

We Are Facing the Sun



Smart 
SOLAR TECHNOLOGIES

Annual Report 2021

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Energetic future ahead with the power of the sun

We started out concentrating on solar energy in 2000s, when the importance of solar energy was not meaningful as today. We believed that the future was in the sun and we headed to follow it like a sunflower. We set out the goal of becoming a successful brand not only nationally but also globally.

Today, we are a leading technology company operating in the field of solar energy system installation and photovoltaic (PV) solar panel production.

The global solar energy market is projected to reach USD 4 trillion by 2030. 1% out of this, or 40 billion US dollars is expected to be generated in our country. With the legal regulation in 2021, Türkiye is heading to a solar future. In this steadily growing industry, we continue our development with the right steps and keep sharing the power with life that we get from the sun.



Where the Sun is, There is the Solution

*We have confidence in every aspect of solar energy. In our Gebze facility, which we have developed with investments, we produce solar panels using multi busbar (Multi-conductor), PERC (Emission surface passivated back layer), half-cut cell (Laser Cut) and bifacial (Double-sided) technologies. In addition to solar panel production with a **value engineering** approach in Türkiye and abroad, we provide project development, site selection, supply of power plant components and turnkey SPP installation services for solar power plants.*

1,200 MW

Production capacity of Gebze facility



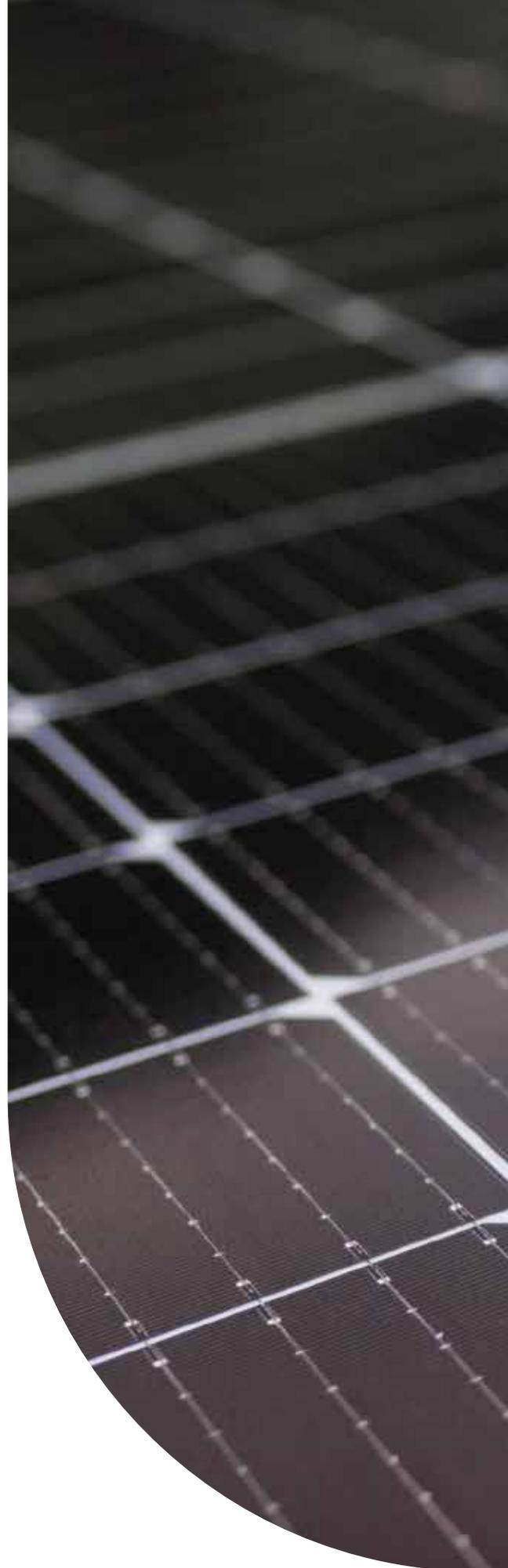


We Strengthened Our Power with the Public Offering

*Our aim gets higher with each sunrise. Therefore we share our passion with the public in 2022. In the public offering, which was realized through the proportional distribution method, we realized **a public offering with 9.5 times the demand** from a total of 101,755 investors. TRY 303,741,440 nominal value of shares were requested. We will continue our profitable and strong growth with the strength and the motivation provided by the high demand from investors.*

TRY 534 million

Public offering volume

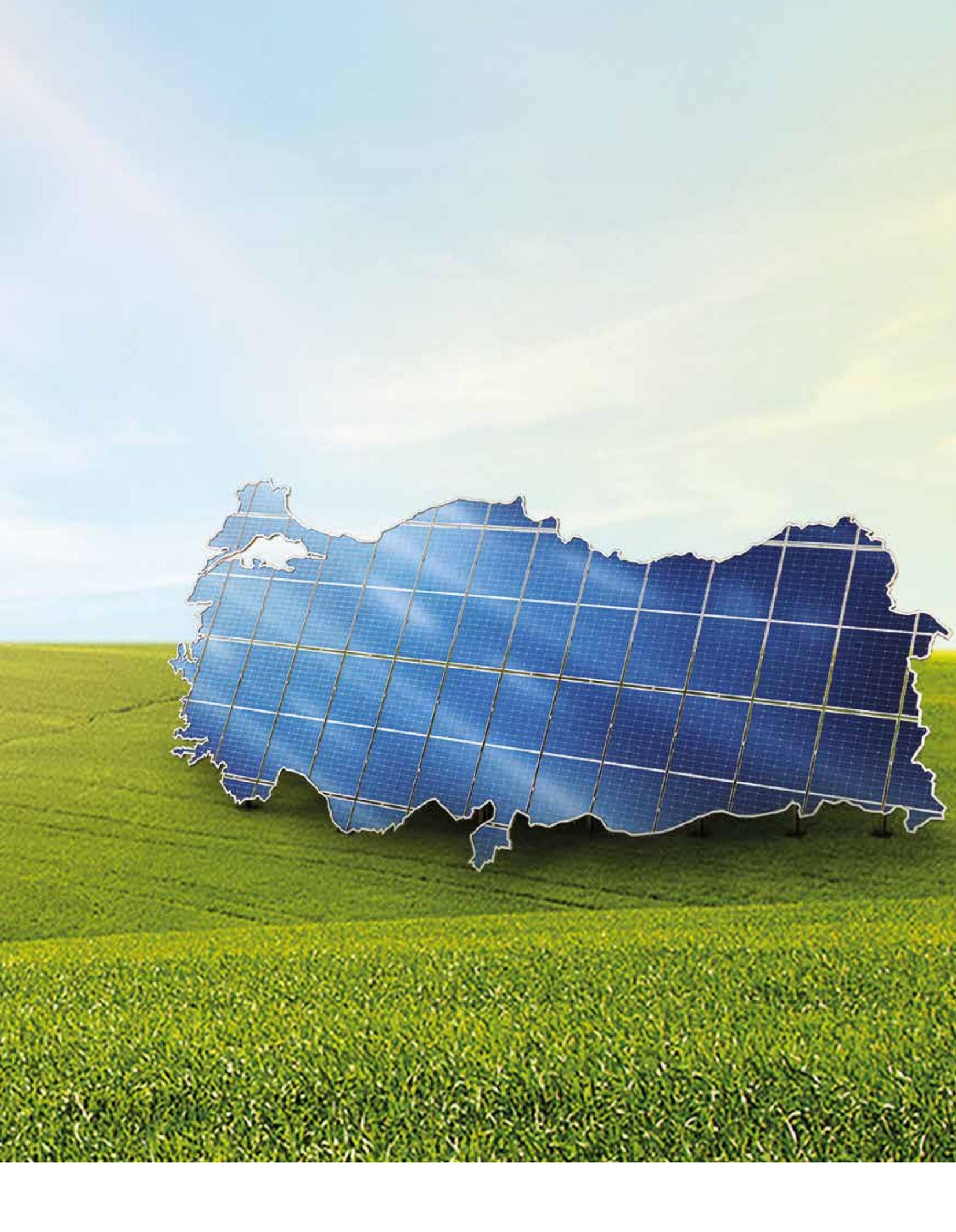




Solar Technology of Our Land

*We invest in R&D to carry our success into the future and beyond borders. We have localized a significant part of our solutions. We are making significant progress towards production entirely with **national resources**. We have been working enthusiastically since the day we started our journey to develop products that are sensitive to the environment and human values, and **to leave a greener world** and clean energy **to future generations** by following technological and R&D-based developments.*





To Much Bigger Goals

*With our structure strengthened by the public offering, we now have **a brighter future** ahead of us. We will focus our investments on cell technology which is the building block of solar panels. We will use a significant portion of the strong funding from the public offering to develop **cell technology** at our Izmir Aliğa facility. In addition to R&D and P&D investments, we plan to allocate resources for technology start-ups that will create synergies with our own activities.*

USD 87 million

Izmir Aliğa investment amount







Smart Solar Technologies

Integrated service competence

Smart Güneş Enerjisi Teknolojileri Araştırma
Geliştirme Üretim San. ve Tic. A.Ş.

11 August 2014

Date of Establishment

540

Employees

**Turnkey SPP
installation
services and
PV module
production**

Main Field of Activity

**Istanbul
Kocaeli**

Activity Region

PV Panel Production

23,500 m²

Facility Area

458,390

*Production Figure at the
End of 2021*

1,200 MW*

Production Capacity in 2021

Turnkey Installation
Activities

22 Projects

210 MWp

*Total Number of Projects
Commissioned Capacity*

6 Projects

79.86 MWp

**Total Installed
Capacity**

Projects in 2021

About Smart Solar Technologies

High-tech investments

Smart Solar Technologies offers a wide range of solar energy solutions to its business partners in two main business lines: turnkey installation services and PV module production.



Smart Solar Technologies focuses mainly on increasing the efficiency of solar cells.

Established in 2014 and headquartered in Istanbul, Smart Güneş Enerjisi Teknolojileri Araştırma Geliştirme Üretim San. ve Tic. A.Ş. (Smart Solar Technologies) offers a wide range of solar energy solutions to commercial and retail business partners in two main business lines: turnkey installation services and PV module production. Smart Solar Technologies, which has become one of the leading companies in Europe in the field of solar energy, which is the energy of today and the future, with its integrated service competence, carries out its activities with its offices in Türkiye, Germany and Ukraine and its production facility established on an area of 23,500 m² in Gebze. As of the end of 2021, the Company has 540 employees and 9 Board Members.

OUR FIELDS OF ACTIVITY

Solar Panel Production and Sales

Smart Solar Technologies reinforced its competitive power by having a vertically integrated system structure with the solar energy panel factory commissioned in Kocaeli, Gebze in 2017. With an annual production capacity of 1,200 MW, the facility has a closed area of 23,500 m² and produces crystalline silicon cell-based high efficiency photovoltaic solar panels for use in land and rooftop solar power plants. Bringing its state-of-the-art solar panels such as Multi Busbar, PERC, Half-Cut Cell and Bifacial to its business partners in Türkiye as well as 9 countries with an approach that always focuses on customer satisfaction, the Company also makes a significant contribution to the national economy with the foreign currency inflow it creates through exports.

540
Employees



Smart Solar Technologies has also started R&D activities following its production investments with innovation at its center. Focusing mainly on increasing the efficiency of solar cells, the Company aims to establish an R&D center to increase the diversity of its projects. Smart Solar Technologies has also started cell investment studies to produce low carbon panels.

Engineering & Project Design

Smart Solar Technologies offers project development, engineering, site selection, balance of plant equipments supply and turnkey solar power plants through its engineering and project design team of 13 people who are experts in their fields and have high industry experience. Smart Solar Technologies adds value to the industry, its stakeholders and Türkiye with its engineering strategy called “value engineering,” which was created with the aim of perfecting the performance, quality and cost triangle.

OUR LOCAL AND GLOBAL MEMBERSHIPS

- Turkish Solar Energy Industry Association (GENSED)
- International Solar Energy Society – Türkiye Section (GÜNDER)
- Solar Energy Investors Association (GÜYAD)
- Foreign Economic Relations Board (DEİK)
- Istanbul Mineral and Metals Exporters’ Association (İMMİB)
- German Solar Association (BSW Solar)
- European-Ukrainian Energy Agency (EUEA)
- PV CYCLE
- Turkish Ukrainian Business Association (TUID)
- EuPD Research
- German-Turkish Chamber of Commerce and Industry
- Kocaeli Chamber of Industry (KSO)
- Istanbul Chamber of Commerce (ITO)
- Solarbaba

Smart Solar Technologies contributes to the reduction of the current account deficit and to the country's economy by making exports and preventing fossil fuel imports.

Smart Solar Technologies Operational Map

Activities in 10 different countries and expansion with the American continent...



Smart Solar Technologies has realized more than 500 projects until today.

Countries We Operate

- Germany
- Türkiye
- Ukraine*
- Austria
- Bulgaria
- Georgia
- Spain
- Italy
- Greece

**The Company's subsidiary in Ukraine has been inactive for 1 year.*

1,200 MW

PV Panel Production Capacity in 2021

136.9 MWp

Installed Capacity of Completed Projects

500+ Projects

Total Project Experience

540

Employees





Germany

Ukraine

Austria

Georgia

Greece

Spain

Italy

Bulgaria

Türkiye

Our Mission, Vision, Principles and Keys to Success

Our Mission

To realize impactful growth in the solar energy industry by differentiating, to ensure continuous corporate development by considering stakeholder values, to support economic development by contributing to domestic production, and to create value for the world with the goal of a green future.

Our Vision

As one of Europe's leading investment and engineering firms in the field of renewable energy, our vision is to create a company culture that will provide the best service to our customers and investors by adhering to value engineering solutions.

Our Principles

As Smart Solar Technologies, we take every step in line with our working principles that guide us, and we walk confidently into the future. We aim to contribute to both our industry and our country with the vision of offering the best to our domestic and foreign customers.

The working principles we have adopted in this direction are as follows:

- 1- We value our partners
- 2- We take responsibility
- 3- We have an innovative perspective
- 4- We work with the desire to develop and learn
- 5- We believe in being a team; we work with experts in their fields
- 6- We adopt high standards in all processes
- 7- We are solution-oriented
- 8- We furnish confidence
- 9- We create value with our value engineering approach
- 10- We act with the awareness that all our steps are steps for good.

Our Keys to Success

Perception of Quality

We consider quality as a whole, and we carry out all our activities from panel production to shipment with our understanding of high standards of quality. Thanks to our understanding of quality, which is an output of our customer satisfaction-oriented approach, we guarantee that our products and services will always meet expectations at the same standards.

Value Engineering

We work with a value engineering approach from production to installation to ensure that all our processes run at optimum efficiency. With this understanding, we reveal our perspective that adds value to the industry by developing an engineering strategy that will perfect the triangle of performance, quality and cost. We create "value" for the future.

Investing for Good

Investing in the sun is to do good to both nature and economy.



Milestones

Step-by-step journey to success

Since 2014, Smart Solar Technologies has been continuing to develop new technologies to benefit from solar energy at full capacity.

2014

- Smart Solar Technologies was established in Istanbul.
- Installation of the first PV power plant in Türkiye was completed.
- The first rooftop project in Romania was realized.

2017

- The solar energy panel factory in Gebze started production with a capacity of 420 MW.
- Installation of the world's 2nd largest Glass-Glass Panel SPP project was completed.

2015

- Project approval with a total capacity of 15MW in Türkiye was obtained.
- Installation of the first CIS glass-glass panel was completed.

2018

- PV panel production capacity was increased to 800 MW.
- Production of Bifacial ve Half-Cut panels started.

2016

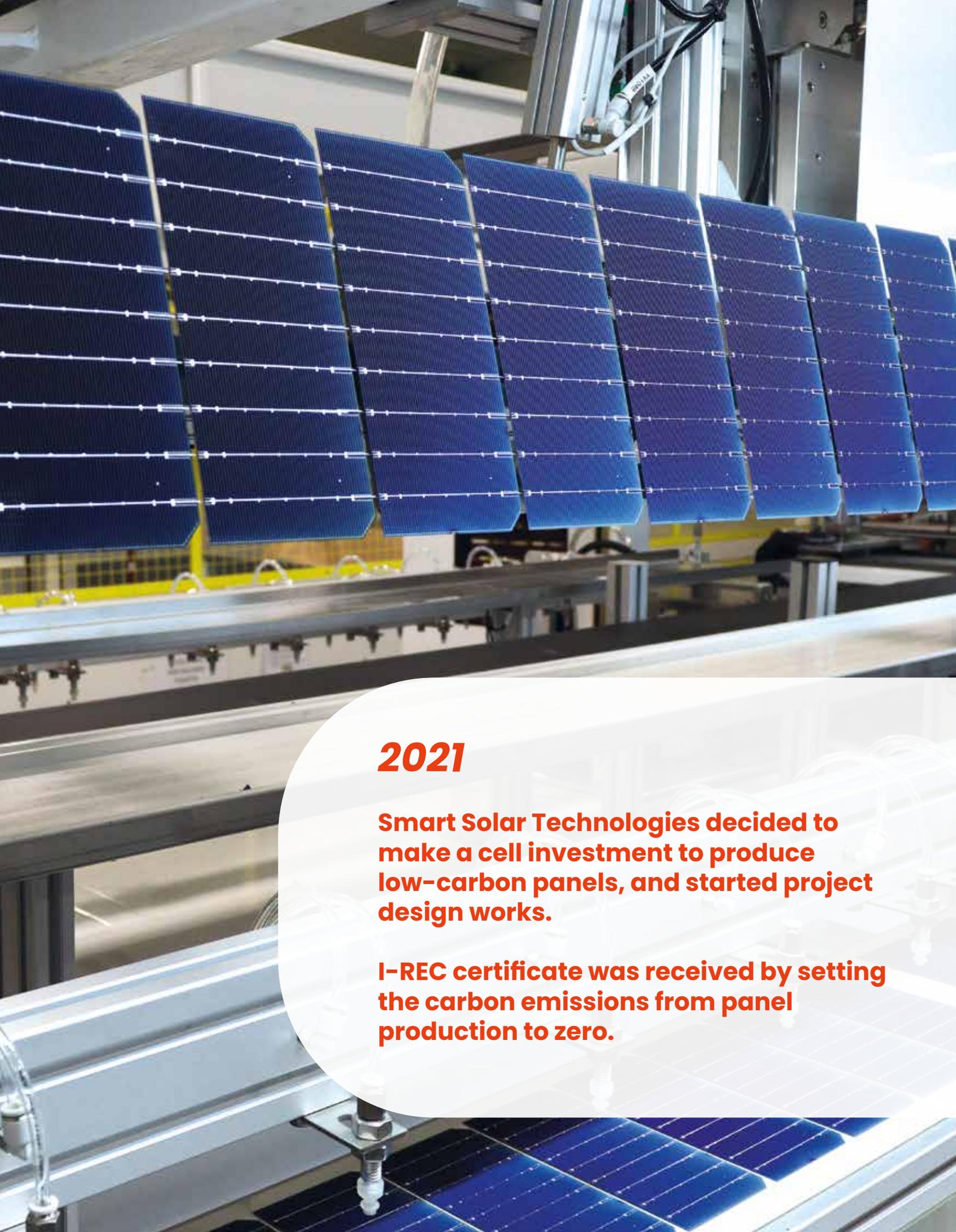
- Smart Solar Technologies started the factory construction on an area of 23,500 m² in Gebze.
- Smart Solar Technologies signed a strategical cooperation agreement with SUMEC Group, one of the leading global companies in solar energy industry for PV cell production.

2019

- Offices in Germany and Ukraine were opened.
- Holding structure was adopted.

2020

- PV panel production capacity was increased to 1,200 MW.



2021

Smart Solar Technologies decided to make a cell investment to produce low-carbon panels, and started project design works.

I-REC certificate was received by setting the carbon emissions from panel production to zero.

Financial and Operational Indicators

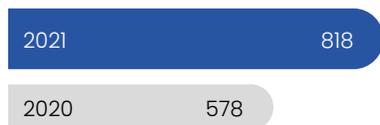
Successful financial and operational results...

Total assets of Smart Solar Technologies reached TRY 818 million in 2021.

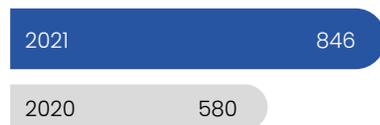
Financial Indicators (TRY Million)	2020	2021
Total Assets	578	818
Net Sales	580	846
Total Equity	74	201
EBITDA	74	160
EBITDA Margin (%)	13%	19%

Operational Indicators	2020	2021
Company Headcount	379	540
Number of Completed Turnkey Projects	42 Unlicensed Projects 1 Licensed Project	115 Unlicensed Projects 1 Licensed Project
PV Panel Production Capacity	1,200 MW Annually	1,200 MW Annually

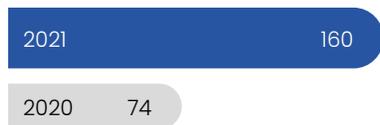
*Total Assets
(TRY Million)*



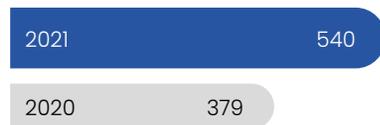
*Net Sales
(TRY Million)*



*EBITDA
(TRY Million)*



*Number of Employees
(People)*





2021 Highlights

Steps towards becoming a global company...

Smart Solar Technologies realized several investments, projects and cooperations.

We aim to improve our ability to provide end-to-end services with new cell investment

Smart Solar Technologies made a decision for a new cell investment to strengthen its vertical integration, gain cost advantage, make production with lower emissions and respond more strongly to new market expectations, and started the necessary works in 2021. Regarding the investment, a pre-application for Super Incentive Mechanism was made to the Turkish Ministry of Industry and Technology, and the Ministry's approval was received. Within this scope, approximately 58,309 m² of land in Aliğa OIZ was allocated to the Company as of November 2021, and the detailed feasibility study for the project design and application processes has been continuing. The next phases of the Company's investment plan are also included in the Project-Based Incentive application. Within this scope, the Company increased its capital to TRY 90,000,000 with the General Assembly decision dated 21.06.2021, which was registered on 29.06.2021 and announced on the Turkish Trade Registry Gazette (TTRG) no. 10359 on 29.06.2021, and to TRY 127,500,000 with the Board of Directors decision no. 2021/24 dated 07.12.2021, which was registered on 10.12.2021 and announced on the TTRG no. 10470 on 10.12.2021. The company does not manufacture cells yet, and it aims to operate in this field as part of the investment planned within the scope of the public offering.

We continue to increase our production capacity with our focus on efficiency

Increasing its PV panel production capacity to 1,200 MWp the previous year despite the pandemic conditions, Smart Solar Technologies also continued its investments to improve its production power and competencies in 2021. The company completed the revisions of the 1st line in 2021, as well as the commissioning process of the line, which started to be established at the end of 2020.

We make a difference with our domestically produced solar panels

Smart Solar Technologies continued its technology and R&D investments with the mission of domestic production, and succeeded in manufacturing the domestically produced panels with 166 mm cells with 450+ W power in Türkiye thanks to these efforts. With these cutting-edge technology and high efficiency solar panels, which have become the main product in the world, 205+ W electricity can be generated per square meter, meaning that all the electricity needs of a house can be met with a 15 m² panel.

127.5
TRY million
Current capital amount

58,309 m²
Aliğa investment area

1,200 MW
Production capacity



Smart Solar Technologies left its mark on EIF World Energy Congress and Fair

At the 14th EIF World Energy Congress and Fair (EIF2021), held in Antalya between 13 and 15 October, Smart Solar Technologies attracted great attention with its new line investments it made in its production facilities in Gebze and the new generation panels it added to its product portfolio. In addition to the new generation solar panels that take efficiency to the next level, the company also had the opportunity to introduce Niks Solar Lighting Systems, the highest efficiency solar lighting product ever produced in Türkiye and Europe, at EIF2021.

6 EPC projects were launched in 2021 with the experience and expertise of Smart Solar Technologies

Smart Solar Technologies accelerated turnkey installation activities, and completed 6 projects with a total installed capacity of 79.86 MWp within the period. The company continues the installation works of 7 projects with a total capacity of 23.20 MWp.

We documented our energy with the I-REC certificate

In August 2021, Smart Solar Technologies was awarded with the International Renewable Energy Certificate (I-REC), which is given to companies certifying that the electricity they use has been produced from renewable energy sources. With this certificate, the company ensured that the eco-friendly standards implemented since its establishment are traceable from the production stage to the end consumer, and set the carbon emission of the PV panel production plant to zero.

Massive cooperation with Şekerbank

Smart Solar Technologies and Şekerbank signed a protocol to contribute to the widespread use of renewable energy by providing financial support to organizations that want to invest in solar energy under convenient conditions. Within the scope of this great cooperation, companies were provided with the financial support needed for their rooftop SPP investments and photovoltaic solar panel purchases under advantageous conditions.

6 projects with a total installed capacity of 79.86 MWp were completed within the period.

Solar Energy Industry in Türkiye and the World

Production at a high level of automation...

According to the PwC Industry Report, the total installed SPP capacity in the world increased from approximately 1 GW in 2000 to 710 GW in 2020.

According to the PwC Industry Report, the total installed SPP capacity in the world increased from approximately 1 GW in 2000 to 710 GW in 2020. China is the leader in installed SPP capacity in the world. China's policies in prioritizing solar energy and its solar panel production capacity make it more advantageous than other countries in this field.

Among other countries, China is followed by the USA, Japan, Germany and India. In terms of regions, a significant portion of the installed SPP capacity is expected to be focused on Asian countries by 2030, with China in the lead.

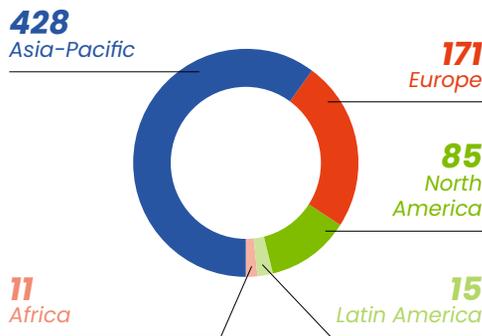
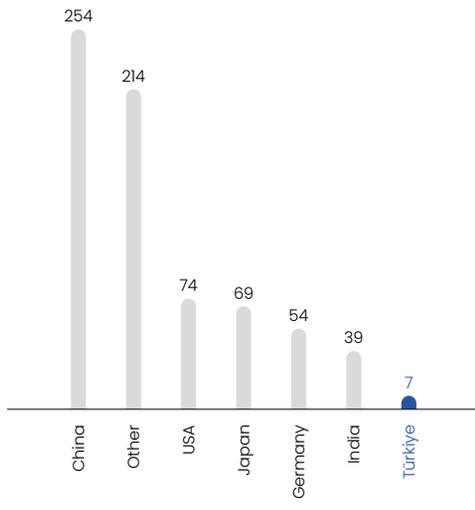
7 GW

Türkiye's total SPP installed capacity

15.7%

Compound growth rate in 5 years

SPP Installed Capacity by Countries and Regions (GW, 2020)



(Source: PwC Industry Report)

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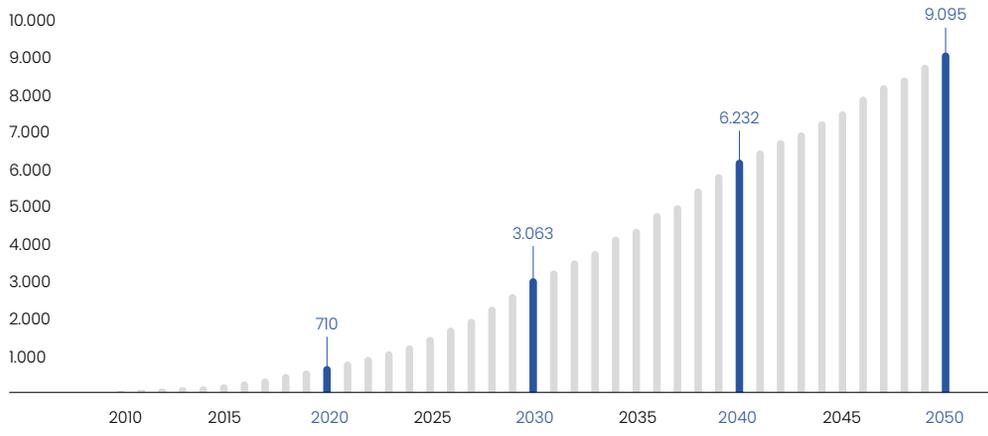
In 2050, the global installed SPP capacity is estimated to be around 9,095 GW. At the same time, in line with the UN's Sustainable Development Goals, installed SPP capacity, which grew at a compound annual growth rate of 15.7% between 2015

and 2020, is projected to have a share between 37% and 47.2% of the global installed electricity capacity by 2050. In addition, renewable energy is expected to have an 86% share in total global energy production in 2050.

9,095 GW
Projected global SPP installed capacity in 2050

86%
Estimated share of renewable energy in 2050

Global SPP Installed Capacity Projection (GW, 2010-2050)



(Source: PwC Industry Report)

Türkiye has a high solar energy potential due to its geographical location. According to the Solar Energy Potential Atlas (GEPA) prepared by the Ministry of Energy and Natural Resources, the

average annual total sunshine duration is 2,741.07 hours and the average annual total radiation value is calculated as 1,527.46 kWh/m². The general potential outlook in GEPA is given below.

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(Source: Ministry of Energy and Natural Resources GEPA)

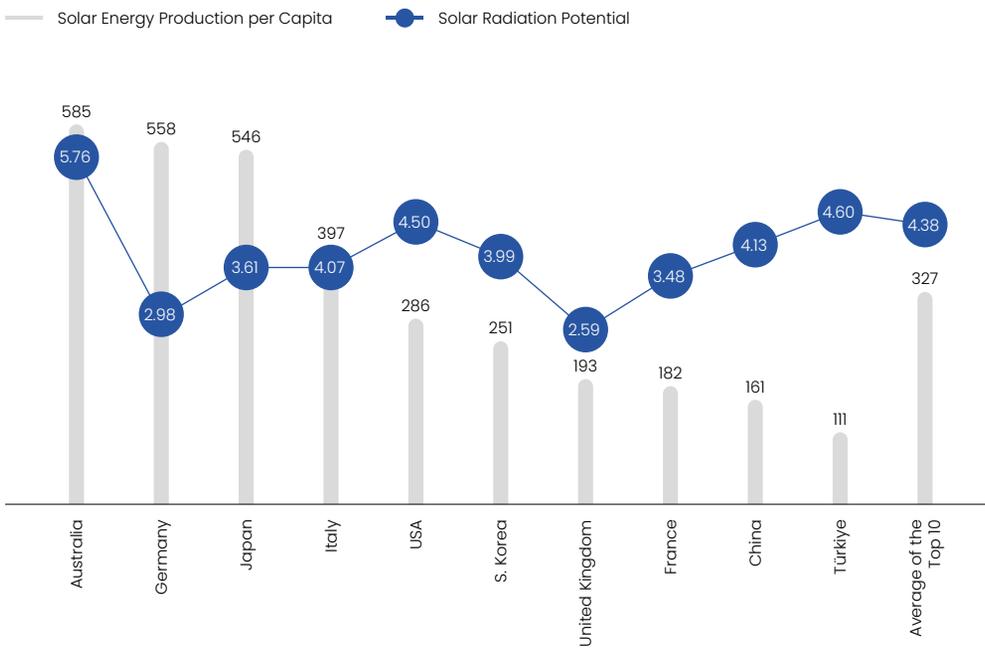
Solar Energy Industry in Türkiye and the World

Türkiye receives more radiation than the USA, China and many European countries, and therefore has a higher solar energy production potential per square meter.

Türkiye has a higher radiation level, therefore higher solar energy production potential compared to many countries. According to the Global Solar Atlas published by the World Bank, regions with high solar energy potential are located between 30°North and 30°South latitudes. As Türkiye is located between the 36° and 42° North Parallels, it receives more radiation than the USA, China and many European countries, and therefore has a

higher solar energy production potential per square meter. When the top ten countries with the highest solar energy production levels per capita among G20 countries are analyzed, it is seen that Türkiye ranks tenth and all countries in the ranking except Australia have lower solar radiation potential than Türkiye. The country's renewable energy transition is expected to be powered by this potential.

G20 Countries with the Highest Solar Energy Production per Capita (Top 10) and Radiation Potential (kWh/person, kWh/m²/day, 2019)



(Source: World Bank)

2,741.07
hours

Sunshine duration in Türkiye

1,527.46
kWh/m²

Average annual radiation value in Türkiye

All G20 countries in the ranking except Australia have lower solar radiation potential than Türkiye.



Türkiye, which ranked 51st in the world solar energy installed capacity ranking in 2010, rose to 16th place in 2020. In parallel with this development, it has risen from 14th place in 2010 to 12th place in 2020 in the ranking of total renewable energy installed capacity. As stated in the 2019-2023 Strategic Plan of the Republic of Türkiye Ministry of Energy and Natural Resources, in order to ensure sustainable energy supply security, it is aimed to increase the ratio of electricity power

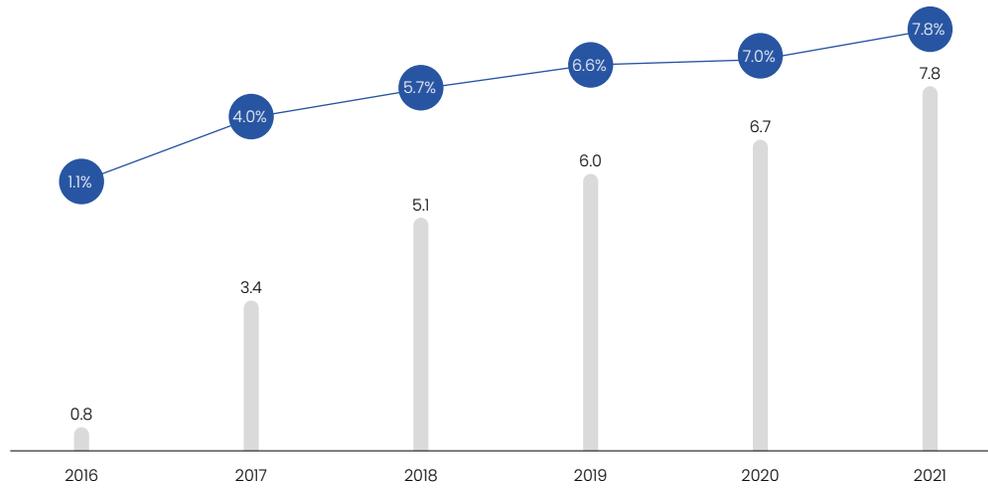
based on domestic and renewable energy resources to total installed capacity to 65%. In addition, the plan envisages reaching a total installed capacity of 10 GW of solar energy by 2023. The International Energy Agency (IEA) predicts that Türkiye's installed renewable energy capacity will increase by more than 26 GW between 2021 and 2026, with nearly half of this increase (12 GW) coming from solar energy.

12th

Türkiye's rank in global renewable energy installed capacity

Development of Türkiye's Solar Energy Installed Capacity (GW)

● Share within the Total



(Source: PwC Industry Report)

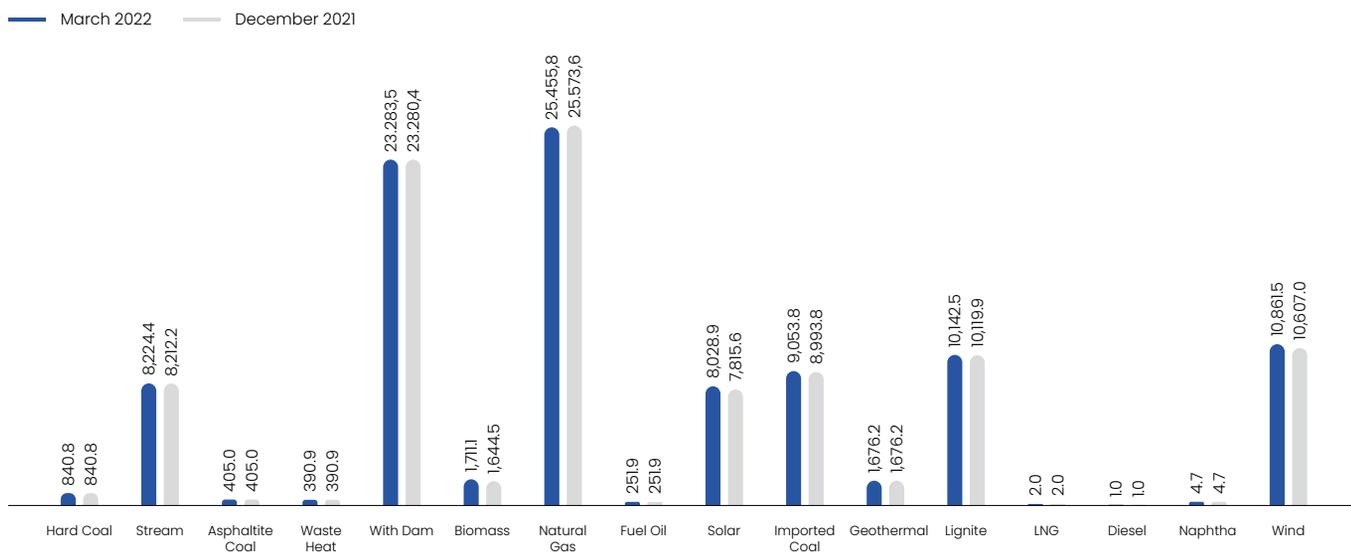
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Solar Energy Industry in Türkiye and the World

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Installed Capacity by Primary Resources (MW) (December 2021-March 2022)





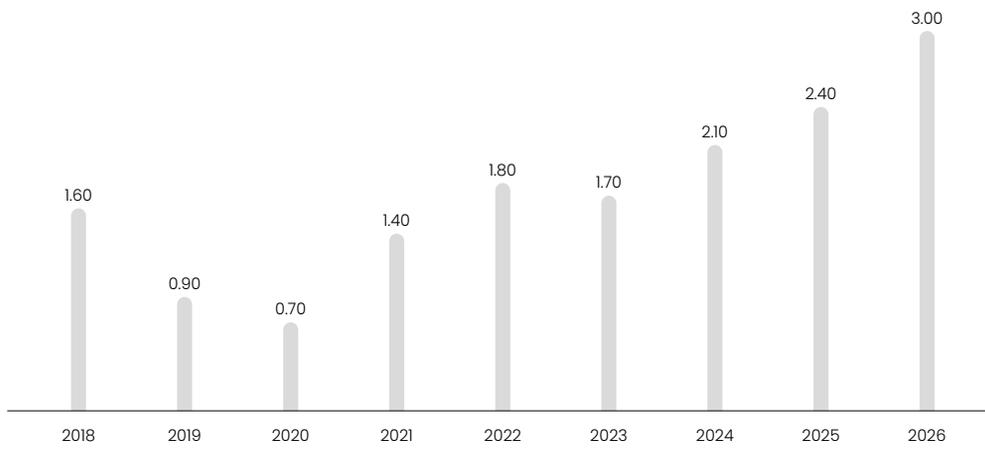
	March 2022	December 2021	Change (MW)	Change (%)
Solar Power Plants (MW)	8,029	7,816	213	2.73%
Total Installed Capacity (MW)	100,334	99,820	514	0.52%
Share of Solar Power Plants (%)	8.00%	7.83%	41.47%	

(Source: TEİAŞ – Head of Load Dispatch Center – Installed Capacity Report)

The installed capacities of solar power plants have been increasing over the years. With a 213 MW capacity increase compared to the end of 2021, the share of SPPPs in Türkiye’s total installed capacity is also on the rise. As of the first three months of 2022, SPPPs have a 41% share in Türkiye’s total installed capacity increase.

Solar energy is expected to make the largest contribution to the increase in installed renewable energy capacity in Türkiye between 2020 and 2026, with wind energy coming in second.

Anticipated Increase of Solar Energy Installed Capacity in Türkiye (GW, 2018-2026)



(Source: PwC Industry Report)

41%

Share of SPP in the increase of installed capacity

With a 213 MW capacity increase compared to the end of 2021, the share of SPPPs in Türkiye’s total installed capacity is on the rise.



Message from the Chairman

Türkiye is facing the sun

In line with our branding and institutionalization vision, we have successfully completed our public offering process.

Distinguished Stakeholders,

The COVID-19 pandemic, which became the center of our lives at the beginning of 2020, revealed that we need to develop new methods at the individual, social and economic level while shifting the established paradigms in all areas of life. Unusual climate events, which we have been witnessing more frequently recently, show that we need to act more hastily in an economic transformation that focuses on clean energy in order to get out of the current multidimensional crisis environment.

Even in this period when we are experiencing one of the historical crises in the global economy, renewable energy sources such as wind and solar panels have increased more than ever in the last 20 years, and global solar energy capacity doubled in 3 years from 2018 to 2021. Electric vehicle sales set new records. A new energy economy has been emerging with the impact of green policies, technological innovations and the fight against climate change. As stated by the International Energy Agency, solar energy production costs have decreased with technological developments in the last 10 years, while the sun has become the cheapest energy source in history.

As pointed out in the International Energy Agency's (IEA) 2021 World Energy Outlook Report, the use of solar and wind as energy sources is getting stronger, while all scenarios related to climate targets predict a rapid decline in coal use.

According to the 2050 Net-Zero Emissions Roadmap prepared by the IEA again, we need to use all possible clean energy sources between today and 2030. In order to reach the net-zero emission target set for 2050, annual clean energy investments worldwide need to reach the level of USD 4 trillion by 2030, reaching more than three times the average rate reached in the last 20 years.

In the case of achieving net-zero emissions by 2050, it indicates an annual average increase of 24% in solar energy

between 2020 and 2030, which means an additional net capacity of 630 GW by 2030. More efforts are needed on the policy on a global scale, public and private stakeholder side for this nearly fivefold increase.

Türkiye takes important steps toward the transition to a green economy

In our opinion, the zero emission target by 2053 and the Green Deal criteria in exports are among the most important agenda items for the upcoming period for Türkiye, which entered a new period in climate policy by signing Paris Agreement in 2021. In this context, "green transition" is an indispensable necessity.

Türkiye focused on the use of domestic resources to fight climate change and reduce the current account deficit recently, and the share of clean energy sources in Türkiye's total electricity installed capacity has exceeded 50%. In this period, the sun was also thoroughly placed at the center of our domestic production efforts in our country with its share in the installed capacity reaching 7.8%. On the other hand, the solar energy industry managed to grow by approximately 20% compared to the previous year, although it was negatively affected by the pandemic conditions just like our entire economy.

At COP26 (The UN Climate Change Conference) held in Scotland, we saw that the world is determined to grow renewable energy. While this field is improving technologically in the world, the sun is the cheapest renewable energy source at this point. As Türkiye, we should see the massive potential that we have and the opportunities that the sun offers to us. What pleases us the most is that our industry grew very quickly in a short time and was agile in domestic production. 60-65% of the equipment used in solar power plant installation is produced in our country now.

7.8%

*Share of solar energy
in Türkiye's total
installed capacity*

50%+

*Share of clean energy
sources in total
electricity installed
capacity*

*The solar energy
industry managed
to grow by
approximately
20% compared to
the previous year,
although it was
negatively affected
by the pandemic
conditions.*

Message from the Chairman

As Smart Solar Technologies, we completed 2021 with strong financial results and determination to accelerate our investments.

We strongly believe that if the solar industry grows Türkiye will grow. With this belief, we think that the investment made in this area should be increased for solar energy usage to increase. New investments undoubtedly need to be supported by opening new capacities. This includes not only the YEKA (Renewable Energy Resource Area) tenders, but also the opening of new renewable capacities for the industrialists to buy cheaper and greener electricity, and the opportunity for the industrialists who cannot install in their region to establish power plants in another region such as Marmara and the Black Sea. Green and cheap energy production will be started with the conversion of these capacities into solar power plant investments by investors. While creating a solution to our country's current account deficit caused by imported, expensive energy, market losses of our industrialists due to the Green Deal in the EU market and the Carbon Border Adjustment Mechanism will also be prevented. For this to happen, it is necessary to support the industry with appropriate loans and incentives in support of the sun and to pave the way for Green Financing mechanisms as in developed countries.

We got stronger during the pandemic challenges

In the static economic environment created by the outbreak, our industry had to deal with many negativities such as raw material price increases parallel to irregularity in raw material supply, and the rise in logistics and commodity prices. As Smart Solar Technologies, we completed 2021 after 2020 with strong financial results and determination to accelerate our investments even in this conjuncture, with the support of our strong financial structure.

Despite the global difficulties experienced by the industry, our investments in technology brought growth. We completed 2021 by reaching almost all of our targets and by realizing our planned investments to a large extent. Despite all the difficulties, we continued production without a break, increased our capacity and offered new products to our industry. 2021 was a year of renewal for us. We restructured our corporate identity. We implemented many innovations to enter 2022 stronger.

In 2021, we continued to invest what we earned from the sun. Despite the pandemic, our tradition of growth continued. We became one of the 100 fastest growing companies in Türkiye in the last 3 years with a growth of 60%, according to the research prepared by the Union of Chambers and Commodity Exchanges of Türkiye. As a result of this momentum we have achieved, we have brought forward some of our investment plans and quickly started to work for the facility in Aliağa, where we will integrate the cell production, the building block of 1,200 MW panels and 1,200 MW solar panels. We will continue to provide

60%
Growth rate
of Smart Solar
Technologies

*2021 was a year of
renewal for us. We
restructured our
corporate identity.*



employment and add value to our country with our activities.

As a company whose power to create value focuses on clean energy, we shape all our operations with the awareness of our responsibilities in the field of sustainability. With this understanding, we were granted the I-REC certificate by setting our carbon emissions from panel production to zero in 2021. Therefore, we increased our claim in the USA and European countries, which are our target markets demanding low-carbon production.

We increased our power to create value with our successful public offering

In March 2022, we saw a development that was a milestone in our corporate history. We successfully completed our public offering process in line with our vision of branding, institutionalization and ultimately becoming a global power in our field of activity. The intensive attention we attracted showed the investors' trust in the brand, financial structure, performance and future of Smart Solar Technologies, while also increasing our excitement and motivation for new investments we will make in the sustainable future of our country and our world. We plan to use the income from the public offering in our production activities and in our strategically important cell investment, which is the building block of this production, in our R&D and P&D studies, and in innovative areas where we can create synergy by integrating it into our work. After taking this important bend, we accelerated our steps towards achieving the annual turnover of billions of dollars, which is the target we set with profitable and healthy growth.

We will continue to work with greater excitement and passion with our responsibility toward the future

We strongly believe that the increase in solar investments in our country will pave the way for stability and development, and will contribute to our energy independence. As Smart Solar Technologies, we will continue our investments to make Türkiye a country that meets its panel needs entirely with its own resources and that exports high-quality panels to America, Europe and many parts of the world. The continuation of the investments we made in our production lines in a difficult period from different aspects is a clear indicator of this vision. As well as our manufacturer identity, we will continue to strive to bring our industry to the place it deserves to be in the world with our solar power plant investments and turnkey engineering services.

In line with these great goals, I would like to thank our customers and all our other stakeholders, especially our colleagues, who are indisputably our greatest assurance.

Best regards,

HALİL DEMİRDAĞ
Chairman

We were granted the I-REC certificate by setting our carbon emissions from panel production to zero in 2021.

After our public offering, we accelerated our steps towards achieving the annual turnover of billions of dollars, which is the target we set with profitable and healthy growth.

Message from the General Manager Responsible for Production Facilities

We continue to work for securing energy independence

We continue to move forward to support our country's energy independence and economic development.

Distinguished Stakeholders,

We are going through a period we realize more how important it is for the future of our country and the world to invest in sustainable energy resources. The increased demand for renewable energy sources become inevitable due to developments such as global supply security and fluctuations in energy prices in 2021.

The awareness of humanity on the unsustainability of fossil fuels, from which we meet a significant part of our energy needs, and on their effects on the environment, have been increasing day by day. In addition, common problems such as energy independence, energy security and current account deficit are other factors that accelerate countries' transition to clean energy. As the cleanest, cheapest and most efficient energy source, the sun comes forward as the most advantageous renewable energy source in terms of both life and the global economy.

According to the International Energy Agency (IEA) 2021 Energy Policy Report, capacity increase of renewable energy reached a record level of 290 GW in 2021, more than half of which was realized by the solar energy industry alone. It is foreseen in the same report that around 95% of the increase in global energy capacity will be provided from renewable energy sources by 2026, and more than half of this capacity increase will be realized by the solar energy industry.

Our country continues to turn its face to the sun more day by day. Today, Türkiye is one of the most growing countries in the world that increasing solar power plant

capacity. In 2021, serious breakthroughs were realized through the green energy fields established in different regions as part of Mini YEKA and through the amendments in the unlicensed electricity regulation. On the other hand, we still have a long way to go, considering that we use very little of our powerful solar potential.

We improved our production competencies and capacity with our investments

As Smart Solar Technologies, we continue to move forward on the road we have boldly set out to support our country's energy independence and economic development. Thanks to our dynamic management approach prepared for different scenarios and our flexible business strategies, we were minimally affected by disruptions in the global supply chain and the operational environment suppressed by inflation. We've increased our production capacity with the machine and equipment investments to meet the demand resulting from the increase of energy prices. We quickly noticed the need created by supply-related disruptions, especially in Europe, and turned towards exports. In addition, we tried to increase the number of our domestic suppliers in order to reduce supply-related risks.

Measures such as emission trading systems and carbon tax also necessitate our exporters to carry out their green transition in a fast and efficient way. As Smart Solar Technologies, we continue to always stand by our industrialists with the high-quality panels we produce and our experience of turnkey SPP installation. We also work to increase their competitiveness in global markets.

1,200 MW
Production capacity

Continuing to turn its face to the sun more day by day, Türkiye is one of the countries that increased most in solar power plant capacity in the world.

We will increase our local content rate with our new cell production facility

In 2021, we made an important move to increase our competitive competencies and accelerate our sustainable growth. We added a new dimension to our production line by initiating works for an investment in cell and panel integrated production. In this context, after the land allocation, environmental assessments and feasibility studies of the facility in Izmir Aliağa, we determined the machinery and technology to be used. With the public offering we realized in 2022, we also accelerated our access to necessary resources for financing the project. In order to reduce the external dependency of our industry, we will continue our initiatives to increase our domestic production rate.

The solar energy business line is among the fastest developing industries in the world as it competes with itself in terms of efficiency, feasibility investments, accessibility of technology at more affordable prices. The main goal of Smart Solar Technologies is to have a sustainable leadership in the market by quickly catching up with the changes in technology. We continue to develop our R&D competencies with our investments in both material and human resources.

This year, as always, sustainability in R&D investments was one of the most important priorities for our Company. 166 mm cells and 450 W panels have become the mainstream in panel production in the global solar energy industry. Despite COVID-19, our company quickly completed its investment to be adapted to the cell size up to 166 mm, and reached the technical capacity to deliver these cutting-edge technology products in the last quarter of 2020. With this change in the market, the efficiency of the panels was significantly increased. As Smart Solar Technologies, we noticed this change early and invested in production lines suitable for 182 mm and 210 mm MBB and big cell. Moreover, we completed the necessary certification work for 400 W halfcut bifacial panels we designed and developed as a result of the P&D studies that we attach great importance to, and added them to our product portfolio. We contributed to the realization of high efficiency power plants by using halfcut bifacial panels and tracker systems. As Smart Solar Technologies, we are working for domestic production in our solar industry and for our country to become a country of sun that can produce its own panels with its own



means and employment power. Our investments continue without slowing down in order to produce high quality panels that can generate energy from the sun in every corner of the world. By increasing our panel efficiency in line with these new investments, we started to produce 450/500 W panels and increased our production capacity to 1,200 MW.

Even though the pandemic has reduced a little bit, we continue to feel its effects. In 2021, we implemented the same rigorous measures to protect the health of our employees and to continue our activities uninterrupted.

In the upcoming period, we will improve our competence to be a company that adds value to the development of technology, and will work keenly on the important responsibilities we undertake in the future of our country. I would like to thank our customers, business partners and all other stakeholders, especially our valuable team in this process. With their valuable support, we will continue to produce projects that make a difference in the industry and walk confidently to the future

Best regards,

HAKAN AKKOÇ
General Manager Responsible for
Production Facilities

Our investments continue without slowing down in order to produce high quality panels that can generate energy from the sun in every corner of the world.

Management Team

BOARD OF DIRECTORS



HALİL DEMİRDAĞ
Chairman

Halil Demirdağ graduated from Boğaziçi University, Department of Industrial Engineering in 1996, and started his professional career as an entrepreneur by carrying out international trade activities on consumer goods during his university education. After his undergraduate education, he continued his professional career (1996-2006) as the founder and CEO of Everest Group Company, a family-owned company.

In April 2009, Halil Demirdağ founded Smart Solar Technologies Energy Investment Company in Sofia to invest in solar energy projects and solar energy technologies. He has led the realization of numerous international solar energy investment projects and the establishment of international partnerships. He has added domestic photovoltaic solar panel production to his activities in the solar energy industry with the investor identity of Smart Solar Technologies and the turnkey installation services he has provided to SPP projects, and has pioneered the establishment of group offices, primarily in Türkiye, as well as in Bulgaria, Romania, Greece, Germany, Switzerland and Ukraine through the strategic partnerships he has established and his innovative investments in the international arena that attracted attention. Halil Demirdağ, who continues to serve as Chairman of the Board of Directors, has advanced level of knowledge of English and Bulgarian.



HAKAN AKKOÇ
**Vice Chairman and General Manager
Responsible for Production Facilities**

He graduated from Istanbul High School in 1990. He received his bachelor's degree in Industrial Engineering from Boğaziçi University, Istanbul in 1996. With the encouragement of his entrepreneurial personality and his interest in global trade, Hakan Akkoç visited Taiwan several times between 1992 and 1994 and established long-term commercial relations with Taiwan for his family company importing automotive spare parts. He started his career in 1996 as the founder and CEO of Autodinamik Ltd (Sofia-Bulgaria), importing and distributing automotive spare parts from a 30 sqm retail store in Sofia, and quickly expanded the company to a new 6,900 sqm warehouse and a regular customer list of 3,000 buyers with 120,000 different products. With the online trade infrastructure, he has increased his cumulative turnover to over 50 million US dollars with his commercial activities extending to mainly Germany, Italy, Spain as well as Brazil and China. In addition to the investment projects in Bulgaria, which he started in May 2007, he has been an investor in different SPP projects with Smart Solar Technologies Group (Sofia-Bulgaria) since April 2009. In 2016, Mr. Akkoç joined Smart Solar Technologies Group and currently serves as Vice Chairman of the Board of Directors and General Manager Responsible for Production Facilities. He has advanced level of knowledge of English, German and Bulgarian.



BORGA KARAGÜLLE
Vice Chairman

He received his Bachelor's degree in International Business Administration from L'université Américaine de Paris in 2000. He started his career at Multimed Group Corporation, a petroleum company, as Assistant Production Manager. Between 2000 and 2004, he worked as International Trade Manager in the same group company. He then joined Renovatio Group as "Business Development Manager" and in 2010 he was transferred to ET Solutions AG/Mel Solar Energy, a company operating in the field of renewable energy. In 2015, he started working as Business Development Manager at Rene Sola, one of the world's largest solar energy companies and listed on the New York Stock Exchange. In 2018, Mr. Karagülle joined the Smart Solar Technologies group and serves as Business Development Director and Board Member and General Manager of Smart Solar Technology GmbH in Germany. He has advanced level of knowledge of English and French.



HAVVA KÖROĞLU
Vice Chairwoman

She graduated from ITU Geological Engineering Department in 2001. Koroğlu started her professional career right after her graduation and worked in sales and foreign trade positions in different industries for many years. In 2015, she decided to continue her professional life in the energy industry with her knowledge and experience. During her years as an entrepreneur, she contributed to many projects and increased her knowledge and experience in the field of solar energy. She is a member of various professional and social networks, foundations and associations. She serves as Vice Chairwoman of the Board of Directors within the company and is fluent in English. She is married and has two children.



İHSAN ŞAFK BALTA
Board Member

He graduated from Istanbul University, Faculty of Law in 1989. He completed his legal internship at the Istanbul Bar Association and is a self-employed lawyer registered at the Istanbul Bar Association. Between 2002 and 2017, he worked as the manager of legal departments in the banking and finance industry. He served as a member of the Board of Directors of financial and real industry companies operating in Türkiye and abroad. He is a member of various professional and social networks, foundations and associations. İhsan Şafak Balta has been a member of the Company's Board of Directors as well as a legal advisor since 2019.



FİLİZ AVŞAR AKTAŞ
Board Member

She graduated from Marmara University, Department of Business Administration in 2003. Starting her career in the international logistics industry, she worked as a specialist, manager and director respectively in the leading companies of the industry between 2004 - 2011. She worked as Operations Manager in the project for the establishment of the first Ro-Ro line between Egypt and Türkiye in order to develop trade between the two countries, and made significant contributions to the realization of the project which was financed by an international fund. Between 2011 and 2015, she worked as a project coordinator in clustering projects carried out by Ministry of Economy. She was involved in conducting market research and organizing activities to enhance exports to target markets in order to increase the sustainable exports of member companies from various industries within the Istanbul Mineral and Metals Exporters' Associations. She was selected as the Best Project Manager by the Turkish Ministry of Economy for the projects that she has carried out within this scope, and the project that she conducted for the US market was among the Best Practice Examples of the Ministry. She has been working as the General Secretary of the Company as of 2019 and has advanced English language skills.

Management Team



PROF. DR. MUSTAFA KEMAL YILMAZ Independent Board Member

He graduated from Galatasaray High School in 1985 and received his Bachelor's degree from Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration in English in 1990. In 1993, he completed Marmara University, Finance-Accounting Master's Program in English. Between 1991 and 1994, he worked as a specialist at the T.R. Prime Ministry Undersecretariat of Treasury, General Directorate of Banking and Foreign Exchange. In 1994, he started working at the Istanbul Stock Exchange. He received his PhD degree from Marmara University, Institute of Banking and Insurance, Department of Banking in 1998 and his Associate Professor degree from the Department of Finance-Accounting in 2004. He worked as a specialist at the Istanbul Stock Exchange Futures Market between 1994 and 2005, at the Risk Management Department between 2006 and 2007, and as a Principal Private Secretary between 2007 and 2011. He served as a representative of the Islamic Development Bank at the Tehran Metal Exchange and the Iran Agricultural Commodity Exchange between November-December 2006, and as a consultant to the Capital Markets industry Council of the Union of Chambers and Commodity Exchanges of Türkiye between 2007 and 2013. Yılmaz served as Deputy General Manager of Borsa Istanbul between 2012 and 2016, Board Member of Takasbank between 2012 and 2013, Vice Chairman of the Board of Directors of Enerji Piyasaları İşletme A.Ş. between 2015 and 2016, and Board Member of MKK (Central Registry Agency) between 2013 and 2016. Working as a faculty member and Dean of the Faculty of Management Sciences at İbn-i Haldun University, with the title of Professor since 2017. He is married and has 2 children. He joined the Smart Solar Technologies as an Independent Board Member in 2020.



TUNCAY KAMIL GÜÇLÜ Independent Board Member

He received his bachelor's and master's degrees in Computer Engineering from Işık University and his PhD degree in Electronic Engineering from the same university. Kamil Güçlü completed his master's thesis in the field of software quality with Selahattin Kuru, Head of Computer Software Department at Boğaziçi University, and started to work in the company he founded as an entrepreneur by doing European Union 5th and 6th Framework investment projects. In 2002, he started working as Information Technologies Manager at Evgin Yatırım Menkul Değerler and became one of the first companies to implement the Ex-Api system which allows "direct orders" in Istanbul Stock Exchange. Afterwards, he worked as CIO for Delta Petrol and Gulf Fuel Distribution companies for four years. Güçlü continued his career as International Sales Director at Semper and carried out many projects as a Microsoft and Oracle partner. Güçlü joined Oracle in 2009 as Sales Director for Software, Hardware Development Partners and Start-ups in Central Asia, Türkiye and Russia and later added the Middle East and Africa regions under his responsibilities. Güçlü worked from Dubai and San Francisco offices after Istanbul and ultimately managed sales and pre-sales technical teams in 128 countries in the EMEA region. In 2019, he was appointed as the Senator representing Silicon Valley, United States of America in G20, World Business Angel Investors (WBAF) and continues his career as an angel investor. Güçlü is an investor in many start-ups in the USA, Sweden and Türkiye and is the co-founder of Adastec and Igor Elektronik Para ve Ödeme Hizmetleri A.Ş. Güçlü, who is also an investor in Laska Energy, REPG Energy and Batron Energy, joined Smart Solar Technologies as an Independent Board Member in 2020.



HÜLYA KURT Independent Board Member

She graduated from Hacettepe University, Department of Chemical Engineering in 1988. In 1997, she completed the Business Administration Certificate program at Marmara University and she received her Executive MBA from Koç University in 2000. She started her career as an R&D and Project Engineer at Eczacıbaşı Vitra Ceramic Company in 1989. In 1995, she started to work as a Project Engineer Specialist in the Engineering Department of Industrial Development Bank of Türkiye (TSKB) and after working in different positions, she continued as a Manager in charge of the department as of 2008. She also served as the Bank's Environment and Sustainability Coordinator between 2006 and 2016. In 2011, she led the establishment of a sustainability consultancy firm, Escarus -TSKB Sürdürülebilirlik Danışmanlığı A.Ş., within TSKB. Between 2011 and 2015, Kurt served as TSKB Engineering Manager and TSKB Sustainability Coordinator, as well as Executive Vice Chairwoman of Escarus Board of Directors, and was appointed as General Manager for Escarus in 2016. Between 2009 and 2016, she chaired the Working Group on the Role of the Finance industry in Sustainable Development of the Banks Association of Türkiye and led the preparation of the Sustainability Guidelines project for the banking industry. In addition to being a member of TÜSİAD Finance Working Group and BIST Sustainability Platform, she also served as the Sustainability Advisor of TSKB Green Bond project. Kurt also coordinated the Türkiye's Sustainable Development Goals Project which was realized on behalf of the Ministry of Development. She has experience in the fields of climate change, sustainable development governance, climate change finance, green economy, energy and energy transition.

SENIOR MANAGEMENT



MURAT MERT
Deputy General Manager Responsible for EPC

He completed his high school education at Vehbi Koç High School in 1999 and graduated from 9 Eylül University, Department of Mechanical-Painting-Construction in 2002 and Eastern Mediterranean University, Department of Mechanical Engineering in 2006. He worked as a Field Engineer at a 2,000 MW Combined Cycle Power Plant in the United Arab Emirates between 2008 and 2010, and he joined Alstom Power Company between 2010 and 2016 as a Supervisor and Site Manager for various hydroelectric power plants, respectively, before assuming the position of Service Project Manager responsible for the MENAT region. In 2016, he worked as Project Manager responsible for the installation of wind power plants at EUM, a Danish company. Between 2016-2020, he worked as Country Manager and Projects Director at Semi Energy FZCO, developing, managing and operating a collection of projects in Africa and the Middle East totaling around €700 million. He also set up the entire organization of the Company's energy division. As of 2021, he has been serving as the Deputy General Manager of the EPC Division of the Company, reporting directly to the Chairman of the Board of Directors.



OSMAN ŞAHİN
Director Responsible for Sales and Channel Management

He graduated from Yıldız Technical University, Faculty of Engineering, Department of Electrical Engineering in 1990. In 1992, he completed the International Management Program in English at Istanbul University. Between 1992 and 1994, he worked as a sales engineer at Telemecanique. Between 1994-1995, he completed his military service as a reserve officer. Between 1995 and 2010, he worked in various positions including Mid-Level Management at Schneider Electric in the Sales, Marketing, Services and International Projects departments. Between 2010-2021, he worked as Country Deputy General Manager and Central Asia Sales Director in the Central Asia organization of Schneider Electric based in Baku, Azerbaijan. He participated in many training programs in Türkiye and abroad. Most recently, he completed the Inspiring Leaders for Development Program at Singapore Management University in 2015. He is currently working as Director of Sales and Channel Management at the Company and is married with 1 child.



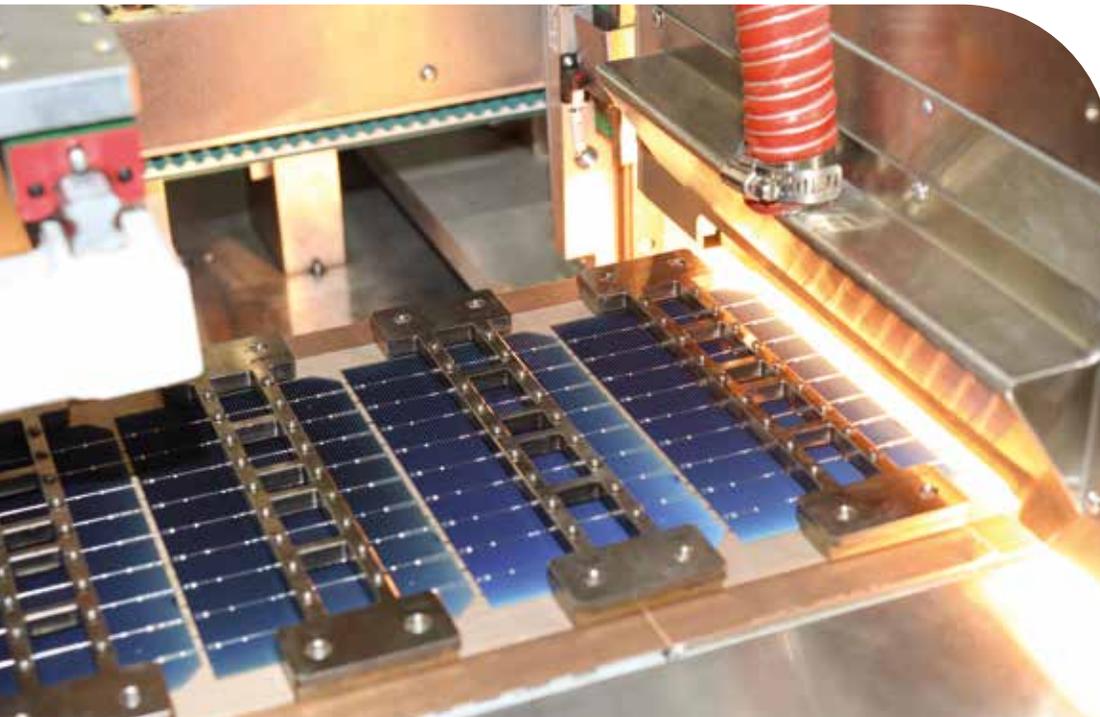
DR. PAPTAYA CEYLAN SÖZBİR
Deputy General Manager Responsible for R&D and Innovation

She graduated from Pertevniyal Anatolian High School in 2002 and from Yeditepe University, Faculty of Arts and Sciences, Department of Physics in 2007. During her time at the university, she studied in the field of spectroscopy and published three papers by the time she graduated. In 2013, she completed her PhD at Bowling Green State University, Center for Photochemical Science. During her PhD, she studied electron transfer dynamics affecting the efficiency of solar cells and published 6 papers. She worked as a Project Manager at 3B Telecom Services Ltd. Şti. between 2013 and 2014, and as a consultant at Enerlab Enerji ve İletişim Hizmetleri A.Ş. between 2014 and 2015. She started his career as an R&D Specialist at Smart Solar Research and Development Industry and Trade Ltd. Şti in 2015, and worked as R&D Manager under the roof of the Company, which is a group company, in 2018. Since 2021, she has been working as R&D Director within the Company. She is married and has 1 child.

PV Panel Production and Sales

Production at a high level of automation...

Despite the pandemic, the total number of lines of the Smart Solar Technologies PV panel production factory reached 4 and the production capacity reached 1,200 MW.



In August 2017, Smart Solar Technologies PV panel production factory located in Gebze Organized Industrial Zone, Tembelova, which started production with 2 lines and 420 MW/year initial capacity, entered the industry with the investment on the most modern machinery. With the new line investments made over time, the total number of lines has reached 4 and the production capacity has reached 1,200 MW. With its 23,500 m² production area, 426 blue-collar and 114 white-collar employees and 95% automation rate, it is one of the leading factories in the industry in Türkiye.

Considering that large surface area and bifacial cells are increasingly preferred today, the Company has made its investments accordingly. In the factory where 3 lines have G1, 2 lines have M6 and 1 line has M10 and M12 processing capacity, G1 and M6 HC standard and bifacial panels are mainly produced.

23,500 m²
Production area

95%
Automation rate

With its 426 blue-collar and 114 white-collar employees, Smart Solar Technologies PV panel production factory is one of the leading factories in the industry in Türkiye.

Smart Solar Technologies completed the commissioning process of the laser cutting integrated 4th line suitable for HC M6 MBB production, which it started to install in 2020 and completed the revisions of the 1st line suitable for FC G1 production and increased its HC M6 MBB production capacity to 1,200 MW despite the COVID-19 pandemic that started to be impactful in the previous year, the problems in raw material supply and the hikes in prices.

Smart Solar Technologies, which has EPC and investments other than panel production in its field of activity, understands both investors and EPC companies, knows that field performance depends on quality and optimization, and keeps panel production at optimum

quality level as if the end user was itself. Its expertise in the field of EPC also contributes significantly to the Company's ability to develop PV panel solutions.

In addition, the Company adopts the principle of creating added value in order to provide the best service to its customers and the industry. For this reason, in order to transfer added value to its end customers, it cooperates with intermediaries such as main distributors, dealers, implementers, EPC companies that meet its operating criteria. Through these intermediaries, it offers PV panels, inverters, solar cables, solar batteries, solar lighting, home charging units and construction system products to its end customers to be utilized in SPP, rooftop SPP or residential applications.

Smart Solar Technologies keeps panel production at optimum quality level as if the end user was itself.

The Company's current product portfolio is as follows:

Type of Cell Used in the Panel	Cell Size (mm)	Cell Technology	Number of Cells Used in the Panel	Panel Power (W)
Full Cell (with Dual Glass)	156.75	(M2) Monoperc-5BB	60	305-320
Full Cell	156.75	(M2) Monoperc-5BB	60	295-310
Full Cell	156.75	(M2) Monoperc-5BB	72	370-390
Full Cell (with Dual Glass)	156.75	(M2) Monoperc-5BB	72	365-385
Full Cell	158.75	(G1) Monoperc-5BB	60	320- 340
Full Cell	158.75	(G1) Monoperc -5BB	72	390- 410
Full Cell	158.75	(G1) Monoperc -5BB	72	390- 410
Half-Cut Cell	158.75	(G1) Monoperc -5BB	120	325- 345
Half-Cut Cell	158.75	(G1) Monoperc -5BB	144	395- 415
Half-Cut Cell	158.75	(G1) Monoperc Bifacial-5BB	120	325- 345
Half-Cut Cell	158.75	(G1) Monoperc Bifacial -5BB	144	395- 410
Half-Cut Cell	166	(M6) Monoperc-9BB	120	360- 380
Half-Cut Cell	166	(M6) Monoperc -9BB	144	435- 455
Half-Cut Cell	166	(M6) Monoperc Bifacial -9BB	120	360- 380
Half-Cut Cell	166	(M6) Monoperc Bifacial -9BB	144	435- 455
Half-Cut Cell	182	(M10) Monoperc-10BB	120	435- 455
Half-Cut Cell	182	(M10) Monoperc -10BB	144	530- 550

PV Panel Production and Sales

Smart Solar Technologies adopts the principle of creating added value in order to provide the best service to its customers and the industry.

The Company manufactures and exports a variety and different types of solar photovoltaic panels in alignment with different standards used. The 450 W half-cut, bifacial product group accounts for the Company's sales in 2021.

Quality & Control

Smart Solar Technologies gives great attention and importance to quality in raw materials control, production process control and product shipment control; and promises its customers a 25 to 30-year warranty for the products it produces. Throughout production, every step from cleaning to maintenance is scrutinized to minimize chronic errors; and the power class and external visuals of the products are checked repeatedly. As an indication of its quality approach, the Company performs daily in-house tests such as gel content testing, which many factories outsource.

With the intensification of both HC and MBB production in 2021, new quality control processes were put in place and investments were made in quality control equipment such as microscopes and peel testers. In addition, with a process quality control team of 60 people, consisting of 53 blue-collar workers and 7 white-collar workers, 3 of whom are engineers, there are control processes including IQC, IPQC and OQC from raw material entry to the output of the final product. In 2021, 3 more main control centers were commissioned.

Packaging

Panels produced by Smart Solar Technologies are packaged specifically according to the quantity and frame type and in a robust and durable way against adverse weather conditions. The registration of the products in the system with serial numbers provides great convenience for the packaging process.

Thanks to the standardized double box system, which creates an advantage during field installation, the risk of products tipping over is eliminated even in difficult field conditions. In terms of packaging, attention is paid to factors such as protecting the edges of the frame with the necessary protectors, using separators during the packaging of the products, reinforcing the boxes by drawing a circle around the boxes and covering the boxes with stretch film.

The Company started power and current classification in 2021 which provides to reach the optimum installation for the customers on-site.

25-30
years

Product guarantee periods

In 2021, new quality control processes were put in place and investments were made in quality control equipment such as microscopes and peel testers.



Logistics

Supply Logistics

It includes the procurement process which ensures the uninterrupted entry of materials from the supplier to the factory storage or warehousing as well as customs clearance activities, domestic and international transportation.

Distribution Logistics

The panels produced in the factory are delivered to the customers. The most basic ones are storage, packaging, insurance and transport organization.

The transportation of all products to be exhibited to customers within the scope of domestic and international fairs, seminars, etc. organizations is also organized by Smart Solar Technologies.

After-Sales Support

Shipment Process

Smart Solar Technologies acts according to the shipment schedule agreed upon with its customers. Based on the project information, project details are shared with necessary units on the production and logistics side during the shipment process, which starts with the preparation of the relevant dispatch order, and proceed in a coordinated manner. From the beginning of the project, shipment from the factory is carried out by taking into account the climatic conditions and geographical conditions of the fields or roofs to be installed domestically or abroad.

During the 2021 period, the infrastructure and trainings required for the transition to Micro ERP were completed, while the After Sales Support team was strengthened with new hires.

*The panels produced
in the factory are
delivered to the
customers.*

PV Panel Production and Sales

Smart Solar Technologies focuses on unconditional customer satisfaction through the collaborative efforts of its quality and production teams.

Order Tracking and Control

Smart Solar Technologies takes care to meet the specific demands of its customers quickly. Before the products are delivered to the customer based on the work order issued for production or product withdrawal from stock; attention is paid to factors such as order control, label control, quality control, quantity/power control and address control. By using the special barcode system with QR code, the Company can easily track all products sent from the factory and share all the information requested by its customers according to date and other specific features.

Customer Satisfaction

Smart Solar Technologies responds to customers' complaints regarding order and quality with a focus on unconditional customer satisfaction through the collaborative efforts of its quality and production teams.

Even after the delivery of the orders, Smart Solar Technologies continues its communication and relations with its customers about the factors that meet the warranty coverage. Smart Solar Technologies follows all the necessary processes for customer satisfaction after product delivery and performs the necessary checks and assessments by sending its employees to project visits.

60 people
Process quality
control team

Smart Solar
Technologies takes
care to meet the
specific demands
of its customers
quickly.





Smart Solar Technologies is the solution partner of commercial and retail users with turnkey installation services.

Turnkey Installation Activities and Projects

Mission to add value in the service process

Turnkey installation of solar power plants is carried out with the mission of adding value to customers and Türkiye.



13 people
EPC Engineering
Team

One of Smart Solar Technologies' main fields of activity with the mission of adding value to its customers and our country is the turnkey installation of solar power plants (SPP). The Company is the solution partner of commercial and retail users with turnkey installation services provided with a value engineering approach that focuses on optimum process efficiency. The main scope of its activities in this field includes project development, engineering, site selection consultancy, supply of power plant equipments and turnkey SPP installation services.

As of the end of 2021, Smart Solar Technologies works in coordination with customers, equipment suppliers, private and public officials and manufacturers in order to meet the expectations and system requirements of customers with an EPC team of 31 people.

Project development, engineering, site selection consultancy, supply of power plant components and turnkey SPP installation services constitute the basis of activities.

Engineering

It covers the engineering design services of Smart Solar Technologies for domestic and international projects. In order to meet the expectations of its customers, the company designs according to the needs of each project in full compliance with the relevant country standards in all disciplines (construction, mechanical, electrical works). Within the scope of engineering services, the Company provides services to its existing customer portfolio in processes such as solar power plant design with a value engineering approach, selection of the appropriate technology, module placement, selection of the appropriate inverter, remote monitoring and SCADA infrastructure of the plant, calculation of the net energy amount that the solar power plant will provide to the grid after all losses with internationally accepted simulation programs based on NASA meteorology data of the last 20 years.

Smart Solar Technologies' engineering services include examining SPP projects on demand in order to increase the production capacity of existing SPPs operating in the industry, determining their panel renewal and plant component reinforcement requirements, and providing engineering, project design and implementation services in this direction.

Within the scope of these engineering services, the Company also provides maintenance and repair services to ensure that solar power plants remain in active operation and achieve the expected production values with maximum performance, as well as to increase the longevity of the power plant and shorten the return-on-investment period. In this context, the Company provides the following maintenance and repair services:

- SPP Failure Response
- Quick Spare Parts Supply
- SPP Technical Service
- Protective and Preventive Maintenance Activities
- Performance Tracking with Remote Monitoring
- Reporting
- Mechanical and Electrical Periodic Controls
- Solar Panel and Field Cleaning

Site Selection Consultancy

The Company also provides support for its customers in site selection for solar power plant projects. Solar potential, soil structure (topography), shading situation, pollution and dusting of the site, the relationship of the site with the EPT (Electric Power Transmission), the suitability of weather conditions and the availability of transportation routes are examined for site selection. Subsequently, the site layout is designed by the Company at the optimum efficiency level and production simulation is created using software such as PVsyst (a software system that offers solutions for solar PV systems and where photovoltaic systems are designed).

Power Plant Components Supply

With its experience in the industry and well-established supplier relationships, Smart Solar Technologies provides the necessary products, technology components and services under the most competitive conditions in all the projects it works on. It also provides consultancy services for the necessary logistics organizations. The company follows the world's leading fairs, technology institutes and test laboratories for all system components and thus gains competence in solar panel technologies, inverters, transformers, low-loss electrical systems with the most efficient cabling. In addition to the solar panels produced by the Company, the main equipment constituting the power plant components that the Company supplies to its customers are as follows:

- Inverter
- MV Cell and Concrete Kiosk
- Transformer
- Load-bearing Construction
- Cable
- Electrical Panel
- Grounding and Lightning Protection Materials
- Cable Carrier Systems
- Environmental Security and Protection Systems
- SCADA and Monitoring Systems
- Weather Monitoring Stations
- EPT Materials

1,200 MW
Production Capacity
of Gebze Facility

3

Main control centers
commissioned in 2021

Smart Solar
Technologies
provides the
necessary products,
technology
components and
services under the
most competitive
conditions in all the
projects it works on.

Turnkey Installation Activities and Projects

Smart Solar Technologies is active in the fields of project development, engineering services, EPC, BOT and BOO across the world.

Turnkey SPP Installation Service

The main application areas of Smart Solar Technologies, which offers turnkey SPP installation services to its customers, are as follows;

- Large-scale commercial field projects (over 10 MW power)
- Medium-scale commercial and self-consumption-based field projects (under 10 MW power),
- Large- and medium-scale commercial and self-consumption rooftop projects (over 1 MW power),
- Medium-scale off-grid/Micro grid projects (less than 1 MW power),
- Hybrid projects integrated with photovoltaic (Energy production projects where solar energy is used together with facilities producing energy from sources other than solar energy)
- Floating SPP projects.

In the light of the experience gained to date, the Company operates in the fields of project development, engineering services, EPC (Engineering-Procurement-Construction), BOT (Build-Operate-Transfer) and BOO (Build-Own-Operate) all over the world.

The turnkey SPP installation service process starts with a technical and financial feasibility study and includes site selection, power plant construction, project approval and acceptance procedures, EPT project design and installation, testing and commissioning, substation and distribution center design and installation.

In 2021, Smart Solar Technologies completed 6 EPC projects with a total installed capacity of 79.86 MWp, bringing the number of projects it has realized since its establishment to 22 and the capacity it has put into operation to 210 MWp. During the reporting period, the Company was involved in Türkiye's largest licensed turnkey installation projects. As of the end of 2021, the installation works of 7 projects with a capacity of 23.20 MWp are ongoing. Van-Arisu 55.54 MWm/45 MWe project was accepted by the Ministry and the SPP plant was commissioned.

79.86
MWp

*Installed capacity of
projects completed
in 2021*

*Smart Solar
Technologies
increased the
number of realized
projects to 22 and
the commissioned
capacity to 210 MWp.*



PROJECTS OF SMART SOLAR TECHNOLOGIES

Project Name	Country	Region	Capacity (kWp)	Start Date	Completion Date	Total Revenue	Type of Project*
Emmiler PV Power Station	Türkiye	Kayseri	1,161	October 2017	December 2017	USD 1,136,871.00	EPC
EFMC PV Power Station	Türkiye	Kayseri	1,134	October 2017	December 2017	USD 1,110,432.00	EPC
Siverek	Türkiye	Şanlıurfa	18,205	January 2018	December 2018	USD 18,375,000.00	EPC
Solhan PV Power Station	Türkiye	Bingöl	22,642	May 2018	6 MW in June 2019; 14 MW in October 2019	USD 21,537,298.00	EPC
Yağunca PV Power Station	Türkiye	Şanlıurfa	2,219	December 2018	December 2018	USD 2,430,000.00	EPC
Yaytaş PV Power Station	Türkiye	Diyarbakır	13,960	9 MW completed in August 2018,	9 MW in February 2019; 2 MW in March 2020, 1 MW in January 2021	USD 11,886,569.00	EPC
Solar Tarım PV Power Station	Türkiye	Elazığ	1,190	November 2018	March 2019	USD 939,500.00	EPC
Elbeğendi PV Power Station	Türkiye	Şanlıurfa	6,880	November 2018	December 2020	USD 6,829,271.63	EPC
Topek PV Power Station	Türkiye	Tokat	1,119	November 2018	September 2019	TRY 4,486,793.98	EPC
Slobidka PV Power Station	Ukraine	Khmelnitsky	11,035	November 2018	September 2019	EUR 8,503,998.77	EPC
PTT Rooftop Power Station	Türkiye	Istanbul	569	May 2019	October 2019	USD 341,555.13	EPC
Mardin Licensed PV Power Station	Türkiye	Mardin	10,794	June 2019	January 2020	USD 9,498,720.00	EPC
Kilis Yavuzlu PV Power Station	Türkiye	Kilis	3,450	September 2019	October 2019	USD 2,138,925.60	EPC
Kilis Çakallıpınar PV Power Station	Türkiye	Kilis	2,300	July 2019	October 2019	USD 1,900,000.00	EPC
Antalya Korkuteli Şems PV Power Station	Türkiye	Antalya	9,750	March 2021	Ongoing	USD 8,700,000.00	EPC / BOO
Gündoğmuş PV Power Station	Türkiye	Antalya	1,198	December 2019	Ongoing	USD 750,000.00	EPC
Dnipro PV Power Station	Ukraine	Dnipro	8,400	November 2019	July 2020	USD 6,225,511.00	EPC
Istanbul Technical University Maslak Branch	Türkiye	Istanbul	13	November 2019	March 2020	EUR 11,550.00	EPC
Tuzluca PV Power Station	Türkiye	Şanlıurfa	14,440	February 2020	2.2 MW December 2019- 12.2 MW December 2020	USD 14,555,237.00	EPC / BOO
Oğlaklı 10 MW	Türkiye	Diyarbakır	12,350	August 2020	September 2021	USD 8,480,452.00	EPC
Güleçoba 8 MW	Türkiye	Diyarbakır	9,980	August 2020	April 2022	USD 8,404,000.00	EPC / BOO
Akfel 18 MW	Türkiye	Niğde, Adıyaman	20,700	February 2020	November 2020	USD 12,199,397.98	EPC
Gün Güneş 55 MW	Türkiye	Van	55,54	August 2020	Completed in December 2021	USD 32,109,199.19	EPC
KFC Gıda 0.316 MW	Türkiye	İzmir	316	April 2020	December 2020	EUR 140,000.00	EPC
ÇINAR - AS / RS/ MT HELYA	Türkiye	Diyarbakır	2,356	May 2021	Completed in December 2021/July 2022(MT)	USD 2,300,000.00	EPC / BOO
ÇINAR - MZ/ NT / GS / MS / BİRTEK	Türkiye	Diyarbakır	7,068	May 2021	Ongoing	USD 6,900,000.00	EPC / BOO
Ovdiopol 1MW	Ukraine	Ovdiopol	995,02	January 2021	Completed in December 2021	EUR 512.533,27	EPC / BOO
Polar Gıda 240 kWe	Türkiye	Konya	288	April 2021	March 2022	EUR 120,000.00	EPC
Taş-Pa Ges 240 kWe	Türkiye	Van	320.4	April 2021	January 2022	EUR 134,000.00	EPC
Baltech	Türkiye	Istanbul	19.58	September 2021	May 2022	EUR 17.775,00	EPC
Batman, Özoğul, En Plastik	Türkiye	Batman	902.88	March 2021	November 2021	EUR 355,000.00	EPC

* BOO: Build-Own-Operate

EPC: Engineering, Procurement and Construction

Turnkey Installation Activities and Projects

Smart Solar Technologies also provides operation and maintenance services for the power plants it installs.

Operation and Maintenance

Knowing that operation and maintenance activities are of high importance for the efficiency of power plants, Smart Solar Technologies also provides insurance, operation and maintenance services in line with the customers' request in the power plants where it carries out construction and installation processes. Smart Solar Technologies gives performance guarantees to its customers in the most effective ways with long-lasting and effective equipment, periodical maintenance, panel cleaning, 7/24 online energy production monitoring, on-time default analysis, all kind of operation and maintenance services with professional experts.

The following services are offered: 24/7 online production monitoring of power plants whose construction has been completed and transitioned to the operation period and reporting to the relevant units on a daily basis, intervention by our teams located in the regions within 24 to 48 hours for breakdowns and maintenance operations, technical repairs for the solution of the problem, procurement and demand for materials if necessary, showing effort to prevent production losses, making insurance compensation claims in case of breakdowns and production loss, and ensuring file follow-up.

Smart Solar Technologies also provides Operation and Maintenance Services for the SPPP's which are given EPC services. As of the end of 2021, total operation and maintenance capacity exceeding 200 MW was reached. The company carries out all kinds of operation, maintenance

and operation services such as periodic maintenance, panel cleaning, online production tracking, instant problem analysis and solution for long-lasting, effective products selected from the beginning with professional field teams available in regional offices. Within the scope of operation and maintenance services;

- The production of the power plants, the construction of which is completed and transitioned to operation period, is monitored online and reported to the relevant units on a daily basis.
- In case of breakdowns and maintenance operations, the regional team intervenes within 48 hours and provides technical repairs as well as material supply and demand, if necessary, to solve the problem.
- Monthly production comparison reports are prepared for the Company's own power plants and efforts are made to minimize production losses.
- In case of breakdown and production loss, insurance claims are made and files are followed up.

Procurement

The selection and purchase of all types and units of materials used in solar power plants are carried out by Smart Solar Technologies' Turnkey Project Installation Department. The Company's experience gained through its installations to date and close relationships it has established with manufacturers allow it to purchase all the products and services required for projects under the best conditions and to easily carry out the necessary logistics organizations.

200 MW
Total capacity for which operation and maintenance services are provided

Smart Solar Technologies undertakes to operate the realized projects in the most effective way with the power plant production performance guarantees it offers.



Smart Solar Technologies is sensitive about the longevity and reliability of the materials to be used in the sites. The Company follows the world's leading fairs, technology institutes, test reports of laboratories for all system components from A to Z and thus has a very serious know-how infrastructure in solar panel technologies, inverters, transformers, low-loss electrical system designs with the most efficient cabling. By first trying the products it follows in its own sites, it pioneers the industry on how quality service understanding should be.

Smart Solar Technologies' research nature allows its suppliers to provide the most suitable, reliable and high-quality products for the needs of its customers during the purchasing process. The Company provides product supply in accordance with the conditions required for investors to benefit from incentives such as investment incentive certificates, and Agricultural Development and Supervision Agency.

Financing

In 2021, the public offering application procedures of Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş were initiated and the financial information to be presented to investors was prepared. In addition, land allocation was realized in Aliğa Organized Industrial Zone for the establishment of a facility for cell investment.

During the period, the bank limit-risk process was also closely monitored to manage the liquidity risk. Working capital optimization was ensured and transactions with banks were continued in this direction. After the successful ERP analysis work carried out by the finance team, the transition to the Micro ERP system was made at the end of 2021.

423
TRY million

*Total purchase
amount during the
period*

570
TRY million

*Portfolio size
managed by the
Purchase Department*

Investments

Stronger with high technology investments

In 2021, Smart Solar Technologies continued to realize value-oriented investments with the vision of consolidating its position as a strong player in global markets in its field.



Smart Solar Technologies has become one of Europe's leading integrated solar energy companies with its high-tech investments in line with its business strategy and models based on sustainable profitability. In 2021, the Company continued to realize value-oriented investments with the vision of consolidating its position as a strong player in global markets in the field of solar energy.

The total amount of investments realized by Smart Solar Technologies in the operating period of 2021, mainly in production technologies (machinery-equipment), R&D and innovation, amounted to TRY 17.2 million. In addition, the Company also makes site purchases when necessary for turnkey EPC projects, for which it provides engineering and project design services, and finances all these investments with its own capital.

17.2
TRY million

Total investment amount in 2021

58,309 m²

Area of the land in Aliğa

Smart Solar Technologies has become one of Europe's leading integrated solar energy companies with its high-tech investments.

Cell Production Investment

Smart Solar Technologies is increasing its contribution to reducing Türkiye's dependence on foreign energy, which is one of Türkiye's most important problems, and to transforming our country into an exporter in the field of solar energy. As one of the important supporters of domestic production in its field of activity and aiming to increase its global effectiveness through organic growth actions, the Company included the decision to invest in a new cell and additional panel production capacity in its current production activities in 2021 in line with global trends. In addition to the vertical integration of the Company, work has been initiated rapidly in this area, which will improve the Company's ability to produce low-carbon panels and reduce its carbon footprint.

The production of solar cells with semiconductor technology, which is essential for solar panels, is also important for Smart Solar Technologies in terms of opening up to countries such as the USA, which have anti-dumping practices against Chinese production, and to foreign markets that will demand low-carbon production within the scope of the Paris Climate Agreement commitments and the European Green Deal (Carbon Border Tariff). In addition, the solar energy installation targets set by EU countries within the scope of the Green Deal increase the export potential.

An application for Project Based Incentive granted by the Ministry of Industry and Technology of the Republic of Türkiye has been made for this investment and the project pre-application has been

accepted. In addition, as of November 2021, approximately 58,309 m² of land was allocated in Aliğa OIZ and the decision was taken to establish the facility on this land. Subsequently, the Company signed agreements for consultancy services to establish a 1,200 MW cell production facility and a 1,200 MW panel production facility on the relevant land. On 3 December 2021, a memorandum of understanding was signed with two companies, one based in China and the other in Singapore, regarding the forward purchase, installation and technical support of 1,200 MW cell machinery and equipment from China. Within the framework of this mutual agreement, there are plans to establish a subsidiary based in Türkiye. 49% of the capital shares of the subsidiary will be owned by the company based in Singapore and 51% by Smart Solar Technologies, and the main activity of the subsidiary will be cell production.

According to the feasibility studies dated 15.11.2021 conducted by Fraunhofer, which provided consultancy services to the Company during the development of the investment project, the cost of the machinery and equipment to be used only in cell production is expected to be approximately USD 45 million. The total investment amount is USD 87 million and a significant portion of it will be provided by the long-term loan for machinery and equipment sellers, some of it will be provided by bank loans and some of it will be provided by the Company's own capital (including its own resources from the public offering). The project design process for the investment is ongoing and the details are given in the table below:

87
USD Million

Aliğa investment amount

The Company included the decision to invest in a new cell and additional panel production capacity in its current production activities in 2021 in line with global trends.

Planned Investment	Investment Content	Investment Year	Investment Amount (USD)	Financing Type	Investment Location	Completion Status
Solar Cell Production Facility	Mono PERC cell production with a capacity of 1,200 MW	2021-2023	67,500,000	Equity + Seller Loan + Bank Loan	Aliğa OIZ/ İzmir	At the starting phase. A land survey is carried out to initiate the construction process.
Solar Cell Production Facility	Solar Cell Production Facility of 1,200 MW	2021-2023	19,500,000	Equity + Seller Loan + Bank Loan	Aliğa OIZ/ İzmir	At the starting phase. A land survey is carried out to initiate the construction process.

Research and Development Activities

Industry-specific effective and long-lasting solutions

Smart Solar Technologies aims to grow its team of experts, diversify its projects and establish an R&D center.

Smart Solar Technologies established its R&D Department in 2018 to carry out R&D activities following the start of solar panel production activities in 2017.

The Company aims to intensify its efforts in this area, grow its team of experts, diversify the projects carried out and establish an R&D center. The R&D department of the Company has a total of 12 employees, including 5 postgraduates and 7 undergraduates.

The R&D Department has a high level of know-how by closely following all technological developments, especially those related to technology, design and materials in the solar energy industry, and aims to offer much more effective and long-lasting solutions to the needs of both Türkiye and the world in the solar energy industry with the products it designs and develops.

Smart Solar Technologies R&D Department mainly carries out activities aimed at increasing the efficiency of solar cells. As a result of the importance it attaches to innovation, it completed the first patent application for a distance-controlled composite material that increases photovoltaic cell efficiency in 2018. Having received the necessary acceptance for the TÜBİTAK 1501 project, the Company develops projects within its own organization as well as making project applications within the scope of international calls.

As of the end of 2021, the R&D Department works on the following projects:

TÜBİTAK 1501-Development of Distance Controlled Plasmonic Structures that Increase Cell Efficiency: The aim of the project is to design the optimum system to create a strong plasmon resonance and to maximize its efficiency on the cell, to reach the module dimensions of the structure designed in cell dimensions and to create an easily applicable structure.

Marine Solar Panel Design and Smart Maritime System: The aim of the project is to develop high-strength solar panels against heavy sea conditions, to design the new construction system to tolerate mechanical loads, to design the electrical and mechanical equipment to be used in the system, to design the measurement and control system of the system and to integrate it into the existing system used on the ship.

Improving Panel Quality with Image Processing in Production Line: The aim of the project is to minimize the factors that will adversely affect the life of the solar panel due to human or equipment error by improving the busbar-ribbon soldering quality, to reduce the factors that will adversely affect the panel life by improving the busbar-junction box soldering quality, to optimize the efficiency of the panels on the production line and to minimize the problems caused by connection losses caused by human or equipment errors in the field.

12

R&D employees

*Smart Solar Technologies
The R&D Department
mainly carries out
activities aimed
at increasing the
efficiency of solar
cells.*

PV Based, Portable, Green Hydrogen and Fuel Cell System: The aim of the project is to produce hydrogen, the energy carrier of the future, using solar energy and make it accessible by making it portable, to create a practical green hydrogen solution powered by solar energy for areas where electrical energy is required but difficult to access, to optimize the system size by making the system portable when necessary, and to develop adjustable system size unlike existing systems.

Dokuz Eylül University - Vehicle Integrated Solar Panel Project: The aim of the project is to design a semi-flexible solar panel to be used in transportation vehicles and to develop a dust-resistant, high-power, durable, semi-flexible solar panel design for the vehicle that will race on the Australian continent.

Electric Vehicle Charging Station Project: The aim of the project is to have a share in electric vehicle charging stations, which is expected to become a major industry in the future, to create fast, slow, reliable charging station designs for electric vehicles based on the needs, to create the control and communication systems of a charging station network to be implemented on the basis of easy payment and wide coverage by meeting the equipment requirements of the charging station, and to design a domestic and national system that can compete technologically with imported products in the world markets, has a modern structure in Türkiye, and will be competitive in terms of technology and price.

ITU Solar Car Project: The aim of the project is to research the effect of different materials used in module production on module efficiency, to create a thin film module design, to determine the process parameters for the thin film module to be created and to examine their effects on efficiency.

Synthesis of New Generation Organic Solar Cell Donor Material: The aim of the project is to design and synthesize donor material suitable for new generation acceptor groups, to realize the design of highly efficient, stable organic solar cells with the new donor material and to create a non-toxic, easy-to-produce process with the new synthesis method.

Synthesis of Polymer Film with Albedo Effect: The aim of the project is to increase the module efficiency by designing a polymeric film with albedo effect and to prevent efficiency losses by preventing heat generation and radiation scattering of the designed film.

Effect of Laser Cutting Parameters on Cell/Module Power: The aim of the project is to investigate the effect of laser cutting device parameters on microcracks and cell power, to minimize microcrack formation and to reduce power losses due to cutting.

In the 2022 operating period, the Company plans to work on P-type TOPCon cells and the gettering process after the cell investment, for which the project design process is ongoing.

Smart Solar Technologies is not only a company that has its own R&D department, but also aims to be one of the important companies that develop the Turkish economy as well as determining trends by adding value to the industry with the R&D center it will establish.

2018

Establishment
year of the R&D
Department

10 projects

Number of
projects
developed by the
R&D Department

*As a result of
the importance
it attaches to
innovation,
the first patent
application for a
distance-controlled
composite material
that increases
photovoltaic cell
efficiency was
completed in 2018.*

Information Technologies

New technology-oriented solutions

Smart Solar Technologies IT teams shape their activities with the mission of providing value-added solutions by following innovative technology.

Activity focuses of Smart Solar Technologies include the correct determination of technology needs and the implementation of appropriate solutions. Within this scope, operation of all systems in an integrated way with a business continuity approach, and information security principles are taken as the basis. In order to optimize general IT and business processes and improve IT service delivery, advanced technology solutions and products are preferred with a cost-benefit optimization approach within the framework of needs. In 2021, many studies were carried out in line with these principles.

Shaping its activities with the mission of providing value-added solutions to the Company's internal/external customers with effective support and services by closely following the developing innovative technology, the IT team focused on the ERP project in 2021. The project team consisting of the project coordinator, IT team, accounting master data consultant, business analyst and solution partner implemented the basic setup of the project with the relevant business units, 250+ meetings and an effort of 12,000-man X hours. On the other hand, activities to create key users and implement the internal support model were carried out following the master data preparations, process development and documentation works. Within this scope, an end-to-end process was designed and put into use from the purchase/sales request step to the offer, order, shipment/goods acceptance/letter of carriage/invoice steps, and a semi-automatic integrated structure was implemented with shift/line-based production dispatch and MES (Manufacturing Execution System). In 2021, all processes that can be integrated into

ERP were handled with sequel projects of "Invictus" targeted project work carried out with Ernst & Young.

During the period, the IT staff was renewed in terms of the field support team, and strong support was provided to the ERP project by employing business analysts in the last quarter. An IT manager with extensive national/international experience in the field of ERP, a senior business analyst with a bachelor's degree, a senior IT specialist with a Vocational School degree, and two field support personnel with a Vocational School degree continue to provide services as of the end of the year.

MES – Enterprise Resource Planning (ERP) Integration

Production data in the MES system were linked to work orders in the ERP (Enterprise Resource Planning) system. The real equivalents of the work orders opened in the ERP system can be obtained in the MES system.

Enterprise Resource Planning (ERP) - Personnel Continuity Control System (PDKS) Integration

Current Personnel Integration: New personnel registered in the ERP system were automatically transferred to the PDKS system. The data recorded in the ERP system in the change of new and existing personnel are transferred to the PDKS system database.

Time-off Integration: The time-off records entered in the ERP system were transferred to the PDKS system. It is aimed to increase the effectiveness of the controls with the integration developed within the scope of improving the management of personnel attendance controls.

In order to optimize and improve general IT and business processes, advanced technology solutions and products are preferred with a cost-benefit optimization approach.

The IT staff was renewed in terms of the field support team, and strong support was provided to the ERP project by employing business analysts in the last quarter of 2021.

MES Reporting Improvements

New reports were designed in the reporting system for process managers as part of monitoring the production data in the MES system and increasing production controls. Reporting and control processes were accelerated with the performance improvements of existing reports. New reports were developed and analyzed upon the demands of production managers.

In order to create a meaningful whole with the production data, the malfunctions monitoring data connection was made. In this way, the necessary environment was prepared to monitor the effects of malfunctions and interruptions on production more effectively and instantly.

IT System Improvements

Printer Change Project: A central management system of printers was established. It was ensured that employees from all locations can use company printers with their own passwords.

Arrangement of the Domain Structure:

Within this scope;

- Common application servers were set up,
- User trainings were provided,
- Old applications were uninstalled,
- Installation of common software computers was completed,
- All computers were included in the domain structure,
- Computers that could not be included in the domain were identified and included in the domain with remote management,
- Non-standard and unsafe special programs installed on personnel computers were identified, necessary purchases were made for licensing, and non-standard applications were removed from computers by remote management.

IT Inventory Tracking

Inventory records belonging to the Information Technologies Department were transferred to the IT Asset Management System. Therefore, debit tracking became easier through the IT

Asset Management System. Thanks to the document transfer feature to the system content, it was made possible to upload debit reports to the system.

IT Digital Transformation Projects

Within the scope of Smart Solar Technologies digital transformation studies;

- System rooms were restructured,
- Network infrastructure systems in all locations were redesigned and improved according to information security risks,
- IT systems in remote offices were included into the Company's secure network structure,
- Systems for information security awareness, testing and closing the gaps were established,
- The ERP system was restructured and generalized,
- Production Automatic Identification and Data Capture (AI/DC) systems, analysis and decision support systems were established,
- Value-added business applications solutions (Dual Image Detection, Automatic Visual Control, Workflow Management, Document Management, etc.) were put into use,
- All physical systems such as servers and storage were transferred to the Cloud Data Center.

2022 Targets

Within the scope of ERP, Smart Solar Technologies aims to put activity-based costing and party/lot- and device serial number-based tracking into use from ERP in the first half of 2022 period. It is predicted to enable faster development and low-cost, quality data collection, high customer satisfaction, and faster transition and adaptation to new platforms in the second half of the year, with the establishment of the "Master Data Management" structure in ERP.

In 2022, the Information Technologies Department also aims to strengthen its team with a software specialist who will work in coordination with the business analysis and can support corporate solution and MES needs, and to provide value added technological solutions for business processes to achieve their goals.

Inventory records belonging to the Information Technologies Department were transferred to the IT Asset Management System, making debit tracking easier.

New reports were designed in the reporting system for process managers as part of monitoring and controlling the production data in the MES system and increasing relevant controls.



Sustainability Approach of Smart Solar Technologies

Green, clean energy for our country and the world

In the current period, environmentally-friendly renewable energy sources that are not dependent on fossil resources and do not generate greenhouse gases are positioned as the most important criteria for preventing climate change and achieving carbon free energy transition. The existence mission of Smart Solar Technologies is to produce energy from the sun, to spread solar energy, to make it known and used by large crowds, to increase green employment, and to create a positive impact by producing green and clean energy for our country and the world.

Greenhouse gas emissions that are produced by fossil-based fuels and cause global warming threatens our future. Renewable energy sources provide us the opportunity to meet our energy needs without harming the nature.

Society and Environment

For a green and sustainable future

Sustainability and Social Responsibility are at the center of Smart Solar Technologies' work.

For Smart Solar Technologies, as a company operating in the energy industry with a wide range of influence, corporate social responsibility refers to the actions to take beneficial initiatives for the society where it offers its services and products. Sustainability and Social Responsibility are at the center of Smart Solar Technologies' work, which carries out all its activities with a vision of a green and sustainable future from production to investment.

The company aims to increase female employment and employ more women in management staff, and increase the rate of female employees from 49% to 50% in the current situation. By preferring women cooperatives in its charity activities within the scope of social responsibility projects, the company tries to indirectly contribute to the increase of the female labor force.

Smart Solar Technologies strategically builds its corporate social responsibility projects with a focus on sustainability within the framework of the details below and continues to work to reach larger masses with the benefits it offers to society and nature.

Understand Nature, Live with the Sun

Smart Solar Technologies aims to raise awareness among its stakeholders and society through the content it compiles on social media about the benefits of the sun and solar energy to society and nature. The company organizes joint seminars with Non-Governmental Organizations (NGOs) in order to raise awareness among the consumer stakeholder group and develops industry-university cooperation.

Education for a Green Future

Smart Solar Technologies tries to explain the importance of solar energy, which is its field of activity, for the future of our country and the world, on every platform. As a company that is rapidly advancing in pursuit of a sustainable future and is aware of the importance of knowledge and education in this regard, it considers spreading solar energy and making it known and used by wider masses as one of its major goals, while conveying the most accurate information about the industry to large masses through competent people with the understanding of continuous learning and development.

Accordingly, the company started to work on the training platform "Smart Academy" in 2019 and put it into practice in 2020. Upon establishment of Smart Academy, training had to be suspended in 2020-2021 due to the pandemic. After the pandemic was partially brought under control, it is first planned to start online training in the 2022 operating period, and then to implement the applied training rapidly.

49%

Female employee rate

Smart Solar Technologies continues to work with the aim of reaching larger masses with the benefits it offers to society and nature.



At Smart Academy, which aims to provide vocational and technical training for the solar energy industry at the first stage, training is provided by internal trainers who have the necessary training and equipment within the company. Having started its activities with online training in the first stage, Smart Academy managed to reach 800 people in 2020 with training that attract the attention of participants from all groups related to solar energy. It also carried its contribution to the development of the industry to the next level by organizing joint training with industry stakeholders and putting its signature under different pieces of training that support the professional and personal development of the participants.

In 2020, Smart Academy organized a free training program in cooperation with TWRE (Turkish Women in Renewables and Energy), the first and only women's initiative in the energy industry, during the weekend of 21 June, the "World Sun Day."

Participation certificates were given to participants who successfully completed the training under the titles of "Raw Material Cell Production, Panel Production, Efficiency, R&D and P&D." Similarly, 3 joint pieces of training with FIMER Türkiye were organized in addition to a special training for SEPAŞ employees and special training for SolarWall employees.

Zero Carbon

Adopting a responsible and sustainable production approach, Smart Solar Technologies received an I-REC certificate in line with this purpose in August 2021 and set the carbon emission from panel production to zero. With some of its income from the public offering, the company aims to establish a renewable energy power plant subject to YEKA and set the carbon footprint to zero and reduce the carbon footprint of activities of the cell factory planned to be built.

800

*Number of people
receiving training at
Smart Academy*

Society and Environment

Leading the development of the industry with its activities in all fields of solar energy, Smart Solar Technologies attaches great importance to training for the development of a qualified labor force in the industry.

Other Corporate Social Responsibility Activities in 2021

Smart Forest Tree Planting and Individual Carbon Neutral Certificate

Thanks to the solar power plants that smart Holding established in the last two years, Smart Solar Technologies prevented carbon emission and became entitled to obtain 37 thousand carbon credits in return. With these carbon credits, it set the carbon emissions of the Company employees and a group of stakeholders to zero within the scope of social responsibility. Smart Solar Technologies Individual Carbon Neutral Certificates were created with Verified Carbon Standard (VCS) in the Verra database, which is one of the leading initiatives in its field in order to set the individual carbon footprint of the certificate owners to zero for 12 months. With the Carbon Neutral Certificates, trees were planted on behalf of each certificate owner in Smart Forest located in Konya, Ereğli.

Smart Solar Technologies and Private Adem Ceylan Final Vocational Technical College Education Cooperation

Leading the development of the industry with its activities in all fields of solar energy, Smart Solar Technologies attaches great importance to training for the development of a qualified labor force in the industry. The Company signed a cooperation protocol with Private Adem Ceylan Final Vocational Technical College to train green energy experts with this understanding. It is aimed that the young people receiving training in the "Renewable Energy" branch of the college operating in Gebze Güzeller Organized Industrial Zone are brought to the industry as "wanted workers," not as "semi-qualified workers." Accordingly, it is planned to offer internship and employment opportunities to the students of the branch in addition to carrying out cooperative educational studies with Smart Academy.

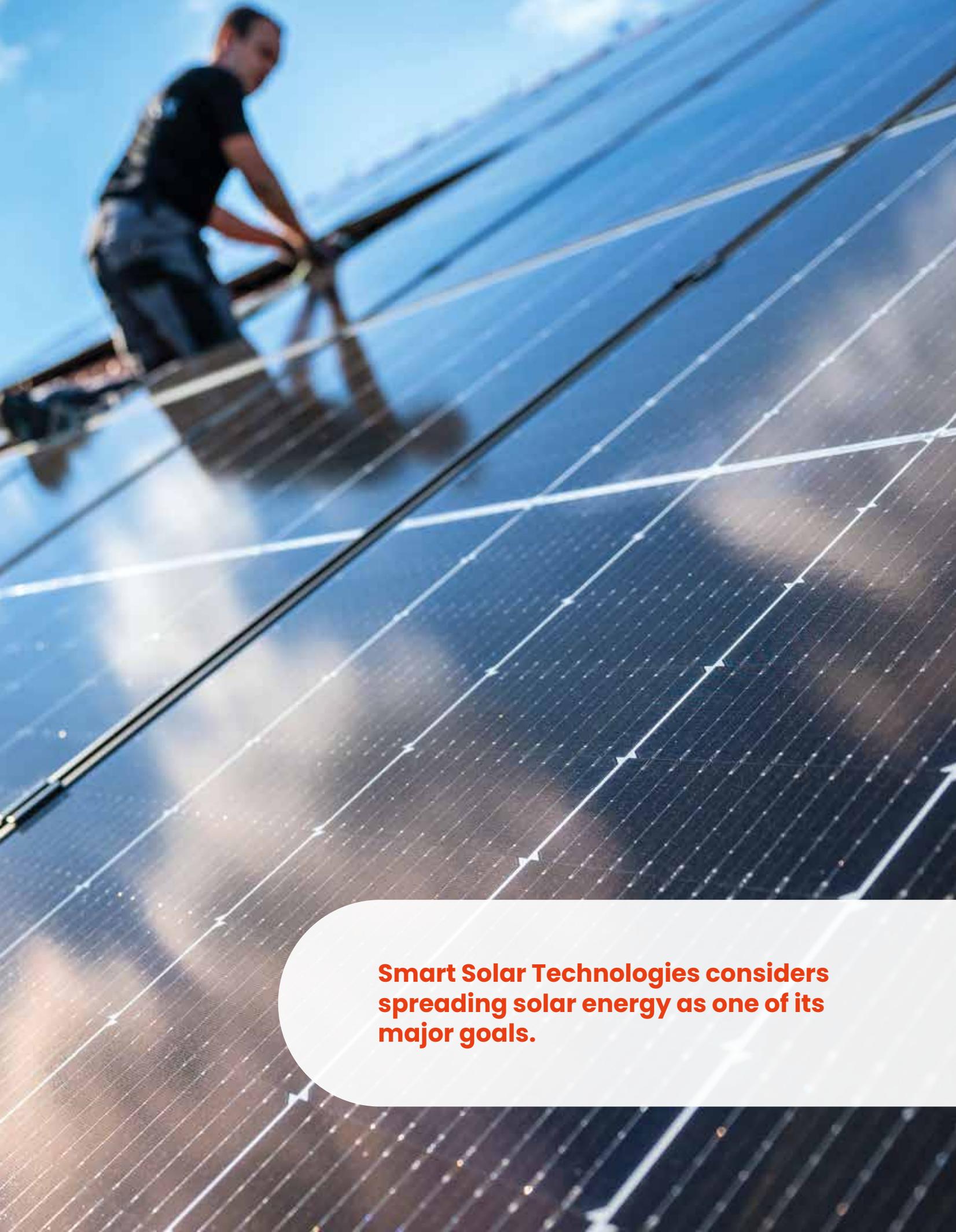
Smart Solar Technology Employees Run 5 Km in Belgrad Forest for "Tree Fraternity Project" at TEMA Half Marathon Run

The project carried out by the TEMA Foundation and the Ministry of National Education, it is aimed that elementary school children to increase their experiences with nature, learn the biological terms (such as ecosystem, endemic plant and biodiversity), observe the seed growing process and gain awareness on "Forest Ecosystem and Biodiversity." Therefore, generations having high environmental consciousness and protecting nature are raised. Moreover, Smart Solar Technologies employees supported the "Tree Fraternity Project" by joining the Istanbul Marathon.

5 km

Running distance for
TEMA Foundation

Smart Solar
Technologies
received the
I-REC certificate in
August 2021 and
set the carbon
emission from panel
production to zero.



Smart Solar Technologies considers spreading solar energy as one of its major goals.

Human Resources

Accuracy, trust and teamwork

Smart Solar Technologies aims to implement a human resources policy adds value to every field it touches.

Human Resources Policies and Practices

Accuracy, trust and teamwork come before anything at Smart Solar Technologies. The company builds its working principles with its employees and stakeholders in the light of these concepts. It aims to implement a human resources policy that realizes the best human resources practices in the Company's fields of activity, and adds value to every field it touches.

Employees that want to shape their career in Smart Solar Technologies are provided with the opportunities to improve themselves, be a part of a world-class professional team, and to take responsibility in a wide range of unique projects. The company implements competitive price and side benefit strategies that reward consistently high performance and comply with market conditions.

Smart Solar Technologies guarantees a work environment where equal opportunity is provided, career development is supported with competency-based feedback, and all differences are respected. Each employee is evaluated on the basis of their qualifications and work efficiency, regardless of race, belief, gender, religion, national origin, age, disability or sexual orientations.

At the Company, the opinions and contributions of employees are valued, and transparency and participation are supported. In this way, the company transforms its extensive knowledge and experience into a unique competitive advantage. Creativity and innovation are encouraged in order to increase effectiveness and provide sustainable achievement.

Smart Solar Technologies received the 2021 "Respect for People" award from Kariyer.net. It also participated in the online fair organized by Kariyer.net and attracted great attention.

Training: As Smart Solar Technologies is not just a workplace for employees but also an academy where they develop themselves and add value every day, all necessary trainings are created and implemented in the Company in line with the employees' requirements. In 2021, technical trainings were organized at the Gebze factory, in addition to Basic First Aid and Compulsory Electric Power Plants (EKAT) trainings. Moreover, employees are encouraged to participate in online trainings by sending relevant e-mails. In line with needs analyses conducted, employees are sent to the trainings they request.

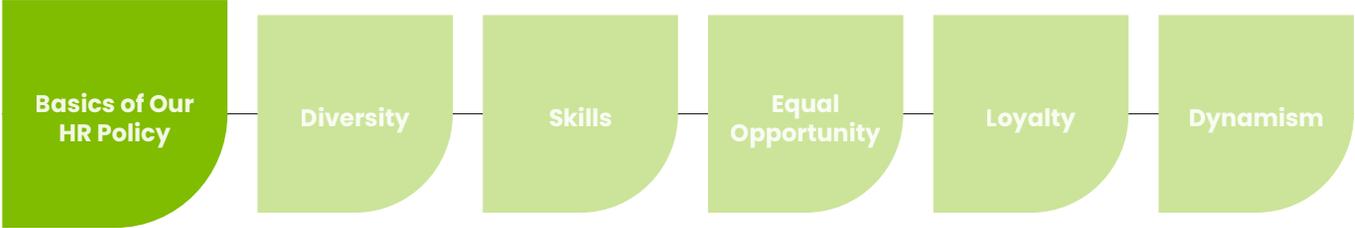
Career Management: "Internship Development Program" is a program where students who want to shape their career gain experience about business life. In this process, requests from the departments are evaluated in consideration of the Company's needs. Students who are found appropriate after the evaluation are included in the internship program. There are 5 interns in the program as of the end of 2021. The Company participated in the "Career Days Event" in December 2021 and interacted with many university students, and their applications were recorded in the Company's CV pool.

Performance Management System: Works for the Performance Management System started in 2021, a new team and design were formed to put the system into practice in 2022.

During the year, the Compliance Process with Personal Data Protection Law (PDPL) was completed for the whole Company. In addition, Micro ERP and Meyer PDK systems were commissioned and integrated.

At Smart Solar Technologies, the opinions and contributions of employees are valued, and transparency and participation are supported.

A work environment where equal opportunity is provided, career development is supported with competency-based feedback, and all differences are respected is guaranteed.



Human Resources

The basics of Smart Solar Technologies HR Policy include diversity, skills, equal opportunity, loyalty and dynamism.

Employee Profile

As of the end of 2021, Smart Solar Technologies has 540 employees with an age average of 35. Recruitment process of 77 white-collar workers and 152 blue-collar workers was completed in 2021. The Company's personnel turnover rate was below 3% on a monthly basis in 2021.

Gender Distribution

275
Male



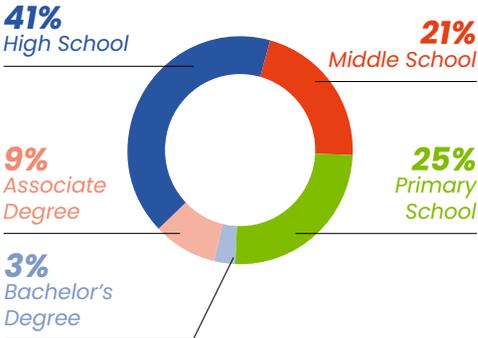
265
Female



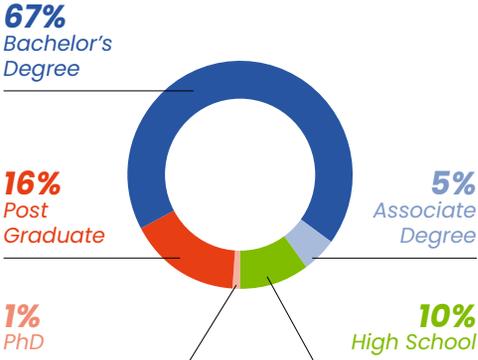


EDUCATIONAL STATUS

Blue Collar



White Collar



Occupational Health and Safety Practices

Healthy and safe working environment

OHS training is provided to every Smart Solar Technologies employee when they start working, and renewal trainings are also organized periodically.

Aiming to carry out its activities in a healthy and safe work environment, Smart Solar Technologies attaches great importance to the fulfillment of its responsibility towards healthy individuals and labor force in line with this purpose. It also guarantees full compliance with the Occupational Health and Safety Law No. 6331.

The Company receives occupational health and safety (OHS) services from JHSUs (Joint Health and Safety Unit) for its Head Office and factories, and carries out the relevant processes with the OHS Expert and Workplace Doctor on its payroll at its power plants and worksites.

At Smart Solar Technologies, OHS training is provided to every employee when they start working, and renewal trainings are also organized periodically. In addition, compulsory first aid training and fire training are provided by the experts in the Company and external Joint Health Safety Units (JHSU).

Occupational Health and Safety and Labor Law Instructions were prepared by the Law and OHS experts together and conveyed to the project team. In line with these instructions, all processes in the company are managed in accordance with the contract, and disruptions are prevented.

Utmost importance is attached to occupational safety at Smart Solar Technologies, where 18 minor work accidents occurred in 2021.

Works in 2021 Within the Scope of OHS

- Basic Training (first aid, fire, security) was provided by relevant experts, and certification process was carried out with in cooperation with HR.
- Medical controls and periodical examinations of employees were performed.
- Current situation analyses were performed in monthly meetings. Field observation reports, risk reports and training needs were analyzed in detail. In this process; Project Management, Administrative Affairs and HR departments act in coordination with each other.
- On-the-job trainings were provided.
- Emergency drills were carried out.
- Machinery and equipment were periodically controlled.
- Personal protective equipment was renewed.
- Professional competence trainings were provided.
- EKAT trainings was provided.

The Company's goals for 2022 include structuring of the OHS department, employment of additional staff, and automation of relevant processes by purchasing an OHS tracking system. It is planned to provide occupational safety and environment trainings to worksite managers in the next period. On-the-job and orientation trainings will also be provided by worksite managers in charge of relevant fields.

Smart Solar Technologies receives occupational health and safety services from JHSUs (Joint Health and Safety Unit) for its Head Office and factories.



Smart Solar Technologies attaches great importance to the fulfillment of its responsibility towards healthy individuals and labor force.

General Assembly

SMART GÜNEŞ ENERJİSİ TEKNOLOJİLERİ ARAŞTIRMA GELİŞTİRME ÜRETİM SANAYİ VE TİCARET ANONİM ŞİRKETİ BOARD OF DIRECTORS DECISION

Decision No : 2021/14
Meeting Date : 05.11.2021
Attendants of the Meeting : Halil Demirdağ, Hakan Akkoç, Borgia Karagülle
Essence of the Decision : Regarding 2020 Ordinary General Assembly Meeting

The Company's Board of Directors convened at the registered office of the Company and unanimously took the following decisions.

As per Article 416 of Turkish Commercial Code, it was unanimously decided to hold the 2020 Ordinary General Assembly Meeting on 05/11/2021 at 10:00 at the registered office of the Company at the address Halil Rifat Paşa Mah. Yüzer Havuz Sok. No:1 B Kat:9 No:1377 Şişli - İstanbul, and discuss the following agenda.

AGENDA

1. Opening the General Assembly Meeting and election of the General Meeting Board,
2. Authorizing the General Meeting Board to sign the meeting minutes on behalf of the shareholders,
3. Reading, discussing and deciding to accept/reject the Company's Annual Report of the Board of Directors for 2020,
4. Reading, discussing and deciding to accept/reject the Company's Balance Sheet and Income Statement (the Fundamental Financial Statements) for 2020,
5. Release of the Board of Directors regarding their activities in 2020,
6. Wishes and closing remarks.

CHAIRMAN

BOARD MEMBER



HALİL DEMİRDAĞ

HAKAN AKKOÇ

BOARD MEMBER



BORGA KARAGÜLLE



Internal Control and Internal Audit Activities

INTERNAL AUDIT

Internal Audit is an independent, objective and internally sourced consultancy activity that undertakes assurance and compliance activities aimed at adding value to Smart Holding's and the Company's activities and evaluating the effectiveness of the overall control framework while improving these activities. Within the scope of Internal Audit activities, the Company carries out activities to evaluate and improve the design and effectiveness of the Company's risk management, internal control and governance processes and to ensure that they are maintained with a systematic and disciplined approach.

Scope of Internal Audit Activity

The scope of Internal Audit activity includes;

- Appropriately addressing and assessing significant risks to the organization, including monitoring and evaluating the effectiveness of Smart Holding's and the Company's risk management system;
- Reviewing the reliability and integrity of financial and business information and examining the tools used to measure, classify and report this information;
- Reviewing systems set up to ensure compliance with policies, plans, procedures and regulations;
- Reviewing asset protection tools and verifying their existence as appropriate;
- Reviewing and valuating the financial system where the resources are allocated, and the efficiency of this system;
- Reviewing activities to determine whether results are consistent with established goals and objectives and whether operations or programs are carried out as planned;
- Reviewing how key risks arising from legal or regulatory rules are addressed for Smart Holding and the Company;
- Reviewing the procedures determined at the request of the Executive Committee;
- Assuming a support role in identifying opportunities to improve management control, profitability and Smart Holding and Company alignment and reputation;
- Carrying out the assurance activities specified in the Audit Plan, all assignments approved by the Audit Committee and/or requested by the Executive Committee, additional audit and assurance activities or special projects as appropriate;
- Performing and reporting audits in accordance with the scope of internal audit activities and carrying out the necessary follow-up procedures;

Financial Rights Granted to the Board Members and Senior Executives

The total gross amount of salaries and similar benefits paid to the Group's Board Chairman and Vice Chairman and other key executives in the current period is TRY 3,031,595 (31 December 2020: TRY 898,500).

Changes Between the Period-End and Issuance of the Report

The book building for the public offering of Smart Güneş Enerjisi Teknolojileri Araştırma Geliştirme Üretim Sanayi ve Ticaret A.Ş. ("Smart Solar Technologies" or "Company") was held on 16-17-18 March 2022. The total public offering volume was TRY 534,713,621.40. In the public offering, the Company received demands for shares with a nominal value of TRY 303,741,440, amounting to 9.54 times the shares with a nominal value of TRY 31,840,000 offered to the public (excluding the additional offering) from a total of 101,755 investors. In the public offering, the Company received demands 4.14 times the shares allocated to Individual Investors, 18.18 times the shares allocated to Investors with High Application Amount, and 4.04 times the shares allocated to Domestic Corporate Investors.

On 8 April 2022, the Company's 100%-owned subsidiary Smart GES Üretim A.Ş. submitted the best offer with 37.5 Kuruş/kW per hour to win BOR -1 (100 MWe) tender for the allocation of solar-based renewable energy resource fields and connection capacities, which was published by T.R. Ministry of Energy and Natural Resources-General Directorate for Energy Affairs on the Official Gazette no. 31541 dated 14.07.2021. With this result, the Group included solar-based electricity production into its activities, and plans to establish a power plant with an installed capacity of 140 MWp against the SPP capacity of 100 MWe.

Amendments to Legislation in 2021

Legislative Amendments Regarding Energy Market Notifications

With the legislative amendments within this scope, the deadlines for some of the notifications that license holders operating in energy markets are obliged to make have been changed, new types of notifications have been defined for the relevant markets in some cases, changes have been made in the Departments that are the addressees of some notifications, revisions have been made in the name and/or content of some of the notification forms, additional forms have been added to some of the notifications, as well as the removal of some of the existing notification forms, changes have been made in the explanations of some notification forms, and the license holders who are obliged to make notifications have been rearranged.

- With the Board Decision no. 10695 dated 30.12.2021 published on the Official Gazette no. 31706 (6th Duplicate) on 31.12.2021, "Annex-1 Table of Electricity Market Notification Obligation," "Annex-2 Table of Natural Gas Market Notification Obligations," "Annex-3 Table of Petroleum

Market Notification Obligation" –all of which are annexes of Usage Instructions for Energy Market Notification System accepted with the Board Decision no. 5313-1 dated 20.11.2014 and published on the Official Gazette no. 29215 dated 168 24.12.2014- were amended.

Other Amendments

- With the Law no. 7346 on Amendment to Certain Laws published on the Official Gazette no. 31700 on 25.12.2021, the Head of Energy Transformation Department was established under the Authority with the amendment to the Law 4628 on the Organization and Duties of the Energy Market Regulatory Authority. The Group Presidency of Charging Services, Group Presidency of Digital Transformation, Group Presidency of Research & Development and Innovation, and Group Presidency of Supplementary Markets and Alternative Fuels were also formed under the Head of Department.
- For the purpose of determining the principles and procedures for immovable accommodation in electricity, natural gas and petroleum markets by the Authority as well as the rights

and obligations of preliminary license and license holders arising from the purchase of immovable properties, the Regulation on Immovable Accommodation to be Carried out by the Energy Market Regulatory Authority was published on the Official Gazette no. 31679 on 02.11.2021.

- With the Regulation published on the Official Gazette no. 31703 on 28.12.2021, the Energy Market Regulatory Authority Budget and Accounting Regulation published on the Official Gazette no. 26118 on 4.3.2006 became null and void.
- With the Board Decision no. 10554-2 dated 11.11.2021 published in the Official Gazette no. 31660 on 15.11.2021, the Procedures and Principles for Applications for Immovable Acquisition Procedures were adopted. The Procedures and Principles for Applications for Immovable Acquisition Procedures to be Carried out by the Energy Market Regulatory Authority adopted with the Board Decision no. 10554-1 on 18.01.2018 and the Board Decision no. 7651, and published in the Official Gazette no. 30320 on 02.02.2018 became null and void.

Information Regarding the Lawsuits Against the Company, which Could Affect its Financial Situation and Activities, and their Possible Consequences

In the 01.01.2021–31.12.2021 period, there are no lawsuits that were brought against the Company and may affect the Company's financial status and activities.

Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Contrary to Legislative Provisions

None.

Repurchased Own Shares by the Company

None.

Information on Shareholding Structure and Privileged Shares

DIRECT SHAREHOLDING STRUCTURE OF SMART SOLAR TECHNOLOGIES

Commercial Title of Shareholder	Share Group	Amount (TRY)	Ratio (%)
Smart Holding Anonim Şirketi	A	35,000,000	27.45
	B	92,500,000	72.55
Total	A+B	127,500,000	100

Shareholders	31 December 2021 TRY	Shares %	31 December 2021 TRY	Shares %
Smart Holding A.Ş.	127,500,000	100	30,998,000	100
Paid-in Capital	127,500,000	100	30,998,000	100

Group	Capital Ratio (%)	Amount of Shares
Group A Shares (Registered Shares)	27.45	35,000,000
Group B Shares (Bearer Shares)	72.55	92,500,000
Issued Capital	100.00	127,500,000

Each Group A shareholder has 5 (five) voting rights and each Group B shareholder has 1 (one) voting right in the ordinary and extraordinary General Assembly Meetings to be held at the Company.

Statements of Independence

I hereby declare that I am a candidate for assuming the role of an "independent member" in the Board of Directors of Smart Güneş Enerjisi Teknolojileri Araştırma Geliştirme Üretim Sanayi ve Ticaret Anonim Şirketi (Company) in line with the criteria stipulated in the legislation, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past five years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established,

b) I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held stocks (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the company's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,

c) I have the necessary professional education and training, knowledge, and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

d) I do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the lecturer position at universities in line with applicable laws,

e) I am considered a resident in Türkiye according to the Income Tax Law no.193 dated 31/12/1960,

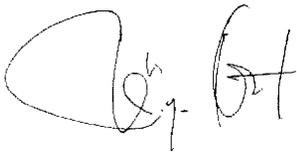
f) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

g) I will make sufficient time for keeping track of the company's activities and for fully performing my duties on behalf of the company,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies controlled by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors.



HÜLYA KURT

Statements of Independence

I hereby declare that I am a candidate for assuming the role of an "independent member" in the Board of Directors of Smart Güneş Enerjisi Teknolojileri Araştırma Geliştirme Üretim Sanayi ve Ticaret Anonim Şirketi (Company) in line with the criteria stipulated in the legislation, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

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c) I have the necessary professional education and training, knowledge, and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

d) I do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the lecturer position at universities in line with applicable laws,

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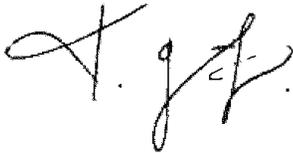
f) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

g) I will make sufficient time for keeping track of the company's activities and for fully performing my duties on behalf of the company,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in the Company or in more than three of the companies controlled by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors.



TUNÇAY KAMİL GÜÇLÜ

I hereby declare that I am a candidate for assuming the role of an "independent member" in the Board of Directors of Smart Güneş Enerjisi Teknolojileri Araştırma Geliştirme Üretim Sanayi ve Ticaret Anonim Şirketi (Company) in line with the criteria stipulated in the legislation, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past five years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established,

b) I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held stocks (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the company's audit (including tax audit, statutory audit, internal audit), rating and consultancy services in the last five years,

c) I have the necessary professional education and training, knowledge, and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

d) I do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the lecturer position at universities in line with applicable laws,

e) I am considered a resident in Türkiye according to the Income Tax Law no.193 dated 31/12/1960,

f) I possess strong ethical standards, professional credibility, and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

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PROF. DR. MUSTAFA KEMAL YILMAZ

Committees and Policies

DUTIES AND WORKING PRINCIPLES OF EARLY DETECTION OF RISK COMMITTEE UNDER THE BOARD OF DIRECTORS

ESTABLISHMENT AND LEGAL BASIS

With our Company's Board of Directors' decision no. 2022/14 dated 25.03.2022, the Early Detection of Risk Committee ("Committee") was established to be appointed to and authorized within the framework of Turkish Commercial Code no. 6102, Capital Market Law no. 6362, Capital Markets Board ("Board") regulations –including Corporate Governance Principles attached to the Capital Markets Board Corporate Governance Communiqué with serial no. II-17.1 ("Communiqué")– and the Company's Articles of Association.

PURPOSE

The Committee, which reports to the Board of Directors, is responsible for establishing, operating and developing the system required to determine at an early stage all the operational, strategic, financial and compliance risks that may jeopardize the Company's existence, development and continuity; take the necessary measures concerning the risks thus identified; develop the necessary policies to execute the risk management processes, and manage risks in accordance with the Company's risk taking profile. It is responsible for ensuring the Company's compliance with relevant legislation and corporate ethical rules. The Committee also undertakes the duties granted by the Articles of Association and the Communiqué. Within this scope, the Committee carries out the duties and responsibilities specified in this Procedure. The Committee aims to contribute to the continuous development of compliance with the legislation and internal regulations, and to the strengthening of transparency, accountability, fairness, predictability and efficiency through its duty of supervision and its recommendations on relevant practices.

AUTHORITY AND SCOPE

This procedure determines the Committee's scope of duties and working principles.

The Early Detection of Risk Committee was formed,

- To establish effective internal control systems in order to identify, evaluate, monitor and manage the risky issues and opportunities that could affect the achievement of the company's targets according to their influence and possibility within the scope of Corporate Risk Management (CR) approach,
- To integrate the risk management and internal control systems into the institutional structure of the company, and monitor their effectiveness,
- To review the issues of measurement, reporting and the utilization of the decision-making mechanisms of the risks by the risk management and internal control systems of the company keeping the appropriate checks required in view, and make recommendations for improvement.
- The Committee acts under its own authority and responsibility. It is formed and authorized by the Board of Directors. The Committee acts under its own authority and responsibility, makes recommendations to the Board of Directors, and prepares a report if required to present its opinion to the Board of Directors. However, the final decision and responsibility always belong to the Board of Directors.

WORKING PRINCIPLES OF THE COMMITTEE

The Committee consists of a Chair and at least two members elected by the Board of Directors in accordance with the Company's Articles of Association. If it consists of two members, both of them are elected among the Board Members. If it consists of more members, the majority of them are elected among the Board Members. The Chairman of the Committee is elected among the Independent Members by the Company's Board of Directors.

The Chief Executive Officer cannot assume any duties in the Committee. Experts that have the required professional experience in fields such as accounting, finance, audit, law, management, corporate governance, sustainability, human resources etc. and are competent in the assessment of operational, financial, compliance and strategical risks can assume duties in the Committee. The Committee is re-elected every year, in the first meeting of the Board of Directors to be held after the Ordinary General Assembly Meeting. Any amendments regarding the Committee members and numbers and terms of office of such members are made by the Board of Directors' decision. Any member who desires to resign from Committee membership declares this intent to the Board of Directors in writing. The termination of membership of the Board of Directors automatically leads to the termination of membership of the Committee. The Committee convenes as often as required by the duties assigned to it. The decisions of the Committee are advisory only to the Board of Directors. The ultimate decision maker in the relevant matters is always the Board of Directors. The Committee ensures notification of the board of directors about matters in its area of authority and responsibility. The timing of the committee meetings is in accordance with the board meetings to the extent possible. Meeting and decision quorums are equal to the absolute majority of the total number of the Committee members. The Board of Directors Secretariat works to keep and archive the Committee's meeting minutes and provide efficient information to the Committee members.

DUTIES AND RESPONSIBILITIES

The Early Detection of Risk Committee undertakes the duties of supervision and consultancy for Company risks. The Committee fulfills its duty of supervision and consultancy under the following headings:

Supervision of Risk Management

- It identifies, evaluates and monitors existing and potential risk factors that may affect the achievement of company targets within the framework of corporate risk management systematic, determines the principles regarding the management of relevant risks in accordance with the risk profile of the Company and makes sure that these are employed in the mechanisms of decision-making.
- It determines the risk management policies and implementation methods in line with the opinions of the Board of Directors based on the risk management strategies and ensures their application.
- It reviews the risk definitions of Group companies and provides feedback to the Risk Management Unit if it decides that it is required to add new risks or to re-assess existing risks. The risk list/map takes its final form upon application of the feedback.
- The Committee may consult independent expert views regarding its activities when required. The cost of consulting services required by the Committee is paid by the company.
- Another responsibility of the Committee is to establish and encourage open communication with senior executives. For this purpose, the Committee members can organize meetings with the Company's senior executives, department heads, internal audit unit and independent external audit company. However, these meetings are only for communication and the collection of information.
- The Committee acts under its own authority and responsibility and makes recommendations to the Board of Directors; however, the Committee's duties and responsibilities do not release the Board of Directors from its responsibility under the Turkish Commercial Code.

Supervision of Risk Assessment

- It reviews the risks specified in the Company's annual and interim financial statements, their footnotes and annual reports, which are prepared in accordance with the financial reporting standards accepted by the Capital Markets Board.
- It participates in the process of designing, selecting, putting into practice and giving pre-approval to risk measurement models, which constitute a basic tool in the risk management process, reviews the models and scenario analyses regularly, and makes recommendations on necessary changes.
- It conducts studies to prepare policies that define the Company's risk appetite and comply with the strategic plans and objectives approved by the Board of Directors and submits these studies to the approval of the Board of Directors.
- It ensures effective implementation of the Company's strategic and risk appetite throughout the company.
- It ensures the maintenance of internal processes, including stress testing where appropriate, to make sure that the capital and liquidity levels and the asset-liability structure are compatible with the normal and stressful conditions of the company.
- It requests information, comments and reports from relevant departments if deemed necessary, in order to perform the risk monitoring function effectively.
- It checks whether the necessary risk analyses were made for new projects, products, services and/or acquisitions etc. to be offered to the Board of Directors and makes recommendations on these issues.
- It may request process reviews/ audits regarding risky areas in the Group companies, and analyses and approves annual process review/audit plans.
- It improves and supports management reporting to ensure that information is timely, accurate, and relevant.
- It revises the process review/audit reports prepared in the Group companies.
- It monitors operations concerning business continuity management.

Supervision of Risk Tolerance

- The Committee may request information on risk tolerance from execution units and the risk management unit if required.
- It checks compliance with policies and procedures on risk tolerance determined by the Company's Board of Directors, and makes recommendations for the implementation of necessary changes.

Evaluation of Risk Structure

- It ensures that risk management systems are reviewed at least once a year, and practices in relevant departments that assume the risk management responsibilities are carried out in accordance with the Committee's decisions.
- The Committee prepares an annual evaluation report and presents it to the Board of Directors to be included in the annual report and to constitute the basis for the Board of Directors' evaluations of the Committee's working principles and activities, including the members, frequency of meetings and activities performed.
- It approves the risk management system after assessing the compliance of risk management processes with relevant laws.
- It follows the final situation of audit subjects and findings and assesses the efficiency of actions taken.

Other Responsibilities

- The Committee may initiate special reviews on risk management if it deems necessary, and reports the results of the review to the Board of Directors. The Committee may assign subject-matter experts as consultants to assist to the Committee in such reviews.
- It detects technical bankruptcy in advance, ensures that the Board of Directors is warned of the issue, and makes recommendations on measures to be taken.
- The Committee also carries out other duties of supervision and monitoring requested by the Board of Directors.

Committees and Policies

COMMITTEE STRUCTURE AND MEMBERSHIP CRITERIA

- The Chairman of the Committee is elected among the Independent Board Members. The Chief Executive Officer/General Manager cannot assume any duties in the Committee.
- The Chairman of the Committee chairs the Early Detection of Risk Committee, sets the meeting agenda, chairs the meetings, and ensures information exchange and coordination between the Company's Board of Directors and the Committee.
- After the new Board of Directors is elected in the Ordinary General Assembly Meeting, members of the Early Detection of Risk Committee are elected by the Board of Directors in parallel with their term of office. The former Committee Members continue their duties until the election of new members.
- Any resources and support the Committee needs to carry out its duties are provided by the Board of Directors. The Committee may invite to its meetings and ask the advice of any executive it deems necessary.
- The Committee consults independent expert views regarding its activities when required. Costs for the consultancy services required by the Committee are covered by the Company.

MEETING AND REPORTING

The Committee Reporter records the Committee's decisions. The Committee Reporter assists the Chairman of the Committee in the preparation of the agenda, meeting minutes and summary notes, and ensures coordination among Committee Members. The Committee convenes as often as required by the duties assigned to it.

The meeting minutes cover the following issues at the least:

- Meeting place and time
- Agenda
- Information on issues discussed in the meeting
- Meeting and decision quorums are equal to the absolute majority of the total number of the Committee members.

The meeting minutes or the Committee's working papers are presented to the Board of Directors after being approved by all Committee members. It is possible to hold Committee meetings physically or electronically (in electronic media or with teleconference calls without gathering physically). Physical meetings can be held at the registered office of the Company or another place that is easily accessible by the Committee members. Minutes of meetings held electronically without gathering physically are signed by the members of the Early Detection of Risk Committee. Moreover, it is possible to take Committee decisions through the circulation method. Decisions signed by all members on the same paper or on different papers are valid. The decisions of the Committee are advisory only to the Board of Directors. The ultimate decision maker in the relevant matters is always the Board of Directors. A short explanation of the activities and decisions of the Early Detection of Risk Committee is added to the Company's annual report. In addition, the number of verbal notices to the Board of Directors in the relevant calendar year is also specified in the annual report. The Board of Directors Secretariat is responsible for preparing and archiving the reports. The meeting minutes prepared are archived after being presented to the Committee members.

BUDGET

Any resource or support the Committee needs to carry out its duties and activities effectively and efficiently is provided by the Board of Directors.

ENFORCEMENT

These working principles entered into effect with the Board of Directors' decision no. 2022/14 dated 25.03.2022. The regulation on the Committee's duties and working principles and any amendments thereto enter into effect with a Board of Directors' decision, and the Board of Directors is responsible for the execution of this regulation.

DUTIES AND WORKING PRINCIPLES OF THE AUDIT COMMITTEE UNDER THE BOARD OF DIRECTORS

ESTABLISHMENT AND LEGAL BASIS

With our Company's Board of Directors' decision no. 2022/14 dated 25.03.2022, the Audit Committee ("Committee") was established to be appointed to and authorized within the framework of Turkish Commercial Code no. 6102, Capital Market Law no. 6362, Capital Markets Board ("Board") regulations -including Corporate Governance Principles attached to the Capital Markets Board Corporate Governance Communiqué with serial no. II-17.1 ("Communiqué")- and the Company's Articles of Association.

PURPOSE

The Committee, which reports to the Board of Directors, is responsible for declaring the Company's accounting systems and practices and financial information to the public and supervising the operation and efficiency of independent audit and the Company's internal control and audit system. It is responsible for ensuring the Company's compliance with relevant legislation and corporate ethical rules. The Committee also undertakes the duties granted by the Articles of Association and the Communiqué. Within this scope, the Committee carries out the duties and responsibilities specified in this Procedure. The Committee aims to contribute to the continuous development of compliance with the legislation and internal regulations, and to the strengthening of transparency, accountability, fairness, predictability and efficiency through its duty of supervision and its recommendations on relevant practices.

AUTHORITY AND SCOPE

This procedure determines the Committee's scope of duties and working principles. The Audit Committee is formed and authorized by the Board of Directors. The Committee acts under its own authority and responsibility, makes recommendations to the Board of Directors, and prepares a report if required to present its opinion to the Board of Directors. However, the final decision and responsibility always belong to the Board of Directors.

WORKING PRINCIPLES OF THE COMMITTEE

The Committee consists of a Chair and at least two members elected by the Board of Directors in accordance with the Company's Articles of Association. If it consists of two members, both of them are elected among the Board Members. If it consists of more members, the majority of them are elected among the Board Members. The Chairman of the Committee is elected among the Independent Members by the Company's Board of Directors. The Chief Executive Officer cannot assume any duties in the Committee. Experts that have the required professional experience in fields such as accounting, finance, audit, law, management, corporate governance, sustainability, human resources etc. can assume duties in the Committee. The Committee is re-elected every year, in the first meeting of the Board of Directors to be held after the Ordinary General Assembly Meeting. Any amendments regarding the Committee members and numbers and terms of office of such members are made by the Board of Directors' decision. Any member who desires to resign from Committee membership declares this intent to the Board of Directors in writing. The termination of membership of the Board of Directors automatically leads to the termination of membership of the Committee. The Committee convenes as often as required by the

duties assigned to it. The decisions of the Committee are advisory only to the Board of Directors. The ultimate decision maker in the relevant matters is always the Board of Directors. The Committee ensures notification of the board of directors about matters in its area of authority and responsibility. The Audit Committee may consult independent expert views if required while carrying out the activities. The timing of the committee meetings is in accordance with the board meetings to the extent possible. Meeting and decision quorums are equal to the absolute majority of the total number of the Committee members. The Board of Directors Secretariat works to keep and archive the Audit Committee's meeting minutes and provide efficient information to the Committee members.

DUTIES AND RESPONSIBILITIES

Financial Statements and Public Disclosure

- It obtains the opinions of the executives of the Company and the independent auditors regarding the conformity of the annual and interim financial statements to be disclosed to the public with the accounting principles implemented by the Company and the truth as well as the accuracy thereof and communicates the same to the Board of Directors in written together with its assessments.
- It reviews the accounting policies, international accounting standards and legislative changes that may considerably affect the Company's activities and financial statements together with the independent audit company.
- It reviews the activity reports to be disclosed to the public and checks if the data in these reports are correct and consistent with the data the Committee has.

Independent Audit

- This Committee monitors the selection and change of independent audit companies, preparation of independent audit contracts, launch of the independent audit process and all activities of independent audit companies at any phase.
- The Committee receives a written statement from the independent external auditor confirming that it is independent in the audits. The Committee reports to the Board of Directors its assessment of any elements that may threaten the independence of the external auditor before the selection of the independent auditor is proposed to the Board of Directors.
- The Committee oversees the fulfillment of the obligation to share any significant issues of the independent external auditor regarding the accounting policy and practices of the company, alternative practices and public disclosure options within the framework of the relevant accounting standards and accounting principles previously communicated to the Company management, their possible consequences and implementation proposal, and important correspondence between the company management, with the Committee.
- The Committee considers restrictions regarding the re-election of the independent external auditor within the framework of legal regulations.

Committees and Policies

Internal Audit and Internal Control

- The Committee takes necessary measures to ensure that the duty of the Internal Audit Department is carried out neutrally and transparently.
- It reviews and approves the Internal Audit methodology, Internal Audit plan, and any changes necessary within the scope of the Internal Audit plan and in the organizational structure of the Internal Audit function.
- It informs and makes recommendations to the Board of Directors regarding issues that limit the efficiency of the Internal Audit Department's working systematic or limit/prevent the works of internal auditors.
- The Committee ensures that the issues found out in consequence of audits by the Internal Audit and recommendations for the resolution of such issues are reported to the Audit Committee on time.
- It monitors and ensures the efficiency of Internal Control systems including the security and controls of information systems and technologies.
- It understands the scope of reviews of internal and independent auditors on Internal Control systems regarding financial reporting and receives reports covering important findings and recommendations together with the management's opinion.
- The Committee makes recommendations to reveal misconduct, legal and procedural noncompliance or failure regarding internal control or similar cases. For this purpose, it reviews the tracking system developed by the Company for compliance with laws and regulations, disciplinary punishments, and results of investigations and proceedings initiated by the Company management regarding these issues. It also makes recommendations to the management for necessary regulations and procedures.

Compliance with Legal Regulations and Ethical Rules

- It checks whether the Company's activities, financial statements and footnotes comply with the legislative provisions and internal regulations.
- It revises the results of audits and reviews carried out by regulatory authorities and provides information and recommendations to the Board of Directors.
- The Committee ensures compliance with internal regulations and policies which prevent a clash of interest between members of the Board of Directors, Company executives and other employees and abuse of confidential information regarded as business secrets.
- When necessary, the Committee evaluates the behavior of the Company's Internal Audit Department, independent external auditor and the officials who take on important duties in the accounting or internal control system, in violation of the regulations specified here together with the internal audit unit and independent audit company, and shares its findings and recommendations with the Board of Directors.
- It pays regard to directives, policies and processes to monitor risks and risk policies related to financial statements, reporting processes, compliance and audit.
- The Committee evaluates legal disputes that may have a significant effect on financial statements.
- The Committee shares information and cooperates with other committees created by the Board of Directors in order to ensure and maintain the efficiency of the risk management system implemented within the Company.
- The Committee ensures that the necessary mechanisms are in place for informing the Company about stakeholders' acts in violation of the legislation and ethical rules. The Committee and Internal Audit Department are fully authorized to carry out investigations regarding such complaints.

Other Responsibilities

- The Committee may initiate special audits if deemed necessary, and reports the audit results to the Board of Directors. The Committee may assign subject-matter experts as consultants to assist the Committee in such audits.
- The Committee reviews and finalizes complaints from shareholders and stakeholders regarding the Company's financial statements, internal audit system, independent audit activities or field of activity. The Committee is responsible for establishing the infrastructure required to receive and evaluate such complaints.
- The Committee also carries out other duties of supervision and monitoring requested by the Board of Directors.

COMMITTEE STRUCTURE AND MEMBERSHIP CRITERIA

- The Chairman of the Committee is elected among the Independent Members. The Chief Executive Officer/General Manager cannot assume any duties in the Committee.
- The Chairman of the Committee chairs the Audit Committee, sets the meeting agenda, chairs the meetings, and ensures information exchange and coordination between the Company's Board of Directors and the Committee.
- After the new Board of Directors is elected in the Ordinary General Assembly Meeting, members of the Audit Committee are elected by the Board of Directors in parallel with their term of office. The former Committee Members continue their duties until the election of new members.
- Any resources and support the Committee needs to carry out its duties are provided by the Board of Directors. The Committee may invite to its meetings and ask the advice of any executive it deems necessary.
- The Committee consults independent expert views regarding its activities when required. Costs for the consultancy services required by the Committee are covered by the Company.

MEETING AND REPORTING

The Committee Reporter records the Committee's decisions. The Committee Reporter assists the Chairman of the Committee in the preparation of the agenda, meeting minutes and summary notes, and ensures coordination among Committee Members. The Committee convenes as often as required by the duties assigned to it.

The meeting minutes cover the following issues at the least:

- Meeting place and time
- Agenda
- Information on issues discussed in the meeting
- Meeting and decision quorums are equal to the absolute majority of the total number of committee members.

The meeting minutes or the Committee's working papers are presented to the Board of Directors after being approved by all Committee members. It is possible to hold Committee meetings physically or electronically (in electronic media or with teleconference calls without gathering physically). Physical meetings can be held at the registered office of the Company or another place that is easily accessible by the Committee members. Minutes of meetings held electronically without gathering physically are signed by the members of the Audit Committee. Moreover, it is possible to take Committee decisions through the circulation method. Decisions signed by all members on the same paper or different papers are valid. The decisions of the Committee are advisory only to the Board of Directors. The ultimate decision maker in the relevant matters is always the Board of Directors. A short explanation of the activities and decisions of the Audit Committee is added to the Company's annual report. In addition, the number of verbal notices to the Board of Directors in the relevant calendar year is also specified in the annual report. The Board of Directors Secretariat is responsible for preparing and archiving the reports.

The meeting minutes prepared are archived after being presented to the Committee members.

BUDGET

Any resource or support the Committee needs to carry out its duties and activities effectively and efficiently are provided by the Board of Directors.

ENFORCEMENT

These working principles entered into effect with the Board of Directors' decision no. 2022/14 dated 25.03.2022. The regulation on the Committee's duties and working principles and any amendments thereto enter into effect with a Board of Directors' decision, and the Board of Directors is responsible for the execution of this regulation.

DUTIES AND WORKING PRINCIPLES OF CORPORATE GOVERNANCE COMMITTEE UNDER THE BOARD OF DIRECTORS**ESTABLISHMENT AND LEGAL BASIS**

With our Company's Board of Directors' decision no. 2022/14 dated 25.03.2022, the Corporate Governance Committee ("Committee") was established to be appointed to and authorized within the framework of Turkish Commercial Code no. 6102, Capital Market Law no. 6362, Capital Markets Board ("Board") regulations -including Corporate Governance Principles attached to the Capital Markets Board Corporate Governance Communiqué with serial no. II-17.1 ("Communiqué")- and the Company's Articles of Association.

PURPOSE

The Committee, which reports to the Board of Directors, is responsible for making the following recommendations to the Company's Board of Directors:

- Monitoring and evaluating the corporate governance principles of the Company to ensure compliance with the Corporate Governance Principles determined by the Board and other internationally-recognized corporate governance principles and best practices,

- Making recommendations for the implementation of these principles,
- Monitoring the Company's compliance with these principles,
- Supervising the Investor Relations Department. This Committee also carries out the duties of the Nomination Committee and Remuneration Committee of the Company within the scope of the Communiqué.

AUTHORITY AND SCOPE

This regulation covers the formation of a Corporate Governance Committee and determining the working principles for the duties and responsibilities of this Committee in order to ensure that the Board of Directors fulfills its corporate governance duties and responsibilities healthily and effectively.

The authorities of the Corporate Governance Committee are as follows:

- The Committee is formed and authorized by the Company's Board of Directors.
- Any resource or support the Committee needs to carry out its duties is provided by the Board of Directors. The Committee may invite Company executives and/or third parties to meetings as it deems necessary, and receive their reports and opinions periodically.
- The Committee consults independent expert views regarding its activities when required. The cost for the consultancy services required by the Committee is paid by the Company.

Committees and Policies

WORKING PRINCIPLES OF THE COMMITTEE

The Committee consists of a Chair and at least two members elected by the Board of Directors under the Company's Articles of Association. If it consists of two members, both of them are elected among the Board Members. If it consists of more members, the majority of them are elected among the Board Members. The Chairman of the Committee is elected among the Independent Board Members. The Chief Executive Officer cannot take office in the Committee. Experts that have the required professional experience in fields such as accounting, finance, audit, law, management, corporate governance, sustainability, human resources etc. can assume duties in the Committee. The Head of The Investor Relations Department is a natural member of the Committee. The Committee is re-elected every year, in the first meeting of the Board of Directors to be held after the Ordinary General Assembly Meeting. Any amendments regarding the Committee members and numbers and terms of office of such members are made by the Board of Directors' decision. Any member who desires to resign from Committee membership declares this intent to the Board of Directors in writing. The termination of membership of the Board of Directors automatically leads to the termination of membership of the Committee. The Committee convenes as often as required by the duties assigned to it. The decisions of the Committee are advisory only to the Board of Directors. The ultimate decision maker in the relevant matters is always the Board of Directors.

The Committee ensures notification of the board of directors about matters in its area of authority and responsibility. The timing of the committee meetings is in accordance with the board meetings to the extent possible. Meeting and decision quorums are equal to the absolute majority of the total number of the Committee members. It is possible to hold Committee meetings physically or electronically (in electronic media or with teleconference

calls without gathering physically). Physical meetings can be held at the registered office of the Company or another place that is easily accessible by the Committee members. Minutes of meetings held electronically without gathering physically are signed by the members of the Corporate Governance Committee. Moreover, it is possible to take Committee decisions through the circulation method. Decisions signed by all members on the same paper or different papers are valid. The Board of Directors Secretariat works to keep and archive the Corporate Governance Committee's meeting minutes and provide efficient information to the Committee members.

DUTIES AND RESPONSIBILITIES

Conformity to the Corporate Governance Principles

- The Committee determines whether or not the corporate governance and sustainability principles are implemented at the Company, and if not implemented, the Committee determines the reasons as well as conflicts of interest caused by failing to fully comply with these principles and makes recommendations to improve the corporate governance and sustainability practices.
- The Committee makes recommendations to the Board of Directors about matters such as the implementation of the infrastructure of management practices aiming to improve the performance of the Company effectively in all subsidiaries of the Company, its comprehension and adoption by employees and support by the management.
- As part of its duty of supporting the Board of Directors, the Committee follows developments related to corporate governance in Türkiye and abroad, and works for continuous development of corporate governance rules and principles to ensure an effective and efficient corporate governance culture.

- It carries out studies on other issues that are requested by the Board of Directors and may be considered within the scope of corporate governance.
- It coordinates and supervises corporate governance assessment and rating activities.

Supervision of the Investor Relations Department

- It follows the works of the Company's Investor Relations Department and determines and regularly reviews the basic principles for the Company's communications with investors.
- The Committee -together with the Investor Relations Department- submits development recommendations to the Board of Directors to ensure efficient communication between the Company and shareholders, and settle and resolve possible disputes.
- It ensures that the General Assembly Meetings are duly held in conformity with the applicable legislation, the Articles of Association, and other internal regulations of the Company.

Declarations to Public

- The Committee ensures that papers and documents that should be prepared and declared to the public as per the Capital Markets Board Legislation (annual report, corporate governance report, sustainability reports etc.) accurately, completely and on time, and reviews whether the information contained therein is accurate and consistent with the information it possesses.
- The Committee makes recommendations and evaluations on the determination or amendment of the Company's Information Policy and submits the same to the Board of Directors. It reviews the quality, consistency and accuracy of the Information Policy, verifies that it has the minimum contents specified in the relevant legislation in terms of the Company's communication with stakeholders, and ensures that it is prepared accordingly.
- It determines the measures, methods and criteria for the privacy of the Company's information regarded as business secrets.

Development of Applications for Nomination

- The Committee undertakes the duties and responsibilities determined for the Nomination Committee within the framework of the Communiqué.
- It works to establish a transparent system and determine policies and strategies for identifying, evaluating and training suitable candidates for the Board of Directors and executive positions.
- It evaluates the structure and effectiveness of the Board of Directors regularly and advises the Board on necessary changes that may be introduced in this regard.
- The Committee is responsible for fulfilling the duties specified in the legislation regarding the nomination of independent members for the Board of Directors, which is obligatory for the Company Group as announced every year by the Board.
- The Committee is responsible for fulfilling the duties specified in the Communiqué regarding the nomination of independent members for the Board of Directors.

Human Resources and Remuneration Policy

- The Committee undertakes the duties and responsibilities determined for the Remuneration Committee.
- It sets forth and oversees the remuneration principles, criteria and practices for Board members and executive positions in light of the Company's long-term objectives.
- It makes recommendations to the Board of Directors relating to the pay packages to be offered to the Board members and executive positions, which are determined by taking into consideration the level of achievement with respect to the criteria used in remuneration.
- It makes recommendations and evaluations for preparing and amending the Company's remuneration policy that determines the remuneration principles for the Board members and executive positions and presents its opinions to the Board of Directors.

COMMITTEE STRUCTURE AND MEMBERSHIP CRITERIA

- The Corporate Governance Committee consists of at least two Board Members and the Head of the Investor Relations Department, who is assigned within the scope of the Corporate Governance Communiqué. The Chairman of the Committee is elected among the Independent Members. The Chief Executive Officer/General Manager cannot assume any duties in the Committee.
- If the Committee consists of two members other than the Head of the Investor Relations Department, both of them are elected among the non-executive Board Members. If it consists of more members other than the Head of the Investor Relations Department, the majority of them are elected among the non-executive Board Members.
- After the new Board of Directors is elected in the Ordinary General Assembly Meeting, members of the Corporate Governance Committee are elected by the Board of Directors in parallel with their term of office. The former Committee Members continue their duties until the election of new members.
- Any resources and support the Committee needs to carry out its duties are provided by the Board of Directors. The Committee may invite to its meetings and ask the advice of any executive it deems necessary.
- The Committee consults independent expert views regarding its activities when required. Costs for the consultancy services required by the Committee are covered by the Company.

MEETING AND REPORTING

The Committee Reporter records the Committee's decisions. The Committee Reporter assists the Chairman of the Committee in the preparation of the agenda, meeting minutes and summary notes, and ensures coordination among Committee Members. The Committee convenes as often as required by the duties assigned to it.

The meeting minutes cover the following issues at the least:

- Meeting place and time
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The meeting minutes or the Committee's working papers are presented to the Board of Directors after being approved by all Committee members. It is possible to hold Committee meetings physically or electronically (in electronic media or with teleconference calls without gathering physically). Physical meetings can be held at the registered office of the Company or another place that is easily accessible by the Committee members. Minutes of meetings held electronically without gathering physically are signed by the members of the Corporate Governance Committee. Moreover, it is possible to take Committee decisions through the circulation method. Decisions signed by all members on the same paper or different papers are valid. The decisions of the Committee are advisory only to the Board of Directors. The ultimate decision maker in the relevant matters is always the Board of Directors. The Board of Directors Secretariat is responsible for preparing and archiving the reports. The meeting minutes prepared are archived after being presented to the Committee members.

BUDGET

Any resource or support the Committee needs to carry out its duties and activities effectively and efficiently is provided by the Board of Directors.

ENFORCEMENT

These working principles entered into effect with the Board of Directors' decision no. 2022/14 dated 25.03.2022. The regulation on the Committee's duties and working principles and any amendments thereto enter into effect with a Board of Directors' decision, and the Board of Directors is responsible for the execution of this regulation.

Assessment of the Board of Directors

RISKS AND ASSESSMENTS OF THE BOARD OF DIRECTORS

Smart Solar Technologies Board of Directors is responsible for determining and monitoring the overall risk management framework of the Company. The Board of Directors formed the Early Risk Detection Committee to oversee the development and monitoring of the Company's risk management policies.

The Company pursues an effective risk management policy to prevent and mitigate all risks. The risk management philosophy is based on the core principles of protecting asset value, ensuring operational safety and pursuing sustainability.

Risk management policies are designed to identify and analyze potential risks, determine suitable risk limits and establish relevant controls, and monitor risks as well as the correlation between risks and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in the Company's activities and evolving market conditions. By administering training and adhering to management standards and procedures, Aksa Energy aims to develop a disciplined and productive control environment where all employees understand their respective roles and responsibilities.

Financial risks faced by the Company are managed in a centralized fashion. Aksa Energy's financial risks and opportunities are effectively managed via policy revisions when deemed necessary. Hedging instruments are purchased when appropriate, in line with policies determined by upper management to minimize risk exposure.

The Early Risk Detection Committee, which convenes under the Chairmanship of the Independent Board Member, also carries out studies to identify risks and take action. The Committee executes activities to identify and implement the necessary measures regarding potential risks, manage these within the framework of the risk management system, and report the results to the Board of Directors.

Operating in an investment-intensive industry, the Company has financed some of its investments through bank loans. Therefore, liquidity, currency and interest rate risk positions and market developments are monitored regularly.

The Company continues analyzing and prioritizing market risks, using methodologies in compliance with its strategic objectives, to reach its operational and financial profitability targets. Operationally, the Company carries no foreign exchange risk. However, the project financing loans used for investments are in foreign currency, which can lead to foreign exchange losses. It determines targets to find financing sources for projects to bring FX-based EBITDA with higher profit margins.

To strengthen its supply chain in 2021, the Company established Smart Güneş Enerji Ekipmanları Pazarlama Anonim Şirketi in order to purchase and sell power plant components in EPC projects that the Company installs, and Smart GES Enerjisi Üretim Anonim Şirket in order to meet the energy requirement of the cell factory planned for the future and make SPP investments to reduce its carbon footprints; however, these companies could not start their activities due to COVID-19.

In 2021, the Company decided on a cell investment to produce low carbon panels in order to strengthen its vertical integration and respond to new market expectations. Regarding the investment, a pre-application for Super Incentive Mechanism was made to the Turkish Ministry of Industry and Technology, and the Ministry's approval was received. A detailed feasibility study for the application process has been continuing. Within this scope, approximately 58,000 m² of land in Aliağa OIZ was allocated to the Company as of November 2021, and the project design process has been continuing. The next phases of the Company's investment plan are also included in the Project-Based Incentive application. Within this scope, the Company increased its capital to TRY 90,000,000 with the General Assembly decision dated 21.06.2021, which was registered on 29.06.2021 and announced on the TTRG no. 10359 on 29.06.2021, and to TRY 127,500,000 with the Board of Directors' decision no. 2021/24 dated 07.12.2021, which was registered on 10.12.2021 and announced on the TTRG no. 10470 on 10.12.2021.

ASSESSMENT OF THE BOARD OF DIRECTORS ON FINANCIAL AND OPERATIONAL RESULTS

The Company's activities and financial performance were positive every year. An increase was observed in sales and profitability levels, and in parallel, in the Company's assets and operating capital items.

The Company's revenue was TRY 846 million in 2021, with an increase of 46% compared to the previous year. Capacity increases in production and services, productivity growth, increased interest in renewable energy and solar energy in our country and across the world, and increased reputation and competency of the Company in

Türkiye and abroad are among the main reasons for this increase. In parallel, gross profitability also increased. As of the end of 2021, it reached TRY 135 million with an increase of 12% compared to the previous period.

As a result of successful and effective management of activities and operations, the Company's Earnings Before Interests, Taxes, Depreciation, and Amortization (EBITDA) reached TRY 160 million with an increase of 116% in 2021 (2020: TRY 74 million).

The Company's paid-in capital was TRY 127.5 million in financial statements as of the end of 2021, and increased by TRY 96.5 million in 2021. After the public offering in 2022, the Company's capital reached TRY 153 million. The Company's total equity increased to TRY 201 million on 31 December 2021 with the effect of previous years' profits and net period profits.

The Company strengthened its balance sheet and equity after the public offering in 2022 and will maintain its successful financial and operational performance by increasing its investments and carrying out more effective management of operational capital.

ASSESSMENT OF THE BOARD OF DIRECTORS ON THE COMMITTEES

In 2021, necessary preparations for the formation of committees under the Board of Directors were made by increasing the number of independent members of the Board of Directors. Within the scope of Turkish Commercial Code no. 6102, Capital Markets Law no. 6362 and 4.5 Corporate Governance Principle in the Capital Markets Board's Corporate Governance Communiqué with serial no. II-17.1; the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee carry out their activities under the Board of Directors as of 25.03.2022.

The Audit Committee convenes at least once every three months upon the invitation of the Chairman of the Committee. Other Committees convene as often as required by the duties assigned to them. The Committees closely examine and discuss key issues such as audit, corporate governance, risks and strategies, and present recommendations on these to the Board of Directors. For detailed information on the committees and their working principles, please visit the Company's website at the address www.smartsolar.com.tr/yatirimci-iliskileri.html.

ASSESSMENT OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT PRACTICES

It is aimed to inform the Board of Directors that the internal audit activities by Smart Holding Internal Audit Department and the activities of the Company and its subsidiaries are carried out in line with laws, relevant legislation and internal strategies, policies and procedures, and to express opinions on the efficiency and sufficiency of internal control and risk management systems. The audit studies, it is aimed to develop business processes and create added value for the Company by presenting opinions and recommendations for taking regulatory and preventive measures, protecting corporate assets, increasing operational efficiency and establishing systematic developments. In 2021, audit activities were performed about warehouse and stock management as well as on-site examinations of projects installed in the field. The results of the audits conducted are presented to the Board of Directors.

Rating Notes

There are no financial rating notes.

Donations and Aids

Our Sponsorships:

Smart Solar Technologies sponsors value-creating projects that unite stakeholders in Türkiye and across the world. Sponsorships in 2021 were as follows:

[International Solar Energy Society \(ISES\) SWC50 The Century of Solar Gold Sponsor Harvard Business Review Sustainability Summit Platin Sponsor](#)

Turkish Footgolf League 4th Stage (FGSD Kemercountry) Participating Sponsor

Turkish Footgolf League 5th Stage (FGSD Regnum Golf Country Bodrum 2021) Participating Sponsor

Panel Donations:

1 400W Bifacial Panel to Republic of Türkiye, Ministry of National Defense, Turkish Armed Forces Van Çaldıran Border Battalion Commandership
1 Panel to TÜBİTAK UME Photovoltaic Performance Test Center

Goal Alignment Workshop

The Company organized a Goal Alignment Workshop on 12 June 2021 at Cemile Sultan Grove with the participation of its Board Members and senior management teams.

At the Workshop, priorities and short-, medium- and long-term goals of all departments were set in line with the Company's strategy.

Amendments to the Articles of Association

The Company adopted the registered capital system in accordance with the Capital Market Law no. 6362 and started to use this system with the Capital Markets Board authorization no. 54/1545 dated 21/10/2021.

The Company's registered capital ceiling is TRY 400,000,000.00 (Four hundred million Turkish lira), divided into 400,000,000 (Four hundred million) shares, each having a nominal value of TRY 1 (one Turkish lira).

Invictus Project

The Invictus Project was implemented with the aim of redesigning the organizational structure, which is the most important of the complementary elements of Smart Solar Technologies' management model, and the functioning of business processes in a way that can respond to long-term needs and make them sustainable. The project aims to ensure the sustainability of the Company's corporate transformation and to enable employees to take part in different projects within this corporate structure and to provide added value to their own development as well as the organization.

Started in February 2021, the Invictus project prioritized Organizational Alignment and Target Process Design, and these phases were completed in 17 weeks. 20 meetings were held with the project team regarding the implementation and ERP integration of 187 target processes.

The Company's ERP switch project and adaptation of the target processes of the Invictus project to ERP are successfully carried out in an integrated manner. The outputs obtained in the Invictus project are expected to contribute to the "Smartest KPI" project that will start in 2022.

The Invictus and ERP projects, which are extremely important in the Company's institutionalization journey, are supported by the senior management and both projects are being carried out under the leadership of Ms. Havva Koroğlu, Vice Chair of the Board of Directors.

ERP Project

Pursuant to the decision of the Board of Directors, a project was initiated in mid-March to expand ERP implementation to all Smart Group companies. Throughout the study; 20,000+ master data records were overhauled, 200+ meetings and 1,000+ man-days of effort were spent to digitize core ERP processes. In addition to the HR and Accounting modules that were already in use, workflows and rules were clarified in the areas of Procurement, Logistics, Business Development/Sales, Maintenance Warehouse, Breakdown/Maintenance, Administrative Affairs, Human Resources, Corporate Communications, EPC, Production Operations/Warehouse, Finance, and the use of the integrated ERP product was effectively established. In Q2, the target processes created through four months of intensive work within the scope of the "Organizational Alignment and Target Process Design

Project" carried out with Ernst & Young and internally referred to as the "Invictus project" were overhauled to be included in the digitalization project called "Invictus continuation project" and ERP implementation as of Q3.

On the ERP product; the following tasks were realized: raw material/material dispatch operations from stock to production using production recipes and shift/line-based production data from the MES (Manufacturing Execution System) system, tracking of stock movements, procurement and logistics requests workflows, critical stock level tracking, creation of project-based budget/cost tracking infrastructure, creation of cost accounting infrastructure, cash flow and finance management, integration of accounting and production.

Significant progress has been made towards the establishment, internalization and development of ERP culture, and a cultural transformation has been achieved to increase effectiveness through process ownership, key users and the creation of internal documentation (procedures and guidelines). In 2022, production planning at MRP 2 level is targeted and work is ongoing.

Risk Management Activities

Smart Solar Technologies has reached these days by taking important and critical steps with its own risk management approach both in our country and abroad since its establishment in 2009. During this 12-year period, a result-oriented, visionary and risk-focused perspective was adopted to clarify uncertainties and seize opportunities in achieving strategic goals.

Smart Güneş Teknolojileri established the Risk Management Department on 01.04.2021 in order to implement the risk management approach institutionally, to provide input to the determination of strategies and to create a systematic process applied throughout the organization with the public offering activities

in 2021. Within the same scope, an “Early Detection of Risk Committee” reporting to the “Board of Directors” was established for the purpose of early detection of risks that may jeopardize the existence, development and continuity of the Company, implementation of necessary measures and measures in this regard, and management of risks.

With the establishment of the Risk Management Department, the corporate risk management methodology was determined in accordance with the Company's risk-taking appetite, and threats and opportunities that may be encountered in achieving strategic goals were identified through risk workshops. Risk factors that may be of interest to investors considering investing in the publicly offered shares are stated in the offering circular and presented to the investors' evaluations.

2021 financial risk management activities:

In line with the interest rate risk and financial risk management practices, care is taken to make a balanced distribution between the Company's borrowings with fixed and variable interest rates. In this context, hedging strategies and interest rate expectations are regularly reviewed and evaluated.

Foreign currency risk arises mainly from foreign currency denominated bank borrowings as all the Company's revenues are denominated in foreign currencies (Euro and USD). The local currency nature of local inputs and labor and the Company's TRY denominated debt reduce the Company's foreign currency risk and even make the foreign currency risk positive.

The majority of the Company's sales are realized in cash, and the risk of receivables is minimized.

Information Related to the Private Audit and Public Audit Conducted in 2021

Financial Indicators (TRY Million)		2021
Total Assets		818
Net Sales		846
Total Equity		201
EBITDA		160
EBITDA MARGIN (%)		19%
Operational Indicators		2021
Company Headcount		540
Number of Completed Turnkey Projects	15 Unlicensed Projects 1 Licensed Project	
PV Panel Production Capacity		1,200 MW Annually

A special audit was carried out by an Independent Audit Company within the scope of the public offering process in 2021.

Dividend Distribution Policy

Information on the Dividend Distribution Policy of our Company, Smart Güneş Enerjisi Teknolojileri Araştırma Geliştirme Üretim Sanayi ve Ticaret Anonim Şirketi, is given below.

The Company distributes dividends within the framework of the provisions of Turkish Commercial Code, Capital Market Regulations, Tax Regulations, and other relevant regulations, as well as the article on dividend distribution of the Company's Articles of Association. In dividend distribution, a balanced and consistent policy is followed between the interests of the shareholders and the Company in accordance with the Corporate Governance Principles. The amount of dividends to be distributed and distribution date are approved and decided by the General Assembly in line with the proposal of the Board of Directors. As its Dividend Distribution Policy, the Company adopted distribution of minimum 25% of its distributable period profit calculated within the framework of Capital Markets Board regulations in cash and/or bonus shares. As long as the relevant regulations and financial possibilities allow, this policy is reviewed by the Board of Directors considering market expectations, national and global economic conditions, the Company's

growth, investment and financing policies, profitability and cash position. Any changes to the Policy are also submitted for the approval of the shareholders at the first General Assembly meeting after the change and published on the Company's website. It is aimed to distribute profits within one month at the latest following the General Assembly meeting, and the date of profit distribution is decided by the General Assembly. The General Assembly or if authorized, the Board of Directors may decide to distribute the dividend in installments in accordance with the Capital Markets Regulations. According to the Articles of Association and the provisions of legislation in force, the Board of Directors may distribute advance dividend only if authorized by the General Assembly and adhering to the Capital Market Regulations. This Dividend Distribution Policy was accepted with the Board of Directors decision no. 2022/02 dated 24.02.2022. It will be presented to the shareholders' opinions in the first General Assembly Meeting to be held, and announced to the public via the Company's investor relations website. Any amendments enter into effect and are announced in the same manner.

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

**SMART GÜNEŞ ENERJİSİ TEKNOLOJİLERİ
AR-GE ÜRETİM SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2021 AND 2020 TOGETHER WITH
SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT



SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

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

Eren Bağımsız Denetim A.Ş.
Maslak,Eski Büyükdere Cad.
No.14 Kat :10
34396 Sarıyer /İstanbul,Türkiye

T + 90 212 373 00 00
F + 90 212 291 77 97
www.grantthornton.com.tr

Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Other Matter

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



Key Audit Matters

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

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

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



Key Audit Matters	How the matter was addressed in our audit
<p>Revenue recognition</p> <p>Revenue is an important measurement in terms of evaluating the results of the Group's strategies implemented during the year and monitoring the performance.</p> <p>As of 31 December 2021, revenue is the most important caption and account in the consolidated financial statements, the issue of "revenue recognition" has been determined as a key audit matter.</p> <p>Group's revenue consists of income from domestic and foreign sales.</p> <p>Revenues are recorded on accrual basis the fair value of the consideration received or receivable upon the delivery of the product, the transfer of risks and benefits associated with the product, the reliable determination of the amount of income and the probable flow of economic benefits of transaction.</p> <p>As of 31 December 2021, the Group's sales revenue is TL 846.114.782 (31 December 2020: TL 579.697.636) and explanations regarding the relevant accounting policies are given in Note 2.6 and Note 20.</p>	<p>The audit procedures that we perform consist of testing internal controls, analytical reviews and test of details regarding the revenue recognition process, including reporting on performance evaluation and controls performed by Group management. Our audit procedures also include procedures for testing evidence that obtained about risks and benefits of products have been delivered to the customer.</p> <p>The main audit procedures that we made as follows:</p> <ul style="list-style-type: none"> · Revenue examined with analytical procedures, · Revenue invoice vouching test, · Revenue Cut-off testing <p>The processes applied by the Group during the confirmation of trade receivables have been understood,</p> <ul style="list-style-type: none"> · Invoice tests made by sampling method regarding the accuracy of sales transactions and records, and these invoices were matched with the bill of parcels and collections from the customer, · The collection risk of trade receivables was evaluated and the controls used in the follow-up of the collection process were tested. · Customer contracts were reviewed, and if there is any management judgments were evaluated. <p>As a result of the audit procedures we have applied, we have not had any significant findings regarding the revenue recognition.</p>



Key Audit Matters	How the matter was addressed in our audit
Trade Receivables From Related Parties	
<p>As of 31 December 2021, Group has receivables from related parties amounting to TL 106.290.325 (31 December 2020: TL 19.804.461) in its consolidated financial statements.</p> <p>As seen in Note 6 of the financial statements, the Group's receivables consist of group companies under Smart Holding and the Group management is reconciling the related receivables.</p> <p>Receivables from related parties are important for the business finance management, therefore, this issue has been considered as a key audit matter by us.</p> <p>Detailed explanations about the receivables from related parties are given in Note 2.6 and Note 6.</p>	<p>During our audit, the following audit procedures were applied regarding the accuracy of the receivables from related parties:</p> <ul style="list-style-type: none"> - Confirmation letters of receivables from related parties obtained, - The explanations into the footnotes of the financial statements regarding the receivables from related parties were examined and the sufficiency of the information included in these notes was evaluated. <p>As a result of the audit procedures we have applied, we have not had any significant findings regarding the trade receivables from related parties.</p>

Key Audit Matters	How the matter was addressed in our audit
Inventories	
<p>There is a risk of impairment of inventories in the financial statements dated 31 December 2021 due to macroeconomic factors.</p> <p>However, the calculation of the provision for inventory also includes management estimations and assumptions. These estimates and assumptions include the evaluation of inventories sold for macroeconomic reasons and the evaluation of the provision for inventories that have not moved for a certain period and are damaged. For these reasons, provision for inventory is an important issue for our audit.</p> <p>Explanations on the Company's accounting policies and amounts related to inventory impairment are given in Note 2.6 and Note 8.</p>	<p>During our audit, the following procedures have been applied regarding the impairment of inventories.</p> <ul style="list-style-type: none"> i) Understanding and evaluating the appropriateness of the accounting policy related to the impairment of inventory, ii) Discussing with the company management the changing customer demand, the qualitative characteristics of the inventories and the risk of macroeconomic factors and comparing the inventory turnover rate with the previous year, iii) Observing whether there are inactive or damaged inventories in the year-end stock counts, iv) Sample testing of selling prices deducted from the discounts used in the net realizable value calculation. v) Assessment of the necessity for an inventory impairment. <p>As a result of the audit procedures we have applied, we have not had any significant findings regarding the inventory impairment.</p>



Key Audit Matters	How the matter was addressed in our audit
<p>Advances received</p> <p>The Group's revenue consists of the installation and construction of solar power plants and the sales of solar panels and power plant equipment related to solar power plants.</p> <p>Revenue is recognized when the significant risks and controls of ownership are transferred to the buyer.</p> <p>The Group's solar power plant installations and investments are delivered to customers on a turnkey basis because of the installations.</p> <p>As explained in Note 9 (advances received included in deferred income), it results from the advances received by the Group from its customers regarding sales. We consider the Group's advances received to be a key audit matter.</p>	<p>During our audit, the following procedures were applied regarding the revenue recognition and the order advances received:</p> <ul style="list-style-type: none"> - Obtained the delivery confirmations with supporting documents regarding the delivery of the revenue realized in the power plant revenues within the framework of the periodicity principle; - The substantive procedures focused on the assessment of cases where income was earned but not invoiced. - We specifically examined the billing transactions regarding the power plants the Group made abroad and the services it provided during the period. - The arithmetic calculations of the advances given and the data forming the basis for these calculations have been checked by audit team. - We have inquired the convenience of the information in the financial statements and its footnotes, considering the importance of the information disclosed to the readers of the financial statements. <p>As a result of the audit procedures we have applied, we have not had any significant findings regarding the advances received.</p>



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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



İstanbul, 23.02.2022

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş and Its Subsidiaries

Notes to Consolidated Financial Statements for The Year Ended 31 December 2021 and 2020

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Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş and Its Subsidiaries

Consolidated Statements of Financial Position as of 31 December 2021 and 31 December 2020

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

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

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş and Its Subsidiaries

Consolidated Statements of Financial Position as of 31 December 2021 and 31 December 2020

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

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

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. and Its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Periods of 1 January–31 December 2021 and 2020

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

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

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş and Its Subsidiaries

Consolidated Statement of Changes in Equity for the Periods of 1 January-31 December 2021 and 2020

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

	Other accumulated comprehensive income							Total equity holder of the parent company	Non controlling interests	Total equity
	Paid-in capital	Not to be reclassified to profit or loss	To be reclassified to profit or loss	Reserves on retained earnings	Retained earnings	Net income/(loss) for the period	Total equity holder of the parent company			
Balance on 1 January 2020	5,000,000	(79,388)	(36,763)	336,637	932,384	10,405,260	16,558,130	187,986	16,746,116	
Transfers	--	--	--	1,466,260	8,939,000	(10,405,260)	--	--	--	
Net profit for the period	--	--	--	--	--	54,932,336	54,932,336	2,634,081	57,566,417	
Total Comprehensive Income	--	(308,736)	22,521	--	--	--	(286,215)	--	(286,215)	
Capital Increase	25,998,000	--	--	--	(25,998,000)	--	--	--	--	
As of 31 December 2020	30,998,000	(388,124)	(14,242)	1,802,897	(16,126,616)	54,932,336	71,204,251	2,822,067	74,026,318	
Balance on 1 January 2021	30,998,000	(388,124)	(14,242)	1,802,897	(16,126,616)	54,932,336	71,204,251	2,822,067	74,026,318	
Transfers	--	--	--	3,893,563	51,038,773	(54,932,336)	--	--	--	
Net profit for the period	--	--	--	--	--	80,008,598	80,008,598	4,336,696	84,345,294	
Total Comprehensive Income	--	(241,753)	(17,267,469)	--	--	--	(17,509,222)	--	(17,509,222)	
Capital Increase	96,502,000	--	--	--	(38,722,203)	--	57,779,797	--	57,779,797	
Effects of business under common controls	--	--	--	281,993	1,687,382	--	1,969,375	--	1,969,375	
As of 31 December 2021	127,500,000	(629,877)	(17,281,711)	5,978,453	(2,122,664)	80,008,598	193,452,799	7,158,763	200,611,562	

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. and Its Subsidiaries

Consolidated Statement of Cash Flows for the Periods of 1 January–31 December 2021 and 2020

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

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

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş and Its Subsidiaries

Notes To the Consolidated Financial Statements as of 31 December 2021 and 31 December 2020

(Amounts expressed in TL unless otherwise indicated.)

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

The Main Field of Group.

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

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

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

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

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

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

The subsidiaries

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

31 December 2021

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

31 December 2020

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. and Its Subsidiaries Notes To the Consolidated Financial Statements as of 31 December 2021 and 31 December 2020

(Amounts expressed in TL unless otherwise indicated.)

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

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

Smart Güneş Teknolojileri Pazarlama A.Ş.

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

Smart Güneş Enerji Ekipmanları Pazarlama A.Ş.

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

Smart GES Enerji Üretim A.Ş.

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. and Its Subsidiaries

Notes To the Consolidated Financial Statements as of 31 December 2021 and 31 December 2020

(Amounts expressed in TL unless otherwise indicated.)

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

Smart Sumec Enerji Ekipmanları ve Pazarlama A.Ş.

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

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

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

Icarus Solar GmbH

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

Smart Solar Technology GmbH

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

Smart Solar Ukraine

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. and Its Subsidiaries

Notes To the Consolidated Financial Statements as of 31 December 2021 and 31 December 2020

(Amounts expressed in TL unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Accounting policies

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

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

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

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

Approval of consolidated financial statements

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

Comparative Information and Correction of Prior Financial Statements

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

Preparation of Financial Statements in Hyperinflationary Economies

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

Netting/Offsetting

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

Smart Güneş Enerjisi Teknolojileri Ar-Ge Üretim San. ve Tic. A.Ş. and Its Subsidiaries

Notes To the Consolidated Financial Statements as of 31 December 2021 and 31 December 2020

(Amounts expressed in TL unless otherwise indicated.)

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

2.2. Changes in Accounting Policies

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

2.3. Restatement and Errors in the Accounting Policies and Estimates

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

2.4. Going concern

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

2.5 New and amended standards and interpretations

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

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

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

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

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

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

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

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

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

2.5 New and amended standards and interpretations

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

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments include:

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

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

2.5 New and amended standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

Definition of Accounting Estimates (Amendments to TAS 8)

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

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

Developing an accounting estimate includes both:

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

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

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

2.5 New and amended standards and interpretations (continued)

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

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

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

Disclosure of Accounting Policies (Amendments to TAS 1)

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

The key amendments to TAS 1 include:

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

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

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

2.6. Summary of significant accounting policies

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

Consolidation Principles

Full Consolidation:

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

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

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

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

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

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

2.6. Summary of significant accounting policies (continued)

Consolidation Principles (continued)

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

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

Related Parties

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

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 3). To consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents because of a specific event, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectations for the future indications.

Trade Receivables and Allowance for Doubtful Receivables

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

Impairment

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

Trade Payables

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

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

2.6. Summary of significant accounting policies (continued)

Inventories

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

Property, plant and equipment and related depreciation

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

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

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

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

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

Right – of - use assets

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

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

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

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

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

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

2.6. Summary of significant accounting policies (continued)

Intangible assets and related amortization

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

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

The useful lives of intangible assets are as follows:

	<u>Year</u>
Rights	3-5
Other intangible asset	5-10

Impairment of assets

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

Financial assets

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

Classification

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

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

Recognition and Measurement

a) **Financial assets measured at amortized cost**

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

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

2.6. Summary of significant accounting policies (continued)

Financial assets

b) Financial assets measured at fair value

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

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

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

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

ii. Financial assets measured at fair value through profit or loss

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

Derecognition

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

Impairment

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

Provisions for losses are measured as below.

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

Provisions for losses are measured as below.

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.

- Lifetime ECL: results from all possible default events over the expected life of financial instrument.

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

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

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

2.6. Summary of significant accounting policies (continued)

Financial liabilities

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

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

a) Financial liabilities at fair value through profit and loss

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

b) Other financial liabilities

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

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

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

Financial Leasing

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

Leasing-the Company as lessor

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

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

Leasing-the Company as lessee

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

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

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

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

2.6. Summary of significant accounting policies (continued)

Borrowing Costs

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

Taxation and Deferred Income Taxes

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

Current tax: The tax currently payable is based on taxable profit for the year.

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

Employee Benefits / Retirement Pay Provision

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

Operating Expenses

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

Revenue Recognition

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

Group recognizes revenue based on the following main principles:

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

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

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

Provisions

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

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

2.6. Summary of significant accounting policies (continued)

Commitments and Contingencies

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

Transactions in foreign currency

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

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

Cash flow hedge

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

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

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

Share capital

Share premium

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

Earnings per share

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

Government incentives and grants

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

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

2.6. Summary of significant accounting policies (continued)

Cash Flow statement

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

EBITDA

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

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

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

2.7. Significant Accounting Assessments, Estimates and Assumptions

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

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

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

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

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

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5. TRADE RECEIVABLES AND PAYABLES

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

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

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

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

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

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

The details of the trade payables are as follows:

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

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

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

As of 31 December 2021, the average maturity of the Group's trade payables is 119 days (31 December 2020: 109 days).

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

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6. RELATED PARTIES

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

	Trade Receivables	
	31 December 2021	31 December 2020
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti. (*)	55.313.795	--
Smart Holding A.Ş.	24.514.725	--
Şems 4 Yenilenebilir Enerji Yatırımları A.Ş.	5.792.505	--
Şems 8 Yenilenebilir Enerji Yatırımları A.Ş.	3.289.774	--
Şems 1 Enerji Üretim San. ve Tic. A.Ş.	3.289.774	763
Şems 3 Yenilenebilir Enerji Yatırımları A.Ş.	3.289.774	--
Şems 2 Yenilenebilir Enerji Yatırımları A.Ş.	2.469.800	--
Smart Energy Ukraine	2.275.757	--
Şems 5 Yenilenebilir Enerji Yatırımları A.Ş.	1.990.450	--
Şems 6 Yenilenebilir Enerji Yatırımları A.Ş.	1.646.534	--
Hakan Akkoç	2.315.563	--
Smart Energy Group AD (Bulgaria)	--	533.056
Tuzluca 8 Güneş Enerjisi San.ve Tic. A.Ş.	--	12.237
Tuzluca 6 Güneş Enerjisi San.ve Tic. A.Ş.	37.252	449.082
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	37.174	1.053.114
Tuzluca 5 Güneş Enerjisi San.ve Tic. A.Ş.	24.566	655.777
Tuzluca 4 Güneş Enerjisi San.ve Tic. A.Ş.	2.882	921.581
Smart Solar LTD Bulgaria	--	1.408
Tuzluca 1 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.076.968
Tuzluca 2 Güneş Enerjisi San.ve Tic. A.Ş.	--	945.706
Smart Doğu Güneş Enerjisi Üretim A.Ş.	--	1.076.866
Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	--	13.077.903
	106.290.325	19.804.461
	Other Receivables	
	31 December 2021	31 December 2020
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti. (*)	62.708.571	--
	62.708.571	--
	Prepaid Expenses	
	31 December 2021	31 December 2020
Smart Energy Group AD (Bulgaria)	5.640.039	27.638.075
Smart Holding A.Ş.	--	50.677.053
Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	--	256.000
Şems 2 Yenilenebilir Enerji Yatırımları A.Ş.	--	1.468
Şems 6 Yenilenebilir Enerji Yatırımları A.Ş.	--	1.468
Şems 8 Yenilenebilir Enerji Yatırımları A.Ş.	--	1.468
	5.640.039	78.575.532
	Short-term Trade Payables	
	31 December 2021	31 December 2020
Smart Energy Group AD (Bulgaria)	108.907.642	20.363.202
Smart Alternatif Enerji Tic. A.Ş.	495.000	--
	109.402.642	20.363.202
	Long-term Trade Payables	
	31 December 2021	31 December 2020
Sumec Hardware & Tools Co. Ltd. (China)	--	35.446.011
Sumec Hong Kong Co. Ltd. (China)	--	8.503.573
Smart Energy Group AD (Bulgaria)	--	4.912.747
	--	48.862.331

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

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6. RELATED PARTIES (continued)

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

	Deferred Income			
	31 December 2021	31 December 2020		
Smart Solar LTD Bulgaria	--	11.392.496		
Şems 11 Yenilenebilir Enerji Yatırımları A.Ş.	--	360.000		
Şems 12 Yenilenebilir Enerji Yatırımları A.Ş.	--	300.000		
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti.	--	2.367.863		
Sumec A.E.	--	3.599.115		
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.681.243		
Smart Doğu Güneş Enerjisi Üretim A.Ş.	--	1.128.300		
Tuzluca 4 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.018.118		
Tuzluca 2 Güneş Enerjisi San.ve Tic. A.Ş.	--	908.421		
Tuzluca 1 Güneş Enerjisi San.ve Tic. A.Ş.	--	901.456		
Tuzluca 5 Güneş Enerjisi San.ve Tic. A.Ş.	--	595.123		
Smart Alternatif Enerji Tic. A.Ş.	--	495.000		
	--	24.747.135		
	Other payables			
	31 December 2021	31 December 2020		
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	--	1.876.994		
	--	1.876.994		
	Sales		Purchases	
	2021	2020	2021	2020
Smart Solar Araş. Geliş. Enerji San. Tic. Ltd. Şti	68.423.708	1.307.192	13.109.912	31.492.017
Smart Holding A.Ş.	55.420.165	--	--	--
Şems 4 Yenilenebilir Enerji Yatırımları A.Ş.	23.232.775	--	--	--
Şems 1 Enerji Üretim San. ve Tic. A.Ş.	13.299.980	--	--	--
Şems 8 Yenilenebilir Enerji Yatırımları A.Ş.	13.299.980	--	--	--
Şems 3 Yenilenebilir Enerji Yatırımları A.Ş.	13.299.980	--	--	--
Sumec Energy Holdings Co. Ltd. (China)	12.485.135	--	141.877.852	184.280.271
Şems 2 Yenilenebilir Enerji Yatırımları A.Ş.	9.802.095	--	--	--
Şems 5 Yenilenebilir Enerji Yatırımları A.Ş.	7.882.549	--	--	--
Şems 6 Yenilenebilir Enerji Yatırımları A.Ş.	6.473.777	--	--	--
Smart Energy Group AD (Bulgaria)	3.378.573	3.291.649	137.364.198	10.206.654
Sumec Hong Kong Co. Ltd. (China)	--	--	3.765.058	18.560.415
Gapsan Elektrik Üretimi San. ve Tic. A.Ş.	--	891.165	--	--
Smart Doğu Güneş Enerjisi Üretim A.Ş.	--	7.678.800	--	2.484.826
Tuzluca 1 Güneş Enerjisi San.ve Tic. A.Ş.	--	3.722.689	--	--
Tuzluca 2 Güneş Enerjisi San.ve Tic. A.Ş.	--	3.742.576	--	--
Tuzluca 3 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.420.055	--	--
Tuzluca 4 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.629.526	--	--
Tuzluca 5 Güneş Enerjisi San.ve Tic. A.Ş.	--	3.802.008	--	--
Tuzluca 6 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.768.182	--	--
Tuzluca 7 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.311.762	--	--
Tuzluca 8 Güneş Enerjisi San.ve Tic. A.Ş.	--	7.207.278	--	--
	226.998.717	61.772.882	296.117.020	247.024.183

Key management remuneration:

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

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7. OTHER RECEIVABLES AND PAYABLES

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

<u>Short term other receivables</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Other receivables from related parties (Note 6)	62.708.571	--
VAT return receivables	19.935.465	17.889.372
Deposits and guarantees given	491.838	308.777
	83.135.874	18.198.149
<u>Short term other payables</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Tax structuring liabilities (*)	13.165.758	4.884.493
Other payables from related parties (Note 6)	--	1.876.994
Other various payables	779.142	714.518
	13.944.900	7.476.005

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

8. INVENTORIES

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

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

9. PREPAID EXPENSES VE DEFERRED INCOME

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

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

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

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

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

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10. OTHER ASSETS AND LIABILITIES

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

<u>Other current assets</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Accrued income	22.186.514	1.171.710
Deferred VAT	4.318.955	16.187.954
Receivables from personnel	2.865.194	3.462.858
Other VAT	292.273	--
Advances given to personnel	--	3.750
Other current assets	--	190.801
	29.662.936	21.017.073
<u>Other short-term liabilities</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Prepaid taxes and dues	15.570.456	5.676.672
Accrued expenses	3.368.826	103.312
Social security premiums payable	--	38.590
	18.939.282	5.818.574

11. PROPERTY, PLANT AND EQUIPMENTS

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

	<u>1 January 2021</u>	<u>Additions</u>	<u>Disposals (-)</u>	<u>Transfers (*)</u>	<u>Revaluation (**)</u>	<u>31 December 2021</u>
Cost						
Land	1.360.000	110.000	--	--	--	1.470.000
Machinery and equipment	42.739.524	769.222	(349.047)	23.488.570	23.140.228	89.788.497
Vehicles	1.964.330	270.941	(382.631)	--	--	1.852.640
Furniture and fixtures	2.582.051	1.693.853	(7.054)	123.042	--	4.391.892
Construction in progress	16.306.293	10.211.382	(237.378)	(26.119.691)	--	160.606
Leasehold improvements	7.747.529	5.509.163	--	2.508.079	--	15.764.771
	72.699.727	18.564.561	(976.110)	--	23.140.228	113.428.406
Accumulated depreciation	<u>1 January 2021</u>	<u>Current year charge</u>	<u>Disposals (-)</u>	<u>Transfers (*)</u>	<u>Revaluation (**)</u>	<u>31 December 2021</u>
Machinery and equipment	(11.392.450)	(3.197.824)	--	--	(7.403.561)	(21.993.835)
Vehicles	(304.921)	(397.813)	--	--	--	(702.734)
Furniture and fixtures	(813.535)	(452.719)	7.054	--	--	(1.259.200)
Leasehold improvements	(3.913.347)	(2.854.012)	--	--	--	(6.767.359)
	(16.424.253)	(6.902.368)	7.054	--	(7.403.561)	(30.723.128)
Net book value	56.275.474					82.705.278

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

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

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

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11. PROPERTY, PLANT AND EQUIPMENTS (continued)

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

	1 January 2020	Additions	31 December 2020
Cost			
Land	--	1.360.000	1.360.000
Machinery and equipment	41.515.023	1.224.501	42.739.524
Vehicles	842.191	1.122.139	1.964.330
Furniture and fixtures	983.138	1.598.913	2.582.051
Construction in progress	--	16.306.293	16.306.293
Leasehold improvements	6.035.559	1.711.970	7.747.529
	49.375.911	23.323.816	72.699.727
	1 January 2020	Current year charge	31 December 2020
Accumulated depreciation			
Machinery and equipment	(6.434.841)	(4.957.609)	(11.392.450)
Vehicles	(137.150)	(167.771)	(304.921)
Furniture and fixtures	(263.758)	(549.777)	(813.535)
Leasehold improvements	(2.434.537)	(1.478.810)	(3.913.347)
	(9.270.286)	(7.153.967)	(16.424.253)
Net book value	40.105.625		56.275.474

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

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

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

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12. INTANGIBLE FIXED ASSETS

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

	1 January 2021	Additions	Disposals (-)	31 December 2021
Cost				
Rights (*)	694.033	730.934	--	1.424.967
Research and development costs (**)	402.855	746.396	--	1.149.251
Other intangible fixed assets	37.283	--	--	37.283
	1.134.171	1.477.330	--	2.611.501
	1 January 2021	Current year charge	Disposals (-)	31 December 2021
Accumulated depreciation				
Rights	(274.526)	(131.917)	--	(406.443)
Other intangible fixed assets	(5.104)	--	--	(5.104)
	(279.630)	(131.917)	--	(411.547)
Net book value	854.541			2.199.954

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

	1 January 2020	Additions	Transfer	31 December 2020
Cost				
Rights (*)	314.571	379.462	--	694.033
Research and development costs (**)	--	402.855	--	402.855
Other intangible fixed assets	37.283	--	--	37.283
	351.854	782.317	--	1.134.171
	1 January 2020	Current year charge	Transfer	31 December 2020
Accumulated depreciation				
Rights	(174.744)	(99.782)	--	(274.526)
Other intangible fixed assets	(2.749)	(2.355)	--	(5.104)
	(177.493)	(102.137)	--	(279.630)
Net book value	174.361			854.541

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

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

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13. RIGHT OF USE ASSETS

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

	1 January 2021	Addition	Disposals (-)	31 December 2021
Cost				
Buildings	25.679.131	--	--	25.679.131
Vehicles	1.245.153	2.570.822	--	3.815.975
	26.924.284	2.570.822	--	29.495.106
	1 January 2021	Current year charge	Disposals (-)	31 December 2021
Accumulated depreciation				
Buildings	(19.054.167)	(4.817.233)	--	(23.871.400)
Vehicles	(622.600)	(622.025)	--	(1.244.625)
	(19.676.767)	(5.439.258)	--	(25.116.025)
Net book value	7.247.517			4.379.081

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

	1 January 2020	Addition	Disposals (-)	31 December 2020
Cost				
Buildings	25.679.131	--	--	25.679.131
Vehicles	391.965	853.188	--	1.245.153
	26.071.096	853.188	--	26.924.284
	1 January 2020	Current year charge	Disposals (-)	31 December 2020
Accumulated depreciation				
Buildings	(14.123.522)	(4.930.645)	--	(19.054.167)
Vehicles	(307.329)	(315.271)	--	(622.600)
	(14.430.851)	(5.245.916)	--	(19.676.767)
Net book value	11.640.245			7.247.517

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14. FINANCIAL BORROWINGS

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

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

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

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

	<u>Interest rate</u>	<u>31 December 2021</u>
TL bank borrowings	%7,50 - %25,00	54.717.589
EUR bank borrowings (**)	%4,50 - %5,50	4.041.788
USD bank borrowings	%7,00	68.640.436
		<u>127.399.813</u>
	<u>Interest rate</u>	<u>31 December 2020</u>
TL bank borrowings	7,50% - 19,50%	31.420.446
EUR bank borrowings (**)	0,60% - 3,00%	41.828.602
		<u>73.249.048</u>

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

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15. EMPLOYEE BENEFITS

Severance pay provision

Under the Turkish Legislations, the Company and its subsidiaries which located in Turkey, is required to pay termination benefits to each employee, who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies, who retires after completing 25 years for man and 20 years for women of service and reaches the retirement age (58 for women and 60 for men). Due to the amendment of the legislation as of 8 September 1999, there are certain transitional obligations regarding the length of service due to retirement.

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

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

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

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

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

<u>Long-term provisions</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Severance pay provision	2.781.957	760.599
	<u>2.781.957</u>	<u>760.599</u>

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

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

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15. EMPLOYEE BENEFITS (continued)

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

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

Movement of unused vacation provisions as follows:

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

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

16. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

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

a) Guarantees received

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

b) Guarantees given

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

CPMB's given by the Group	31 December 2021	31 December 2020
A. CPMB's given for Group's own legal personality	159.741.685	81.178.025
B. CPMB's given on behalf of fully consolidated companies	--	--
C. CPMB's given on behalf of third parties for ordinary course of business	--	--
D. Total amount of other CPMB's	--	--
i) Total amount of CPMB's given on behalf of the majority shareholder	--	--
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	--	--
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	--	--
	159.741.685	81.178.025

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

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16. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

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

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

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

17. EMPLOYEE BENEFITS OBLIGATIONS

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

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

18. INCOME TAX

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

<i>Current period tax assets:</i>	31 December 2021	31 December 2020
Current tax expense	(6.455.267)	(4.004.172)
Prepaid taxes and funds	1.093.135	1.683.576
	(5.362.132)	(2.320.596)
	1 January- 31 December 2021	1 January- 31 December 2020
Deferred tax assets / liabilities	(5.650.806)	2.867.248
	(5.650.806)	2.867.248

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18. INCOME TAX (continued)

Corporation tax

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

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

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

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

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

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

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

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18. INCOME TAX (continued)

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

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

Income tax withholding

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

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Hidden income distribution through transfer pricing". The notified dated 18 November 2007 on hidden income distribution via transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price, they have determined in peer assessment, the profit is deemed to have been distributed through transfer pricing, in whole or in part. Hidden income distribution through is considered as a non-deductible expense for corporate tax.

Tax applications for the Group's foreign subsidiaries

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

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

Deferred tax assets and liabilities:

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

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18. INCOME TAX (continued)

Recognized deferred tax assets and liabilities

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

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

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

	1 January- 31 December 2021	1 January- 31 December 2020
Deferred tax assets /(liabilities), net current period	15.611.949	12.359.202
Deferred tax assets /(liabilities), net beginning of the period (-)	(12.359.202)	(9.404.875)
	3.252.747	2.954.327
Deferred tax income/ (expense)	(5.650.806)	2.867.248
Current tax income/ (expense) -Other comprehensive income	8.903.553	87.079
	3.252.747	2.954.327
	1 January- 31 December 2021	1 January- 31 December 2020
Profit/(loss) for before taxation	96.451.367	58.878.825
Corporation tax rate	25%	22%
Calculated tax using the Company's domestic tax rate	24.112.842	12.953.342
Non-deductible expenses	(2.395.868)	(963.133)
Investment incentive discounts	(29.301.957)	(14.141.883)
Effect of current period adjustments	(4.822.502)	3.288.598
Adjustments to trade receivables and payables	(6.060.815)	1.408.432
Adjustments to tangible and intangible assets	4.638.986	1.101.963
Adjustments for provisions	(1.438.024)	571.779
Adjustments under TFRS-16	121.309	182.553
Adjustments for inventories	6.779.349	57.566
Other	(8.863.305)	(33.695)
Tax expense	(12.407.485)	1.136.924

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19. SHARE CAPITAL AND NON-CONTROLLING INTERESTS

Share Capital

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

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

The Group has entered the registered capital system with the permission of the CMB, dated 21.10.2021 and numbered E-29833736-1 10.03.03-12167, and the registered capital ceiling is 400.000.000 TL.

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

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

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

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

20. REVENUE AND COST OF SALES

Revenue for the periods are as follows:

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

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

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

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21. SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

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

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

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

22. GENERAL ADMINISTRATIVE EXPENSES

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

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

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

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

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

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

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23. EXPENSES BY NATURE

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

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

24. OTHER OPERATING INCOME AND EXPENSES

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

	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
<u>Other operating income</u>		
Foreign exchange gain	670.153.750	233.145.458
Late interest income from sales	73.858.872	46.921.361
Interest income on trade receivables	10.066.599	1.266.815
Provisions no longer required (Note 5)	22.663.962	--
Other	3.084.180	3.450.039
	<u>779.827.363</u>	<u>284.783.673</u>
	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
<u>Other operating expenses</u>		
Foreign exchange loss	(663.422.054)	(253.890.653)
Late interest expense due to cost of sales	(46.668.101)	(33.791.662)
Stock count and delivery shortages	(5.640.931)	(2.315.563)
Provisions for doubtful receivables (Note 5)	(4.988.241)	(18.440.829)
Other	(4.106.998)	(10.375.548)
	<u>(724.826.325)</u>	<u>(318.814.255)</u>

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25. FINANCIAL INCOME AND EXPENSES

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

	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
<u>Finance income</u>		
Foreign exchange gain	25.259.801	15.768.018
Interest income	449	112
	<u>25.260.250</u>	<u>15.768.130</u>
	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
<u>Finance expenses</u>		
Foreign exchange loss	(50.793.192)	(12.593.187)
Interest expense on borrowings	(16.357.449)	(3.805.154)
Interest expenses arising from leasing transactions	(471.862)	(1.265.405)
	<u>(67.622.503)</u>	<u>(17.663.746)</u>

26. FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

Risk Management System

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

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

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

Risk management disclosures

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

Credit risk

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

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

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

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

Credit risk (continued)

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

Liquidity risk

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

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

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

Contractual maturity	31 December 2021				
	Carrying Value	Contractual cash flows	Less than 3 months	3- 12 months	1- 5 years
Non derivative financial liabilities	420.323.779	422.923.762	21.385.167	365.682.641	35.855.954
Loans and borrowings	170.296.520	172.896.503	7.440.267	131.541.061	33.915.175
Trade payables	231.218.044	231.218.044	--	231.218.044	--
Lease liabilities	4.864.315	4.864.315	--	2.923.536	1.940.779
Other payables	13.944.900	13.944.900	13.944.900	--	--
Contractual maturity	31 December 2020				
	Carrying Value	Contractual cash flows	Less than 3 months	3- 12 months	1- 5 years
Non derivative financial liabilities	274.016.746	276.295.429	38.812.896	173.459.174	64.023.359
Loans and borrowings	70.970.365	73.249.048	31.336.891	29.037.174	12.874.983
Trade payables	186.383.250	186.383.250	--	137.520.919	48.862.331
Lease liabilities	9.187.126	9.187.126	--	6.901.081	2.286.045
Other payables	7.476.005	7.476.005	7.476.005	--	--

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

Foreign Currency Risk

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

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

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

Foreign currency risk(continued)

Sensibility analysis

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

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

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

Cash flow hedge accounting for high probability forecast transaction currency risk

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

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

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

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

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28. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

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

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

29. OTHER MATTERS SHOULD BE EXPLAINED

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

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

30. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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30. SUBSEQUENT EVENTS (continued)

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

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

Foundation of LN Technology

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

The Impact of the Russia-Ukraine Crisis

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

Contact

Smart Solar Technologies Head Office

Rüzgarlıbahçe, Feragat Sk. No:2,
34805 Beykoz/Istanbul-Türkiye
P +90 (216) 225 72 00
F 0850 225 7209
info@smartsolar.com.tr

Smart Solar Technologies Production Facility

GOSB Tembelova Alanı, Cadde 3200,
N3207, Gebze/Kocaeli-Türkiye
P +90 (262) 673 71 00
F +90 (262) 673 71 03

GERMANY

Luxemburgerstr 96, 50354 Cologne/Germany

UKRAINE

Novovokzalna Street 3, 03038 Kiev/Ukraine
P +380 50 416 14 17

Our Social Media Accounts:

Facebook: /smartgunesteknolojileri
Twitter: /smartgunes
LinkedIn: /smartgunesteknolojileri
Instagram: /smartgunesteknolojileri
YouTube: /SmartGunesTeknolojileri

www.smartsolar.com.tr

