency translation differences are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

As of 31 December 2021 and 2020, Euro / TL, US Dollar / TL, RUB / TL, PLN / TL and NGN / TL exchange rates are as follows:

	Period end FX Rates			**Average annual FX Rate**	
	31 December 2021		**31 December 2020**	**31 December 2021**	**31 December 2020**
	Period End – Buying	Period End - Sales	Period End	Period Average	Period Average
Euro/TL	15,0867	15,1139	9,0079	10,4408	8,0140
US Dollar/TL	13,3290	13,3530	7,3405	8,8557	7,0034
RUB/TL	0,1795	0,1798	0,0993	0,1199	0,0967
PLN/TL	3,2801	3,2861	1,9520	2,2862	1,8029
NGN/TL	0,0305	0,0306	0,0201	0,0204	0,0192

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

2.5 Summary of significant accounting policies (continued)

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

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; or
- (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 defined 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). The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The transaction with the related party is the transfer of resources, services or liabilities between the related parties, regardless of whether the price is requested.

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

2.5 Summary of significant accounting policies (continued)

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government incentives, a financing instrument, are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets instead of being recognized in profit or loss in order to offsetting the expense item they finance.

Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

At the date of sale, provisions related to Group's warranty costs are recognized according to the estimates of the management about the expenses to be incurred.

Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

Direct costs related to the issue of new shares are recognized in equity by deducting the tax effect from the amount collected.

Taxes

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Income tax expense comprise of the current tax and deferred tax expenses.

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

2.5 Summary of significant accounting policies (continued)

Taxes (continued)

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting.

Deferred Tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in equity, in which case, the current and deferred tax are also recognized directly in equity respectively.

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

2.5 Summary of significant accounting policies (continued)

Earnings per Share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Cash Flow Statement

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Cash flows arising from operating activities represent the cash flows generated from the Group's core operating activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets investments)

Cash flows arising from financial activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Segment Reporting

The main activity of the Group is the production and sales of industrial type coolers and freezers. The Group Management monitors the activities of the Group as domestic and foreign activities. Besides, due to the activities of its subsidiaries outside Turkey does not of importance in the total activities of the group, financial information has not been reported according to segments and benefited from the exemption contained in "TFRS 8 Operating Segments Standard".

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the reporting date.

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

2.6 Significant Accounting Estimates, Judgments and Assumptions

Critical decisions made by the Group in applying its accounting policies:

In the preparation of consolidated financial statements in accordance with TFRS, the Group management is required to make assumptions and estimates that will affect the reported assets and liabilities and determine the liabilities and commitments likely to occur as of the balance sheet date and the income and expense amounts as of the reporting period. Although these estimates and assumptions are based on the best information of the Group management regarding current events and transactions, they may differ from the results of the assumptions. Estimations are regularly reviewed; necessary adjustments are made and reflected in the profit or loss statement of the period they occur. Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period are given below:

Net realizable value

In the process of applying the entity's accounting policies, which are described in Note 2.5, Inventories are valued at the lower of cost or net realizable value. Net realizable value is the amount obtained by deducting the estimated completion cost from the estimated sales price and the estimated sales cost required to realize the sale in the ordinary commercial activity.

Useful lives of tangible and intangible assets

In the process of applying the entity's accounting policies, which are described in Note 2.5, Tangible and Intangible Assets are shown with their net value after deducting accumulated depreciation and, if any, impairment from the cost of acquisition. Depreciation is calculated by using the straight-line method based on the useful lives of tangible assets. Useful lifetimes are based on management's best estimates, are reviewed at each balance sheet date and adjusts if necessary.

The Group has revalued the land, underground and surface improvements and buildings that it has valued with the "revaluation model" within the scope of TAS 16 Tangible Assets Standard, taking into account their values on 30 September 2021, and reflected the valuation results in the consolidated financial statements dated 30 September 2021. The Group presents land and land, underground and surface improvements and buildings at their fair values in their financial statements within the scope of TAS 16 revaluation model. The fair values of the tangible fixed assets in the consolidated financial statements as of 31 December 2021 are based on the appraisal reports prepared by an independent valuation firm with sufficient knowledge and professional experience.

Provisions

In the process of applying the entity's accounting policies, which are described in Note 2.5, Provisions are made in cases where the Group has a legal or enforcing obligation as a result of past events and that a future outflow is probable in order to fulfill this obligation and the amount to be paid can be estimated reliably.

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

2.6 Significant Accounting Estimates, Judgments and Assumptions (continued)

Deferred Tax

Partially or fully recoverable amount of deferred tax assets are estimated under current conditions. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include potential future earnings; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

Recoverability of internally generated intangible assets

Development expenses (or from the development phase of an internal project) shall be recognized as asset if, and only if, an entity can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale. (b) its intention to complete the intangible asset and use or sell it. (c) its ability to use or sell the intangible asset. (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset. (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

When intangible assets created within the business are not recorded, they are recorded as expense in the period they occur as development expenses. During the period, the Group management re-examined the existence of possible economic benefits of intangible assets created within the company. The group management believes that the projects will continue as expected and predicts that the projects will generate similar economic benefits upon the analysis. Management is confident that even if the economic benefit is reduced, it is possible to recover the book values of the assets. This situation is closely monitored by the Group management and the management will make these adjustments in cases where future market activities require correction.

3. RELATED PARTY DISCLOSURES

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated during consolidation and are not disclosed in this note.

Trade receivables from related parties are mainly due from sale of goods and materials made in US Dollar and Euro and maturities are approximate 3-6 months. Both trade and non-trade transactions with related parties are secured and guaranteed by the main Shareholder of the group, Metalfrio Solutions SA.

Trade payables to related parties are mainly due to purchases of goods and services and maturities are approximately 1-3 months.

(All amounts expressed in Turkish Lira ("TL"))

3. RELATED PARTY DISCLOSURES (CONTINUED)

As of December 31 2021 and 2020, balances between related parties are as follows:

	31 December 2021				
	Receivables			Payables	
	Short Trade	Non-trade	Long Trade	Short Trade	Non-trade
Klimasan Ukraine LLC	382.976	-	-	-	-
Marsel Soğutma A.S.	41.980.847	-	-	-	-
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	20.475.235	54.489.063	467.084.232	17.225	-
Metalfrio Solutions Mexico S.A.Dec.V.	3.225.484	-	-	-	-
Metalfrio Solutions S.A. Brazil	512.605	-	-	851.118	-
Rome Investment Management LTD.	-	-	-	440.924	-
	66.577.147	54.489.063	467.084.232	1.309.267	-

(*) TL 518.982.480 equivalent of EUR 34.400.000 of other receivables from Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş. consists of loan given to this company.

	31 December 2020			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Klimasan Ukraine LLC	679.061	-	-	-
Marsel Soğutma A.S.	23.970.432	-	-	-
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	10.590.216	309.246.462	28.037	-
Metalfrio Solutions Mexico S.A.Dec.V.	59.678	-	-	-
Metalfrio Solutions S.A. Brazil	223.681	-	-	-
Rome Investment Management LTD.	-	-	348.923	-
	35.523.068	309.246.462	376.960	-

KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in Turkish Lira ("TL"))

3. RELATED PARTY DISCLOSURES (CONTINUED)

		1 January - 31 December 2021				
Transactions with related parties	Inventory Purchases	Good Sales	Interest Income	Rent Income	Commission/Royalty Expense	Other
Metalfrio Solutions Mexico S.A.Dec.V.	-	6.768.073	-	-	-	-
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	-	-	18.501.178	9.000	-	170.300
Metalfrio Solutions S.A. Brazil	-	293.833	-	-	-	-
Rome Investment Management LTD.	-	-	-	-	1.881.143	-
Marsel Soğutma A.Ş.	-	87.454.078	-	270.355	-	3.595.399
	-	94.515.984	18.501.178	279.355	1.881.143	3.765.699

		1 January - 31 December 2020				
Transactions with related parties	Inventory Purchases	Good Sales	Interest Income	Rent Income	Commission/Royalty Expense	Other
Pt. Metalfrio Solutions Indonesia	-	783.738	-	-	-	41.994
Metalfrio Solutions Mexico S.A.Dec.V.	-	958.995	-	-	-	11.984
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	-	548	14.376.577	7.938	-	7.855
Metalfrio Solutions S.A. Brazil	983.584	607.579	-	-	-	-
Rome Investment Management LTD.	-	-	-	-	1.436.038	-
Klimasan Ukraine LLC	-	-	971.596	-	-	-
Marsel Soğutma A.Ş.	-	50.388.802	4.190	56.147	-	1.513.735
	983.584	52.739.661	15.352.364	64.084	1.436.038	1.575.567

(All amounts expressed in Turkish Lira ("TL"))

3. RELATED PARTY DISCLOSURES (CONTINUED)

Other transactions:

Other receivables from related parties arise from financial transactions for non-trade receivables from related parties effective market interest rate is used. The interest rate applied in 2021 is 4.50-5.30% (2020: 4.5%-5.30%).

Details of loans to related parties as at 31 December 2021 and 31 December 2020 are disclosed below:

31 December 2021

Loans provided to related parties	Original Currency	Maturity (*)	Interest Rate	Total
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2025	5,30%	10.000.000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2025	4,50%	10.000.000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2025	4,50%	5.000.000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2025	4,50%	8.000.000
Loans provided to related parties (Unpaid Interest)				
Metalfrio Solutions Soğutma ve Ticaret A.Ş	Euro	15 January 2025	-	1.400.000
Total (**)				**34.400.000**

(*)With an annual extension.
(**)Payment will be made within 2022, provided that it is not less than 10%.

31 December 2020

Loans provided to related parties	Original Currency	Maturity	Interest Rate	Total
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2022	5,30%	10.000.000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2022	4,50%	10.000.000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2022	4,50%	5.000.000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	15 January 2022	4,50%	8.000.000
Total				**33.000.000**

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and members of Executive Board. Compensation to key management include benefits such as salaries, bonus, health insurance and transportation. Compensation to key management personnel during the period is disclosed below:

	31 December 2021	31 December 2020
Salaries and short-term benefits	7.562.046	8.295.290
	7.562.046	8.295.290

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4. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

The details of the Group's short-term trade receivables as of 31 December 2021 and 31 December 2020 are as follows:

Short term trade receivables	31 December 2021	31 December 2020
Trade receivables	637.386.815	190.905.868
Trade receivables from related parties (Note 3)	66.577.147	35.523.068
Notes receivable	30.651.696	28.003.321
Provision for doubtful trade receivables (-)	(20.174.122)	(18.728.183)
Expected credit loss (-)	(1.531.467)	(358.387)
Unaccrued finance expense on trade receivables (-)	(2.241.142)	(1.856.204)
Unaccrued finance expense on notes receivable (-)	(71.672)	(758.477)
	710.597.255	232.731.006

Trade receivables are amounts due from customers for services or goods sold in normal course of business. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. As of 31 December 2021, the Group has recognized the expected credit loss provision in the consolidated financial statements amounting to TL 1.531.467. (2020: TL 358.387)

There has been no significant change in the estimation techniques or assumptions in the current period.

As of 31 December 2021 and 2020, the Group does not have long term trade receivables.

The average collection period of trade receivables is 120 days in 2021. (2020: 125 days)

Composition and degree of the Group's trade receivable risks are explained in Note 29.

4. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables (continued)

Movements on the Group's provision for allowance for doubtful receivables as of 31 December 2021 and 2020 are as follows:

Movement of allowance for doubtful trade receivables	1 January- 31 December 2021	1 Janıary- 31 December 2020
Balance at 1 January	(19.086.570)	(18.566.286)
Period expense	(1.587.447)	(700.660)
Effect of currency valuation	(1.031.572)	180.376
Balance at 31 December	(21.705.589)	(19.086.570)

b) Trade Payables

The details of the Group's trade payables as of 31 December 2021 and 31 December 2020 are as follows:

Short-term Trade Payables	31 December 2021	31 December 2020
Trade payables	552.035.026	223.523.731
Trade payables to related parties (Note 3)	1.309.267	376.960
Unaccrued finance income for trade payables (-)	(1.651.303)	(609.707)
	551.692.990	223.290.984

Explanations on exchange rate risk to which the Group is exposed to trade payables are disclosed in Note 29.

As of 31 December 2021 and 2020, the Group does not have long term trade payables.

Trade payables pricipally consist the outstanding obligations from trading purchases and ongoing expenses.

As of 31 December 2021, the rates used in the discount of trade payables: in Turkish Lira, Euro and US Dollar, As of 31 December 2021, respectively average annual, 16,16%, 0%, 0,29% (31 December 2020: Annual %18, %0 and %0,23).

5. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

The details of the Group's other short and long-term receivables as of 31 December 2021 and 31 December 2020 are as follows:

Other Short-Term Receivables	31 December 2021	31 December 2020
Receivables from related parties (Note 3)	54.489.063	309.246.462
Receivables from customs	2.727.849	2.757.328
Receivables from personnel	152.316	444.120
Other receivables	1.107.981	384.620
	58.477.209	312.832.530

Other Long-Term Receivables	31 December 2021	31 December 2020
Receivables from related parties (Note 3)	467.084.232	-
	467.084.232	-

Other short and long term payables as of 31 December 2021 and 2020 are as follows:

Other Short-term Payables	31 December 2021	31 December 2020
Other Payables	-	4.878
	-	4.878

Other Long-term Payables	31 December 2021	31 December 2020
Guarantee and deposits received	-	11.454
	-	11.454

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6. INVENTORIES

The details of the inventories as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Raw materials	257.673.021	115.416.486
Finished goods	118.195.125	51.715.718
Work in progress	14.533.734	12.771.395
Other inventories	5.620.862	3.172.119
Trade goods	4.234.002	11.405.554
Provision for impairment on inventory (-)	(7.355.463)	(7.084.719)
	392.901.281	187.396.553

As of 31 December 2021, the cost of inventories recognized as expense and included in cost of sales amounted to TL 981.159.544 (31 December 2020: TL 518.031.897).

The insurance amount on inventories as of 31 December 2021 is TL 360.323.100. (31 December 2020: TL 241.545.900).

As of 31 December 2021, there is no mortgage or pledge on inventories. (31 December 2020: None.).

The allowance for impairment on inventories of the Group is regarding to obsolete, scraped or slow-moving items. The allowance for impairment on inventories recognized in cost of sales.

The movement table of provision for impairment on inventories as of 31 December as follows:

Movement of provision for impairment on inventory	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	(7.084.719)	(4.252.108)
(Charge) /reversal for the period, net	2.491.197	(2.649.890)
Foreign currency exchange difference	(2.761.941)	(182.721)
Balance at 31 December	(7.355.463)	(7.084.719)

7. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	31 December 2021	31 December 2020
Advances given to suppliers	96.132.777	38.466.941
Business advances given	20.068.562	341.633
Short-term prepaid expenses	7.916.541	15.192.835
	124.117.880	54.001.409

Prepaid expenses for future months consist prepaid insurance expenses, prepaid information technologies expenses and other expenses for next months.

Long-term Prepaid Expenses	31 December 2021	31 December 2020
Advances given for fixed asset purchases	2.486.437	718.509
Long-term prepaid expenses	566.837	3.083
	3.053.274	721.592

Short-term Deferred Income	31 December 2021	31 December 2020
Advances received	16.229.813	12.719.826
	16.229.813	12.719.826

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(All amounts expressed in Turkish Lira ("TL"))

8. PROPERTY, PLANT AND EQUIPMENT

The movement for property, plant and equipment as of 31 December 2021 is as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Costs										
Opening balance at 1 January 2021	38.619.627	722.575	71.833.977	134.358.458	865.583	25.517.718	1.843.520	847.843	1.780.198	276.389.499
Additions	-	214.488	2.099.023	10.393.094	647.478	4.350.084	557.576	77.802	17.954.066	36.293.611
Disposals	-	-	-	(241.788)	(244.009)	(166.312)	(4.267)	(87.194)	-	(743.570)
Revaluation fund	130.939.744	7.752.411	185.557.065	-	-	-	-	-	-	324.249.219
Transfers from construction in progress	-	-	1.841.662	18.159.249	148.987	18.991	-	-	(20.168.889)	-
Translation Difference	247.689	-	30.795.371	21.428.762	650.171	637.178	-	-	1.354.891	55.114.062
Closing balance as of 31 December 2021	169.807.060	8.689.474	292.127.098	184.097.775	2.068.210	30.357.659	2.396.829	838.451	920.266	691.302.821
Accumulated depreciation										
Opening balance at 1 January 2021	-	(508.614)	(22.339.626)	(83.835.742)	(764.725)	(17.279.421)	(816.078)	(768.338)	-	(126.312.544)
Charge for the year	-	(279.907)	(7.685.568)	(11.773.972)	(97.977)	(2.753.660)	(239.512)	(92.135)	-	(22.922.731)
Disposals	-	-	-	131.384	55.919	166.226	4.267	22.022	-	379.818
Revaluation fund	-	(4.026.470)	(99.946.179)	-	-	-	-	-	-	(103.972.648)
Translation Difference	-	-	(13.220.152)	(10.306.978)	(500.570)	(565.721)	-	-	-	(24.593.421)
Closing balance as of 31 December 2021	-	(4.814.991)	(143.191.525)	(105.785.308)	(1.307.353)	(20.432.576)	(1.051.323)	(838.451)	-	(277.421.526)
Carrying value as of 31 December 2021	169.807.060	3.874.483	148.935.573	78.312.467	760.857	9.925.083	1.345.506	-	920.266	413.881.295

TL 18.035.389 of depreciation and amortization expenses was allocated to cost of goods sold, (31 December 2020: TL 15.867.569), TL 11.978.921 to marketing expenses (31 December 2020: TL 8.488.876), TL 2.976.264 to administrative expenses and (31 December 2020: TL 1.848.869), TL 8.372.265 to research and development (31 December 2020: TL 8.140.353).

As of 31 December 2021, the amount of the Group's assets that is fully depreciated and continues to be used in the business is TL 75.448.086 TL. (31 December 2020: TL 58.399.685).

As of 31 December 2021, the total amount of insurance on property, plant and equipment is TL 893.755.646 (31 December 2020: TL 634.235.298).

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The movement for property, plant and equipment as of 31 December 2020 is as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Costs										
Opening balance at 1 January 2020	30.836.524	722.575	68.206.306	119.885.500	835.518	22.746.704	1.607.089	825.393	8.074.718	253.740.327
Additions	7.771.141	-	2.329.384	5.407.954	-	2.776.191	236.431	22.450	2.673.706	21.217.257
Disposals	-	-	(17.825)	(358.094)	-	(38.036)	-	-	(101.388)	(515.343)
Transfers from construction in progress	-	-	-	8.918.013	-	-	-	-	(8.918.013)	-
Translation Difference	11.962	-	1.316.112	505.085	30.065	32.859	-	-	51.175	1.947.258
Closing balance as of 31 December 2020	38.619.627	722.575	71.833.977	134.358.458	865.583	25.517.718	1.843.520	847.843	1.780.198	276.389.499
Accumulated depreciation										
Opening balance at 1 January 2020	-	(460.442)	(19.350.215)	(72.579.748)	(661.468)	(14.516.689)	(666.063)	(503.063)	-	(108.737.688)
Charge for the year	-	(48.172)	(2.492.318)	(11.179.552)	(79.537)	(2.775.761)	(150.015)	(265.275)	-	(16.990.630)
Disposals	-	-	12.080	334.312	-	36.911	-	-	-	383.303
Translation Difference	-	-	(509.173)	(410.754)	(23.720)	(23.882)	-	-	-	(967.529)
Transfers from construction in progress	-	-	-	-	-	-	-	-	-	-
Closing balance as of 31 December 2020	-	(508.614)	(22.339.626)	(83.835.742)	(764.725)	(17.279.421)	(816.078)	(768.338)	-	(126.312.544)
Carrying value as of 31 December 2020	38.619.627	213.961	49.494.351	50.522.716	100.858	8.238.297	1.027.442	79.505	1.780.198	150.076.955

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8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The cost and accumulated depreciation of the lands, buildings, underground and surface improvements owned by the Group are presented separately with their revaluation amounts over their fair values at the revaluation date. As of September 30, 2021, the fair values of the lands, buildings, underground and surface improvements owned by the Group have been determined by valuation companies independent of the Group. The fair values of the tangible fixed assets of the Group are based on the appraisal reports prepared by independent valuation firms with sufficient knowledge and professional experience.
According to the valuation reports dated September 30, 2021; The total value of the land and buildings within the Group has been calculated as 324.249.219 TL. The fair values of the land and buildings have been estimated using the market comparison method. The revaluation fund net of deferred tax is shown in the other comprehensive income statement.
If the Group had not revalued its land and buildings, the net book value of the related tangible fixed assets would have been TL 105.934.374 as of 31 December 2021.

Fair Value Measurement

TFRS 13 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basicly relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Group.

- Category 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Category 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Category 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

Classification requires using observable market data if possible.

The details of the classification of fair value measurement of fixed assets as of 31 December 2021 and 31 December 2020 are as follows:

	Fair Value		
31 December 2021	Level 1	Level 2	Level 3
Tangible Assets	-	322.617.116	-

	Fair Value		
31 December 2020	Level 1	Level 2	Level 3
Tangible Assets	-	-	-

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9. RIGHT OF USE ASSETS

According to TFRS 16 The Group recognizes right-of-use assets and lease liability at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is measured at its initial cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for remeasurement of the lease liability. Right-of-use assets are measured at cost and subsequent to commencement date of the lease. measured at fair value in accordance with the Group's accounting policies.

The details of the right of use assets and depreciation expenses as of 31 December 2021 and 31 December 2020 are, as follows:

31 December 2021

	Vehicle	Land, Warehouse	Machinery Equipment	Total
Right of use asset- 1 January 2021	2.836.961	17.698.409	4.903.024	25.438.394
Translation Difference	335.657	521.276	-	856.933
Additions	-	15.289.509	1.750.590	17.040.099
Disposals	(207.273)	-	-	(207.273)
Right of use asset - 31 December 2021	**2.965.345**	**33.509.194**	**6.653.614**	**43.128.153**

	Vehicle	Land, Warehouse	Machinery Equipment	Total
Accumulated Depreciation- 1 January 2021	(1.404.936)	(10.001.103)	(3.104.981)	(14.511.020)
Translation Difference	(186.645)	(153.317)	-	(339.962)
Current year depreciation charges	(335.016)	(7.862.533)	(1.860.125)	(10.057.674)
Depreciation effect of disposals	207.273	-	-	207.273
Accumulated Depreciation- 31 December 2021	**(1.719.324)**	**(18.016.953**	**(4.965.106)**	**(24.701.383)**
Right of use asset Net - 31 December 2021	**1.246.021**	**15.492.241**	**1.688.508**	**18.426.770**

31 December 2020

	Vehicle	Land, Warehouse	Machinery Equipment	Total
Right of use asset- 1 January 2020	3.036.033	7.638.012	3.304.500	13.978.545
Translation Difference	15.034	20.584	-	35.618
Additions	-	10.039.813	1.598.524	11.638.337
Disposals	(214.106)	-	-	(214.106)
Right of use asset - 31 December 2020	**2.836.961**	**17.698.409**	**4.903.024**	**25.438.394**

	Vehicle	Land, Warehouse	Machinery Equipment	Total
Accumulated Depreciation- 1 January 2020	(962.919)	(3.604.162)	(1.416.214)	(5.983.295)
Translation Difference	(4.382)	(2.058)	-	(6.440)
Current year depreciation charges	(651.741)	(6.394.883)	(1.688.767)	(8.735.391)
Depreciation effect of disposals	214.106	-	-	214.106
Accumulated Depreciation- 31 December 2020	**(1.404.936)**	**(10.001.103)**	**(3.104.981)**	**(14.511.020)**
Right of use asset Net - 31 December 2020	**1.432.025**	**7.697.306**	**1.798.043**	**10.927.374**

10. INTANGIBLE ASSETS

The movement for intangible assets as of 31 December 2021 is as follows:

	Capitalized Development Expenses	Rights	Construction in progress	Total
Cost				
Opening balance at 1 January 2021	65.055.701	6.392.661	2.995.639	74.444.001
Translation difference	-	7.492	-	7.492
Addition	-	699.922	13.065.762	13.765.683
Transfers from construction in progress	10.658.940	-	(10.658.940)	-
Closing balance as of 31 December 2021	75.714.641	7.100.075	5.402.461	88.217.176
Accumulated Amortization				
Opening balance at 1 January 2021	(39.702.847)	(5.037.813)	-	(44.740.660)
Translation difference	-	(6.405)	-	(6.405)
Charge for the year	(7.413.156)	(969.278)	-	(8.382.434)
Closing balance as of 31 December 2021	(47.116.003)	(6.013.496)	-	(53.129.499)
Carrying value as of 31 December 2021	28.598.638	1.086.579	5.402.461	35.087.678

Construction in progress consists of development projects carried out within the Group. When these projects are completed and an identifiable asset that will provide economic benefits is created, they are classified as intangible assets.

As of 31 December 2021, the amount of the Group's intangible assets that is fully amortised and continues to be used in the business is TL 33.519.612. (31 December 2020: TL 24.884.990).

The movement for intangible assets as of 31 December 2020 is as follows:

	Capitalized Development Expenses	Rights	Construction in progress	Total
Cost				
Opening balance at 1 January 2020	51.162.004	6.000.086	7.032.420	64.194.510
Translation difference	-	154	-	154
Addition	-	392.421	9.856.916	10.249.337
Transfers from construction in progress	13.893.697	-	(13.893.697)	-
Closing balance as of 31 December 2020	65.055.701	6.392.661	2.995.639	74.444.001
Accumulated Amortization				
Opening balance at 1 January 2020	(31.712.078)	(4.408.788)	-	(36.120.866)
Translation difference	-	(148)	-	(148)
Charge for the year	(7.990.769	(628.877)	-	(8.619.646)
Closing balance as of 31 December 2020	(39.702.847)	(5.037.813)	-	(44.740.660)
Carrying value as of 31 December 2020	25.352.854	1.354.848	2.995.639	29.703.341

11. GOODWILL

Goodwill amounting to TL 383.655 arises from the acquisition of Sabcool Ltd on 28 December 2017.

Cost value	2021	2020
Opening balance	383.655	383.655
Closing balance	383.655	383.655

12. GOVERNMENT GRANT AND INCENTIVES

Discounted Corporate Tax

Tax Law numbered 5520 dated 28 February 2009 and Law numbered 5838 was added by 32/A specified scope of the article and the Ministry of Treasury and Economy of the investment incentives derived from investments connected to document earnings partially or completely since the beginning of the accounting period till the contribution amount discount Corporate Tax can be applied.

According to sub-paragraph (b) of the first paragraph of Provisional Article 8 of the Decree on State Aids for Investments No. 2012/3305, dated 15.05.2015; "Under the investment incentive certificates issued for the manufacturing industry on the basis of the present Decree and the previously enacted decrees; the rates of contribution to investment to be applied in respect of the tax rebate support as a part of the regional and strategic incentive implementations for the investment expenditures to be made between 01.01.2017 and 31.12.2022 shall be applied by way of the addition of 15 points to the rate of contribution to investment that is applicable for each region, and the corporate tax or income tax rebate shall be applied by one hundred percent in all regions, and the rate of the amount of contribution to investment applicable for the earnings derived by the investor from the other activities thereof shall be applied by one hundred percent without any further action on the incentive certificate."

The investment incentive certificate No. 135809A, dated 06.03.2018, of the Company, which had been obtained from and issued by the Directorate General of Incentive Implementation and Foreign Investment of the Ministry of Economy of the Republic of Turkey, was revised under the certificate No. 135809B, dated 11.04.2019, and the total amount of investment was increased to TRY 49.000.000 from TRY 33.080.000, and the same was revised under the certificate No. 135809C, dated 14.01.2021, and the total amount of investment was increased to TRY 67.600.000 from TRY 49.000.000.

The tax rebate rate stated on the investment incentive certificate is 70% and the rate of contribution to investment stated thereon is 30%, and the said rates were applied as 100% and 45%, respectively, between 01.01.2018 and 31.12.2020 pursuant to the foregoing legislation. Under the said document, the amount of contribution to investment utilized by the company by way of underpayment of corporate tax was TRY 3.975.216,42 in 2018, TRY 16.321.470,16 in 2019 and TRY 1.753.313,42 in 2020, whereby it zeroed out its entitlement to the amount of contribution to investment, which corresponded to the total amount of investment of TRY 49.000.000. In 2021, the company did not avail itself of corporate tax rebate since it did not incur any investment amount in excess of TRY 49.000.000.

In the event the company incurs investment expenditure in the amount of TRY 18.600.000 in 2022 and/or the following years, it will become entitled to the some TRY 8.370.000 amount of contribution to investment, and thus, it will be entitled to underpay the corporate tax by such amount.

12. GOVERNMENT GRANT AND INCENTIVES (CONTINUED)

R&D Deduction

According to the first paragraph of Article 3 of the Act No. 5746 on Supporting Research, Development and Design Activities; "The entirety of the R&D and innovation expenditures spent at technology center enterprises, R&D centers, and by the foundations, which have been established with public institutions and organizations under the relevant act, code or law or have received funding or borrowed loans for the purpose of the support of R&D projects from international organizations or public institutions and organizations under technology development agreements, or within the R&D and innovation projects supported by international funds, pre-competition cooperation projects, and by those, who benefit from the techno-venture capital supports, and the entirety of the design expenditures, exclusively, spent within the design projects and at the design centers supported by the aforementioned institutions and organizations under the present Act shall be made subject to rebate through the course of the establishment of the corporate earnings according to Article 10 of the Corporate Tax Code No. 5520, enacted on 13.06.2006, and of the commercial earnings pursuant to Article 89 of the Income Tax Code No. 193, enacted on 31.12.1960."
According to the second paragraph of Article 3; "Save for the civil servants; some 95% of the compensation earned by the design and support staff members, who work at technology center enterprises, R&D centers, the R&D and innovation projects supported by the foundations, which have been established with public institutions and organizations under the relevant act, code or law or have received funding or borrowed loans for the purpose of the support of R&D projects from international organizations or public institutions and organizations under technology development agreements, or by international funds or implemented TUBITAK (The Scientific and Technological Research Council of Turkey), at the enterprises, which benefit from the techno-venture capital supports, and in the pre-competition cooperation projects, and who work in the design projects and design centers supported by the aforementioned institutions and organizations under the present Act, and who have PhD, in consideration of the said services, and some 90% of the compensation earned by such staff members, who have, at the least, master's degree in one of the fields of program to be supported, and some 80% of the compensation earned by such staff members other than those, which are mentioned above, shall be canceled by way of rebate from the amount of tax accrued and payable on the basis of the withholding tax return to be filed."
In addition, according to the third paragraph of Article 3; "Save for the civil servants; some half of the employer's share of the social security premium of each of the R&D and support staff members, who work at technology center enterprises, R&D centers, the R&D and innovation projects supported by the foundations, which have been established with public institutions and organizations under the relevant act, code or law or have received funding or borrowed loans for the purpose of the support of R&D projects from international organizations or public institutions and organizations under technology development agreements, or by international funds or implemented TUBITAK (The Scientific and Technological Research Council of Turkey), at the enterprises, which benefit from the techno-venture capital supports, and in the pre-competition cooperation projects, and the staff members, who work in the design projects and design centers supported by the aforementioned institutions and organizations under the present Act, and the staff members, whose compensations are exempt from income tax pursuant to provisional Article 2 of the Act No. 4691 on Technology Development Zones, enacted on 26/6/2001, that is calculated on the basis of the compensation earned by such staff members in consideration of the said services shall be covered from the allowance, which shall be established within the budget of the Ministry of Finance, for a period of 5 years."
The said Act is in effect to be applicable until 31.12.2028 under the phrase amended by Article 21 of the Act No. 7263, and the application filed by the company with the Ministry of Science, Industry and Technology to become an R&D center was examined by the relevant commission, whereupon the company was entitled to be issued R&D Center certificate as of 27.08.2014. The company, thus, benefits from the corporate tax rebate for R&D, income tax withholding incentive and social security support mentioned above.

12. GOVERNMENT GRANT AND INCENTIVES (CONTINUED)

Application of Lump Sum Expense in Exports

According to the first paragraph of Article 40, titled "Deductible Expenses", of the Income Tax Code No. 193; for the purpose of the determination of net earnings, the expenses incurred for the derivation and the maintenance of commercial earnings should be deducted. (The taxpayers, who are engaged in exports and construction, repair, installation and assemblage and transportation activities in abroad may deduct also such expenses that could by calculated thereby as lump sum expenses from their proceeds to be declared for the purpose of the calculation of their income tax base and corporate tax base in consideration of their expenses incurred in relation to such activities in addition to the expenses specified within such paragraph on the condition, however, that the amount of such deductible lump sum expenses should not exceed five thousandths of the proceeds derived from such activities in the relevant foreign currency.)

The company has, on the basis of the provision, which is parenthesized above, deducted some TRY 3.605.768,02, which it calculated as lump sum expense and which does not exceed the five thousandths of the proceeds derived hereby in foreign exchange from exports, from its corporate earnings.

Exports Operations and Other Foreign Exchange Generating Activities

The exports operations and other foreign exchange generating activities, which are carried out in accordance with the principles and procedures determined and specified by the Ministry of Finance and the Undersecretariat of Foreign Trade, are exempt from the stamp duty and applicable fees. Government (state) subvention is paid for supporting participation in trade fairs held in abroad on the basis of the Resolution No. 2004/11, adopted on 16.12.2004, of the Money-Credit and Coordination Council, which was issued on the basis of the Decree for Export-Oriented Government Subventions.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The details of the Group's other short-term provisions as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Warranty provisions (i)	14.930.245	9.735.982
Sales turnover premium and commission provisions(ii)	11.136.083	115.652
Legal provisions (iii)	3.032.158	4.219.374
Other provisions	203.147	1.231.526
	29.301.633	15.302.534

(i) Warranty provisions represents the best estimation of the management for the current value of the outflow of economic benefits regarding the guarantee program of domestic sales of the coolers the Group produces and exports of water dispensers. The provision also includes the supply of spare parts without charge according to agreements with foreign customers that is determined based on the sales actualized at term end.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

(ii) Provisions for sales turnover premiums consist of the sum of the turnover premium amounts that are certain to be realized for some customers of the Group.

(iii) Legal provisions consist of ongoing business and trade lawsuits of the Group. Legal provision is accounted in other operating expenses in statement of profit or loss. Based on the Group management opinion, considering the legal opinion received, the outcome of the lawsuits will not cause a significant loss in addition to the provision recognized as of 31 December 2021.

The details of the movement for warranty provision as of 31 December 2021 and 2020 are as follows:

Warranty provisions	1 January- 31 December 2021	1 January - 31 December 2020
Balance at 1 January	9.735.982	8.576.724
Provision expense, net	3.458.905	1.067.202
Foreign currency translation difference	1.735.358	92.056
Provision at 31 December	14.930.245	9.735.982

The movement table of turnover, premium and commission provisions for the accounting periods ending on 31 December is as follows:

Provisions for sales turnover premium and commission	1 January - 31 December 2021	1 January - 31 December 2020
Balance at 1 January	115.652	522.110
Payments	(115.652)	(522.110)
Additional provision	11.136.083	115.652
Provision at 31 December	11.136.083	115.652

The movement for Lawsuit Provision as of 31 December 2021 and 31 December 2020 are as follows:

Lawsuit provisions	1 January- 31 December 2021	1 January- 31 December 2020
Balance at 1 January	4.219.374	1.591.575
Payments	(2.218.426)	(137.560)
Additional provision	1.031.210	2.765.359
Provision at 31 December	3.032.158	4.219.374

14. COMMITMENTS

Guarantees-Pledge-Mortgage ("GPM")

The Group's GPM position as at 31 December 2021 and 2020 is as follows:

31 December 2021	TL Equivalent	Euro	US Dollar	TL
The Total of GPM That Are Given in the Name of Its Own Legal Personality	1.048.188.085	69.166.213	-	2.816.853
- Guarantees	*1.048.188.085*	*69.166.213*	-	*2.816.853*
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
Total	1.048.188.085	69.166.213	-	2.816.853

31 December 2020	TL Equivalent	Euro	US Dollar	TL
The Total of GPM That Are Given in the Name of Its Own Legal Personality	424.290.227	41.569.290	3.472.342	24.349.494
- Guarantees	*424.290.227*	*41.569.290*	*3.472.342*	*24.349.494*
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
Total	424.290.227	41.569.290	3.472.342	24.349.494

The Total of GPM That Are Received in the Name of Its Own Legal Personality as at 31 December 2021 and 2020 is as follows:

31 December 2021	TL Equivalent	Euro	US Dollar	TL
- Guarantees	16.751.816	568.880	8.950	8.050.000
- Mortgage	1.440.000	-	-	1.440.000
Total	18.191.816	568.880	8.950	9.490.000

31 December 2020	TL Equivalent	Euro	US Dollar	TL
- Guarantees	10.807.780	478.500	-	6.497.500
- Mortgage	1.440.000	-	-	1.440.000
Total	12.247.780	478.500	-	7.937.500

Since the Group does not have other GPM given, its ratio to the total equity is not given.

14. COMMITMENTS (CONTINUED)

Guarantees-Pledge-Mortgage ("GPM") (continued)

The Group's guarantees position as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Eximbank loans (*)	1.037.663.142	389.795.687
Customers	255.000	24.053.136
Suppliers	9.208.089	9.408.470
Custom Offices	182	182
Other	1.061.672	1.032.752
Total contingent liabilities	1.048.188.085	424.290.227

(*) Letter of guarantees given for Eximbank loans are given as collateral for the loans utilized from Eximbank.

15. PROVISIONS OF EMPLOYEE TERMINATION BENEFITS

Payables related to employee benefits

	31 December 2021	31 December 2020
Social security premiums payable	5.401.461	3.175.612
Payables to personnel	7.204.244	5.281.067
	12.605.705	8.456.679

Short-term provisions for employee benefits:

	31 December 2021	31 December 2020
Bonus provisions	11.123.616	3.493.346
Unused vacation provisions	854.487	-
	11.978.103	3.493.346

15. PROVISIONS OF EMPLOYEE TERMINATION BENEFITS (CONTINUED)

Short-term provisions for employee benefits (continued)

As of 31 December 2021 and 31 December 2020, bonus provision movement is as follows;

	2021	2020
Balance at 1 January	3.493.346	2.984.951
Payments	(92.345)	(2.984.951)
Additional provision	7.722.615	3.493.346
Provision at 31 December	11.123.616	3.493.346

As of 31 December 2021 and 31 December 2020, unused vacation provision movement is as follows:

	2021	2020
Balance at 1 January	-	1.000.744
Payments	(3.352.310)	(1.000.744)
Additional provision	4.206.797	-
Provision at 31 December	854.487	-

Long-term provisions for employee benefits

Employee severance indemnity provision liability

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

As of 31 December 2021, payable employee severance indemnity liability has monthly TL 8.284,51 (31 December 2020: TL 7.117,17) ceiling amount. Employee severance indemnity liability is not subject to any kind of funding legally. Provision for employee severance indemnity provision liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of group's liabilities by using actuarial valuation methods under defined benefit plans. In this direction. Actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions as at 31 December 2021, have been calculated with the assumption of 3,04% real discount rate (31 December 2020: 4,44%) calculated by using 18% annual inflation rate and 15,00% discount rate. Voluntary turnover rates are taken into consideration as 6,36% for those working 0-15 years, and 0% for those working for 16 years or more. The severance pay ceiling is revised every six months, and the ceiling amount of TL 8.284,51. As of 31 December 2021, was taken into consideration in the calculation of the Group's provision for severance pay.

15. PROVISIONS OF EMPLOYEE TERMINATION BENEFITS (CONTINUED)

Long-term provisions for employee benefits (continued)

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

As of 31 December 2021 and 31 December 2020, the provision for retirement pay movement is as follows:

	2021	2020
Provision at 1 January	11.766.633	9.534.416
Service Cost	3.382.481	4.229.489
Interest Cost	1.361.358	1.104.225
Payments	(2.106.527)	(3.201.745)
Actuarial difference	4.849.933	100.248
Provision at 31 December	19.253.878	11.766.633

16. OTHER ASSETS AND LIABILITIES

The details of the other current assets as of 31 December 2021 and 2020 are as follows:

Other Current Assets	31 December 2021	31 December 2020
Deferred VAT	71.741.089	19.287.864
Prepaid tax	118.690	46.860
Other current assets	305.101	-
	72.164.880	19.334.724

The details of the other current liabilities as of 31 December 2021 and 2020 are as follows:

Other Short-Term Liabilities	31 December 2021	31 December 2020
VAT Payable	2.346.446	4.966.366
Taxes and funds payable	13.574.932	5.468.321
Other short-term liabilities	136.740	380.853
	16.058.118	10.815.540

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17. SHARE CAPITAL. RESERVES AND OTHER EQUITY ITEMS

a) Share Capital and Share Capital Adjustment Differences

As of 31 December 2021 and 31 December 2020, the share capital held is as follows:

The Group has increased its capital from 39.600.000 TL to 79.200.000 TL by increasing 39.600.000 TL with the General Assembly decision dated 11 June 2021 and the Board of Directors decision dated 6 April 2021.

Shareholders	Share Type	%	31 December 2021	%	31 December 2020
Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.	A	43,4	34.458.095	43,4	17.229.048
Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.	B	8,8	6.930.000	8,8	3.465.000
Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.	C	8,8	6.930.000	8,8	3.465.000
Publicly traded (*)	D	39,0	30.881.905	39.0	15.440.952
Paid capital		100	79.200.000	100	39.600.000
Inflation adjustment differences			980.882		980.882

(*) Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.'s share in the capital structure of the Company is 68,75% when the 7,75% of the shares that are publicly trades is taken into consideration.

At 31 December 2021, the paid-in capital of the Group comprised 7.920.000.000 shares issued TL 0,01 each (31 December 2020: 3.960.000.000). The privileges given to ordinary shares are as follows:

At 31 December 2021 and 2020, registered shares are comprised preferred shares. D type shares are comprised listed shares and shares of real persons. D type shares cannot nominate candidates for the board of directors. 48.318.095 TL of the shares representing the total capital are registered (31 December 2020: 24.159.048) and the remaining 30.881.905 TL are bearer shares. (31 December 2020: 15.440.952)

Board of Directors is composed of six members; one member from candidates nominated by C type shares, one member from candidates nominated by B type shares and four members from candidates nominated by A type shares assigned by General Assembly. A, B and C type shares have fifteen and each share in other type of shares have one voting power. The election principles of the members of the board of directors are explained in Article 10 of the articles of association.

Chairman of Board of Directors summons extraordinary general meeting within seven days upon request of the shareholder having at least 5% of the shares and agenda includes the issues requested by the shareholder. This rate is not mandatory for A. B and C type shares.

At least 51% approval of A, B and C type shares is required on the decisions regarding master agreement or to change the master agreement or to increase or decrease the share capital of the Group or on the decisions regarding the attendance fee of the Board of Directors.

17. SHARE CAPITAL. RESERVES AND OTHER EQUITY ITEMS (CONTINUED)

Dividend

Public companies carry out profit distribution according to Capital Market Board's Profit Distribution Disclosure No II-19.1 effective from 1 February 2014.

Shareholders distribute their profits within the frame of profit distribution policies set by general meeting of shareholders in accordance with legislation provisions. Within the scope of the relevant disclosure, no minimum rate of distribution has been set. Companies distribute dividends in ways designated in their articles of association and profit distribution policies.

In accordance with the resolution No. 16, dated 11.06.2021, of the Shareholders' Assembly of the Group and the resolution No. 17, dated 22.06.2021, of the Board of Directors thereof regarding the the distribution of dividends and capital issue through bonus shares, and pursuant to the Communiqué on Shares (VII-128.1) of the Capital Markets Board, an application for the issue of an opinion of approval of the said transaction was filed with the Capital Markets Board on July 9, 2021. The application was granted under the resolution No. 42/1248, dated 19.08.2021, of the CMB, following which the registration process was completed on August 23, 2021, and dividend distribution in the amount of TRY 5.000.000 was performed.

b) Restricted Reserves

As of 31 December 2021 and 2020, restricted reserves is as follows:

	31 December 2021	31 December 2020
Restricted reserves	11.479.131	11.177.131
	11.479.131	11.177.131

18. REVENUE

The Group handles the goods and services and performs the performance obligations at a certain time.

a) Sales

	1 January-31 December 2021	1 January-31 December 2020
Domestic sales	795.498.608	465.681.342
Export sales	827.067.348	429.337.791
Other sales (*)	153.835.931	117.369.233
Sales deductions and discounts (**)	(41.380.203)	(34.107.634)
	1.735.021.684	978.280.732

(*) Other sales include material, spare part and trade good sales.

(**) Sales deductions and discounts include returns related to sales, discounts, sales commission, turnover premium expenses and reflected transportation expenses.

18. REVENUE (CONTINUED)

b) Cost of Sales

	1 January-31 December 2021	1 January-31 December 2020
Raw materials expenses	(1.049.401.290)	(549.236.565)
Personnel expenses	(131.172.724)	(96.186.616)
Production overheads	(40.085.682)	(21.092.615)
Depreciation and amortization expenses (Note 8,9,10)	(18.035.389)	(15.867.569)
Change in finished goods (Note 6)	66.479.407	26.902.195
Change in work in progress (Note 6)	1.762.339	4.302.473
Other	(191.277.035)	(101.330.485)
	(1.361.730.374)	(752.509.182)

19. EXPENSES BY NATURE

Details of expenses by nature based on function for the year ended 31 December 2021 and 2020 are disclosed in Note 18 and 20.

	1 January-31 December 2021	1 January-31 December 2020
Raw material expenses	(1.049.401.290)	(549.236.565)
Payroll expenses	(189.711.763)	(140.667.537)
Production overheads	(40.085.682)	(21.092.615)
Depreciation and amortization expenses (Note 8,9, 10)	(41.362.839)	(34.345.667)
Transportation expenses	(14.263.289)	(10.044.846)
Warranty expenses	(21.485.049)	(10.403.490)
Rent expenses	(3.016.195)	(1.818.127)
Change in finished goods inventory(Note 6)	66.479.407	26.902.195
Custom expenses	(1.475.348)	(3.256.403)
Consultancy expenses	(5.509.450)	(3.797.440)
Advertising expenses	(3.177.453)	(1.965.557)
Outsourcing expenses	(5.034.394)	(5.335.904)
Travelling expenses	(2.500.491)	(1.191.019)
Installation expenses	(2.040.857)	(2.298.294)
Attendance fee of board of directors	(2.435.564)	(1.821.020)
Representation and hospitality expenses	(1.235.041)	(703.281)
Insurance expenses	(863.572)	(960.989)
Taxes, dues and litigation expenses	(1.818.598)	(999.206)
Training expenses	(228.474)	(157.003)
Packaging expenses	(985.786)	(1.052.085)
Change in work in progress inventory (Note 6)	1.762.339	4.302.473
Other	(199.486.952)	(106.714.793)
	(1.517.876.341)	(866.657.173)

19. EXPENSES BY NATURE (CONTINUED)

Audit Fees

Fees for the services received from the independent auditor/independent audit firm The Group's statement regarding the fees for the services rendered by the independent audit firms, which is prepared by the POA pursuant to the Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles are based on the POA letter dated 19 August 2021 as follows:

	2021	2020
Independent audit fee pertaining to the Reporting Period	200.000	170.300
Fee for other assurance services	-	6.500
	200.000	176.800

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

	1 January- 31 December 2021	1 January- 31 December 2020
General administrative expenses (-)	(46.718.952)	(36.609.317)
Marketing and sales expenses (-)	(101.054.750)	(69.398.321)
Research and development expenses (-)	(8.372.265)	(8.140.353)
	(156.145.967)	(114.147.991)

a) General Administration Expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Payroll expenses	(28.225.204)	(23.215.120)
Consultancy expenses	(5.037.333)	(3.392.997)
Depreciation and amortization expenses (Note 8,9,10)	(2.976.264)	(1.848.869)
Attendance fee of board of directors	(2.435.564)	(1.821.020)
Taxes, dues and litigation expenses	(1.818.598)	(999.206)
Outsource expenses	(1.476.525)	(2.504.064)
Travel expenses	(781.460)	(448.022)
Rent Expenses	(576.816)	(279.945)
Representation and hospitality expenses	(523.853)	(131.827)
Insurance expenses	(521.434)	(196.274)
Training expenses	(133.623)	(103.841)
Other	(2.212.278)	(1.668.132)
	(46.718.952)	(36.609.317)

20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

b) Marketing Expenses

	1 January-	1 January-

	31 December 2021	31 December 2020
Payroll expenses	(30.313.835)	(21.265.801)
Transportation expenses	(14.263.289)	(10.044.846)
Warranty expenses	(21.485.049)	(10.403.490)
Custom expenses	(1.475.348)	(3.256.403)
Depreciation and amortization expenses (Note 8,9,10)	(11.978.921)	(8.488.876)
Rent expenses	(2.439.379)	(1.538.182)
Advertising expenses	(3.177.453)	(1.965.557)
Travel expenses	(1.719.031)	(742.997)
Outsource expenses	(3.557.869)	(2.831.840)
Installation expenses	(2.040.857)	(2.298.294)
Consultancy expenses	(472.117)	(404.443)
Packaging expenses	(985.786)	(1.052.085)
Representation and hospitality expenses	(711.188)	(571.454)
Insurance expenses	(342.138)	(764.715)
Training expenses	(94.851)	(53.162)
Other	(5.997.639)	(3.716.176)
	(101.054.750)	(69.398.321)

c) Research and development expenses

	1 January-31 December 2021	1 January-31 December 2020
Depreciation and amortization expenses (Note 8,9,10)	(8.372.265)	(8.140.353)
	(8.372.265)	(8.140.353)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income and expenses from operating activities for the years ended 31 December 2021 and 31 December 2020 are as follows:

	1 January-31 December 2021	1 January-31 December 2020

Foreign currency gains from operations, net	276.279.035	49.315.130
Income from scrap sales	14.086.662	4.367.749
Income from tax incentives related to R&D	2.799.103	-
Rediscount income / (expense), net	4.925.631	572.761
Other income	10.188.443	3.032.546
	308.278.874	57.288.186

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign currency gains from operations, net	(210.824.454)	(87.137.231)
Provision for doubtful trade receivables (Note 4)	(1.587.447)	(700.660)
Rediscount income / (expense), net	(3.407.149)	(2.031.702)
Provision for legal claims (Note 9)	(1.031.210)	(137.560)
Other expense	(440.239)	(3.103.295)
	(217.290.499)	(93.110.448)

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of other income from investing activities for the years ended 31 December 2021 and 31 December 2020 are as follows:

<u>Income from investing activities</u>

	1 January- 31 December 2021	1 January- 31 December 2020
Increase in value of financial investments (*)	21.033.364	22.512.776
Interest income	32.438.596	22.351.222
- Eurobond interest income	*11.837.139*	*7.655.502*
- Bank deposit interest income	*2.100.279*	*319.143*
- Interest income from related party loans	*18.501.178*	*14.376.577*
Foreign exchange gains related to investing activities, net	33.427.208	29.848.663
Fixed asset sales income	61.426	57.742
	86.960.594	74.770.403

<u>Expenses from investing activities</u>

	1 January- 31 December 2021	1 January- 31 December 2020
Decrease in value of financial investments (*)	(25.940.274)	(5.961.181)
Exchange difference expenses for items related to investment activities	(6.034.126)	(14.776.981)
Fixed asset sales expense	(2.220)	-
	(31.976.620	(20.738.162)

(*)Value increases / decreases of financial investments resulted from the increase / decrease in the shares traded in Eurobond and the stock exchange, which the company owns.

23. FINANCE INCOME AND EXPENSES

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Finance Income

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	541.489.908	333.468.799
Other Finance income	28.357	74.871
	541.518.265	333.543.670

Finance Expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Bank loan interest expenses	(34.273.998)	(28.045.313)
Other interest expenses	(1.056.264)	(3.464.931)
Foreign exchange expenses	(774.187.992)	(360.006.664)
Forward transaction expenses	(24.298.317)	(1.144.510)
Other finance expenses	(8.613.335)	(5.817.634)
	(842.429.906)	(398.479.052)

24. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2021	31 December 2020
Tangible Asset Revaluation and Measurement Gains	189.322.012	-
Loses on Remeasurement of Defined Benefit Plans	(7.685.755)	(3.951.307)
Foreign Currency Translation Differences	77.366.191	12.452.743
Closing balance	259.002.448	8.501.436

Fixed Asset Revaluation	31 December 2021	31 December 2020
Opening balance	-	-
Property, Plant and Equipment Revaluation and Measurement Gains	220.276.571	-
Deferred tax on Property, Plant and Equipment Revaluation	(30.954.559)	-
Closing balance	189.322.012	-

24. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS (CONTINUED)

	1 January - 31 December	1 January - 31 December

Foreign Currency Translation Differences	2021	2020
Opening balance	12.452.743	11.666.363
Foreign exchange translation difference from subsidiaries Operating abroad	64.913.448	786.380
Closing balance	77.366.191	12.452.743

Losses on Remeasurement of Defined Benefit Plans	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance	(3.951.307)	(3.873.114)
Current period	(4.849.933)	(100.248)
Deferred tax related to losses on remeasurement of defined benefit plans	1.115.485	22.055
Closing balance	(7.685.755)	(3.951.307)

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2021	31 December 2020
Current tax liability / (asset)		
Current corporate tax provision	55.889.889	10.407.731
Adjustments recognized in the current period related to previous year's tax (*)	4.646.535	-
Less: Prepaid taxes and funds	(34.894.827)	(7.558.427)
	25.641.597	2.849.304

Income tax recognized in profit or loss

	1 January- 31 December 2021	1 January- 31 December 2020
Current tax expense	(55.889.889)	(10.407.731)
Adjustments recognized in the current period related to previous year's tax (*)	(4.646.535)	-
Deferred tax (expense)/income relating to origination and reversal of temporary differences	19.868.993	(5.917.647)
Total tax (expense)/income	(40.667.431)	(16.325.378)

Deferred tax	1 January- 31 December 2021	1 January- 31 December 2020
Recorded directly in equity:		
- Actuarial gain/(loss)	1.115.485	22.055
- Tax on property, plant and equipment revaluation	(30.954.559)	-
	(29.839.074)	22.055

Corporate Tax

Klimasan is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements have been calculated on a separate-entity basis. In accordance with the legislation, the corporate tax rate applied for 2021 is 25%; temporary tax The rate is 20% in the first temporary tax period and 25% in the following periods.
Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting dividends received from resident companies. Other exempt income and investment incentives utilized.
Metalfrio Poland SP. Z.o.o. operates in Poland and is subject to Polish corporate taxes. The effective tax rate in 2021 is 19% (2020: 19 %).

(*)Adjustments to the previous year's tax accounted for in the current period:
In order to benefit from the provisions of Article 5 of the Law No. 7326 on Restructuring of Certain Receivables and Amending Certain Laws published in the Official Gazette dated 09.06.2021 and numbered 31506, on 30.09.2021, the corporate tax base has been increased for the years 2017, 2019 and 2020. Within the corporate tax base increase, a total of 4,646,535.46 TL was paid in advance to the Manisa Mesir Vergi Dairesi Müdürlüğü on 27.10.2021.

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (CONTINUED)

Corporate Tax (continued)

Metalfrio West Africa and Sabcool are subject to Nigerian corporate taxes. The effective tax rate in 2021 is 30% (2020: 30%).

LLC Metalfrio Solutions operates in Russia and is subject to Russian corporate taxes. The effective tax rate in 2021 is 20% (2020: 20%).

Klimasan North America LLC is subject to corporate tax in the USA. The effective tax rate in 2021 is 21%.

Companies file their tax returns between 1-30 April following the close of the accounting year to which they relate. However, tax authorities may examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Reduced Corporate Tax and State Incentive Implementation

Reduce corporate tax can be applied the income obtained from the investments that subject to the incentive certificate and its scope specified in corporate tax Law no. 5520 dated 28 February 2009 and numbered 32/A which is added with the Law no.5838, until the amount reaches the contribution amount from the accounting period in which the investment is partially or fully operated. . In addition, according to the Decree on State Aids for Investments no. 2012/3305, which was updated with the Council of Ministers Decree No. 2017/9917 published in Official Gazette dated 22/02/2017 and numbered 29987, for the investment expenditures realized between 1/1/2018 and 31/12/2020, the investment contribution rate used in tax reduction incentive has been raised from 30% to 45%. Hence, the corporate tax reduction is applied at a rate of a hundred percent and the rate to be applied to the profits from the investor's other activities in the investment period of the investment contribution of the investor's contribution during the investment period is applied at a rate of a hundred percent.

Deferred Tax

Klimasan recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below:

The tax rate used in the calculation of deferred tax assets and liabilities is 23% for the short term and 20% for the long term over the temporary timing differences that are expected to reverse in 2021 and later..

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (CONTINUED)

As of 31 December 2021 and 2020, items that generate deferred tax assets and liabilities are as follows:

Deferred tax assets / (liabilities):	31 December 2021	31 December 2020
Deferred tax asset arising from investment incentive discount	(30.954.559)	-
Provision for employment termination benefits	3.850.776	2.588.659
Provision for warranty	3.238.908	859.370
Seasonality adjustments and impairment on inventory	2.920.366	1.850.630
Adjustments related to unaccrued finance expense for trade receivables and notes receivables	531.947	575.230
Year-end currency valuation differences	1.969.758	-
Provision for bonuses	2.300.000	550.000
Unused vacation provision	196.532	(72.775)
Adjustments related to litigation	697.396	796.717
Adjustments related to lawsuit provisions	-	-
Adjustments related to the sales commission and rebates	2.561.299	888.252
Valuation differences related to financial investments	2.568.470	(2.738.215)
Depreciation adjustments for tangible assets and amortisation adjustments for intangible assets	(1.908.092)	(1.848.998)
Valuation differences of derivative instruments	1.336.885	(2.872.888)
Adjustments related to unaccrued finance income for trade payables	(531.518)	(240.754)
Adjustments related to provision for doubtful receivables	510.611	66.433
Other	(30.542)	798.285
	(10.741.763)	1.199.946

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25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (CONTINUED)

Reconciliation of tax charge:	1 January- 31 December 2021	1 January- 31 December 2020
Profit before tax	62.206.051	64.898.156
Income tax rate of 25% (2020: 22%)	15.551.513	14.277.594
Tax effects of:		
- revenue is exempt from taxation	(901.442)	(482.816)
- non-deductible expenses	17.823.754	1.522.643
- expenses that are subject to reduced corporate tax within the scope of investment incentives	(1.161.634)	(1.753.313)
- incentives related to research and developments and other reductions	(2.923.754)	(2.128.742)
- increase the tax rate from 22% to 25%	6.237.858	-
- the deferred tax rate as 20%	2.057.775	-
- effect of different tax rates of foreign subsidiaries	289.669	11.369
- current period losses without deferred tax calculated	3.219.553	4.207.486
- other	474.139	671.157
Tax income recognized in profit or loss	40.667.431	16.325.378

Unrecognized deferred tax assets and liabilities

As of 31 December 2021, deferred tax assets amounting to TL 3.219.553, consisting of financial losses amounting to TL 12.878.211 (December 31, 2020: TL 4.207.486), have not been recorded. The deferred tax asset consisting of these items has not been recorded since it is not probable that taxable profits will be realized in the future that will enable the temporary differences to be used.

26. EARNINGS PER SHARE

The computation for the periods ended 31 December 2021 and 2020 is as follows:

Earnings per share	1 January- 31 December 2020	1 January- 31 December 2019
Weighted average number of ordinary shares with a nominal value of TL 0,01	7.920.000.000	3.960.000.000
Net profit for the period	21.925.692	48.705.735
Earnings per share	0,2768	0,6150

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27. DERIVATIVE FINANCIAL INSTRUMENTS

Currency Derivatives:

The Group utilizes derivatives to hedge significant future transactions and cash flows. The Group is a party of foreign currency forward contracts and options based on the foreign currency risk management. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

As of the reporting date, the change in the fair value of the Group's obligations to make forward contracts that are not outstanding is recorded in profit or loss in the period.

	31 December 2021	31 December 2020
Derivative financial assets		
Derivatives not associated with hedge accounting		
Forward contracts	-	13.058.581
	-	13.058.581
Derivative financial liabilities		
Derivatives not associated with hedge accounting		
Forward contracts	5.812.542	-
	5.812.542	-

	31 December 2021	31 December 2020
Derivative assets	-	13.058.581
Derivative liabilities	5.812.542	-
The statement of financial position net amount	5.812.542	13.058.581
Net amount	5.812.542	13.058.581

The forward foreign exchange contracts regarding the foreign currency risks of 31 December 2021 and 2020 are as follows:

Forward Contracts	31 December 2021	31 December 2020
Sales Contract - US Dollar (against Euro)	35.109.000	51.892.600
Sales Contract - Euro (against US Dollar)	-	14.000.000
Purchase Contract - Euro (against US Dollar)	30.000.000	44.000.000
Purchase Contract - US Dollar (against Euro)	-	16.251.200
Sales Contract - US Dollar (against TL)	133.500.000	-
Sales Contract - Euro (against TL)	-	16.189.000
Purchase Contract - US Dollar (against TL)	10.000.000	-
Purchase Contract - Euro (against TL)	-	2.000.000
Sales Contract - US Dollar (against TL)	-	-
Purchase Contract – US Dollar (against TL)	-	-

28. FINANCIAL INSTRUMENTS

Financial Investments

Financial assets at fair value through profit or loss

	31 December 2021	31 December 2020
Financial Assets at Fair Value Through the Statement of Profit or Loss		
Eurobonds	106.531.675	97.248.993
Investment funds (*)	228.814.255	106.783.405
Marketable securities (**)	9.939.660	19.770.734
	345.285.590	223.803.132

The Group invests in various private sector bonds, bonds, mutual funds and stocks in order to evaluate the fund surplus that occurs in certain periods. The Group carries out trading transactions, regardless of the maturity, according to the current market conditions. The current financial investment portfolio consists of assets of 1% Canadian Dollars, 57% Euro, 57% American Dollars and this portfolio is valued at market prices every period and its profit or loss effect is reflected in the consolidated financial statements periodically.

(*) Group's investment funds comprises of Kondor Fund SPC funds.
(**) Group's marketable securities comprises of Nova Royalty Corp and Teekay LNG securities.

Financial Liabilities

	31 December 2021	31 December 2020
Short-term borrowings	264.955.624	100.071.968
Short-term leasing liabilities	12.685.898	8.205.529
Short-term portions of long-term borrowings	801.444.238	206.618.632
Total Short-Term Financial Liabilities	**1.079.085.760**	**314.896.129**
Long-term borrowings	825.035.085	532.021.666
Long-term leasing liabilities	8.167.477	2.414.754
Total Long-Term Financial Liabilities	**833.202.562**	**534.436.420**
TOTAL	**1.912.288.322**	**849.332.549**

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities (continued)

Details of the borrowings are as follows:

Currency type	Weighted average effective interest rate	31 December 2021 Short-term	Long-term
Euro	2,50% - 6,01%	1.066.399.862	825.035.085
		1.066.399.862	825.035.085

Currency type	Weighted average effective interest rate	31 December 2020 Short-term	Long-term
Euro	2,35% - 4,90%	286.690.600	532.021.666
TL	6,95% - 13,90%	20.000.000	-
		306.690.600	532.021.666

Bank loan maturities are as follows:

	31 December 2021	31 December 2020
To be paid within 1 year	1.066.399.862	306.690.600
To be paid between 1-2 years	528.155.769	403.349.434
To be paid between 2-3 years	157.175.830	47.759.372
To be paid between 3-4 years	69.941.487	44.818.267
To be paid between 4-5 years	57.856.314	20.764.955
To be paid in more than 5 years	11.905.685	15.329.638
	1.891.434.947	838.712.266

Group's cash and non-cash loans are guaranteed by Group's ultimate shareholder Metalfrio Solutions Soğutma Sanayi ve Ticaret A.S.

Fair value of the Group's borrowings approximates their carrying amount.

Cash and non-cash changes related to the Group's financing activities are given below. The liabilities arising from financing activities are classified as "cash flows from financing activities" in the consolidated statement of cash flows of the Group.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Liabilities (continued)

	1 January 2021	Financial cash inflows	Financial cash outflows	Non-cash changes: Movements of exchange differences	Non-cash changes: Interest Accrual	31 December 2021
Bank Loans	838.712.266	679.472.364	(364.512.679)	732.046.937	5.716.059	1.891.434.947
	838.712.266	679.472.364	(364.512.679)	732.046.937	5.716.059	1.891.434.947

	1 January 2020	Financial cash inflows	Financial cash outflows	Non-cash changes: Movements of exchange differences	Non-cash changes: Interest Accrual	31 December 2020
Bank Loans	611.659.323	527.107.589	(521.348.643)	221.298.349	(4.352)	838.712.266
	611.659.323	527.107.589	(521.348.643)	221.298.349	(4.352)	838.712.266

Movement table for liabilities from leasing transactions are as follows:

Lease Liabilities	**Klimasan Klima San ve Tic. A.Ş.**	**LLC Metalfrio Solutions**	**Total**
Lease Liabilities 1 January 2021	9.906.880	713.403	10.620.283
Translation Difference	2.683.581	373.839	3.057.420
Addition	17.386.292	137.715	17.524.007
Payments (-)	(11.036.869)	(93.620)	(11.130.490)
Interest Expenses	765.640	16.515	782.155
Lease Liabilities 31 December 2021	**19.705.524**	**1.147.852**	**20.853.375**

Lease Liabilities	**Klimasan Klima San ve Tic. A.Ş.**	**LLC Metalfrio Solutions**	**Total**
Lease Liabilities 1 January 2020	8.013.410	817.650	8.831.060
Translation Difference	-	29.177	29.177
Addition	12.815.648	43.441	12.859.089
Payments (-)	(13.048.946)	(207.333)	(13.256.279)
Interest Expenses	2.126.768	30.468	2.157.236
Lease Liabilities 31 December 2020	**9.906.880**	**713.403**	**10.620.283**

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The cost of capital and any risks associated with each class of capital is evaluated by the Group management. Based on recommendations of the Group management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The general strategy of the Group does not differ from the previous period.

Debt/ Equity ratio is calculated as total borrowings less cash and cash equivalents and financial investments divided by total capital and the Net Debt/Total Equity as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Financial Liabilities	1.912.288.322	849.332.549
Less:		
Cash and Cash Equivalents and Short-term Financial Investments	(924.116.129)	(467.323.503)
Credit Receivables from Related Parties (Note 3)	(518.982.480)	(297.260.700)
Net Debt	469.189.713	84.748.346
Total Equity	608.687.074	341.647.442
Total Share Capital	1.077.876.787	426.395.788
Net Debt / Total Equity Ratio	44%	20%

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including market risk, liquidity risk, currency risk and credit risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, maintains a disciplined and constructive control environment in which all employees understand their roles and obligations.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

When accepting a new customer, the creditworthiness of the customer is evaluated by the relevant departments and appropriate credit limits are defined by getting guarantee when necessary.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate credit guarantee insurance cover is purchased. Additionally, the Group management evaluates the trade payables and financial assets on a customer and asset basis at the end of the period and ensures that the required provisions for the non-collectible amounts are reflected in the financial statements. In this context, the Group management believes that the Group's credit risk has decreased significantly as of the reporting date.

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2021, the Group's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from:

- Book values of financial assets in the consolidated statement of financial position.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

In order to minimize credit risk, the Group has made credit ratings considering the default risks of counterparties and categorized the relevant parties. The Group's current credit risk rating methodology includes the following categories.

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime expected credit losses
Doubtful	Amount is more than 120 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime expected credit losses - not credit impaired
In default	Amount is more than 180 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime expected credit losses - credit impaired
Write-Off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

Details of credit risk by class of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2021	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Financial Investments**
Maximum credit risk as of reporting date (A+B+C+D) (*)	66.577.147	644.020.108	521.573.295	3.988.146	578.800.915	345.285.590
- Portion of maximum risk secured by guarantees etc. (**)	-	11.109.830	-	-	-	-
A. Net carrying value of neither past due nor impaired financial assets	48.646.896	575.442.431	500.575.087	3.988.146	578.800.915	345.285.590
B. Net carrying value of past due but nor impaired financial assets	17.930.251	68.577.677	20.998.208	-	-	-
C. Net carrying value of impaired financial assets						
- Past due (gross carrying value)	-	21.705.589	-	-	-	-
- Impairment (-)	-	(21.705.589)	-	-	-	-
- Net value part secured with collateral	-	-	-	-	-	-
- Undue (gross carrying value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value part secured with collateral	-	-	-	-	-	-
D. Credit risk included off the balance sheet items	-	-	-	-	-	-

(*) Factors enhancing the credibility, such as guarantees received, have not been taken into account in determination of amounts.
(**) Guarantees includes guaranteed notes, guaranteed checks and mortgages from customers.

Details of credit risk by class of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2020	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Financial Investments**
Maximum credit risk as of reporting date (A+B+C+D) (*)	35.523.068	197.207.938	309.246.462	3.586.068	243.493.289	223.803.132
- Portion of maximum risk secured by guarantees etc. (**)	-	8.493.555	-	-	-	-
A. Net carrying value of neither past due nor impaired financial assets	26.068.043	156.281.096	299.153.247	3.586.068	243.493.289	223.803.132
B. Net carrying value of past due but nor impaired financial assets	9.455.025	40.926.842	10.093.215	-	-	-
C. Net carrying value of impaired financial assets						
- Past due (gross carrying value)	-	19.086.570	-	-	-	-
- Impairment (-)	-	(19.086.570)	-	-	-	-
- Net value part secured with collateral	-	-	-	-	-	-
- Undue (gross carrying value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value part secured with collateral	-	-	-	-	-	-
D. Credit risk included off the balance sheet items	-	-	-	-	-	-

(*) Factors enhancing the credibility, such as guarantees received, have not been taken into account in determination of amounts.
(**) Guarantees includes guaranteed notes, guaranteed checks and mortgages from customers.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

The Group's management has tried to manage the credit risk of receivables according to customer-specific credit risk analysis through such methods as advances obtained from customer or work with letter of credit. Furthermore, the Group management follows the delays in collections from its customers by analyzing aging analyses and takes precautions to such kind of delays. The Group provides provision for its receivables having collection problems. Provisions for doubtful receivables are within the prescribed limits when previous experience of the Group in collection from customers is reviewed. Accordingly, the Group does not expect any other risk for its remaining trade receivables.

The details of overdue trade receivables are as follows:

Trade Receivables	31 December 2021	31 December 2020
Past due up to 30 days	37.923.877	22.737.283
Past due 1 - 3 months	20.572.199	10.933.752
Past due 3 - 6 months	13.058.502	14.154.478
Past due 6 - 12 months	11.558.309	2.111.108
Past due 1 - 5 year	12.086.949	445.246
Total past due receivables	**95.199.836**	**50.381.867**
Guaranteed proportion	254.061	3.514

b.2) Liquidity risk management

Liquidity risk occurs generally while funding Group's activities funding and managing Group's position. This risk of includes failing to fund assets at appropriate maturities and rates and a convenient time slice of an asset at a reasonable price and also the risk of failing to dispose of them. The Group is entitled to use banks, dealers and shareholders as source of funds. Group consistently evaluates changes in its funding conditions necessary to achieve the objectives set out within the strategy and evaluate the liquidity risk by monitoring continuously. As of reporting date, the Group can be exposed to the funding risk.

The Group manages its liquidity risk by following its cash flow regularly, keeping continuity of its funding resources by matching the maturity of its liabilities and assets.

Prudent liquidity risk management represents maintaining sufficient cash funds with sufficient credit transactions to close out market positions of resource availability and the ability.

The risk of funding current and future borrowing requirements is managed by sustaining the accessibility of adequate number of high-quality loan supplier.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.2) Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Interests to be paid on these liabilities are included in the table below:

31 December 2021

Contract Terms	Carrying value	Total cash outflows as per the terms of agreement (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	(1.891.434.947)	(1.970.849.353)	(204.975.435)	(875.791.491)	(875.640.561)	(14.441.867)
Lease liabilities	(20.853.375)	(20.853.375)	-	(12.685.898)	(8.167.477)	-
Trade payables	(551.692.990)	(551.316.151)	(163.147.172)	(388.168.979)	-	-
Other payables	-	-	-	-	-	-
Total liabilities	**(2.463.981.312)**	**(2.543.018.879)**	**(368.122.606)**	**(1.276.646.368)**	**(883.808.038)**	**(14.441.867)**
Derivative cash inflows	-	602.310.477	133.500.000	468.810.477	-	-
Derivative cash outflow	(5.812.542)	(604.556.000)	(151.139.000)	(453.417.000)	-	-

31 December 2020

Contract Terms	Carrying value	Total cash outflows as per the terms of agreement (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	(838.712.266)	(872.786.448)	(91.576.941)	(208.141.052)	(554.606.569)	(18.461.886)
Lease liabilities	(10.620.283)	(10.620.283)	-	(8.205.529)	(2.414.754)	-
Trade payables	(223.290.984)	(224.421.210)	(193.174.440)	(31.246.770)	-	-
Other payables	(16.332)	(16.332)	(4.878)	--	(11.454)	-
Total liabilities	**(1.072.639.865)**	**(1.107.844.273)**	**(284.756.259)**	**(247.593.351)**	**(557.032.777)**	**(18.461.886)**
Derivative cash inflows	13.058.581	515.639.534	245.402.534	270.237.000	-	-
Derivative cash outflow	-	(507.028.230)	(241.713.198)	(265.315.032)	-	-

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.3) Market Risk Management

The Group's operations are primarily exposed to changes in foreign exchange and interest rate risks associated with financial market risks encountered as given in the details below. Market risks at the Group level measured by sensitivity analysis.

In current period, there is no change in the Group's exposure to market risk or exposure risk management and assessment when compared to prior period.

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

Klimasan is exposed to the currency risk as a result of foreign currency denominated in assets and liabilities into Turkish Lira. Foreign currency risk from future commercial transactions recorded arises due to the difference between the assets and liabilities. Hence, the exchange rate exposures are managed within the approved policy parameters utilizing forward foreign exchange contracts.

Due to functional currency of Metalfrio Solutions Poland SP. Z.o.o.'s is Euro. West Africa's is Naira. Russia Subsidiaries' are Ruble and Euro, the Group isn't exposed to foreign exchange risk arising from various currency exposures although aforementioned foreign currency assets and liabilities included in risk of foreign currency table.

The carrying amounts of the Group's foreign currency denominated monetary/non-monetary assets and monetary/non-monetary liabilities at the reporting period are as follows:

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

	31 December 2021			
	TL Equivalent (Functional Currency)	**US Dollar**	**Euro**	**Other**
1. Trade Receivables	766.012.610	18.711.906	34.242.188	-
2a. Monetary Financial Assets	968.519.218	21.653.800	44.469.492	858.887
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	17.931.483	58.977	1.136.457	-
4. CURRENT ASSETS	1.752.463.311	40.424.683	79.848.136	858.887
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	467.084.232	-	30.960.000	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	1.606.392	120.519	-	-
8. NON-CURRENT ASSETS	468.690.624	120.519	30.960.000	-
9. TOTAL ASSETS	**2.227.587.475**	**40.545.202**	**110.808.136**	**858.887**
10. Trade Payables	432.619.876	18.775.204	12.025.711	8.814
11. Financial Liabilities	1.081.031.257	-	71.525.633	-
12a. Monetary Other Liabilities	15.717.310	188.637	873.265	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. SHORT-TERM LIABILITIES	1.529.368.443	18.963.841	84.424.608	8.814
14. Trade Payables	-	-	-	-
15. Financial Liabilities	833.202.562	-	55.128.230	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-
17. LONG-TERM LIABILITES	833.202.562	-	55.128.230	-
18. TOTAL LIABILITIES	**2.362.571.005**	**18.963.841**	**139.552.839**	**8.814**
19. Off-balance sheet derivative instruments net asset / liability position (19a-19b)	(16.209.477)	(35.109.000)	30.000.000	-
19a. Off-balance sheet foreign currency derivative assets	452.601.000	-	30.000.000	-
		-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	468.810.477	35.109.000	-	-
20. Net foreign currency assets / liabilities position (9-18+19)	**(151.193.007)**	**(13.527.639)**	**1.255.298**	**850.073**
21. Monetary items net foreign currency assets / liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(160.954.945)	21.401.865	(29.881.159)	850.073

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

	31 December 2020			
	TL Equivalent (Functional Currency)	**US Dollar**	**Euro**	**Other**
1. Trade Receivables	144.318.704	7.871.499	9.606.897	-
2a. Monetary Financial Assets	1.032.423.198	19.865.806	97.729.977	1.091.580
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	11.549.656	877.823	566.835	-
4. CURRENT ASSETS	1.188.291.558	28.615.128	107.903.709	1.091.580
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	**1.188.291.558**	**28.615.128**	**107.903.709**	**1.091.580**
10. Trade Payables	147.624.376	9.582.915	8.579.246	-
11. Financial Liabilities	314.896.129	-	34.957.774	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. SHORT-TERM LIABILITIES	462.520.505	9.582.915	43.537.020	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	514.438.789	-	57.109.736	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-
17. LONG-TERM LIABILITES	514.438.789	-	57.109.736	-
18. TOTAL LIABILITIES	**976.959.294**	**9.582.915**	**100.646.755**	**-**
19. Off-balance sheet derivative instruments net asset / liability position (19a-19b)	(54.570.818)	2.251.200	(7.892.600)	-
19a. Off-balance sheet foreign currency derivative assets	515.639.534	16.251.200 -	44.000.000 -	- -
19b. Off-balance sheet foreign currency derivative liabilities	570.210.352	14.000.000	51.892.600	-
20. Net foreign currency assets / liabilities position (9-18+19)	**(156.761.446)**	**21.283.414**	**(635.647)**	**1.091.580**
21. Monetary items net foreign currency assets / liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(199.782.608)	18.154.390	(26.309.882)	1.091.580

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29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

Sensitivity to currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar, Euro, GBP and Canadian Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar, Euro, Canadian Dollar, Rubles, Naira and GBP against TL. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The analysis further involves external loan and loans used for Group's foreign activities denominated in foreign currencies other than the functional currency of the creditor and borrower. A positive number below indicates an increase in profit or equity.

	31 December 2021	
	Profit / Loss	
	Appreciation of foreign currency by 10%	Devaluation of foreign currency by 10%
1- US Dollar net asset / liability	18.160.765	(18.160.765)
2- Portion from US Dollar hedged (-)	-	-
3- Net effect of US Dollar (1+2)	18.160.765	(18.160.765)
4- Euro net asset / liability	1.514.247	(1.514.247)
5- Portion from Euro hedged (-)	-	-
6- Net effect of Euro (4+5)	1.514.247	(1.514.247)
7-Other net asset/liabilities	(882.297)	882.297
8-Portion from other hedged (-)	-	-
9-Net effect of Other (7+8)	(882.297)	882.297
TOTAL (3 + 6+9)	**18.792.715**	**(18.792.715)**

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

Sensitivity to currency risk (continued)

	31 December 2020	
	Profit / Loss	
	Appreciation of foreign currency by 10%	Devaluation of foreign currency by 10%
1- US Dollar net asset / liability	15.623.090	(15.623.090)
2- Portion from US Dollar hedged (-)	-	-
3- Net effect of US Dollar (1+2)	15.623.090	(15.623.090)
4- Euro net asset / liability	(572.584)	572.584
5- Portion from Euro hedged (-)	-	-
6- Net effect of Euro (4+5)	(572.584)	(572.584)
7-Other net asset/liabilities	625.639	(625.639)
8-Portion from other hedged (-)	-	-
9-Net effect of Other (7+8)	625.639	(625.639)
TOTAL (3+6+9)	**15.676.145**	**(15.676.145)**

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as the entity borrow funds at both fixed and floating interest rates. The Group's interest rate risk management strategy is evaluated on a regular basis in order to be compatible with interest rate expectations and defined risk appetites. Thus, creation of optimal hedging strategy serves the need to review the statement of financial position and to keep interest expense under control against volatile rates.

Interest rate sensitivity analysis

Interest Position Table

		31 December 2021	31 December 2020
	Instruments with Fixed Interest		
Financial Assets	Time deposits with maturities less than three months	10.000.000	-
	Assets at fair value through profit or loss	345.285.590	223.803.132
Financial Liabilities		906.841.203	671.657.308
	Instruments with Variable Interest		
Financial Liabilities		1.005.447.119	177.675.241

If interest rates in all currencies had been 100 basis points higher and all other variables were held constant, the profit before tax for the period ended 31 December 2021 would decrease by TL 14.599.951 (31 December 2019: TL 4.918.670)

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

31 December 2021	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	578.830.539	-	-	578.830.539	31
Financial investments	-	345.285.590	-	345.285.590	28
Trade receivables from third parties	644.020.108	-	-	644.020.108	4
Trade receivables from related parties	66.577.147	-	-	66.577.147	3,4
Other receivables from related parties	521.573.295	-	-	521.573.295	3,5
Other receivables from third parties	3.988.146	-	-	3.988.146	5
Financial derivative instruments	-	-	-	-	27
Financial liabilities					
Financial borrowings	-	-	1.912.288.322	1.912.288.322	28
Trade payables to third parties	-	-	550.383.723	550.383.723	4
Trade payables to related parties	-	-	1.309.267	1.309.267	3,4
Other payables and liabilities (*)	-	-	16.058.118	16.058.118	5,16
Financial derivative instruments		5.812.542	-	5.812.542	27

The Group management considers the carrying amount of financial assets approximate their fair values.

(*) Other payables and liabilities include “Other liabilities to third parties”, “Taxes and Funds Payables” and “Other short-term liabilities”.

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (CONTINUED)

31 December 2020	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	243.520.371	-	-	243.520.371	31
Financial investments	-	223.803.132	-	223.803.132	28
Trade receivables from third parties	197.207.938	-	-	197.207.938	4
Trade receivables from related parties	35.523.068	-	-	35.523.068	3,4
Other receivables from related parties	309.246.462	-	-	309.246.462	3,5
Other receivables from third parties	3.586.068	-	-	3.586.068	5
Financial derivative instruments	-	13.058.581	-	13.058.581	27
Financial liabilities					
Financial borrowings	-	-	849.332.549	849.332.549	28
Trade payables to third parties	-	-	222.914.024	222.914.024	4
Trade payables to related parties	-	-	376.960	376.960	3,4
Other payables and liabilities (*)	-	-	10.831.872	10.831.872	5,16
Financial derivative instruments		-	-	-	27

The Group management considers the carrying amount of financial assets approximate their fair values.

(*) Other payables and liabilities include “Other liabilities to third parties”, “Taxes and Funds Payables” and “Other short-term liabilities”.

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (CONTINUED)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and obligations
- Level 2: Variables obtained directly (via prices) or indirectly (by deriving from prices) which are observable for similar assets and liabilities other than quoted prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

Fair value hierarchy of financial assets and liabilities that are measured at fair value:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial Assets / Financial Liabilities	Fair value		Fair value level
	31 December 2021	**31 December 2020**	
Financial investments	345.285.590	223.803.132	1
Foreign currency forward contracts	5.812.542	13.058.581	2

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30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (CONTINUED)

Other Price Risks

The Group invests in private sector bonds and bills in various countries in order to manage the excess funding that arises in certain periods. The Group performs trading transactions irrespective of maturities according to the current market conditions and the changes in the market price of the securities are reflected in the financial statements periodically. Therefore, the Group is exposed to price risk due to the redemption of the Eurobond issuer or changes in market prices.

In addition, the Group is exposed to principal or interest risk in such circumstances that Eurobond issuer declares bankruptcy or postpones amortization or the coupon payments.

The following table shows the Group's sensitivity to the market price according to 10% increase and decrease probability. The sensitivity analysis only covers the Eurobond portfolio at the end of the reporting period and is subject to a 10% price change, subject to the original foreign currency price at the end of the period. Positive value refers to the increase in profit or loss and other equity items.

	Appreciation of market prices by 10%	Devaluation of market prices by 10%
31 December 2021	10.324.313	(10.324.313)
31 December 2020	9.292.092	(9.292.092)

31. CASH AND CASH EQUIVALENTS

The Group’s cash and cash equivalents as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Cash on hand	24.242	27.082
Cash at banks	578.289.047	237.236.898
Demand deposits		
Time deposit with maturities less than three months	*10.000.000*	-
Demand deposits	*568.289.047*	*237.236.898*
Other cash and cash equivalents	511.868	6.256.391
	578.825.157	243.520.371
Interest accrual related to time deposits	5.382	-
Cash and cash equivalents in the cash flows	578.830.539	243.520.371

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31. CASH AND CASH EQUIVALENTS (CONTINUED)

The Group's time deposits as at 31 December 2021 and 31 December 2020 is as follows:

Currency	Interest Rate (%)	Maturity	31 December 2021
TL	19,00	31 December	1.400.000
TL	19,75	31 December	8.600.000
			10.000.000

Currency	Interest Rate (%)	Maturity	31 December 2020
-	-	-	-
			-

32. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

On February 24, 2022, the Russian Federation launched a military operation against Ukraine. Our subsidiaries residing in the Russian Federation constitute approximately 5% of our consolidated turnover and consolidated assets, and our assessment on the subject is given in Note 2.1.

33. SUBSEQUENT EVENTS

On February 24, 2022, the Russian Federation launched a military operation against Ukraine. Our subsidiaries residing in the Russian Federation constitute approximately 5% of our consolidated sales and consolidated assets and our assessment of the subject matter is included in Note 2.1.

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