(CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH- SEE NOTE 37)

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT

Deloitte.

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(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)
INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer. The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales. In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management. Please refer to notes 2.8.1 and 24 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.	We performed the following procedures in relation to the revenue recognition: • The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed. • Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed. • For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested. In addition, we assessed the adequacy of the disclosures in Note 24 under TFRS.

4) Emphasis of Matter

Without qualifying our opinion, we draw attention to the matter in Note 19 to the accompanying consolidated financial statements. The court cases related to Capital Market Board's ("CMB") claim that the Company had prepared its 31 December 2005 financial statements in accordance with International Financial Reporting Standards instead of Communique Serial XI, No: 25 on "Accounting Standards in Capital Markets" without taking the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions declared to the Company via notifications sent in July 2012. On 1 August 2012, the Company applied to the Administrative Court to remove the conflicting decisions of this court, but the Administrative Court decided to reject the application by the notification made on 17 February 2014. For the lawsuit filed by the Republic of Turkey Prime Ministry Privatization Administration ("PA") decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017. The decision of reversal has been notified to the Company on 2 August 2017. The Company has applied for rectification. With the decision of the 11th Civil Chamber of the Supreme Court dated 27 June 2019, which was notified to the Company on 28 August 2019, it was reported that the Company's application for rectification of the decision has been rejected. The case still pending before the 3rd Commercial Court of First Instance of Ankara. Next trial will be held on 1 April 2021. Legal process is ongoing as of the date of audit report and our opinion is not qualified in respect of this matter.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the standards on auditing issued by Capital Markets Board and SIA 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 on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We 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.

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B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 11 February 2021.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2020 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Volkan Becerik
Partner

İstanbul, 11 February 2021

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TRY Thousand") unless otherwise indicated.)

ASSETS	**Note**	**(Audited) Current Period 31 December 2020 USD'000**	**(Audited) Current Period 31 December 2020 TRY'000**	**(Audited) Previous Period 31 December 2019 USD'000**	**(Audited) Previous Period 31 December 2019 TRY'000**
CURRENT ASSETS		**3.883.556**	**28.507.242**	**4.063.282**	**24.136.704**
Cash and Cash Equivalents	4	1.844.858	13.542.177	1.782.772	10.590.024
Financial Investments	5	5.320	39.048	17.054	101.304
Trade Receivables		521.467	3.827.829	562.973	3.344.177
Due From Related Parties	*33*	*35.282*	*258.985*	*29.173*	*173.296*
Other Trade Receivables from Third Parties	*8*	*486.185*	*3.568.844*	*533.800*	*3.170.881*
Other Receivables		6.338	46.520	990	5.881
Due From Related Parties	*33*	*1.484*	*10.892*	*643*	*3.817*
Other Receivables from Third Parties	*9*	*4.854*	*35.628*	*347*	*2.064*
Financial Derivative Instruments	6	5.110	37.510	8.087	48.040
Inventories	10	1.376.838	10.106.678	1.570.513	9.329.163
Prepaid Expenses		18.117	132.990	16.874	100.233
Prepaid Expenses to Related Parties	*33*	*38*	*280*	*1.062*	*6.308*
Other Prepaid Expenses to Third Parties	*11*	*18.079*	*132.710*	*15.812*	*93.925*
Other Current Assets	21	105.508	774.490	104.019	617.882
NON CURRENT ASSETS		**4.016.984**	**29.486.670**	**3.793.798**	**22.535.921**
Financial Investments	5	27	199	27	161
Other Receivables		5.357	39.325	6.244	37.087
Due From Related Parties	*33*	*3.877*	*28.458*	*4.232*	*25.136*
Other Receivables from Third Parties	*9*	*1.480*	*10.867*	*2.012*	*11.951*
Financial Derivative Instruments	6	-	-	344	2.044
Investments Accounted for Using Equity Method	12	31.327	229.956	33.807	200.820
Investment Properties	13	50.156	368.168	51.044	303.214
Property, Plant and Equipment	14	3.550.417	26.061.836	3.476.984	20.653.981
Right of Use Assets	16	43.273	317.644	41.236	244.950
Intangible Assets	15	55.952	410.715	52.613	312.534
Prepaid Expenses		241.956	1.776.075	86.499	513.820
Prepaid Expenses to Related Parties	*33*	*87.646*	*643.367*	*4.313*	*25.620*
Other Prepaid Expenses to Third Parties	*11*	*154.310*	*1.132.708*	*82.186*	*488.200*
Deferred Tax Assets	31	9.851	72.311	7.055	41.911
Other Non Current Assets	21	28.668	210.441	37.945	225.399
TOTAL ASSETS		**7.900.540**	**57.993.912**	**7.857.080**	**46.672.625**

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TRY Thousand") unless otherwise indicated.)

LIABILITIES	Note	(Audited) Current Period 31 December 2020 USD'000	(Audited) Current Period 31 December 2020 TRY'000	(Audited) Previous Period 31 December 2019 USD'000	(Audited) Previous Period 31 December 2019 TRY'000
CURRENT LIABILITIES		**1.285.214**	**9.434.112**	**1.590.932**	**9.450.454**
Short Term Borrowings	7	162.591	1.193.496	703.600	4.179.522
Short Term Portion of Long Term Borrowings	7	353.114	2.592.032	232.285	1.379.822
Trade Payables		513.173	3.766.949	494.364	2.936.622
Due to Related Parties	*33*	*17.892*	*131.336*	*14.432*	*85.731*
Other Trade Payables to Third Parties	*8*	*495.281*	*3.635.613*	*479.932*	*2.850.891*
Payables for Employee Benefits	18	26.878	197.296	25.817	153.358
Other Payables	9	17.967	131.885	11.673	69.341
Financial Derivative Instruments	6	8.117	59.582	3.905	23.199
Deferred Revenue	22	73.863	542.194	42.227	250.833
Current Tax Liabilities	31	73.117	536.715	34.606	205.569
Short Term Provisions	19	34.551	253.624	40.724	241.909
Other Current Liabilities	21	21.843	160.339	1.731	10.279
NON CURRENT LIABILITIES		**1.013.313**	**7.438.224**	**1.005.807**	**5.974.696**
Long Term Borrowings	7	383.181	2.812.743	360.532	2.141.633
Financial Derivative Instruments	6	-	-	13.387	79.524
Long Term Provisions		131.890	968.136	135.909	807.324
Long term provisions for employee benefits	*18*	*131.890*	*968.136*	*135.909*	*807.324*
Deferred Tax Liabilities	31	497.989	3.655.488	495.663	2.944.337
Other Non Current Liabilities	21	253	1.857	316	1.878
EQUITY		**5.602.013**	**41.121.576**	**5.260.341**	**31.247.475**
Equity Attributable to Equity Holders of the Parent		**5.421.241**	**39.809.427**	**5.099.305**	**30.299.298**
Share Capital	23	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	23	81.366	156.613	81.366	156.613
Treasury Shares (-)	23	(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)	23	55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(55.530)	17.160.511	(53.206)	12.322.040
Revaluation Reserve of Tangible Assets		*10.844*	*77.866*	*10.628*	*58.952*
Actuarial (Loss) Gain funds		*(50.689)*	*(115.606)*	*(48.149)*	*(102.008)*
Foreign Currency Translation Reserves		*(15.685)*	*17.198.251*	*(15.685)*	*12.365.096*
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(103.971)	7.612.999	(69.727)	5.470.236
Foreign Currency Translation Reserves		*(101.862)*	*7.628.480*	*(70.817)*	*5.463.762*
Cash Flow Hedging Gain (Loss)		*(2.109)*	*(15.481)*	*1.090*	*6.474*
Restricted Reserves Assorted from Profit	23	1.041.255	3.597.448	1.024.835	3.485.761
Retained Earnings	23	2.172.478	4.482.548	1.717.773	2.057.906
Net Profit for the Period		472.356	3.309.093	584.977	3.316.527
Non-Controlling Interests		**180.772**	**1.312.149**	**161.036**	**948.177**
TOTAL LIABILITIES AND EQUITY		**7.900.540**	**57.993.912**	**7.857.080**	**46.672.625**

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TRY Thousand") unless otherwise indicated.)

	Note	(Audited) Current Period 1 January - 31 December 2020 USD'000	(Audited) Current Period 1 January - 31 December 2020 TRY'000	(Audited) Previous Period 1 January - 31 December 2019 USD'000	(Audited) Previous Period 1 January - 31 December 2019 TRY'000
Revenue	24	4.574.696	32.048.029	4.844.375	27.465.185
Cost of Sales	24	(3.728.989)	(26.123.431)	(3.960.495)	(22.454.025)
GROSS PROFIT		**845.707**	**5.924.598**	**883.880**	**5.011.160**
Marketing Expenses	26	(36.801)	(257.809)	(40.990)	(232.394)
General Administrative Expenses	26	(71.030)	(497.600)	(78.455)	(444.799)
Research and Development Expenses	26	(4.196)	(29.397)	(4.409)	(24.999)
Other Operating Income	27	84.686	593.266	41.264	233.949
Other Operating Expenses	27	(22.819)	(159.858)	(29.036)	(164.627)
OPERATING PROFIT		**795.547**	**5.573.200**	**772.254**	**4.378.290**
Income from Investing Activities	28	23.670	165.822	12.549	71.145
Expenses from Investing Activities	28	(14.343)	(100.479)	(5.460)	(30.956)
Share of Investments' Profit Accounted by Using The Equity Method	12	1.097	7.685	6.794	38.517
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		**805.971**	**5.646.228**	**786.137**	**4.456.996**
Finance Income	29	65.115	554.376	186.285	1.124.097
Finance Expense	30	(77.522)	(543.079)	(90.609)	(513.709)
PROFIT BEFORE TAX		**793.564**	**5.657.525**	**881.813**	**5.067.384**
Tax (Expense) Income	31	(292.559)	(2.147.735)	(265.496)	(1.573.177)
Current Corporate Tax (Expense) Income		(293.168)	(2.151.998)	(251.026)	(1.491.142)
Deferred Tax (Expense) Income		609	4.263	(14.470)	(82.035)
NET PROFIT FOR THE PERIOD		**501.005**	**3.509.790**	**616.317**	**3.494.207**
Non-Controlling Interests		28.649	200.697	31.340	177.680
Equity Holders of the Parent		472.356	3.309.093	584.977	3.316.527
EARNINGS PER SHARE	32		0,9455		0,9476
(TRY 1 Nominal value per share)					

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TRY Thousand") unless otherwise indicated.)

	Note	(Audited) Current Period 1 January - 31 December 2020 USD'000	(Audited) Current Period 1 January - 31 December 2020 TRY'000	(Audited) Previous Period 1 January - 31 December 2019 USD'000	(Audited) Previous Period 1 January - 31 December 2019 TRY'000
PROFIT FOR THE PERIOD		**501.005**	**3.509.790**	**616.317**	**3.494.207**
OTHER COMPREHENSIVE INCOME					
Not to be reclassified subsequently to profit or loss					
Increase (Decrease) in Revaluation Reserve of Tangible Assets		206	18.914	(139)	7.713
Actuarial Gain (Loss) of Defined Benefit Plans	18	(3.247)	(17.367)	(6.689)	(39.363)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	31	649	3.473	1.472	8.660
Foreign Currency Translation Gain (Loss)		-	4.833.155	-	2.211.371
To be reclassified subsequently to profit or loss					
Gain (Loss) in Cash Flow Hedging Reserves		(3.999)	(27.444)	(1.796)	(8.499)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	31	800	5.489	395	1.870
Foreign Currency Translation Gain (Loss)		(34.586)	2.364.050	(12.957)	1.207.194
OTHER COMPRHENSIVE INCOME (LOSS)		**(40.177)**	**7.180.270**	**(19.714)**	**3.388.946**
TOTAL COMPREHENSIVE INCOME		**460.828**	**10.690.060**	**596.603**	**6.883.153**
Distribution of Total Comprehensive Income					
Non-controlling Interests		25.040	399.733	30.230	269.431
Equity Holders of the Parent		435.788	10.290.327	566.373	6.613.722

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

						Other comprehensive income (expense) not to be reclassified subsequently to profit or loss			Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings				
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
1 January 2020		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**58.952**	**12.365.096**	**(102.008)**	**6.474**	**5.463.762**	**3.485.761**	**2.057.906**	**3.316.527**	**30.299.298**	**948.177**	**31.247.475**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	3.309.093	**3.309.093**	200.697	**3.509.790**
Other comprehensive income (loss)		-	-	-	-	18.914	4.833.155	(13.598)	(21.955)	2.164.718	-	-	-	**6.981.234**	199.036	**7.180.270**
Total comprehensive income (loss)		-	-	-	-	18.914	4.833.155	(13.598)	(21.955)	2.164.718	-	-	3.309.093	**10.290.327**	399.733	**10.690.060**
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(780.198)	-	**(780.198)**	(35.761)	**(815.959)**
Transfers	23	-	-	-	-	-	-	-	-	-	111.687	3.204.840	(3.316.527)	**-**	-	**-**
31 December 2020		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**77.866**	**17.198.251**	**(115.606)**	**(15.481)**	**7.628.480**	**3.597.448**	**4.482.548**	**3.309.093**	**39.809.427**	**1.312.149**	**41.121.576**
(Audited)																
1 January 2019		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**51.239**	**10.153.725**	**(72.105)**	**13.103**	**4.349.119**	**2.287.528**	**2.339.334**	**5.597.990**	**28.366.761**	**887.864**	**29.254.625**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	3.316.527	**3.316.527**	177.680	**3.494.207**
Other comprehensive income (loss)		-	-	-	-	7.713	2.211.371	(29.903)	(6.629)	1.114.643	-	-	-	**3.297.195**	91.751	**3.388.946**
Total comprehensive income (loss)		-	-	-	-	7.713	2.211.371	(29.903)	(6.629)	1.114.643	-	-	3.316.527	**6.613.722**	269.431	**6.883.153**
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(4.681.185)	-	**(4.681.185)**	(209.118)	**(4.890.303)**
Transfers	23	-	-	-	-	-	-	-	-	-	1.198.233	4.399.757	(5.597.990)	**-**	-	**-**
31 December 2019		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**58.952**	**12.365.096**	**(102.008)**	**6.474**	**5.463.762**	**3.485.761**	**2.057.906**	**3.316.527**	**30.299.298**	**948.177**	**31.247.475**

(*) During the Annual General Assembly dated 14 July 2020, dividend distribution (gross dividend per share: TRY 0,23 (2019: TRY 1,38) amounting to TRY 805.000 thousand (21 March 2019: TRY 4.830.000 thousand) from 2019 net profit was approved. As of 14 July 2020, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3,08% of its own shares with a nominal value of 1 TL, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 17 July 2020. The Group paid TRY 35.761 thousand (2019: TRY 209.118 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden of subsidiaries of the Group in current year.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

	Note	(Audited) Current Period 1 January- 31 December 2020 USD'000	(Audited) Current Period 1 January- 31 December 2020 TRY'000	(Audited) Previous Period 1 January- 31 December 2019 USD'000	(Audited) Previous Period 1 January- 31 December 2019 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**1.021.655**	**7.315.515**	**1.146.929**	**7.243.107**
Profit (Loss) for The Period		**501.005**	**3.509.790**	**616.317**	**3.494.207**
Adjustments to Reconcile Profit (Loss)		**492.681**	**3.547.273**	**374.537**	**2.750.735**
Adjustments for Depreciation and Amortisation Expenses	24/26/27	217.755	1.525.473	202.753	1.149.507
Adjustments for Impairment Loss (Reversal of Impairment Loss)		10.165	71.213	(3.162)	(17.919)
Adjustments for Provision (Reversal of Provision) for Receivables	*8/9*	*42*	*293*	*495*	*2.811*
Adjustments for Provision (Reversal of Provision) for Inventories	*10*	*4.519*	*31.659*	*3.984*	*22.588*
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	*14*	*5.604*	*39.261*	*(7.641)*	*(43.318)*
Adjustments for Provisions		39.810	283.381	35.289	201.538
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	*18*	*29.715*	*208.169*	*29.548*	*167.527*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	*19*	*10.095*	*75.212*	*15.227*	*87.794*
Adjustments for Other Provisions (Reversals)	*29*	*-*	*-*	*(9.486)*	*(53.783)*
Adjustments for Interest (Income) and Expenses		(25.365)	(177.687)	(12.155)	(68.913)
Adjustments for Interest Income	*29*	*(75.731)*	*(530.533)*	*(78.986)*	*(447.813)*
Adjustments for Interest Expense	*30*	*52.685*	*369.083*	*66.291*	*375.838*
Deffered Financial Expense from Credit Purchases	*27*	*1.052*	*7.378*	*3.231*	*18.318*
Unearned Financial Income from Credit Sales		*(3.371)*	*(23.615)*	*(2.691)*	*(15.256)*
Adjustments for Unrealised Foreign Exchange Differences		(25.401)	(185.093)	(7.537)	(45.394)
Adjustments for Fair Value (Gains) Losses		(2.649)	(18.555)	(2.638)	(14.957)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	*29*	*(2.649)*	*(18.555)*	*(2.638)*	*(14.957)*
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	(1.097)	(7.685)	(6.794)	(38.517)
Adjustments for Tax (Income) Expenses	31	292.559	2.147.735	265.496	1.573.177
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(13.062)	(91.509)	2.155	12.213
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	*28*	*(13.062)*	*(91.509)*	*2.155*	*12.213*
Adjustments for Reconciliation of Profit (Loss)		(34)	-	(98.870)	-
Changes in Working Capital		**305.192**	**2.237.389**	**490.151**	**2.911.593**
Adjustments for Decrease (Increase) in Trade Receivables		50.131	367.986	288.085	1.711.282
Decrease (Increase) in Trade Receivables from Related Parties		*(6.109)*	*(44.843)*	*(16.136)*	*(95.851)*
Decrease (Increase) in Trade Receivables from Third Parties		*56.240*	*412.829*	*304.221*	*1.807.133*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(3.484)	(25.573)	420	2.495
Decrease (Increase) in Other Receivables from Operations from Third Parties		*(3.484)*	*(25.573)*	*420*	*2.495*
Decrease (Increase) in Derivative Financial Instruments		3.321	24.377	2.859	16.984
Adjustments for Decrease (Increase) in Inventories		188.214	1.381.585	118.949	706.581
Decrease (Increase) in Prepaid Expenses		(9.377)	(68.833)	5.010	29.761
Adjustments for Increase (Decrease) in Trade Payables		18.809	138.068	126.381	750.727
Increase (Decrease) in Trade Payable to Related Parties		*3.460*	*25.398*	*(13.657)*	*(81.126)*
Increase (Decrease) in Trade Payable to Third Parties		*15.349*	*112.670*	*140.038*	*831.853*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		7.355	53.990	(6.659)	(39.556)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*7.355*	*53.990*	*(6.659)*	*(39.556)*
Increase (Decrease) in Derivative Liabilities		(10.525)	(77.260)	17.273	102.604
Adjustments for Other Increase (Decrease) in Working Capital		60.748	443.049	(62.167)	(369.285)
Decrease (Increase) in Other Assets Related from Operations		*9.063*	*63.656*	*(50.798)*	*(301.751)*
Increase (Decrease) in Other Payables Related from Operations		*51.685*	*379.393*	*(11.369)*	*(67.534)*
Cash Flows Provided by Operating Activities		**1.298.878**	**9.294.452**	**1.481.005**	**9.156.535**
Payments Related to Provisions for Employee Termination Benefits	18	(9.454)	(66.234)	(12.155)	(68.916)
Payments Related to Other Provisions	19	(13.111)	(91.851)	(9.564)	(54.223)
Income Taxes Refund (Paid)	31	(254.658)	(1.820.852)	(312.357)	(1.790.289)
CASH FLOWS FROM INVESTING ACTIVITIES		**(419.574)**	**(3.119.368)**	**(277.981)**	**(1.622.352)**
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures'	12	1.981	13.333	-	-
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		24.260	165.249	-	-
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(16.537)	(120.860)	(1.533)	(8.691)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		22.985	161.022	4.256	24.134
Cash Inflow from Sales of Property, Plant and Equipment	14/15/28	*22.985*	*161.022*	*4.256*	*24.134*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(306.152)	(2.144.742)	(250.962)	(1.422.829)
Cash Outflow from Purchase of Property, Plant and Equipment	*14*	*(303.246)*	*(2.124.384)*	*(248.376)*	*(1.408.170)*
Cash Outflow from Purchase of Intangible Assets	*15*	*(2.906)*	*(20.358)*	*(2.586)*	*(14.659)*
Cash Advances and Debts Given		(146.432)	(1.195.533)	(30.345)	(218.171)
Other Cash Advances and Debts Given to Related Parties	*33*	*(83.334)*	*(650.728)*	*(8.663)*	*(42.646)*
Other Cash Advances and Debts Given		*(63.098)*	*(544.805)*	*(21.682)*	*(175.525)*
Dividends Received	*12*	321	2.163	603	3.205
CASH FLOWS FROM FINANCING ACTIVITIES		**(482.077)**	**(1.743.044)**	**(704.296)**	**(3.568.048)**
Cash Inflow from Borrowings		932.928	6.292.079	1.260.449	7.219.324
Cash Inflow from Loans	7	*932.928*	*6.292.079*	*1.167.598*	*6.669.324*
Cash Inflow from Issued Debt Instruments	7	*-*	*-*	*92.851*	*550.000*
Cash Outflow from Repayments of Borrowings		(1.318.402)	(7.367.260)	(1.172.737)	(5.908.300)
Cash Outflow from Loan Repayments	7	*(1.318.402)*	*(7.367.260)*	*(1.172.737)*	*(5.908.300)*
Cash Outflow from Debt Payments for Leasing Contracts	7	(6.633)	(46.470)	(7.055)	(40.069)
Dividends Paid		(118.825)	(815.724)	(793.679)	(4.888.779)
Interest Paid	7	(41.548)	(291.063)	(55.333)	(313.709)
Interest Received		66.836	463.565	67.626	384.679
Other Cash Inflow (Ouflow)		3.567	21.829	(3.567)	(21.194)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**120.004**	**2.453.103**	**164.652**	**2.052.707**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(60.132)	479.959	(34.370)	(157.657)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**59.872**	**2.933.062**	**130.282**	**1.895.050**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1.780.737	10.577.931	1.650.455	8.682.881
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**1.840.609**	**13.510.993**	**1.780.737**	**10.577.931**

- As of 31 December 2020, the Group's total amount of time deposit interest accrual is TRY 31.184 thousand (USD 4.249 thousand) (31 December 2019: TRY 12.093 thousand (USD 2.035 thousand)).
- Bank deposits with maturities of more than 3 months in financial investments are reported in consolidated statement of cash flow under "Other Cash Inflow (Outflows)".
- Since the functional currency is US Dollars, the exchange rate differences between the accrual and payment dates of the dividend payables to the shareholders, whose original currency is followed as Turkish Lira in the consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the consolidated cash flow statements.

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Group ("Group"), is composed of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir" or "the Company"), and its subsidiaries which it owns the majority of their shares or has a significant influence on their management structure.

The main parent and ultimate controlling party of the Group are ATAER Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

Ordu Yardımlaşma Kurumu (OYAK) was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an "aid and retirement fund" for Turkish Armed Forces' members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, cast and pressed steel, coke and their by-products.

The Company's shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Name of the Company	Country of Operation	Operation	2020 Share (%)	2019 Share (%)
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendilik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47

The joint venture of the Group, Isdemir Linde Gaz Ortaklığı A.Ş., is accounted for using the equity method in the accompanying consolidated financial statements.

The registered address of the Company is Barbaros Mahallesi Ardıç Sokak No:6 Ataşehir / İstanbul.

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (cont'd)

The number of the personnel employed by the Group as of reporting date are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2020 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.001	1.739	5.740
İskenderun Demir ve Çelik A.Ş.	2.988	1.714	4.702
Erdemir Madencilik San. ve Tic. A.Ş.	156	154	310
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	231	74	305
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	249	249
Erdemir Romania S.R.L.	192	39	231
Erdemir Asia Pacific Private Limited	-	1	1
	7.568	3.970	11.538

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2019 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.055	1.699	5.754
İskenderun Demir ve Çelik A.Ş.	2.886	1.725	4.611
Erdemir Madencilik San. ve Tic. A.Ş.	158	138	296
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	217	77	294
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	228	228
Erdemir Romania S.R.L.	205	39	244
Erdemir Asia Pacific Private Limited	-	1	1
	7.521	3.907	11.428

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Group's subsidiaries incorporated in Turkey maintain their legal books of account and prepare their statutory financial statements in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the consolidated financial statements are presented in accordance with "Announcement regarding with TFRS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

The financial statements are prepared on the basis of historical cost, with the exception of derivative financial instruments carried at fair value and revaluation of iron ore and fixed assets used in the production of silicon flat steel at the fair value determined at the date of purchase. In determining the historical cost, generally the fair value of the amount paid for the assets is taken as basis.

Functional and reporting presentation currency

Although the currency of the country in which is the Company is domiciled is Turkish Lira (TRY), the Company's functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the functional currency.

The financial statements of each entity of the Group are presented in the currency (functional currency) valid in the basic economic environment in which they operate. The functional currency of the Company and its subsidiaries' İskenderun Demir ve Çelik A.Ş. "İsdemir" and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş "Ersem" are US Dollars while the functional currency of Erdemir Madencilik San. ve Tic. A.Ş. "Ermaden", Erdemir Mühendislik Yönetim ve Danışmanlık Himetleri A.Ş. and Erdemir Enerji Üretim A.Ş. are Turkish Lira.

The accompanying financial statements are prepared in Turkish Lira (TRY) in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013.

Functional currency for the foreign subsidiaries

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited "EAPPL" is US Dollars; Erdemir Romania S.R.L is EURO.

Functional currency of the joint venture

The functional currency of the Group's joint venture İsdemir Linde Gaz Ortaklığı A.Ş. is US Dollars.

Translation to presentation currency

Presentation currency of the consolidated financial statements is Turkish Lira. According to TMS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in USD Dollars for the Company, İsdemir, Ersem and EAPPL; in EURO for Erdemir Romania, have been translated in Turkish Lira as the with following method:

a) The assets and liabilities on financial position as of 31 December 2020 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 7,3405=US $ 1 and TRY 9,0079=EUR 1 on the balance sheet date (31 December 2019: TRY 5,9402= US $ 1, TRY 6,6506=EUR 1).
b) For the year ended 31 December 2020, statements of profit or loss are translated from the 12 months average TRY 7,0055 = US $ 1 and TRY 8,0141=EUR 1 rates of 2020 January - December period (31 December 2019: TRY 5,6695 = US $ 1 TRY 6,3469 = 1 EUR).

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Presentation currency translation (cont'd)

c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.

d) All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements. The differences between presentation of statutory and historical figures are recognised as translation differences under other compherensive income.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying consolidated financial statements comprising the statements of financial position as of 31 December 2020 and 31 December 2019, consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2020 represent the consolidated financial statements within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

The Group prepared its consolidated financial statements in accordance with the going concern assumption.

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 11 February 2021 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standards is made either retrospectively or prospectively in accordance with the transition requirements of the standards. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized 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.

2.3 Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Consolidation Principles (cont'd)

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are included in the scope of consolidation from the date on which control over their activities is transferred to the Group, and are excluded from the scope of consolidation on the date when control disappears.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company;

(i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee; (iii) has the ability to use its power to affect its returns.

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

The statement of financial position and statements profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its subsidiaries are eliminated on consolidation. The carrying value of, and the dividends arising from, shares held by Erdemir in its subsidiaries are eliminated from shareholders' equity and income for the year, respectively. The table below sets out all subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, (%) and their functional currencies as of reporting date.

	31 December 2020			31 December 2019		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	94,87	94,87	US Dollars	94,87	94,87
Ersem	US Dollars	100	100	US Dollars	100	100
Ermaden	Turkish Lira	90	90	Turkish Lira	90	90
Erdemir Mühendislik	Turkish Lira	100	100	Turkish Lira	100	100
Erdemir Romania S.R.L.	Euro	100	100	Euro	100	100
Erdemir Asia Pasific	US Dollars	100	100	US Dollars	100	100
Erdemir Enerji	Turkish Lira	100	100	Turkish Lira	100	100
İsdemir Linde Gaz	US Dollars	50	47	US Dollars	50	47

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Comparative Information and Restatement of Consolidated Financial Statements with Prior Periods

The Group's consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period consolidated financial statements.

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies

The Group, according to TFRS makes estimates and assumptions prospectively while preparing its consolidated financial statements. These accounting estimates are rarely identical to the actual results. The estimates and assumptions that may cause significant adjustments to the carrying values of assets and liabilities in the following reporting periods are listed below.

2.5.1 Useful lives of property, plant and equipment and intangible assets

The Group calculates depreciation for the property, plant and equipment by taking into account their production amounts on the basis of cash flow unit set by independent valuation firm and useful lives that are stated in Note 2.8.3 and 2.8.4 (Note 14, Note 15).

2.5.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. During the evaluation, the expiry dates of future profit projections, financial losses in the current period, unused carried forward financial losses and other tax assets are taken into consideration (Note 31).

2.5.3 Fair values of derivative financial instruments

The Group evaluates its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the reporting date (Note 6).

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.4 Provision for doubtful receivables

Provision for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credibility in the current market, their performance after the reporting date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. As of reporting date the provision for doubtful receivables is presented in Note 8 and Note 9.

2.5.5 Provision for impairment of inventories

During the assessment of the provision for impairment of inventories the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to provision for inventories accounting policy of the Company. Sales prices listed and related data by sales prices of realized sales after reporting date, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of these studies, provision is made for inventories whose net realizable value is below the cost value and for slow moving inventories are presented in Note 10.

2.5.6 Provisions for employee benefits

The Group makes various actuarial assumptions such as the discount rate, inflation rate, real salary increase rate, and the voluntarily leave the job in the calculation of its liabilities regarding benefits provided to employees. The details related to employee benefits plans are stated in Note 18.

2.5.7 Provision for lawsuits

The Group reliably determines the probability of losing the lawsuits and the liabilities that will arise in case of loss, based on the possible cash outflows based on the best estimation of the Management, taking into account the opinions of the Group Legal Consultancy and external expert lawyers for ongoing lawsuits. As of reporting date, provision for lawsuits is stated in Note 19.

2.5.8 Impairments on assets

The Group, performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment tests performed by the Group, additional impairment is estimated in the accompanying financial statements for the non-financial assets recognized in expenses from investment activities (Note 28). The Group recognized the amount of provisions released in income from investment activities (Note 28).

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.9 Impairment on financial assets

The impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.5.10 Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

2.6 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the financial position statement where either there is a legally enforceable right to offset the recognized amounts or there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2020 summarized below.

Effects of these standarts and interpretations on Group's financial position and performance summarized following paragraphs.

Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	: Definition of a Business
Amendments to TAS 1 and TAS 8	: Definition of Material
Amendments to TFRS 9, TAS 39 and TFRS 7	: Interest Rate Benchmark Reform
Amendments to TFRS 16	: COVID-19 Related Rent Concessions
Amendments to Conceptual Framework	: Amendments to References to the Conceptual Framework in TFRSs

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

Amendments that are mandatorily effective from 2020 (cont'd)

Amendments to TFRS 3 Definition of a Business

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Amendments to TFRS 9, TAS 39 and TFRS 7 Interest Rate Benchmark Reform

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 COVID-19 Related Rent Concessions

The changes brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there are no substantive changes to other terms and conditions of the lease.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

Amendments that are mandatorily effective from 2020 (cont'd)

Amendments to TFRS 16 COVID-19 Related Rent Concessions (cont'd)

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Group have no COVID-19-related rent concessions.

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

These standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	:Insurance Contracts
Amendments to TAS 1	:Classification of Liabilities as Current or Non-Current
Amendments to TFRS 3	:Reference to the Conceptual Framework
Amendments to TAS 16	:Property, Plant and Equipment – Proceeds before Intended Use
Amendments to TAS 37	:Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to TFRS Standards	:Amendments to TFRS 1, TFRS 9 and TAS 41 2018-2020
Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16	:Interest Rate Benchmark Reform — Phase 2

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references published together with the updated Conceptual Framework at the same time or earlier.

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

New and revised TFRSs in issue but not yet effective (cont'd)

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendments are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

2.8 Valuation Principles / Significant Accounting Policies Applied

Accounting policies implemented during preparation of financial statements as follows:

2.8.1 Revenue recognition

Group recognizes revenue when the goods or services are transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to the customer. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, steel and pig iron castings, cast and pressed products and their by-products.

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

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.1 Revenue recognition (cont'd)

Group recognized revenue from its customers only when all of 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.

Interest income is accrued in the relevant period in proportion to the remaining principal balance and the effective interest rate that reduces the estimated cash inflows to be obtained from the relevant financial asset to the book value of the asset. Interest income from the Group's time deposit investments are recognized under finance income, maturities sales interest income from trade receivables are recognized in revenue.

2.8.2 Inventories

Inventories are valued at the lower of cost or net realizable value. The costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority valued by using the monthly weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.8.3 Property, plant and equipment

Property, plant and equipment stated through the value of determined by using the historical cost approach that reflects the cost of the assets in purchase date adjusted for impairment and accumulated depreciation. Lands are not subject to depreciation and are shown over the amount after accumulated impairment is deducted from their cost values.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Provision for impairment are recognized in the consolidated statement of profit or loss.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.3 Property, plant and equipment (cont'd)

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives or production amount, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The rates that are used to depreciate the property, plant and equipment are as follows:

	Rates
Buildings	2-16%
Land improvements	2-33% and units of production level
Machinery and equipment	3-50% and units of production level
Vehicles	5-25% and units of production level
Furniture and fixtures	5-33%
Exploration costs and other fixed assets with speacial useful lifes	5-10% and units of production level
Other tangible fixed assets	5-25%

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Property, plant and equipment are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment (cash-generating unit).

Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the consolidated statement of profit or loss of the related period. The Group omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under construction in progress.

2.8.4 Intangible assets

Out of the purchased intangible fixed assets, those with a finite life are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized principally on a straight-line basis over their estimated useful lives and production amounts. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate are accounted for on a prospective basis.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.4 Intangible assets (cont'd)

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%
Other intangible fixed assets	20-33%

2.8.5 Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation are measured initially at cost less any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss under income (expense) from investment activities.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.8.6 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments incurred on or before the lease actually commences, and other direct initial costs. These assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. (Note 16).

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

If the Group is in the position of sub-lease, the main lease and sub-lease are recognized as two separate contracts. Sub-lease is classified as financial lease or operating lease regarding the right to use arising from the main lease.

Rental income from operating leases is recognised 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 recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

2.8.7 Impairment on assets

Assets subject to depreciation and amortization are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. Recoverable amounts are estimated at the lowest level for individual assets (for the cash-generating unit). Non-financial assets that are impaired are evaluated for reversal of impairment amount at each reporting date.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Investment revenues arising from the temporary utilization of the unused portion of facility loans are netted off from the costs eligible for capitalization.

All other borrowing costs are recognized directly in the consolidated statement of profit or loss of the period in which they are incurred.

2.8.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a part of the the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

<u>Classification of financial assets</u>

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; 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.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 29).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

Equity instruments designated as at FVTOCI (cont'd)

- •it has been acquired principally for the purpose of selling it in the near term; or
- •on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- •it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.
c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Entity does not reclassify any financial liability.

<u>Derecognition of financial liabilities</u>

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 6.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Hedge accounting (cont'd)

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge).

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 6 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in Note 6.

2.8.10 The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Each subsidiaries' financial conditions and performance results stated as Turkish Lira in presentation currency in consolidated financial statements.

The Group records foreign currency (currencies other than the functional currency of the related company) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in consolidated statement of profit or loss. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to consolidated statement of profit or loss.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.10 The effects of foreign exchange rate changes (cont'd)

Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

2.8.11 Earnings per share

Earnings/loss per share, disclosed in the consolidated statement of profit or loss, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares.

2.8.12 Subsequent events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date. Post period end events that are not adjusting events are disclosed in the notes when material.

2.8.13 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past legal or subtle event, where it is probable that the Group will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

When the Group's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Group discloses this fact in the notes.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.14 Related parties

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

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment 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).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.8.15 Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.15 Taxation and deferred income taxes (cont'd)

Current tax

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

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates.

Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

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

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.15 Taxation and deferred income taxes (cont'd)

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the consolidated statement of profit or loss, except when they relate to the items credited or debited directly to the equity (in this case the deferred tax related to these items is also recognized directly in the equity), or where they arise from the initial accounting of a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.8.16 Employee benefits

According to the Turkish and Romanian law and union agreements, employee termination payments are made to employees in the case of retiring or involuntarily leaving. Such payments are considered as a part of defined retirement benefit plan in accordance with TAS 19 (revised) *Employee Benefits* ("TAS 19").

The termination indemnities accounted in the balance sheet and seniority incentive premium in accordance with the union agreements in force represent the present value of the residual obligation. Actuarial gains and losses, on the other hand, are recognized in the statement of other comprehensive income.

The Group makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of profit or loss. The details related with the defined benefit plans are stated in Note 18.

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

The Group companies operating in Turkey are required to pay social insurance premiums to the Social Security Instituion. As long as it pays these insurance premiums, the Group does not have any further obligation. These premiums are reflected in the payroll expenses incurred in the period.

2.8.17 Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Group has met all conditions required. Government grants and incentives related to costs are recognized as revenue during the periods they are matched with the costs they will cover.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.18 Statement of cash flows

Cash flows during the period are classified and reported as operating, investing and financing activities in the consolidated statement of cash flows.

Cash flows arising from operating activities represent the cash flows that are used in or provided by the Group's steel products and metal sales activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Group.

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

Cash and cash equivalents comprises of the cash on hand, the demand deposits and highly liquid other short-term investments which their maturities are three months or less from the date of acquisition, are readily convertible to cash and are not subject to a significant risk of changes in value.

The translation difference that occurs due to translation from functional currency to presentation currency is shown as translation difference on cash flow statement.

2.8.19 Share capital and dividends

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

2.8.20 Repurchased shares (Erdemir shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings or accumulated losses.

2.8.21 Significant changes in current period

The Group management took the necessary actions to minimize the impacts of COVID-19 pandemic on the Group's operations and financial position. The manufacturing activities of the Group were not suspended during the lockdowns.

In the preparations of the consolidated financial statements as at 31 December 2020, the Group assessed the possible impacts of COVID-19 pandemic on the financial statements and reviewed the critical estimates and assumptions used in the preparation of the consolidated financial statements. Within this scope, the Group evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated financial statements as at 31 December 2020 for any possible impairment but no impairment were identified.

NOTE 3 – SEGMENTAL REPORTING

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.

NOTE 4 – CASH AND CASH EQUIVALENTS

As of reporting date the detail of cash and cash equivalents as follows:

	31 December 2020	31 December 2019
Cash	16	21
Banks – demand deposits	181.762	246.738
Banks – time deposits	13.360.399	10.343.265
	13.542.177	10.590.024
Time deposit interest accruals (-)	(31.184)	(12.093)
Cash and cash equivalents excluding interest accruals	13.510.993	10.577.931

The details of demand deposits are presented below:

	31 December 2020	31 December 2019
US Dollars	38.085	116.886
Turkish Lira	56.334	48.845
EURO	64.944	56.402
Romanian Lei	21.689	24.410
Other	710	195
	181.762	246.738

The details of time deposits in banks as follows:

	31 December 2020	31 December 2019
US Dollars	9.919.441	8.914.765
Turkish Lira	3.382.449	659.338
EURO	58.109	768.868
Romanian Lei	400	294
	13.360.399	10.343.265

Group's bank deposits consist of deposits with maturity from 1 day to 3 months depending on immediate cash needs. Interest is received based on current short-term rates on the market.

NOTE 5 – FINANCIAL INVESTMENTS

As of reporting date the detail of financial investments as follows:

Financial assets shown at amortized value:

	31 December 2020	31 December 2019
Tresuary bonds	39.048	80.110
Bank deposits	-	21.194
	39.048	101.304

Group, has made securities investment in order to obtain the return fixed income issued by banks and the private sector in Turkey. These fixed income securities held by the Group under the business model for collection of contractual cash flows that includes principal and interest payments related with principal amount.

As of reporting period long term financial investments as follows:

	31 December 2020	31 December 2019
Fair value differences reflected in profit/(loss) statement	199	161
	199	161

As of reporting date, ratios, shares of subsidiaries and amounts and subsidiaries recognized as financial investments as follows:

Company	Ratio %	31 December 2020	Ratio %	31 December 2019
Financial investments without an active market				
Teknopark Hatay A.Ş.	5	199	5	161
		199		161

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

As of reporting date the detail of financial derivative instruments as follows:

	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Forward contracts for fair value hedges of currency risk of sales	-	11.166	2.996	3.668
Forward contracts	-	-	490	5.276
Cross currency swap contracts	-	-	30.945	7.374
Interest rate swap contracts	-	15.247	1.069	79.352
	-	26.413	35.500	95.670
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	-	33.045	2.297	4.632
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowings	-	-	60	-
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	37.510	124	12.227	2.421
	37.510	33.169	14.584	7.053
	37.510	59.582	50.084	102.723

Derivative instruments for fair value hedge

As of reporting date, the details of forward, swap and cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
31 December 2020		Nominal value	Fair Value	Nominal value	Fair Value
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	-	-	185.048	11.111
Buy USD/Sell EUR	Between 3 - 6 months	-	-	855	55
		-	-	185.903	11.166
Interest rate swap contracts					
USD floating interest collection / Fixed interest payment	Between 3 - 6 months	-	-	67.288	308
TRY floating interest collection / Fixed interest payment	Between 3 - 6 months	-	-	550.000	14.794
USD basis floating interest collection / Basis floating interest payment	Between 3 - 6 months	-	-	67.288	145
		-	-	684.576	15.247
		-	-	870.479	26.413

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge (cont'd)

31 December 2019		Assets Nominal value	Assets Fair Value	Liabilities Nominal value	Liabilities Fair Value
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	202.744	2.978	57.301	3.668
Buy USD/Sell EUR	Between 3 - 6 months	420	18	-	-
		203.164	2.996	57.301	3.668
Forward contracts					
Buy USD/Sell EUR	Less than 3 months	-	-	304.603	1.726
Buy TRY/Sell EUR	Less than 3 months	-	-	82.101	3.410
Buy TRY/Sell USD	Less than 3 months	25.831	490	-	-
Buy USD/Sell EUR	Between 6 - 12 months	-	-	21.546	140
		25.831	490	408.250	5.276
Interest rate swap contracts					
USD floating interest collection / Fixed interest payment	Between 1 - 5 years	163.356	1.069	-	-
TRY floating interest collection / Fixed interest payment	Between 1 - 5 years	-	-	550.000	78.186
USD basis floating interest collection / Basis floating interest payment	Between 3 - 6 months	-	-	80.367	500
USD basis floating interest collection / Basis floating interest payment	Between 1 - 5 years	-	-	163.356	666
		163.356	1.069	793.723	79.352
Cross rate					
TRY Collection / EUR Payment	Less than 3 months	-	-	175.000	7.374
TRY Collection / USD Payment	Less than 3 months	300.000	7.143	-	-
TRY Collection / USD Payment	Between 3 - 6 months	137.500	23.666	-	-
TRY Collection / USD Payment	Between 6 - 12 months	20.000	136	-	-
		457.500	30.945	175.000	7.374
		849.851	35.500	1.434.274	95.670

Derivative instruments for cash flow hedge

Forward contracts for cash flow hedges of currency risk of sales:

Buy USD – Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2021 and November 2021.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for cash flow hedge (cont'd)

Forward contracts for cash flow hedges of currency risk of sales (cont'd):

In respect of these contracts which has a nominal value of TRY 1.196.116 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY (31.342) thousand was included in consolidated other comprehensive income (31 December 2019: TRY (15.821) thousand).

In the current period, TRY (30.336) thousand resulting from the sales related forward contracts was accounted under the revenue account of the profit or loss table (31 December 2019: TRY 62.563 thousand).

Cross currency and interest rate swap contracts for cash flow hedges of interest rate and currency risk of borrowings:

The derivative contracts made in order to fix the principal and interest rates of the Group's bank loans with floating interest and foreign currency in the future periods of (60) thousand TRY except from the deferred tax effect recognized in the consolidated other comprehensive income. (31 December 2019: TRY (654) thousand).

Commodity swap contracts for hedges of price risk of raw material purchases:

The Group purchases iron ore on an ongoing basis as its operating activities. The Group has concluded iron ore swap contracts in order to be protected from price risk of iron ore which shall be supplied in future and shall be used in the production of related sales in line with its contracted sales. Group's iron ore forward contracts measured at fair value through other comprehensive income/expense match iron ore price risk associated with future long term sales contracts. The terms and conditions of the iron ore swap contracts made for these sales transactions match the terms and conditions of the sales transactions. Therefore, it is not possible to record any income or expense arising from the ineffectiveness of the protection process.

The maturities' varies until June 2021 contracts of 79 thousands tons of iron ore has a nominal value of TRY 42.544 thousand and fair value of TRY 1.735 thousand except from deffered tax effect recognized on consolidated other comprehensive income (31 December 2019: TRY 11.208 thousand).

The maturities' varies until February 2021 contracts of 885 thousands tons of coal, has a nominal value of TRY 916 thousand and fair value of TRY 2.223 thousand except from deffered tax effect recognized in consolidated other comprehensive income (31 December 2019: TRY (3.232) thousand).

As of 31 December 2020, reflected TRY 23.622 thousand from consolidated other comprehensive income to inventory cost thousand (31 December 2019: None).

The terms and conditions of the forward contracts match the terms and conditions of the expected highly probable forecast sales in EUR. As a result, no hedge ineffectiveness arises requiring recognition and is tracked under other comprehensive income accounts since the aforementioned derivative transaction is a cash flow hedge derivative transaction until the sales is realized in accordance with hedge accounting. After the revenue is recognized, those derivative transactions are recognised in the profit or loss table as fair value hedges until the receivable amounts are collected.

NOTE 7 – BORROWINGS

As of reporting date details of borrowings disclosed at amortized are as follows:

	31 December 2020	31 December 2019
Short term bank borrowings	1.193.496	4.179.522
Current portion of long term bank borrowings	1.988.924	1.332.364
Long term bank borrowings	2.574.623	1.380.494
Total bank borrowings	5.757.043	6.892.380
Current portion of long term corporate bonds issued	562.693	11.947
Long term corporate bonds issued	-	550.000
Total corporate bonds issued	562.693	561.947
Current portion of long term lease payables	42.661	42.656
Cost of current portion of long term lease payables (-)	(2.246)	(7.145)
Long term lease payables	1.012.559	909.906
Cost of long term lease payables (-)	(774.439)	(698.767)
Total lease payables	278.535	246.650
Total borrowings	6.598.271	7.700.977

As of 31 May 2019; bond issue with maturity 28 May 2021 term, quarterly TRLibor + 0,50 spread coupon interest, principal and coupon interest payment at the end of maturity TRY 550.000 thousand was performed.

As of 31 December 2020, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 December 2020
Fixed	TRY	8,74	868.200	-	868.200
Fixed	US Dollars	2,02	477.043	644.140	1.121.183
Fixed	EURO	2,70	14.714	20.613	35.327
Floating	TRY	TRLibor+0,5	562.693	-	562.693
Floating	US Dollars	Libor+1,79	1.656.958	985.855	2.642.813
Floating	EURO	Euribor+0,5	165.505	924.015	1.089.520
			3.745.113	2.574.623	6.319.736

NOTE 7 – BORROWINGS (cont'd)

As of 31 December 2019, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 December 2019
No interest	Turkish Lira	-	39.103	-	39.103
Fixed	Turkish Lira	13,85	867.556	-	867.556
Fixed	US Dollars	3,02	2.582.283	49.075	2.631.358
Fixed	EURO	2,70	11.145	25.346	36.491
Floating	Turkish Lira	TRLibor+0,5	11.947	550.000	561.947
Floating	US Dollars	Libor+1,87	1.904.563	922.264	2.826.827
Floating	EURO	Euribor+1,62	107.236	383.809	491.045
			5.523.833	1.930.494	7.454.327

Maturity distribution of financial borrowings is as follows:

	31 December 2020				31 December 2019			
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings	Bank Borrowings	Corporate Bonds	Lease Payables	Total Borrowings
Within 1 year	3.182.420	562.693	40.415	3.785.528	5.511.886	11.947	35.511	5.559.344
Between 1-2 years	1.544.579	-	31.924	1.576.503	295.397	550.000	29.986	875.383
Between 2-3 years	251.807	-	28.534	280.341	710.738	-	22.349	733.087
Between 3-4 years	133.639	-	23.913	157.552	143.974	-	18.724	162.698
Between 4-5 years	121.253	-	20.784	142.037	53.637	-	15.575	69.212
Five years or more	523.345	-	132.965	656.310	176.748	-	124.505	301.253
	5.757.043	562.693	278.535	6.598.271	6.892.380	561.947	246.650	7.700.977

Movement of net financial borrowings of bank loans and issued bonds as follows:

	31 December 2020	31 December 2019
Opening balance	7.454.327	6.120.960
Interest expenses	330.905	342.029
Interest paid	(291.063)	(313.709)
Unrealised foreign exchange differences	(128.034)	(22.666)
Capitalized financing expense	28.782	16.689
Cash inflow from loans	6.292.079	6.669.324
Bonds issued	-	550.000
Cash outflow from loan repayments	(7.367.260)	(5.908.300)
Closing balance	6.319.736	7.454.327

NOTE 7 – BORROWINGS (cont'd)

Reconciliation of net financial borrowings of financial leases as follows:

	31 December 2020	31 December 2019
Opening balance	246.650	-
Opening effect of change in accounting principle	-	198.794
The effect of the increase in the lease contract liability	38.807	53.490
Cash outflow effect	(46.470)	(40.069)
Increase in interest expenses	38.178	33.809
Foreign exchange effect	1.370	626
Closing balance	278.535	246.650

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's trade receivables are as follows:

	31 December 2020	31 December 2019
Short term trade receivables		
Trade receivables	3.748.555	3.316.241
Due from related parties (Note 33)	258.985	173.296
Provision for doubtful trade receivables (-)	(179.711)	(145.360)
	3.827.829	3.344.177

As of the reporting date, the details of the Group's trade receivables are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	145.360	136.377
Provision for the period	439	4.769
Doubtful receivables collected (-)	(1.999)	(1.540)
Provision released (-)	(1.267)	(6.536)
Translation difference	37.178	12.290
Closing balance	179.711	145.360

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 45-50 days and therefore are all classified as current. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

NOTE 8 – TRADE RECEIVABLES AND PAYABLES (cont'd)

According to the market conditions and product types, a certain interest charge is applied for deferred trade receivables and overdue interest is applied for overdue trade receivables.

As the Group provides services and products to a large number of customers, collection risk is widely distributed amongst these customers and there is no significant credit risk exposure. Therefore, the Group does not provide for any further provision beyond the doubtful receivables provisions that the Group has already provided for in the consolidated financial statements. The detail of overdue receivables included in trade receivables as of the reporting date is disclosed in the management of credit risk management. Other disclosures as to the Group's credit risk are given in Note 34. The Group provides provision according to the balances of all unsecured receivables under legal follow up.

Group's past due but not impaired receivable amount is TRY 45.110 thousand and the maturities of them are between 0 and 60 days (31 December 2019: TRY 9.761 thousand) (Note 34).

In accordance with TFRS 9 "Financial Instruments" standart, expected credit loss measured regarding trade receivables and no significant effect ascertained on financial statements.

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

Short term trade payables	31 December 2020	31 December 2019
Trade payables	3.633.204	2.849.408
Due to related parties (Note 33)	131.336	85.731
Expense accruals	2.409	1.483
	3.766.949	2.936.622

Trade payables consist of payables to sellers for products or services purchased in the ordinary course of business. The average credit period on purchases of certain goods is between 40-45 days.

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's other receivables are as follows:

Short term other receivables	31 December 2020	31 December 2019
Due From Related Parties (Note 33)	10.892	3.817
Receivables from water system construction	1.471	1.560
Deposits and guarantees given	790	504
Receivables from Privatization Authority	33.367	-
	46.520	5.881

Long term other receivables	31 December 2020	31 December 2019
Due From Related Parties (Note 33)	28.458	25.136
Receivables from Privatization Authority	-	81.221
Receivables from water system construction	10.193	11.306
Deposits and guarantees given	674	645
Provision for receivables from Privatization Authority (-)	-	(81.221)
	39.325	37.087

The movement of the provision for other long-term doubtful receivables are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	81.221	75.142
Provision for the period	3.120	6.118
Provision released (-)	(32.049)	-
Other doubtful receivables collected (-)	(54.106)	-
Translation difference	1.814	(39)
Closing balance	-	81.221

The Company filed a lawsuit against the Privatization Administration on 26 January 2012 in order to obtain the receivables arising from employee rights before the share transfer agreement made in 2002 within the scope of the provisions of the Labor Law and due to the fact that the amount of the receivable related to the case is considered as doubtful, a provision has been made in the consolidated statement of financial position as of the reporting periods, including the principal receivable amount determined by the court and the receivables accrued in the following periods.

With the decision of the 11th Civil Chamber of the Supreme Court of Appeals dated 11 June 2020, the case was finalized in favor of the Company and the principal and interest of the case was collected on 21 July 2020.

After the decision of the Supreme Court, the total of the amounts collected and the accrued share transfer agreement receivables have been reported in a separate item in Note 27 as the income from the share transfer agreement. Depending on the classification of accrued share transfer agreement receivables into short-term receivables, the said receivable balances have been reported under the changes in working capital in the consolidated statement of cash flows.

NOTE 9 – OTHER RECEIVABLES AND PAYABLES (cont'd)

As of the reporting date, the details of the Group's short term other payables are as follows:

Short term other payables	31 December 2020	31 December 2019
Taxes payable	51.263	35.805
Deposits and guarantees received	76.542	29.570
Dividend payables to shareholders (*)	4.080	3.966
	131.885	69.341

(*) Dividend payable represents the uncollected balances by shareholders related to the prior years.

NOTE 10 – INVENTORIES

As of the reporting date, the details of the Group's inventories are as follows:

	31 December 2020	31 December 2019
Raw materials	2.400.813	2.287.962
Work in progress	2.017.296	1.877.323
Finished goods	1.861.015	2.635.693
Spare parts	1.668.699	1.281.245
Goods in transit	1.960.470	1.106.346
Other inventories	746.164	556.855
Allowance for impairment on inventories (-)	(547.779)	(416.261)
	10.106.678	9.329.163

The movement of the provision for impairment on inventories:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	416.261	347.745
Provision for the period	46.140	33.314
Provision released (-)	(14.481)	(10.726)
Translation difference	99.859	45.928
Closing balance	547.779	416.261

The Group has provided an provision for the impairment on the inventories when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 24).

NOTE 11 – PREPAID EXPENSES

As of the reporting date, the details of the Group’s short term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Insurance expenses	94.598	56.976
Order advances given	13.634	21.390
Due to related parties (Note 33)	280	6.308
Prepaid utility allowance to employees	13.218	11.624
Other prepaid expenses	11.260	3.935
	132.990	100.233

As of the reporting date, the details of the Group’s long term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Order advances given	1.063.987	486.201
Due to related parties (Note 33)	643.367	25.620
Insurance expenses	66.398	-
Other prepaid expenses	2.323	1.999
	1.776.075	513.820

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The details of the Group’s financial investments accounted for using equity method are as follows:

	Right to vote ratio %	31 December 2020	Right to vote ratio %	31 December 2019	Business segment
Joint Venture					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	229.956	50	200.820	Industrial Gas Production and Sale

The Group’s shares on assets of investments accounted for using equity method are as follows:

	31 December 2020	31 December 2019
Total assets	492.495	408.249
Total liabilities	32.584	6.609
Net assets	459.911	401.640
Group's share on net assets	229.956	200.820

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont'd)

	31 December 2020	31 December 2019
Share capital	175.000	201.667

Group's share on profit of investments accounted for using equity method as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Revenue	123.827	98.345
Operating profit	28.909	14.335
Net profit (loss) for the period	15.369	77.034
Group's share on net profit	7.685	38.517

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 27 February 2020, reducing capital by TRY 26.667 thousand and decisions regarding the distribution of cash dividend of TRY 17.302 thousand from the net profit of 2019 have been unanimously approved. The payment for the capital reduction (its effect on statement of cash flows of Group is TRY 13.333 thousand) and 25% of the dividend (its effect on statement of cash flows of Group is TRY 2.163 thousand) has been completed on 4 June 2020.

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 97.254 thousand (31 December 2019: TRY 82.411 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 14.843 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 7.422 thousand) is included in the financial statements prepared as of reporting date.

NOTE 13 – INVESTMENT PROPERTIES

The details of the Group's investments properties are as follows:

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	173.154	138.732	311.886
Translation difference	40.818	32.704	73.522
Closing balance as of 31 December 2020	213.972	171.436	385.408
Accumulated Depreciation			
Opening balance as of 1 January	-	(8.672)	(8.672)
Translation difference	-	(2.342)	(2.342)
Charge for the period	-	(6.226)	(6.226)
Closing balance as of 31 December 2020	-	(17.240)	(17.240)
Net book value as of 31 December 2019	173.154	130.060	303.214
Net book value as of 31 December 2020	213.972	154.196	368.168

NOTE 13 – INVESTMENT PROPERTIES (cont'd)

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	144.196	98.784	242.980
Translation difference	19.090	13.994	33.084
Transfers (*)	9.868	25.954	35.822
Closing balance as of 31 December 2019	173.154	138.732	311.886
Accumulated Depreciation			
Opening balance as of 1 January	-	(1.018)	(1.018)
Translation difference	-	(474)	(474)
Charge for the period	-	(4.390)	(4.390)
Transfers (*)	-	(2.790)	(2.790)
Closing balance as of 31 December 2019	-	(8.672)	(8.672)
Net book value as of 31 December 2018	144.196	97.766	241.962
Net book value as of 31 December 2019	173.154	130.060	303.214

(*) After a part of Erdemir Çelik Servis Merkezi A.Ş.'s land and buildings in Manisa were rented, they were classified to investment properties (Note 14).

The fair value of the Group's investment properties is TRY 981.540 thousand (31 December 2019: TRY 933.303 thousand) according to the most recent valuation reports. The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

All investment properties of the Group consist of land and buildings. The fair value level of these real estates is evaluated as level 2.

The Group does not have contractual obligations regarding the purchase, construction or development of investment properties or maintenance, repair or improvement.

For the year ended 31 December 2020, the Group generated rent income amounting to TRY 16.013 thousand (31 December 2019: TRY 11.411 thousand) from rented investment properties under operating leases (Note 28). The Group also has investment properties that do not generate rental income.

The Group has recognized (2.918) thousand TL (31 December 2019: (2.327) thousand TL) of estate tax expenses related to investment properties for the year ended 31 December 2020 under investment expenses (Note 28).

Amortization distribution of investment properties is as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Associated with cost of production	802	-
General administrative expenses	5.424	4.390
	6.226	4.390

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	376.129	5.212.999	8.297.849	35.099.569	1.938.964	949.850	303.267	1.441.525	53.620.152
Translation difference	88.393	1.208.451	1.956.397	8.302.098	424.892	203.055	42.807	351.448	12.577.541
Additions (*)	16.630	2.133	432	209.945	13.321	27.116	16.619	1.866.970	2.153.166
Transfers from CIP (**)	-	44.451	57.582	971.446	6.149	16.361	4.692	(1.142.609)	(41.928)
Disposals	(13.877)	(303)	(1.042)	(232.109)	(5.399)	(6.906)	(2.738)	-	(262.374)
Closing balance as of 31 December 2020	467.275	6.467.731	10.311.218	44.350.949	2.377.927	1.189.476	364.647	2.517.334	68.046.557
Accumulated Depreciation									
Opening balance as of 1 January	-	(3.870.219)	(6.007.296)	(21.062.754)	(1.179.041)	(525.772)	(226.896)	(94.193)	(32.966.171)
Translation difference	-	(907.628)	(1.424.237)	(4.977.519)	(247.595)	(104.656)	(34.159)	(22.759)	(7.718.553)
Charge for the period	-	(119.119)	(188.096)	(996.948)	(66.901)	(51.310)	(31.223)	-	(1.453.597)
Impairment (***)	-	(447)	-	(38.814)	-	-	-	-	(39.261)
Disposals	-	289	919	179.513	5.245	5.800	1.095	-	192.861
Closing balance as of 31 December 2020	-	(4.897.124)	(7.618.710)	(26.896.522)	(1.488.292)	(675.938)	(291.183)	(116.952)	(41.984.721)
Net book value as of 31 December 2019	376.129	1.342.780	2.290.553	14.036.815	759.923	424.078	76.371	1.347.332	20.653.981
Net book value as of 31 December 2020	467.275	1.570.607	2.692.508	17.454.427	889.635	513.538	73.464	2.400.382	26.061.836

(*) The amount of capitalized borrowing cost is TRY 28.782 thousand for the current period.
(**) TRY 41.928 thousand is transferred to intangible assets (Note 15).
(***) The Group reviewed recoverable amounts of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.and Erdemir Romania S.R.L for the property,plant and equipment that will be out of use and will not generate independent cash flow. As a result of the review, for non used assets, an impairment loss of TRY (39.261) thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 28).

As of 31 December 2020, the Group has no collaterals or pledges upon its property, plant and equipment.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	298.834	4.538.894	7.256.025	30.709.607	1.703.606	836.663	265.350	1.194.114	46.803.093
Translation difference	38.342	580.649	937.145	3.966.685	202.534	96.730	19.222	147.953	5.989.260
Additions (*)	-	1.678	9.217	140.837	44.869	16.088	19.479	1.192.691	1.424.859
Transfers from CIP (**)	48.821	116.070	136.063	762.334	8.232	6.138	1.889	(1.093.233)	(13.686)
Transfers to investment properties (***)	(9.868)	-	(25.954)	-	-	-	-	-	(35.822)
Disposals	-	(24.292)	(14.647)	(479.894)	(20.277)	(5.769)	(2.673)	-	(547.552)
Closing balance as of 31 December 2019	376.129	5.212.999	8.297.849	35.099.569	1.938.964	949.850	303.267	1.441.525	53.620.152
Accumulated Depreciation									
Opening balance as of 1 January	-	(3.364.344)	(5.202.609)	(18.431.953)	(1.029.278)	(443.025)	(188.521)	(83.152)	(28.742.882)
Transfers to investment properties (***)	-	-	2.790	-	-	-	-	-	2.790
Translation difference	-	(432.631)	(675.428)	(2.368.613)	(115.630)	(47.252)	(14.054)	(11.041)	(3.664.649)
Charge for the period	-	(98.220)	(152.509)	(742.508)	(53.463)	(40.850)	(28.403)	-	(1.115.953)
Impairment (****)	-	949	5.813	29.059	4.145	-	3.352	-	43.318
Disposals	-	24.027	14.647	451.261	15.185	5.355	730	-	511.205
Closing balance as of 31 December 2019	-	(3.870.219)	(6.007.296)	(21.062.754)	(1.179.041)	(525.772)	(226.896)	(94.193)	(32.966.171)
Net book value as of 31 December 2018	298.834	1.174.550	2.053.416	12.277.654	674.328	393.638	76.829	1.110.962	18.060.211
Net book value as of 31 December 2019	376.129	1.342.780	2.290.553	14.036.815	759.923	424.078	76.371	1.347.332	20.653.981

(*) The amount of capitalized borrowing cost is TRY 16.689 thousand for the current period.
(**) TRY 13.686 thousand is transferred to intangible assets (Note 15).
(***) After a part of Erdemir Çelik Servis Merkezi A.Ş.'s land and buildings in Manisa were rented, it was classified to investment properties (Note 13).
(****) The Group recorded the impairment provisions in the financial statements of Erdemir Romania S.R.L for the property,plant and equipment that will be out of use and will not generate independent cash flow. The recoverable amounts of property, plant and equipment are reviewed in line with the increase in Erdemir Romania S.R.L's net profitability and Management's forecasts in the following periods. As a result of the review. For non used assets, an impairment loss of TRY 43.318 thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 28).

As of 31 December 2019, the Group has no collaterals or pledges upon its intangible assets.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of depreciation expenses related to property, plant and equipment is as follows:

	31 December 2020	31 December 2019
Associated with cost of production	1.361.402	1.039.350
General administrative expenses	32.981	28.069
Marketing, sales and distribution expenses	50.905	41.340
Research and development expenses	8.309	7.194
	1.453.597	1.115.953

NOTE 15 – INTANGIBLE ASSETS

	Rights	Other Intangible Assets	Total
Cost			
Opening balance as of 1 January	781.603	40.264	821.867
Translation difference	183.216	11.910	195.126
Additions	17.729	2.629	20.358
Transfers from CIP	32.532	9.396	41.928
Closing balance as of 31 December 2020	1.015.080	64.199	1.079.279
Accumulated amortization			
Opening balance as of 1 January	(471.990)	(37.343)	(509.333)
Translation difference	(109.915)	(11.137)	(121.052)
Charge for the period	(37.196)	(983)	(38.179)
Closing balance as of 31 December 2020	(619.101)	(49.463)	(668.564)
Net book value as of 31 December 2019	309.613	2.921	312.534
Net book value as of 31 December 2020	395.979	14.736	410.715

As of 31 December 2020, the Group has no collaterals or pledges upon its intangible assets.

NOTE 15 – INTANGIBLE ASSETS (cont'd)

	Rights	Other Intangible Assets	Total
Cost			
Opening balance as of 1 January	668.304	34.375	702.679
Translation difference	85.716	5.127	90.843
Additions	13.897	762	14.659
Transfers from CIP	13.686	-	13.686
Closing balance as of 31 December 2019	781.603	40.264	821.867
Accumulated amortization			
Opening balance as of 1 January	(387.566)	(31.597)	(419.163)
Translation difference	(49.911)	(4.998)	(54.909)
Charge for the period	(34.513)	(748)	(35.261)
Closing balance as of 31 December 2019	(471.990)	(37.343)	(509.333)
Net book value as of 31 December 2018	280.738	2.778	283.516
Net book value as of 31 December 2019	309.613	2.921	312.534

As of 31 December 2019, the Group has no collaterals or pledges upon its intangible assets.

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2020	31 December 2019
Associated with cost of production	25.915	24.348
General administrative expenses	12.101	10.770
Research and development expenses	163	143
	38.179	35.261

NOTE 16 – RIGHT OF USE ASSETS

As of the reporting date the movement of right of use assets are as follows:

	Right to Use Land	Car Leases	Total
Cost			
Opening balance as of 1 January	236.950	22.206	259.156
Additions to assets of operating lease	41.911	2.080	43.991
Disposals (-)	(8.637)	-	(8.637)
Translation difference	57.448	5.334	62.782
Closing balance as of 31 December 2020	327.672	29.620	357.292
Accumulated Depreciation			
Opening balance as of 1 January	7.675	6.531	14.206
Charge for the period	10.986	10.099	21.085
Translation difference	2.335	2.022	4.357
Closing balance as of 31 December 2020	20.996	18.652	39.648
Net book value as of 31 December 2019	229.275	15.675	244.950
Net book value as of 31 December 2020	306.676	10.968	317.644

	Right to Use Land	Car Leases	Total
Cost			
Opening balance as of 1 January	-	-	-
Effect of change in accounting principle	201.550	8.022	209.572
Additions to assets of operating lease	39.528	12.549	52.077
Transfers of sub-lease agreements to receivables	(30.373)	-	(30.373)
Translation difference	26.245	1.635	27.880
Closing balance as of 31 December 2019	236.950	22.206	259.156
Accumulated Depreciation			
Opening balance as of 1 January	-	-	-
Charge for the period	7.999	6.233	14.232
Transfers of sub-lease agreements to receivables	(669)	-	(669)
Translation difference	345	298	643
Closing balance as of 31 December 2019	7.675	6.531	14.206
Net book value as of 31 December 2019	229.275	15.675	244.950

NOTE 16 – RIGHT OF USE ASSETS (cont'd)

The items right of use assets recognized in profit or loss is as follows:

	31 December 2020	31 December 2019
Amortization of assets to operating lease	(21.085)	(14.232)
Interest expense from lease transactions (Note 30)	(38.178)	(33.809)
Income from sub-lease of the right of use assets	-	1.433

The net book value of the right-of-use assets acquired through the lease is as follows:

	31 December 2020	31 December 2019
Right to use land	306.676	229.275
Car leases	10.968	15.675
	317.644	244.950

The Group has usage permit agreements regarding the port areas of the General Directorate of National Real Estate. The values of tangibles with usage permit periods expiring in 2048 and 2050 are measured at their present value by reducing the borrowing rate by 12% - 16% at the initial calculation.

The Group has a usage permit agreement of regarding the forest land and energy transmission line of the General Directorate of Forestry. Forest land use permit will expire in 2039-2068, and the energy transmission line use permit will expire in 2064. The values of the immovable assets were measured at present value by reducing the borrowing rate in the first calculation with 12%-15% .

In addition, car lease contracts with useful lives between 2020-2022 and with borrowing rate reduced by 13% - 25% are measured at their present value.

Lease agreements are accounted for in the consolidated statement of financial position in the notes of right of use assets and borrowing in accordance with the above explanations (Note 7).

The distribution of amortization expenses related to right of use assets is as follows:

	31 December 2020	31 December 2019
General administration expenses	10.099	6.233
Other operating expenses	10.986	7.999
	21.085	14.232

NOTE 17 – GOVERNMENT GRANTS AND INCENTIVES

These grants and incentives can be used by all companies, which meet the related legislative requirements and those grants have no sectoral differences:

- ✓ Incentives under the jurisdiction of the research and development law (100% corporate tax exemption etc.)
- ✓ Support in cash from Tubitak – Teydeb, in return for research and devolopment expenditures,

NOTE 17 – GOVERNMENT GRANTS AND INCENTIVES (cont'd)

- ✓ Inward processing permission certificates,
- ✓ Social Security Institution incentives
- ✓ Insurance premium employer share incentive.

Research and development incentive premiums received amounts to TRY 3.009 thousand (31 December 2019: TRY 2.181 thousand) which are considered as a deduction subject in the calculation of corporate tax for the year ended 31 December 2020.

NOTE 18 – EMPLOYEE BENEFITS

The Group's short term payables for employee benefits are as follows:

	31 December 2020	31 December 2019
Due to personnel	139.640	109.689
Social security premiums payable	57.656	43.669
	197.296	153.358

As of the reporting date long term provisions of the employee benefits of the Group are as follows:

	31 December 2020	31 December 2019
Provisions for employee termination benefits	759.907	651.998
Provisions for seniority incentive premium	108.316	71.234
Provision for unpaid vacations	99.913	84.092
	968.136	807.324

According to the articles of Turkish Labor Law in force, the Group have obligation to pay the legal employee termination benefits to each employee whose are 25 years of working life by completing at least one year of service, leaving for military services and deceased.

As of 31 December 2020, the amount payable consists of one month's salary limited to a maximum of TRY 7.117,17 (31 December 2019: TRY 6.379,86) for each year of service. As of 1 January 2021, the employment termination benefit has been updated to a maximum of TRY 7.638,96.

The employment termination benefit legally is not subject to any funding requirement.

The employment termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2020 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

NOTE 18 – EMPLOYEE BENEFITS (cont'd)

The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 December 2020	31 December 2019
Discount rate	%12,80	%12,50
Inflation rate	%8,50	%8,20
Salary increase	real 1,5%	real 1,5%
Maximum liability increase	%8,50	%8,20

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 December 2020, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2020, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

The movement of the provision for employee termination benefits is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	651.998	527.970
Service cost	55.790	52.214
Interest cost	83.603	86.906
Actuarial loss/(gain)	17.367	39.363
Termination benefits paid	(49.847)	(55.011)
Translation difference	996	556
Closing balance	759.907	651.998

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. All other variables were held constant, the sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2020 as follows:

Sensivity level	Interest rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	(55.988)	64.015
	Inflation rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	66.083	(58.563)

NOTE 18 – EMPLOYEE BENEFITS (cont'd)

According to the current collective labor agreement, employees completing their 5th, 10th, 15th and 20th service years receive seniority incentive premium payments.

The movement of the provision for seniority incentive premium is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	71.234	55.351
Service cost	8.333	5.988
Interest cost	9.983	9.085
Actuarial loss/(gain)	29.838	9.378
Termination benefits paid	(11.106)	(8.506)
Translation difference	34	(62)
Closing balance	108.316	71.234

The movement of the provision for unused vacation is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	84.092	86.070
Provision for the period	108.907	98.374
Vacation paid during the period (-)	(5.281)	(5.399)
Provisions released (-)	(88.285)	(94.418)
Translation difference	480	(535)
Closing balance	99.913	84.092

NOTE 19 – PROVISIONS

The Group's short term provisions are as follows:

	31 December 2020	31 December 2019
Provision for lawsuits	195.355	196.700
Penalty provision for employment shortage of disabled	13.551	12.836
Provision for state right on mining activities	23.023	19.158
Provision for land occupation	21.695	13.215
	253.624	241.909

NOTE 19 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	1 January 2020	Change for the period	Payments	Provision released	Translation difference	31 December 2020
Provision for lawsuits	196.700	62.766	(46.534)	(43.727)	26.150	195.355
Penalty provision for employment shortage of disabled personnel	12.836	4.647	(3.005)	(945)	18	13.551
Provision for state right on mining activities	19.158	24.162	(20.297)	-	-	23.023
Provision for land occupation	13.215	28.537	(22.015)	(228)	2.186	21.695
	241.909	120.112	(91.851)	(44.900)	28.354	253.624

	1 January 2019	Change for the period	Payments	Provision released	Translation difference	31 December 2019
Provision for lawsuits	165.568	57.019	(20.051)	(12.854)	7.018	196.700
Penalty provision for employment shortage of disabled personnel	10.421	5.802	(2.902)	(518)	33	12.836
Provision for state right on mining activities	7.650	21.749	(10.241)	-	-	19.158
Provision for land occupation	7.013	27.257	(21.029)	-	(26)	13.215
Provision for the tax penalty	10.125	-	-	(10.661)	536	-
	200.777	111.827	(54.223)	(24.033)	7.561	241.909

NOTE 19 – PROVISIONS (cont'd)

Provision for lawsuits

As of 31 December 2020 and 31 December 2019, lawsuits filed by and against the Group are as follows:

	31 December 2020	31 December 2019
Lawsuits filed by the Group	974.124	880.306
Provision for lawsuits filed by the Group	171.111	218.121

The provisions for the lawsuits filed by the Group represents provision for doubtful trade and other receivables.

	31 December 2020	31 December 2019
Lawsuits filed against the Group	175.340	153.052
Provision for lawsuits filed against the Group	195.355	196.700

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB's Communiqué Serial XI No 25 on "Accounting Standards to be implemented in Capital Markets" which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB's letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the "Accounting Standards to be implemented in Capital Markets"), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (TFRS) caused a decrease amounting to TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 October 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company's lawyers on 16 July 2012.

NOTE 19 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the TFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that "Article 726 and Temporary Provision 1 of CMB's Communiqué Serial XI, No. 25 authorize the use of TFRS on consolidated financial statements of 2005, although CMB had given the Company a 'permission' No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on "TFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with "TFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 December 2020 and 31 December 2019 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber's decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company's request for revision of the decision has been rejected. The case is still pending in the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara. Next hearing will be held on 01 April 2021.

NOTE 19 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 December 2020 and 31 December 2019.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.). located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notification made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. A provision amounting to TRY 63.612 thousand recognized on consolidated financial statements for the related lawsuit.

NOTE 19 – PROVISIONS (cont'd)

Resolution of Constitutional Court on Electric and Coal Gas Tax

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, on 16 March 2015, the Company used its right to apply the Constitutional Court individually. In the General Assembly Resolution adopted by the Constitutional Court notified to the Company on 27 December 2018, it is stated that the property rights of the Company were violated, and retrial was decided for the applicable claims to eliminate the consequences of the violation of the property rights regarding to consolidated 15 cases.

Similarly, in the consolidated 4 cases subject to Company's application, the Constitutional Court has decided for retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

The aforementioned 19 cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company. Those 19 resolutions which were appealed against by the Municipality of Kdz. Ereğli have not been finalized yet.

Regarding to ongoing cases, resolutions are made in favor of the Company.

Lawsuit against The Municipality of Kdz. Ereğli's Tax Penalty Notifications

A real estate tax review was carried out by the Municipality of Kdz Ereğli under the name of "Real Estate Tax Determination Field Study" at Company's Ereğli facilities in August 2019. As a result of this tax inspection, 1.924 tax penalty notifications were notified to the company on 23 December 2019. With the 1.924 tax penalty notices, the building tax and related cultural assets contribution share has been levied for 2014 to 2019, as well as the tax loss penalty for the same periods. The amount of tax and related cultural assets contribution assessment is TRY 25.586 thousand and TRY 23.888 thousand tax loss penalty has been imposed.

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020 and the cases are still pending.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments for the tax, cultural assets contribution fee and tax penalty charged.

NOTE 19 – PROVISIONS (cont'd)

Lawsuits against Cease and Desist Orders and Zoning Administrative Fines of The Municipality of Kdz. Ereğli

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee's decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In all 14 previously filed lawsuits, the Court has decided to cancel proceedings subject to lawsuits. The Municipality has the right to appeal these decisions. ordered for suspension of execution. In the last filed case, the Court will decide on the suspension of execution after the submission of defendant's defense and interim decision response. Lawsuits are still pending.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments.

Provision for state right on mining activities

According to "Mining Law" numbered 3213 and regulation on "Mining Law Enforcement"published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is calculated state right on mining activities based on the sales and recognized provision on financial statements.

Land occupation

The Group have land property within the Erdemir factory area being within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3% of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2020	31 December 2019
Letters of guarantees received	4.102.062	2.853.670
	4.102.062	2.853.670

The Collaterals, pledges and mortgages (CPM) given by the Group are as follows:

	31 December 2020	31 December 2019
A. Total CPM given for the Company's own legal entity	127.548	77.498
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	606.492	182.133
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	734.040	259.631

All of the TRI's given by the Group on behalf of its legal entity consist of letters of guarantee. The CPMs given by the Group in favor of the partnerships included in the scope of consolidation amounting to TRY 606.492 thousand have been given regarding the bank loans and raw material procurement transactions detailed in Note 7. As of 31 December 2020, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2019: 0%).

The breakdown of the Group's collaterals given regarding service purchases according to their TRY equivalents of foreign currency is as follows:

	31 December 2020	31 December 2019
US Dollars	207.236	167.519
Turkish Lira	106.041	64.844
EURO	420.763	27.268
	734.040	259.631

NOTE 21 – OTHER ASSETS AND LIABILITIES

As of the reporting date, the details of the Group's other assets and liabilities are as follows:

Other current assets

	31 December 2020	31 December 2019
Other VAT receivable	634.830	456.381
Deferred VAT	116.026	143.042
Prepaid taxes and funds	3.488	2.886
Other current assets	20.146	15.573
	774.490	617.882

Other non-current assets

	31 December 2020	31 December 2019
Other VAT receivable	210.441	225.399
	210.441	225.399

Other current liabilities

	31 December 2020	31 December 2019
VAT payable	157.537	3.509
Other current liabilities	2.802	6.770
	160.339	10.279

Other non-current liabilities

	31 December 2020	31 December 2019
Other non-current liabilities	1.857	1.878
	1.857	1.878

NOTE 22 – DEFERRED INCOME

As of the reporting date, the details of the Group's short term deferred income are as follows:

	31 December 2020	31 December 2019
Advances received	519.271	230.930
Deferred income	22.923	19.903
	542.194	250.833

NOTE 23 – EQUITY

As of the Group's reporting date the capital structure is as follows:

Shareholders	(%)	31 December 2020	(%)	31 December 2019
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares (-)		(116.232)		(116.232)
		3.540.381		3.540.381

The capital of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. is subject to the registered capital limit. The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kurus) up to the amount of the registered capital, which is TRY 7.000.000.000.

The issued capital of the Company consists of 350.000.000.000 lots of shares (31 December 2019: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (31 December 2019: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

The Board of Directors consists of 9 members 3 of which are independent. The number and qualifications of independent members are ascertained in compliance with the CMB's Communique numbered II-17,1 on Corporate Governance Principles.

The General Assembly has to choose one member to the Board of Directors from the nominees of the Privatization Administration as the beneficiary owner representing A Group shares. In case, the Board member representing the A Group shares leaves the board within the chosen period, a new board member is obliged to be chosen from the nominees of the Privatization Administration as the beneficiary owner. For decisions to be taken about the rights assigned to A Group shares, the board member representing A Group shares is also obliged to use an affirmative vote.

NOTE 23 – EQUITY (cont'd)

The decisions to change the Articles of Association of the Company that will have an effect on the board of directors' meeting and decision quorum, rights assigned to A Group shares, rights assigned to A Group shares in relation to investments and employment decisions and any other changes in the Articles of Association of the Company which will directly or indirectly affect the rights of A Group shares, have to receive an affirmative vote of the beneficiary owner representing the A Group shares. Otherwise, the decisions are accepted as invalid.

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" Erdemir, as of 31 December 2020, holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2019: TRY 107.837 thousand). Erdemir's own shares have been reclassified with its inflation adjusted value in the consolidated balance sheet as a deduction under equity.

Other Equity Items	31 December 2020	31 December 2019
Share Premium	106.447	106.447
Revaluation Reserves of Tangible Assets	77.866	58.952
Cash Flow Hedging Reserves	(15.481)	6.474
Foreign Currency Translation Reserves	24.826.731	17.828.858
Actuarial (Loss)/ Gain Fund	(115.606)	(102.008)
Restricted Reserves Assorted from Profit	3.597.448	3.485.761
-Legal Reserves	*3.597.448*	*3.485.761*
Retained Earnings	4.482.548	2.057.906
	32.959.953	23.442.390

However, in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") on 13 June 2013 which is published on Official Gazette numbered 28676, "Paid-in capital", "Restricted profit reserves" and "Share premium" should be presented by using their registered amounts in the statutory records. The restatement differences (e.g. inflation restatement differences) arising from the application of this Communiqué should be associated with the:

- "Capital restatement differences" item following the "paid-in capital" line item in the financial statements, if the differences are caused by "paid-in capital" and have not been added to capital yet;
- "Retained earnings", if the differences are arising from "restricted profit reserves" and "share premium" and have not been associated with either profit distribution or capital increase yet.

Other equity items are carried at the amounts that are valued based on the TFRS.

Capital restatement differences may only be considered as part of the paid-up capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate for the publicly-held subsidiaries. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

NOTE 23 – EQUITY (cont'd)

Pursuant to the Provisional Article 13 of the TCC numbered 6102; Capital companies may decide to distribute to twenty-five percent of the net profit for the year 2019 until 30 September 2020, retained earnings and free reserve funds cannot be distributed and the Board of Directors cannot be authorized to distribute dividends advance by the General Assembly.

With the Decree No. 2948 published in the Official Gazette dated 18 September 2020 and numbered 31248, the application period of the profit distribution restriction was extended from 30 September 2020 to 31 December 2020.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used as an internal source of capital increase, dividend distribution in cash or the net off from prior period losses. In case of usage of the inflation adjustment differences in dividend distribution in cash, it is subject to corporate tax.

As of the reporting period, the total amount of resources that can be subject to dividend distribution, including the retained earnings of 4.633.547 thousand TRY and the net profit for the period of 2.948.251 thousand TRY which are in the statutory books of the company is 7.581.798 thousand TRY.

The legal reserves and the share premium, which is regarded as legal reserve in accordance with TCC Article 466, are presented using their amounts in statutory records. In this context, the difference of inflation restatements in accordance with TFRS framework, that are not subject to profit distribution or capital increase as of the date of financial statements, is associated with the prior periods' profit or loss.

According to the first paragraph of Article 519 numbered 6102 of the Turkish Commercial Code ("TCC"), 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. First dividend is appropriated for shareholders after deducting from the profit. Following the deduction of the amounts from the "profit", General Assembly of Shareholders is authorized to decide whether shall be the remaining balance shall be fully or totally placed in extraordinary legal reserves or whether it is distributed, also taking into consideration the Company's profit distribution policy. According to the sub-clause 3 of the clause 2 of Article 519 of the Turkish Commercial Code, after deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; ten percent of the remaining balance shall be appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

According to the CMB Communiqué, until the Company's Article of Association was revised on 31 March 2008, an amount equal to the first dividend distributed to shareholders is allocated as status reserves in order to be used in the plant expansion. Also according to the 13th Article of Association before the revision on 31 March 2008, 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital. The reserve amount that exceeds the 20% of the legal reserves, defined by the Article 519 of TCC, is recorded as status reserve.

At the Ordinary General Assembly Meeting of the Company dated 30 March 2012, it was decided that status reserves could be used for free capital increases and profit distribution.

NOTE 23 – EQUITY (cont'd)

Cash flow hedging reserve arises from the recognition of the changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows directly in equity. The amounts deferred in equity are recognized in the consolidated statement of profit or loss in the same period, if the hedged item affects profit or loss.

Since the fair values of the assets could not be reasonably determined during the transfer of the subsidiaries to the Group, the assets of each of the Company were revalued during the initial acquisition and the difference between the cost value of the Company's revaluated fair value and the cost value of initial recognition is recorded in the tangible asset revaluation increases (decreases) fund.

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of profit or loss. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Actuarial (Loss)/Gain Funds" under the equity. The funds for actuarial gains/ (losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

As it stated in Note 2.1, foreign currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 24 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 519.271 thousand (Note 22). The Company plans to recognize related revenue amount as a revenue in a year.

	1 January - 31 December 2020	1 January - 31 December 2019
Sales Revenue		
Domestic sales	26.045.753	21.115.987
Export sales	5.190.683	5.552.947
Other revenues (*)	756.989	698.400
Interest income from sales with maturities	123.394	185.981
Sales returns (-)	(25.418)	(42.992)
Sales discounts (-)	(43.372)	(45.138)
	32.048.029	27.465.185
Cost of sales (-)	(26.123.431)	(22.454.025)
Gross profit	5.924.598	5.011.160

(*) The total amount of product exports in other revenues is TRY 314.848 thousand (31 December 2019: TRY 285.507 thousand). Total interest income from export sales with maturities is TRY 3.063 thousand (31 December 2019: TRY 4.022 thousand).

NOTE 24 – SALES AND COST OF SALES (cont'd)

As of Group's reporting date, the detail of cost of sales is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Raw material usage	(19.157.870)	(16.792.357)
Personnel costs	(2.127.588)	(1.665.469)
Energy costs	(1.607.837)	(1.322.528)
Depreciation and amortization expenses	(1.394.505)	(1.043.369)
Manufacturing overheads	(903.571)	(636.082)
Other cost of goods sold	(389.758)	(382.191)
Non-operating costs (*)	(64.556)	(148.019)
Freight costs for sales delivered to customers	(304.539)	(301.394)
Allowance expenses for impairment on inventories (Note 10)	(46.140)	(33.314)
Inventory provision released (Note 10)	14.481	10.726
Other	(141.548)	(140.028)
	(26.123.431)	(22.454.025)

(*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (64.556) thousand, has been accounted directly under cost of sales (31 December 2019: TRY (148.019) thousand).

NOTE 25 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Marketing expenses (-)	(257.809)	(232.394)
General administrative expenses (-)	(497.600)	(444.799)
Research and development expenses (-)	(29.397)	(24.999)
	(784.806)	(702.192)

NOTE 26 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(109.007)	(99.323)
Depreciation and amortization (-)	(50.905)	(41.340)
Service expenses (-)	(97.897)	(91.731)
	(257.809)	(232.394)

As of Group's reporting date, the detail of general administrative expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(214.124)	(193.873)
Depreciation and amortization (-)	(50.506)	(43.229)
Benefits and services from third parties (-)	(200.464)	(185.850)
Tax, duty and charges (-)	(22.232)	(12.803)
Provision/ Provision released for doubtful receivables (net)	(175)	(2.811)
Amortization of right of use assets (-)	(10.099)	(6.233)
	(497.600)	(444.799)

As of Group's reporting date, the detail of research and development expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(15.128)	(12.827)
Depreciation and amortization (-)	(8.472)	(7.337)
Other (-)	(5.797)	(4.835)
	(29.397)	(24.999)

NOTE 27 – OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

As of Group's reporting date, the detail of other operating income is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Other operating income		
Share transfer agreement receivable incomes (*)	146.556	-
Foreign exchange gain from trade receivables and payables (net)	152.645	6.101
Forfeit advances from customers	1.367	8.624
Discount income	488	4.050
Provisions released	44.672	24.033
Service income	17.788	19.680
Maintenance repair and rent income	17.529	16.567
Warehouse income	5.546	9.466
Indemnity and penalty detention income	4.066	9.759
Insurance indemnity income	148.962	90.352
Lawsuit income	1.981	367
Overdue interest income	8.145	6.832
Other income and gains	43.521	38.118
	593.266	233.949

(*) The Company filed a lawsuit to the Privatization Administration on 26 January 2012 in order to provide receivables arising from employee rights prior to the share transfer contract made in 2002 under the provisions of the Labor Law, and the provision has been recognized in the financial statements for the amount of TRY 84.147 thousand including the receivable amount of TRY 52.857 thousand determined by the court and the accrued receivables in the following periods due to the fact that the amount of receivables related to the case is considered as a doubtful. With the decision of the 11th Civil Chamber of the Supreme Court dated 11 June 2020, the case was finalized in favor of Company and a total of TRY 111.850 thousand, including principal and interest, was collected on 21 July 2020. As a result of the decision of the Supreme Court, TRY 146.556 thousand with the translation differences arising from the USD which is the functional currency was recorded in the statement of profit or loss as income.

As of Group's reporting date, the detail of other operating expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Other operating expenses (-)		
Provision expenses	(67.413)	(62.821)
Interest expenses from purchases with maturities	(7.378)	(18.318)
Lawsuit compensation expenses	(5.819)	(6.842)
Right of use assets amortization	(10.986)	(7.999)
Donation expenses	(19.270)	(4.761)
Service expenses	(16.334)	(18.788)
Previous period corporate tax adjustments	-	(14.569)
Penalty expenses	(3.732)	(757)
Other expenses and losses	(28.926)	(29.772)
	(159.858)	(164.627)

NOTE 28 –INCOME/(EXPENSES) FROM INVESMENT ACTIVITIES

As of Group's reporting date, the detail of income from investment activities is as follows:

Income From Investment Activities	1 January - 31 December 2020	1 January - 31 December 2019
Income from sales on tangible assets	149.809	16.416
Rent income from investment properties	16.013	11.411
Property,plant and equipment provisions released (Note 14)	-	43.318
	165.822	71.145

As of Group's reporting date, the detail of expenses from investment activities is as follows:

Expenses From Investment Activities (-)	1 January - 31 December 2020	1 January - 31 December 2019
Loss on sales of tangible assets	(4.262)	(175)
Loss on disposal of tangible assets	(54.038)	(28.454)
Impairment of property, plant and equipment (Note 14)	(39.261)	-
Expenses from investment properties (-)	(2.918)	(2.327)
	(100.479)	(30.956)

NOTE 29 – FINANCE INCOME

As of Group's reporting date, the detail of finance income is as follows:

Finance income	1 January - 31 December 2020	1 January - 31 December 2019
Interest income on bank deposits	526.286	418.745
Foreign exchange gains (net)	-	604.993
Interest income from financial investments	4.247	29.068
Fair value differences of derivative financial instruments (net)	18.555	14.957
Financial assets provision released	-	53.783
Other financial income	5.288	2.551
	554.376	1.124.097

NOTE 30 – FINANCE EXPENSES

As of Group's reporting date, the breakdown of finance expenses is as follows:

Finance expenses (-)	1 January - 31 December 2020	1 January - 31 December 2019
Interest expenses on borrowings	(330.905)	(342.029)
Foreign exchange loss (net)	(50.816)	-
Interest cost of employee benefits	(93.586)	(95.991)
Interest expenses on leasings	(38.178)	(33.809)
Other financial expenses	(29.594)	(41.880)
	(543.079)	(513.709)

During the period, the interest expenses of TRY 28.782 thousand have been capitalized as part of the Group's property, plant and equipment (31 December 2019: TRY 16.689 thousand).

NOTE 31 – TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Corporate tax payable:		
Current corporate tax provision	2.151.998	1.491.142
Prepaid taxes and funds (-)	(1.615.283)	(1.285.573)
	536.715	205.569

	1 January - 31 December 2020	1 January - 31 December 2019
Taxation:		
Current corporate tax expense	2.151.998	1.491.142
Deferred tax (income) / expense	(4.263)	82.035
	2.147.735	1.573.177

Corporate tax

The Group, except its subsidiaries in Romania and Singapore, is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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

The effective corporate tax rate in Turkey is 22%, 16% in Romania and 17% in Singapore as of 31 December 2020 (31 December 2019: in Turkey 22%, in Romania 16%, in Singapore 17%).

The total amount of the corporate tax paid by the Group in 2020 is TRY 1.820.852 thousand (31 December 2019: TRY 1.790.289 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2020 has been calculated over the corporate earnings using the rate 22%, during the temporary taxation period. (31 December 2019: 22%).

Pursuant to the Provisional Article 10 of the Law No. 7061 added with the Article 91 of the Law on Corporate Income Tax, published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate for corporate earnings to be obtained during the tax years 2018, 2019 and 2020 has been increased from 20% to 22%. As of 1 January 2021, the corporate tax rate will be applied as 20%.

Except for the changes in the corporate tax rate, the 75% exemption applied to the earnings generated from the sale of intangibles is reduced to 50% and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets, is required to be taken into consideration as 10% instead of 5%.

NOTE 31 – TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax (cont'd)

Losses can be carried forward to offset the future taxable income for up to maximum 5 years (Romania: 7 years). However, losses cannot be carried back to offset the profits of the previous periods, retrospectively.

In Turkey, a definite and distinct reconciliation procedure for tax assessment does not exist. Companies file their tax returns between 1 April - 25 April following the closing period of the related year's accounts. Tax returns and related accounting records may be examined and revised within five years.

Investment discount application

In 2020, the corporate tax reduction incentive based on the regional priority investment incentive certificate received within the scope of article 17 / g of the "Decision on State Aids in Investments" numbered 2012/3305 was utilized. The rate of contribution to investment is 40% within the scope of the mentioned decision, 5th region incentives are used.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, except for the dividends distributed to fully fledged taxpayer companies receiving and declaring these dividends and to Turkish branches of foreign companies. The rate of %15 income withholding tax is applied to all companies in the since 22 July 2006 by the decision of the Council of Ministers, numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to the income withholding taxes.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of income and expenses tax bases in different reporting periods in the financial statements prepared according to TFRS.

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 10 of Corporate Tax Law; corporate tax rate will be 22% for the corporate earnings to be obtained in the taxation periods of 2018, 2019, 2020. Tax rate is 20% in the deferred tax calculation of the consolidated financial statements as of 31 December 2020. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 31 December 2020 (31 December 2019: in Turkey 22%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate. (31 December 2019: 10%)

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.

NOTE 31 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

	31 December 2020	31 December 2019
Deferred tax assets:		
Provisions for employee benefits	193.588	164.160
Provision for lawsuits	36.066	36.056
Fair values of the derivative financial instruments	9.139	11.581
Inventories	72.768	21.881
Provision for other doubtful receivables	-	17.869
Tangible and intangible assets	21.983	19.782
Financial lease payables	54.991	42.409
Other	57.506	65.063
	446.041	378.801
Deferred tax liabilities:		
Tangible and intangible assets	(3.847.913)	(3.059.711)
Amortized cost adjustment on loans	(21.515)	(19.085)
Right of Use Assets	(63.529)	(48.433)
Inventories	(75.885)	(132.676)
Other	(20.376)	(21.322)
	(4.029.218)	(3.281.227)
	(3.583.177)	(2.902.426)

In the financial statements which are prepared according to the TFRS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries' consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

Presentation of deferred tax assets/(liabilities):

	31 December 2020	31 December 2019
Deferred tax assets	72.311	41.911
Deferred tax (liabilities)	(3.655.488)	(2.944.337)
	(3.583.177)	(2.902.426)

Movements of deferred tax asset/(liability)

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	(2.902.426)	(2.498.644)
Deferred tax (expense)/income	4.263	(82.035)
The amount in comprehensive income	8.962	10.530
Translation difference	(693.976)	(332.277)
Closing balance	(3.583.177)	(2.902.426)

NOTE 31 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

Reconciliation of tax provision is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	5.657.525	5.067.384
Statutory tax rate	22%	22%
Calculated tax expense acc. to effective tax rate	(1.244.656)	(1.114.824)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(14.154)	(8.188)
- Adjustment effect of rates subjected to corporate tax and deffered tax	(259.225)	(259.117)
- Effect of currency translation to non taxable assets	(636.411)	(192.168)
- Investment incentive	4.871	(632)
- Non-deductible income	1.903	476
- Effect of the different tax rates due to foreign subsidiaries	(63)	1.276
Total tax exp. in reported in the stat. of income	(2.147.735)	(1.573.177)

As of Group's reporting date, the details of the tax income/(expense) of the other comprehensive income/(loss) are as follows:

	1 January -31 December 2020		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	18.914	-	18.914
Change in actuarial (loss)/gain	(17.367)	3.473	(13.894)
Change in cash flow hedging reserves	(27.444)	5.489	(21.955)
Change in foreign currency translation reserves	7.197.205	-	7.197.205
	7.171.308	8.962	7.180.270

	1 January -31 December 2019		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	7.713	-	7.713
Change in actuarial (loss)/gain	(39.363)	8.660	(30.703)
Change in cash flow hedging reserves	(8.499)	1.870	(6.629)
Change in foreign currency translation reserves	3.418.565	-	3.418.565
	3.378.416	10.530	3.388.946

NOTE 32 – EARNINGS PER SHARE

	1 January - 31 December 2020	1 January- 31 December 2019
Number of shares outstanding	350.000.000.000	350.000.000.000
Net profit attributable to equity holders	3.309.093	3.316.527
Profit per share with 1 TRY nominal value TRY %	0,9455 / %94,55	0,9476 / %94,76

NOTE 33 – RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

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

Trade receivables and payables from related parties operated as current account. Debt collection and debt payment days are between 0 and 30.

The details of transactions between the Group and other related parties are disclosed below:

Due from related parties (short term)	31 December 2020	31 December 2019
OYAK Renault Otomobil Fab. A.Ş.(2)	98.111	69.773
Bolu Çimento Sanayi A.Ş.(1)	-	4.756
Adana Çimento Sanayi T.A.Ş. (1)	-	6.034
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	3.807	378
OYAK Çimento Fabrikaları A.Ş. (1)	32.903	-
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	122.328	92.064
Other	1.836	291
	258.985	173.296

The trade receivables from related parties mainly arise from sales of iron, energy, service and by-products.

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş, Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

(1) Subsidiaries of the parent company
(2) Joint venture of the parent company
(3) Joint venture of subsidiary
(4) Ultimate partner

NOTE 33 – RELATED PARTY DISCLOSURES (cont'd)

Other receivables from related parties (short term)	31 December 2020	31 December 2019
İsdemir Linde Gaz Ortaklığı A.Ş. (3)	6.488	-
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	4.404	3.817
	10.892	3.817

Other receivables from related parties (long term)	31 December 2020	31 December 2019
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	28.458	25.136
	28.458	25.136

According to TFRS 16 provision, other short term and long term receivables from related parties arise from monetary receivables under the sub-lease transactions and dividend receivable from the joint venture of Isdemir of subsidiaries of the Company (Note 12).

Prepaid expenses to related parties(short term)	31 December 2020	31 December 2019
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	280	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş.(1)	-	6.264
Omsan Lojistik A.Ş.(1)	-	44
	280	6.308

Prepaid expenses to related parties (long term)	31 December 2020	31 December 2019
OYAK Pazarlama Hizmet ve Turizm A.Ş.(1)	-	8
Ordu Yardımlaşma Kurumu(4)	611.717	-
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	31.650	25.612
	643.367	25.620

Prepaid expenses generally related with port services and advance transactions of fixed assets. The Group paid an advance payment of 650.728 thousand TRY to its ultimate partner Ordu Yardımlaşma Kurumu for the purchase of fixed assets.

(1) Subsidiaries of the parent company
(2) Joint venture of the parent company
(3) Joint venture of subsidiary
(4) Ultimate partner

NOTE 33 – RELATED PARTY DISCLOSURES (cont'd)

Due to related parties (short term)	31 December 2020	31 December 2019
Omsan Lojistik A.Ş.[1]	39.134	29.535
Omsan Denizcilik A.Ş.[1]	12.248	3.141
OYAK Pazarlama Hizmet ve Turizm A.Ş.[1]	19.171	16.891
OYAK Savunma ve Güvenlik Sistemleri A.Ş.[1]	20.228	10.849
Omsan Logistica SRL[1]	2.093	833
OYAK Denizcilik ve Liman İşletmeleri A.Ş.[1]	20.904	11.404
Doco Petrol ve Danışmanlık A.Ş. [1]	1.676	-
Other	15.882	13.078
	131.336	85.731

Trade payables to related parties mainly arise from purchase of services, fixed assets and energy.

Major sales to related parties	1 January - 31 December 2020	1 January - 31 December 2019
Ordu Yardımlaşma Kurumu[4]	163.436	-
OYAK Renault Otomobil Fab. A.Ş.[2]	397.919	271.773
OYAK NYK RO-RO Liman İşletmeleri A.Ş. [1]	-	13.714
Adana Çimento Sanayi T.A.Ş.[1]	-	21.904
OYAK Çimento Fabrikaları A.Ş. [1]	58.319	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş.[1]	6.436	13.363
Bolu Çimento Sanayi A.Ş.[1]	-	8.521
Miilux OY [1]	-	10.917
OYAK Denizcilik ve Liman İşletmeleri A.Ş.[1]	33.994	11.621
İskenderun Enerji Üretim ve Ticaret A.Ş. [1]	276.400	51.953
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. [1]	24.791	73.531
İsdemir Linde Gaz Ortaklığı A.Ş.[3]	61.382	56.963
Other	4.430	4.803
	1.027.107	539.063

The major sales to related parties are generally due to the sales transactions of iron, steel, by-products and services. Group realized fixed asset sales amounting to 163.436 thousand TRY to its ultimate partner Ordu Yardımlaşma Kurumu. Fixed asset sales profit of amount 149.559 thousand TRY are recorded in the "Income from Investing Activities" in the consolidated statement of profit or loss.

[1] Subsidiaries of the parent company
[2] Joint venture of the parent company
[3] Joint venture of subsidiary
[4] Ultimate partner

NOTE 33 – RELATED PARTY DISCLOSURES (cont'd)

Major purchases from related parties	1 January - 31 December 2020	1 January - 31 December 2019
Miilux OY (1)	7.593	36.257
Omsan Denizcilik A.Ş.(1)	213.172	175.185
OYAK Pazarlama Hizmet ve Turizm A.Ş.(1)	160.270	130.675
Omsan Lojistik A.Ş.(1)	317.160	271.747
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	87.824	158.378
Omsan Logistica SRL(1)	15.177	14.399
OYAK Denizcilik ve Liman İşletmeleri A.Ş.(1)	147.365	121.928
Doco Petrol ve Danışmanlık A.Ş. (1)	14.516	-
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	109.639	91.838
Ordu Yardımlaşma Kurumu(4)	23.604	10.998
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	58.544	61.949
Other	16.455	15.347
	1.171.319	1.088.701

The major purchases from related parties are generally due to the purchase of services, fixed assets and energy.

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş, Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

(1) Subsidiaries of the parent company
(2) Joint venture of the parent company
(3) Joint venture of subsidiary
(4) Ultimate partner

The terms and policies applied to the transactions with related parties:

The period end balances are un-secured and their collections will be done in cash. As of 31 December 2020, the Group provides no provision for the receivables from related parties (31 December 2019: None).

Salaries, bonuses and other benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents the General Manager and Assistant General Managers. For the year ended 31 December 2020, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 23.159 thousand (31 December 2019: TRY 22.396 thousand).

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital through the optimization of the debt and the equity balance that minimizes the financial risk.

Through the forecasts regularly prepared by the Group, the future capital amount, debt to equity ratio and similar ratios are forecasted and required precautions are taken to strengthen the capital.

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 23.

The Group's Board of Directors analyze the capital structure in regular meetings. During these analyses, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Group, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

As of reporting date the net (credit) debt /equity ratio is as follows:

	Note	31 December 2020	31 December 2019
Total financial liabilities	7	6.598.271	7.700.977
Less: Cash and cash equivalents	4	13.542.177	10.590.024
Net (credit) debt		(6.943.906)	(2.889.047)
Total adjusted equity (*)		41.252.663	31.343.009
Total resources		34.308.757	28.453.962
Net (credit) debt/Total adjusted equity ratio		-17%	-9%
Distribution of net (credit) debt/ total adjusted equity		-20/120	-10/110

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial gain/(loss) fund and adding non-controlling interests.

(b) Significant accounting policies

The Group's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.8.9 Financial Instruments".

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management objectives

The Group manages its financial instruments through a separate treasury function which was established for that purpose. The developments are followed on a real time basis. The Group's corporate treasury function manages the financial instruments through daily regular meetings by evaluating the domestic and international markets and by considering the daily cash inflows and outflows in accordance with the policies and regulations issued by the Group Risk Management Unit. At the end of each day, each Group company prepares a "Daily Rash report" and Group Risk Management Unit calculates daily for cash and cash equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies. Thus, all financial transactions of the Group are managed centrally. Additionally, the Group's annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

The Group utilizes derivative financial instruments as required and within the terms and conditions determined by the Group Risk Management Unit. Instruments that are highly liquid and securing a high-level yield are preferred when determining the financial instruments. In that respect, the Group has a right to claim the accrued interest on time deposits when withdraw before the predetermined maturity.

(d) Market risk

The Group is exposed primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group utilizes the following financial instruments to manage the risks associated with the foreign exchange rates and interest rates. Also, the Group follows price changes and market conditions regularly and takes action in pricing instantaneously.

The Group prefers floating interest rates for long term borrowings. To hedge against the interest risk the Group uses interest swap contracts for some of its borrowings.

In the current period, there is no significant change in the Group's exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management

Trade receivables include a large number of customers scattered in various sectors and regions. There is no risk concentration on a specific customer or a group of customers. The majority trade receivables are assured by bank letters of guarantee and/or credit limits. The credit reviews are performed continuously over the accounts receivable balance of the customers. The Group does not have a significant credit risk arising from any customer.

Credit risk of financial instruments	Receivables					Derivative financial instruments
	Trade Receivables		Other Receivables		Bank Deposits	
31 December 2020	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	258.985	3.568.844	39.350	46.495	13.542.161	37.510
- Secured part of the maximum credit risk exposure via collateral etc.	-	2.959.953	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	258.985	3.523.734	39.350	46.495	13.542.161	37.510
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	45.110	-	-	-	-
- secured part via collateral etc.	-	6.336	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	179.711	-	-	-	-
- Impairment (-)	-	(179.711)	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

The maturity of 45.110 thousand TRY that is overdue but not impaired is in the range of 0-3 months.

(*) The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables					Derivative financial instruments
	Trade Receivables		Other Receivables		Bank Deposits	
31 December 2019	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	173.296	3.170.881	28.953	14.015	10.590.003	50.084
- Secured part of the maximum credit risk exposure via collateral etc.	-	2.736.481	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	173.296	3.161.120	28.953	14.015	10.590.003	50.084
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	9.761	-	-	-	-
- secured part via collateral etc.	-	4.265	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	145.360	-	81.221	-	-
- Impairment (-)	-	(145.360)	-	(81.221)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*)The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Explanation on the credit risk which the Group is exposed:

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties.

The Group's current credit risk rating methodology includes the following categories:

Category	**Description**	**Basis for recognizing expected credit losses**
Secured receivables	Consist of secured receivables	Not generating credit losses
Recoverable receivables	The counterparty has a low risk of default and secured	Not generating credit losses
Doubtful or past due receivables	Amount is past due or there has been a significant	%100 allowance for unsecured receivables
Write-off	There is evidence indicating the asset is credit-impaired	Amount is written off

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management

As of reporting period, stated in Note 2.8.9 the foreign currency position of the Group in terms of original currency is calculated as follows:

31 December 2020

	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	644.147	48.847	64.720	-	6.700
2a. Monetary financial assets	4.432.914	4.290.040	13.405	21	12.039
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	50.012	22.502	3.004	-	247
4. CURRENT ASSETS (1+2+3)	**5.127.073**	**4.361.389**	**81.129**	**21**	**18.986**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	249.486	249.486	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	613.387	263.500	38.299	61.366	294
8. NON-CURRENT ASSETS (5+6+7)	**862.873**	**512.986**	**38.299**	**61.366**	**294**
9. TOTAL ASSETS (4+8)	**5.989.946**	**4.874.375**	**119.428**	**61.387**	**19.280**
10. Trade payables	1.868.380	1.282.535	61.515	365.841	3.142
11. Financial liabilities	1.651.528	1.470.108	20.140	-	-
12a. Other monetary financial liabilities	1.448.781	1.436.797	757	-	2.811
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	**4.968.689**	**4.189.440**	**82.412**	**365.841**	**5.953**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.182.748	236.030	105.099	-	-
16a. Other monetary financial liabilities	945.133	944.146	-	-	537
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	**2.127.881**	**1.180.176**	**105.099**	**-**	**537**
18. TOTAL LIABILITIES (13+17)	**7.096.570**	**5.369.616**	**187.511**	**365.841**	**6.490**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(196.573)**	**-**	**(21.822)**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	196.573	-	21.822	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(1.303.197)**	**(495.241)**	**(89.905)**	**(304.454)**	**12.790**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.770.023)**	**(781.243)**	**(109.386)**	**(365.820)**	**12.249**
22. Fair value of derivative financial instruments used in foreign currency hedge	(11.035)	-	(1.225)	-	-
23. Hedged foreign currency assets	196.573	-	21.822	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	5.508.594				
26. Imports	16.384.474				

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

31 December 2019

	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	512.431	78.967	61.779	-	16.335
2a. Monetary financial assets	2.193.591	1.323.384	127.107	156	17.971
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	41.233	30.488	1.600	-	76
4. CURRENT ASSETS (1+2+3)	**2.747.255**	**1.432.839**	**190.486**	**156**	**34.382**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	262.197	262.197	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	336.825	16.430	39.212	1.094.943	121
8. NON-CURRENT ASSETS (5+6+7)	**599.022**	**278.627**	**39.212**	**1.094.943**	**121**
9. TOTAL ASSETS (4+8)	**3.346.277**	**1.711.466**	**229.698**	**1.095.099**	**34.503**
10. Trade payables	1.240.228	882.693	37.845	1.915.314	1.346
11. Financial liabilities	1.072.497	954.116	17.800	-	-
12a. Other monetary financial liabilities	703.990	698.992	314	-	2.103
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	**3.016.715**	**2.535.801**	**55.959**	**1.915.314**	**3.449**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.170.295	761.140	61.522	-	-
16a. Other monetary financial liabilities	788.877	787.967	-	-	658
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	**1.959.172**	**1.549.107**	**61.522**	**-**	**658**
18. TOTAL LIABILITIES (13+17)	**4.975.887**	**4.084.908**	**117.481**	**1.915.314**	**4.107**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(603.780)**	**82.101**	**(103.131)**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	257.101	82.101	26.313	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	860.881	-	129.444	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(2.233.390)**	**(2.291.341)**	**9.086**	**(820.215)**	**30.396**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2.007.668)**	**(2.420.360)**	**71.405**	**(1.915.158)**	**30.199**
22. Fair value of derivative financial instruments used in foreign currency hedge	21.078	23.572	(375)	-	-
23. Hedged foreign currency assets	860.881	-	129.444	-	-
24. Hedged foreign currency liabilities	257.101	82.101	26.313	-	-
25. Exports	5.842.476				
26. Imports	15.103.243				

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

The following table shows the Group's sensitivity to a 10% (+/-) change in the TRY, EURO and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

As of 31 December 2020 asset and liability balances are translated by using the following exchange rates: TRY 7,3405 = US $ 1,TRY 9,0079 = EUR 1 and TRY 0,0709= JPY 1 (31 December 2019: TRY 5,9402 = US $ 1,TRY 6,6506 = EUR 1 and TRY 0,0543= JPY 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2020	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(49.524)	49.524
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(49.524)	49.524
5- RON net asset/liability	2.350	(2.350)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	2.350	(2.350)
9- Euro net asset/liability	(61.328)	61.328
10- Hedged portion from Euro risk (-)	(19.657)	19.657
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(80.985)	80.985
13- Jap. Yen net asset/liability	(2.159)	2.159
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.159)	2.159
TOTAL (4+8+12+16)	**(130.318)**	**130.318**

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2019	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(237.344)	237.344
2- Hedged portion from TRY risk (-)	8.210	(8.210)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(229.134)	229.134
5- RON net asset/liability	4.204	(4.204)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	4.204	(4.204)
9- Euro net asset/liability	74.631	(74.631)
10- Hedged portion from Euro risk (-)	(68.588)	68.588
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	6.043	(6.043)
13- Jap. Yen net asset/liability	(4.453)	4.453
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(4.453)	4.453
TOTAL (4+8+12+16)	**(223.340)**	**223.340**

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(g) Interest rate risk management

The majority of the Group's borrowings are based on floating interest rate terms. In order to manage the exposure to interest rate movements on certain portion of the bank borrowings, the Group uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of deposits in which the Group has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Group minimizes the interest rate risk by increasing the share of floating rate denominated assets in its consolidated the balance sheet. Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Group minimizes its interest rate risk by leveraging in foreign currencies that bear lower interest rate. In addition, a higher interest rate is applied to the trade receivables with a maturity when compared to the interest rate exposed for trade payables.

Interest rate sensivity

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Group's sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 0,25% for Jap.Yen and 1,00% for TRY denominated interest rates.

Since the principal payments of the loans with floating interest rates are not affected from changes in interest rates, the risk exposure of the Group loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

Interest position table

	31 December 2020	31 December 2019
Floating interest rate financial instruments		
Financial liabilities	4.295.026	3.879.819

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 14.964 thousand.

Interest rate swap contracts :

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and loating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(g) Interest rate risk management (cont'd)

Interest rate swap contracts (cont'd) :

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

Interest rate swap contract assets and liabilities are included in Note 6.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities and maintaining adequate funds and reserves.

Liquidity risk tables

Conservative liquidity risk management includes maintaining sufficient cash, availability of sufficient amount of borrowings and funds and ability to settle market positions.

The Group manages its funding of actual and forecasted financial obligations by maintaining the availability of sufficient number of high quality loan providers.

The following table details the Group's expected maturity for its derivative and non derivative financial liabilities. Interests which will be paid on borrowings in the future are included in the relevant columns in the following table.

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2020

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	6.319.736	6.624.183	683.528	3.188.279	2.181.830	570.546
Financial lease payables	278.535	1.057.547	11.277	33.832	154.597	857.841
Trade payables	3.766.949	3.766.949	3.766.949	-	-	-
Other financial liabilities (*)	739.533	739.533	739.533	-	-	-
Total liabilities	**11.104.753**	**12.188.212**	**5.201.287**	**3.222.111**	**2.336.427**	**1.428.387**
Derivative financial liabilities						
Derivative cash inflows	37.510	1.424.564	411.880	1.012.684	-	-
Derivative cash outflows	(59.582)	(2.105.721)	(400.860)	(1.704.861)	-	-
	(22.072)	**(681.157)**	**11.020**	**(692.177)**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 34 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2019

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	7.454.327	7.873.139	2.271.570	3.442.751	1.959.355	199.463
Financial lease payables	246.650	952.562	10.664	31.992	141.900	768.006
Trade payables	2.936.622	2.936.622	2.936.622	-	-	-
Other financial liabilities (*)	374.155	374.155	374.155	-	-	-
Total liabilities	**11.011.754**	**12.136.478**	**5.593.011**	**3.474.743**	**2.101.255**	**967.469**
Derivative financial liabilities						
Derivative cash inflows	50.084	2.751.920	1.503.065	974.373	274.482	-
Derivative cash outflows	(102.723)	(2.894.582)	(1.117.886)	(959.252)	(817.444)	-
	(52.639)	**(142.662)**	**385.179**	**15.121**	**(542.962)**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 35 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Categories of the financial instruments and their fair values

31 December 2020	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value	Note
Financial Assets					
Cash and cash equivalents	13.542.177	-	-	13.542.177	4
Trade receivables	3.827.829	-	-	3.827.829	8
Financial investments	39.048	-	199	39.247	5
Other financial assets	85.845	-	-	85.845	9
Derivative financial instruments	-	37.510	-	37.510	6
Financial Liabilities					
Financial liabilities	6.598.271	-	-	6.598.271	7
Trade payables	3.766.949	-	-	3.766.949	8
Other liabilities	739.533	-	-	739.533	9/18/22
Derivative financial instruments	-	33.169	26.413	59.582	6
31 December 2019					
Financial Assets					
Cash and cash equivalents	10.590.024	-	-	10.590.024	4
Trade receivables	3.344.177	-	-	3.344.177	8
Financial investments	101.304	-	161	101.465	5
Other financial assets	42.968	-	-	42.968	9
Derivative financial instruments	-	14.584	35.500	50.084	6
Financial Liabilities					
Financial liabilities	7.700.977	-	-	7.700.977	7
Trade payables	2.936.622	-	-	2.936.622	8
Other liabilities	374.155	-	-	374.155	9/18/22
Derivative financial instruments	-	7.053	95.670	102.723	6

NOTE 35 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Categories of the financial instruments and their fair values (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2020	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(26.413)	-	(26.413)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	37.510	-	37.510	-
Derivative financial liabilities	(33.169)	-	(33.169)	-
Total	(22.072)	-	(22.072)	-

NOTE 35 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Categories of the financial instruments and their fair values (cont'd)

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2019	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	35.500	-	35.500	-
Derivative financial liabilities	(95.670)	-	(95.670)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	14.584	-	14.584	-
Derivative financial liabilities	(7.053)	-	(7.053)	-
Total	(52.639)	-	(52.639)	-

First Level: Quoted (non adjusted) prices in active markets for identical assets or liabilities.

Second Level: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Third Level: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTE 36 – SUBSEQUENT EVENTS

It was announced in KAP material event disclosure by our Company on 4 January 2021 that according to the decision of our Company's Board of Directors, Share Transfer Agreement was signed between our Company and Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. to purchase (transaction) of all shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) and the share transfer of Kümaş Manyezit Sanayi A.Ş. would be realized over the share price to be calculated by taking into account the net debt amount and net working capital on the date of transfer, after obtaining the relevant legal approvals.

Transfer of shares representing 100% of total capital of Kümaş Manyezit Sanayi A.Ş. was realized on 3 February 2021 with total amount of USD 296.979.916 (TRY 2.119.605.056) after considering the net debt amount and net working capital over an operating value of USD 340.000.000.

NOTE 37 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 31 December 2020, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("TFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with TFRS.