(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 36)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 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 İskenderun Demir ve Çelik A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its 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 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 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.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 Company 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 Company recognizes export revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery arrangement types 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 2.7.1 and 23 to the financial statements for the Company'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 Company'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 Company 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 23 Revenue under TFRS.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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 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 Company's set of accounts and financial statements prepared for the period 1 January-31 December 2020 does not comply with 2C 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 Osman Arslan.

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

Osman Arslan
Partner

İstanbul, 11 February 2021

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İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

(Amounts are expressed as 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		**1.764.025**	**12.948.824**	**1.646.222**	**9.778.890**
Cash and Cash Equivalents	4	5.259	38.603	9.797	58.197
Trade Receivables		174.539	1.281.204	178.925	1.062.852
Due From Related Parties	*32*	*135.274*	*992.977*	*133.954*	*795.715*
Other Trade Receivables	*9*	*39.265*	*288.227*	*44.971*	*267.137*
Other Receivables		942.017	6.914.878	761.354	4.522.594
Due From Related Parties	*32*	*937.255*	*6.879.919*	*761.071*	*4.520.915*
Other Receivables	*10*	*4.762*	*34.959*	*283*	*1.679*
Inventories	11	625.386	4.590.643	677.282	4.023.192
Prepaid Expenses		6.833	50.154	4.556	27.065
Due From Related Parties	*32*	-	-	*1.062*	*6.308*
Other Prepaid Expenses	*12*	*6.833*	*50.154*	*3.494*	*20.757*
Other Current Assets	20	9.991	73.342	14.308	84.990
Non Current Assets		**2.097.214**	**15.394.599**	**1.993.756**	**11.843.311**
Financial Investments	5	27	199	27	161
Other Receivables	10	1.389	10.193	1.903	11.306
Investments Accounted For Using Equity Method	6	31.327	229.956	33.807	200.820
Property, Plant and Equipment	13	1.897.591	13.929.264	1.851.998	11.001.236
Right of Use Assets	15	40.951	300.598	38.681	229.773
Intangible Assets	14	41.338	303.443	42.330	251.448
Prepaid Expenses		84.591	620.946	25.010	148.567
Due From Related Parties	*32*	*1.753*	*12.868*	*1.754*	*10.421*
Other Prepaid Expenses	*12*	*82.838*	*608.078*	*23.256*	*138.146*
TOTAL ASSETS		**3.861.239**	**28.343.423**	**3.639.978**	**21.622.201**

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

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

LIABILITIES	(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	**383.427**	**2.814.545**	**495.453**	**2.943.097**
Short Term Borrowings	6.613	48.544	205.588	1.221.234
Short Term Portion of Long Term Borrowings	21.842	160.334	32.693	194.205
Trade Payables	252.202	1.851.288	201.201	1.195.179
Due to Related Parties	*52.443*	*384.960*	*36.277*	*215.495*
Other Trade Payables	*199.759*	*1.466.328*	*164.924*	*979.684*
Payables for Employee Benefits	9.154	67.192	10.218	60.695
Other Payables	4.768	35.000	3.515	20.882
Derivative Financial Instruments	-	-	15	87
Deferred Revenue	15.094	110.800	7.888	46.858
Current Tax Liabilities	48.612	356.834	25.375	150.732
Short Term Provisions	8.479	62.243	7.968	47.331
Other Current Liabilities	16.663	122.310	992	5.894
Non Current Liabilities	**483.354**	**3.548.061**	**418.736**	**2.487.377**
Long Term Borrowings	134.433	986.802	68.044	404.197
Long Term Provisions	54.922	403.156	56.354	334.757
Long Term Provisions for Employee Benefits	*54.922*	*403.156*	*56.354*	*334.757*
Deferred Tax Liabilities	293.999	2.158.103	294.338	1.748.423
EQUITY	**2.994.458**	**21.980.817**	**2.725.789**	**16.191.727**
Share Capital	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital	85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)	(19.821)	13.575.439	(18.743)	9.687.698
Actuarial (Loss)/ Gain Funds	*(19.821)*	*(54.295)*	*(18.743)*	*(48.664)*
Foreign Currency Translation Reserves	-	*13.629.734*	-	*9.736.362*
Restricted Reserves Assorted from Profit	344.712	1.401.860	339.211	1.364.160
Retained Earnings	849.456	1.680.005	550.951	84.277
Net Profit for the Period	345.921	2.423.349	380.180	2.155.428
TOTAL LIABILITIES AND EQUITY	**3.861.239**	**28.343.423**	**3.639.978**	**21.622.201**

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

	Not	(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	23	2.415.829	16.924.093	2.902.096	16.453.432
Cost of Sales	23	(1.957.950)	(13.716.418)	(2.399.156)	(13.602.013)
GROSS PROFIT		**457.879**	**3.207.675**	**502.940**	**2.851.419**
Marketing, Sales and Distribution Expenses	25	(16.403)	(114.911)	(19.202)	(108.868)
General Administrative Expenses	25	(26.810)	(187.814)	(28.870)	(163.678)
Research and Development Expenses		(34)	(241)	(44)	(251)
Other Operating Income	26	30.520	213.806	12.666	71.811
Other Operating Expenses	26	(7.826)	(54.822)	(8.008)	(45.399)
OPERATING PROFIT		**437.326**	**3.063.693**	**459.482**	**2.605.034**
Income from Investing Activities	27	21.351	149.573	2	14
Expenses from Investing Activities	27	(948)	(6.642)	(212)	(1.204)
Share of Investments' Profit Accounted by Using The Equity Method	6	1.097	7.685	6.794	38.517
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		**458.826**	**3.214.309**	**466.066**	**2.642.361**
Finance Income	28	75.711	587.158	88.539	542.402
Finance Expense	29	(19.235)	(134.752)	(22.743)	(128.944)
PROFIT BEFORE TAX		**515.302**	**3.666.715**	**531.862**	**3.055.819**
Tax (Expense)/ Income	30	(169.381)	(1.243.366)	(151.682)	(900.391)
Current Corporate Tax (Expense)/ Income		(169.449)	(1.243.844)	(149.352)	(887.181)
Deferred Tax (Expense)/ Income		68	478	(2.330)	(13.210)
NET PROFIT FOR THE PERIOD		**345.921**	**2.423.349**	**380.180**	**2.155.428**
EARNINGS PER SHARE			0,8356		0,7433
(TRY 1 Nominal value per share)					

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF OTHER COMPREHENSIVE INCOME 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
PROFIT FOR THE PERIOD		**345.921**	**2.423.349**	**380.180**	**2.155.428**
OTHER COMPREHENSIVE INCOME					
Not to be reclassified subsequently to profit or loss					
Foreign Currency Translation Gain (Loss)		-	3.893.372	-	1.831.946
Actuarial Gain/(Loss) of Defined Benefit Plans	17	(1.348)	(7.039)	(3.142)	(18.481)
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	30	270	1.408	691	4.066
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD		**(1.078)**	**3.887.741**	**(2.451)**	**1.817.531**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**344.843**	**6.311.090**	**377.729**	**3.972.959**

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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 to Profit/ (Loss)			Retained Earnings		
(Audited)	Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit for the Period	**Total Shareholders' Equity**
1 January 2020	**2.900.000**	**164**	**9.736.362**	**(48.664)**	**1.364.160**	**84.277**	**2.155.428**	**16.191.727**
Net profit for the period	-	-	-	-	-	-	2.423.349	2.423.349
Other comprehensive income/(loss)	-	-	3.893.372	(5.631)	-	-	-	3.887.741
Total comprehensive income/(loss)	-	-	3.893.372	(5.631)	-	-	2.423.349	6.311.090
Dividends (*)	-	-	-	-	-	(522.000)	-	(522.000)
Transfers	-	-	-	-	37.700	2.117.728	(2.155.428)	-
31 December 2020	**2.900.000**	**164**	**13.629.734**	**(54.295)**	**1.401.860**	**1.680.005**	**2.423.349**	**21.980.817**
(Audited)								
1 January 2019	**2.900.000**	**164**	**7.904.416**	**(34.249)**	**771.641**	**76.917**	**4.108.879**	**15.727.768**
Net profit for the period	-	-	-	-	-	-	2.155.428	2.155.428
Other comprehensive income/(loss)	-	-	1.831.946	(14.415)	-	-	-	1.817.531
Total comprehensive income/(loss)	-	-	1.831.946	(14.415)	-	-	2.155.428	3.972.959
Dividends (*)	-	-	-	-	-	(3.509.000)	-	(3.509.000)
Transfers	-	-	-	-	592.519	3.516.360	(4.108.879)	-
31 December 2019	**2.900.000**	**164**	**9.736.362**	**(48.664)**	**1.364.160**	**84.277**	**2.155.428**	**16.191.727**

(*) At the Ordinary General Meeting held on July 14, 2020, it has been approved to distribute net profit of 2019 amounting to TRY 522.000 thousand (21 March 2019: TRY 3.509.000 thousand) (gross dividend per share: TRY 0,18 (2019: TRY 1,21)). The dividend payment has started at 16 July 2020.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note	(Audited) 1 January - 31 December 2020 USD'000	(Audited) 1 January - 31 December 2020 TRY'000	(Audited) 1 January - 31 December 2019 USD'000	(Audited) 1 January - 31 December 2019 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**564.174**	**4.035.556**	**542.536**	**3.566.936**
Profit (Loss) for The Period		**345.921**	**2.423.349**	**380.180**	**2.155.428**
Adjustments to Reconcile Profit (Loss)		**250.607**	**1.812.839**	**189.256**	**1.514.352**
Adjustments for Depreciation and Amortisation Expenses	23/25/26	110 841	776 490	115 031	652 169
Adjustments for Impairment Loss (Reversal of Impairment Loss)		2 187	15 037	2 083	11 810
Adjustments for Provision (Reversal of Provision) for Receivables	9/10	*476*	*3 045*	*1 097*	*6 217*
Adjustments for Provision (Reversal of Provision) for Inventories	11	*1 711*	*11 992*	*986*	*5 593*
Adjustments for Provisions		14 408	100 931	14 034	79 557
Adjustments for Provision (Reversal of Provision) for Employee Termination	17	*12 508*	*87 621*	*11 472*	*65 032*
Adjustments for Provision (Reversal of Provision) for Pending Claims and or	18	*1 900*	*13 310*	*2 562*	*14 525*
Adjustments for Interest (Income) and Expenses		(25 627)	(179 536)	(12 868)	(72 963)
Adjustments for Interest Income	28	*(35 340)*	*(247 573)*	*(25 344)*	*(143 689)*
Adjustments for Interest Expense	29	*10 606*	*74 294*	*13 998*	*79 357*
Unearned Financial Income from Credit Sales		*(893)*	*(6 257)*	*(1 522)*	*(8 631)*
Adjustments for Unrealised Foreign Exchange Differences		1 023	7 167	(3 402)	(19 285)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity	6	(1 097)	(7 685)	(6 794)	(38 517)
Adjustments for Tax (Income) Expenses	30	169 381	1 243 366	151 682	900 391
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(20 403)	(142 931)	210	1 190
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	27	*(20 403)*	*(142 931)*	*210*	*1 190*
Other adjustments for Losses (Gains) Reconciliation		(106)	-	(70 720)	-
Changes in Working Capital		**117.793**	**864.663**	**183.359**	**1.089.174**
Adjustments for Decrease (Increase) in Trade Receivables		6 004	44 073	78 153	464 244
Decrease (Increase) in Trade Receivables from Related Parties		*(1 320)*	*(9 689)*	*(14 099)*	*(83 751)*
Decrease (Increase) in Trade Receivables from Third Parties		*7 324*	*53 762*	*92 252*	*547 995*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(2 590)	(19 012)	409	2 431
Decrease (Increase) in Other Receivables from Operations from Third Parties		*(2 590)*	*(19 012)*	*409*	*2 431*
Adjustments for Decrease (Increase) in Inventories		49 173	360 952	97 934	581 749
Decrease (Increase) in Prepaid Expenses		(13 272)	(97 420)	3 653	21 684
Adjustments for Increase (Decrease) in Trade Payables		51 001	374 373	(8 764)	(52 060)
Increase (Decrease) in Trade Payable to Related Parties		*16 166*	*118 667*	*2 347*	*13 942*
Increase (Decrease) in Trade Payable to Third Parties		*34 835*	*255 706*	*(11 111)*	*(66 002)*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		298	2 189	458	2 721
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*298*	*2 189*	*458*	*2 721*
Increase (Decrease) in Derivative Liabilities		(15)	(110)	(31)	(186)
Adjustments for Other Increase (Decrease) in Working Capital		27 194	199 618	11 547	68 591
Decrease (Increase) in Other Assets Related from Operations		*4 317*	*31 689*	*8 142*	*48 365*
Increase (Decrease) in Other Payables Related from Operations		*22 877*	*167 929*	*3 405*	*20 226*
Cash Flows Provided by Operating Activities		**714.321**	**5.100.851**	**752.795**	**4.758.954**
Payments Related to Provisions for Employee Termination Benefits	17	(3 872)	(27 122)	(3 933)	(22 300)
Payments Related to Other Provisions	18	(62)	(431)	(95)	(538)
Income Taxes Refund (Paid)	30	(146 213)	(1 037 742)	(206 231)	(1 169 180)
CASH FLOWS FROM INVESTING ACTIVITIES		**(180.025)**	**(1.314.282)**	**(85.585)**	**(497.945)**
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or		1 981	13 333	-	-
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		23 217	162 640	440	2 496
Cash Inflow from Sales of Property, Plant and Equipment	13 14 27	*23 217*	*162 640*	*440*	*2 496*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(153 435)	(1 074 891)	(75 650)	(428 900)
Cash Outflow from Purchase of Property, Plant and Equipment	13	*(152 368)*	*(1 067 415)*	*(75 320)*	*(427 029)*
Cash Outflow from Purchase of Intangible Assets	14	*(1 067)*	*(7 476)*	*(330)*	*(1 871)*
Cash Advances and Debts Given		(52 109)	(417 527)	(10 978)	(74 746)
Cash Advance and Debts Given to Related Parties		-	-	*5 608*	*28 308*
Other Cash Advances and Debts Given		*(52 109)*	*(417 527)*	*(16 586)*	*(103 054)*
Dividends Received	6	321	2 163	603	3 205
CASH FLOWS FROM FINANCING ACTIVITIES		**(374.156)**	**(3.402.364)**	**(450.125)**	**(3.203.408)**
Cash Inflow from Borrowings	8	255 447	1 697 651	271 033	1 877 734
Cash Inflow from Loans		*255 447*	*1 697 651*	*271 033*	*1 877 734*
Cash Outflow from Repayments of Borrowings	8	(402 749)	(2 394 523)	(337 346)	(2 046 199)
Cash Outflow from Loan Repayments		*(402 749)*	*(2 394 523)*	*(337 346)*	*(2 046 199)*
Decrease in Other Payables to Related Parties	32	(174 908)	(2 352 515)	175 208	404 754
Cash Outflow from Debt Payments for Leasing Contracts	8	(4 686)	(32 825)	(5 195)	(29 449)
Dividends Paid		(76 224)	(521 883)	(570 316)	(3 507 610)
Interest Paid	8	(5 634)	(40 645)	(8 229)	(42 791)
Interest Received		34 598	242 376	24 720	140 153
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**9.993**	**(681.090)**	**6.826**	**(134.417)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(14 531)	661 496	(8 903)	130 146
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(4.538)**	**(19.594)**	**(2.077)**	**(4.271)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	9 797	58 197	11.874	62 468
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**5.259**	**38.603**	**9.797**	**58.197**

In the statement of financial position, since the functional currency of the Company is USD, exchange differences between the accrued and payment dates of the dividend payables to the shareholders whose original currency is Turkish Lira are reported in Other Adjustments to reconcile Profit (Loss).

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

NOTE 1 – COMPANY'S ORGANIZATION AND NATURE OF OPERATIONS

İskenderun Demir ve Çelik A.Ş. ("the Company") registered in 12 November 1968 and published at 19 November 1968 in the trade registry gazette. The Company established in 3 October 1970 in the southern of Turkey on the Mediterranean coast in the distance of 17 km from İskenderun in Payas region. The principal activities of the Company are production and sale of iron products, flat and long steel products and their by-products. The Company's main products are billet,slab,coil,plate,wire rod and by-products are coke,benzol,ammonium sulphate and slag.

The Company had become an affiliated company of the Turkish Iron and Steel Administration with the decision no 93/T-85 dated 10 September 1993 of Supreme Planning Committee.Then with the decision no 98/20 of Privatization Committee dated 2 March 1998, the Company was transferred to Turkish Privatization Administration.Ultimately, shares of the Company were transferred to Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir") in 31 January 2002 by the Turkish Privatization Administration with the decision no 2001/08 which dated 8 February 2001. The immediate parent of Ereğli Demir ve Çelik Fabrikaları T.A.Ş is Ataer Holding A.Ş. The ultimate controlling party is Ordu Yardımlaşma Kurumu (OYAK).

The main operations of the subsidiaries of the Company and the share percentages of İsdemir for these companies are as follows:

Name of Company	Country of Operation	Operation	2020 Share (%)	2019 Share (%)
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Energy	50	50

The registered address of the Company is Karayılan Beldesi, 31319 İskenderun/HATAY.

İskenderun Demir ve Çelik A.Ş. shares have been traded on Borsa Istanbul since 26 March 2016.

The number of the personnel employed by the Company as at 31 December 2020 are as follows:

	31 December 2020 Personnel	31 December 2019 Personnel
Paid Hourly Personnel	2.988	2.886
Paid Monthly Personnel	1.714	1.725
	4.702	4.611

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company maintains its legal books of account and prepares their statutory financial statements ("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 Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 15 April 2019 about the "illustrations of financial statements and application guidance".

The financial statements have been prepared on the historical cost basis except for certain properties and derivative financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and reporting 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 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 of the joint venture

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

Presentation currency translation

According to TAS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements that are prepared in US Dollars for the Company have been translated in TRY as the following method:

a) The assets and liabilities on financial position as of 31 December 2020 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 7,3405=US $ 1 on the balance sheet date (31 December 2019: TRY 5,9402= US $ 1).
b) For the year ended 31 December 2020, income statements are translated from the 12 months average TRY 7,0055 = US $ 1 rates of 2020 January - December period (31 December 2019: TRY 5,6695 = US $ 1).
c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. 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.

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

2.1 Basis of Presentation (cont'd)

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying financial statements comprising the statements of financial position as of 31 December 2020 and 31 December 2019, statement of income and other comprehensive income, and statement of cash flows for the year ended 31 December 2020 representing the 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.

Shares in subsidiaries and joint ventures

			Share of Capital and right to vote of Company (%)	
Shares in Subsidiaries and Joint Ventures	Business Area	Valid Currency	31 December 2020	31 December 2019
Teknopark Hatay A.Ş.	R&D Centre	TRY	5%	5%
İsdemir Linde Gaz Ortaklığı A.Ş.	Industrial Gas Production and Sales	US Dollars	50%	50%

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or a joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

When a group entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Company's financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

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

2.1 Basis of Presentation (cont'd)

Going concern

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

Approval of the financial statements

The financial statements have been approved 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 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 Comparative Information and Restatement of Financial Statements with Prior Periods

The Company's 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 financial statements.

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies

The Company, according to TAS makes estimates and assumptions prospectively while preparing its 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:

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

The Company calculates depreciation for the fixed assets by taking into account their production amounts and useful lives that are stated in Note 2.7.3 and 2.7.4 (Note 13, Note 14).

2.4.2 Deferred tax

The Company 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 financial statements prepared in accordance with statutory and TFRS. The Company 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. The main factors which are considered include future earnings potential; cumulative fiscal losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset (Note 30).

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

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies (cont'd)

2.4.3 Fair values of derivative financial instruments

The Company values 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 balance sheet date (Note 7).

2.4.4 Provision for doubtful receivables

Allowance for doubtful receivables reflect the future loss that the Company 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 credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. As of the reporting date, the provision for doubtful receivables is presented in Note 9 and Note 10.

2.4.5 Provision for inventories

During the assessment of the provision for inventory the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed and related data by sales prices of realized sales after balance sheet 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 this, the provision for inventories with the net realizable values below the costs and the slow moving inventories are presented in Note 11.

2.4.6 Provisions for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are made to calculate the Company's provision for employee benefits. The details related with the defined benefit plans are stated in Note 17.

2.4.7 Provision for lawsuits

Provision for lawsuits is evaluated by the Company Management based on opinions of Company's Legal Council and legal consultants. The Company Management determines the amount of provisions based on best estimates. As of the balance sheet date, the provision for lawsuits is stated in Note 18.

2.4.8 Impairments on Assets

The Company 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 carried at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment works performs by the Company management, as of the reporting date any impairment except calculated provision on non-financial assets has not been estimated.

2.4.9 Impairment of Financial Assets

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

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

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies (cont'd)

2.4.10 Loss provision calculation

When measuring ECL the Company 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.

2.5 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the balance sheet 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.

2.6 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the financial statements as at 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.

Efffects of these standarts and interpretations on Company's financial position and performance summarized following paragraphs.

The new standards, amendments and interpratations which are 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 FINANCIAL STATEMENTS (cont'd)

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

The new standards, amendments and interpratations which are 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 in COVID-19 Related Rent Concessions (Amendment to TFRS 16) 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 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there are no substantive changes to other terms and conditions of the lease.

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

The company does not have any rent concessions related to COVID-19.

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

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

The new standards, amendments and interpratations which are effective from 2020 (cont'd)

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. Early implementation is permitted if all other amendments made by amendments to references to Conceptual Framework in TFRS are applied.

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

New and revised TFRSs in issue but not yet effective

The Company 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 2018-2020	*Amendments to TFRS 1, TFRS 9 and TAS 41*
Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16	*Interest Rate Benchmark Reform — Phase 2*

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.

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

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

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

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in IFRS 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.

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.

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

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

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

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.

2.7 Valuation Principles Applied / Significant Accounting Policies

Accounting policies implemented during preparation of financial statemens as follows:

2.7.1 Revenue recognition

Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer. The company constitutes the largest share in the revenues of coils in the flat product group and billets and wire rod in the long product group.

Company 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

Company 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) Company can identify each party's rights regarding the goods or services to be transferred,
c) Company can identify the payment terms for the goods or services to be transferred;
d) The contract has commercial substance,
e) It is probable that Company 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 in question. Interest income from the Company's time deposit investments are recognized under finance income, while maturities sales interest income from trade receivables are recognized in revenue.

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

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

2.7.2 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.

2.7.3 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.

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. Impairment losses are recognized in the income statement.

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, using the straight-line method and produce amount. 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 fixed assets 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. Tangible assets 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. 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.

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

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

2.7.3 Property, plant and equipment (cont'd)

Maintenance and repair expenses are recorded as expense to the income statement of the related period. The Company 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 on-going investments.

2.7.4 Intangible assets

Intangible assets purchased are recognized at acquisition cost less any amortization and impairment loss.

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.

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%

2.7.5 Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company uses its incremental borrowing rate.

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.

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

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

2.7.5 Leases (cont'd)

The Company as lessee(cont'd)

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 Company 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 Company did not make any such adjustments during the periods presented.

The right of use assets include the initial measurement of the corresponding lease obligation, lease payments made before or before the lease actually starts, and other direct initial costs. These assets are subsequently measured at cost by deducting accumulated depreciation and impairment losses.

The Company 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. These costs are included in the relevant use right asset, unless they are incurred for stock production.

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 Company 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 statement of financial position. (Note 15).

The Company as lessor

Leases for which the Company 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.

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

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

2.7.5 Leases (cont'd)

The Company as lessor (cont'd)

If the Company 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 Company's net investment in the leases.

2.7.6 Impairment of 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 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.

2.7.7 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 income statement of the period in which they are incurred.

2.7.8 Financial Instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to 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.

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

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

2.7.8 Financial Instruments (cont'd)

Financial assets

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

The Company 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.

Classification of financial assets

Debt instruments 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.

Debt instruments 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.

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

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset; the Company 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:

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

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

2.7.8 Financial Instruments (cont'd)

Financial assets (cont'd)

(i) Amortised cost and effective interest method (cont'd)

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 28).

(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. Specifically:

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

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 amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised 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 recognised in profit or loss in the 'other gains and losses' line item (and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

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

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

2.7.8 Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. 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 Company 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.

For all other financial instruments, the Company recognises 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 Company 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 described above. 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 Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company 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 Company 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.

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

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

2.7.8 Financial Instruments (cont'd)

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.
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 Company 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 Company does not reclassify any financial liability.

Derecognition of financial liabilities

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

Derivative financial instruments

The Company 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 7.

Derivatives are recognised 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 recognised 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 recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company 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 realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

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

2.7.8 Financial Instruments (cont'd)

Hedge accounting

The Company 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.

At the inception of the hedge relationship, the Company 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 Company 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 Company 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 Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge).

The Company 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 7 sets out details of the fair values of the derivative instruments used for hedging purposes.

2.7.9 The effects of foreign exchange rate changes

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

The Company 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 statement of income. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to statement of income. 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.

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

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

2.7.10 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 Company 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.

2.7.11 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Company has a present obligation as a result of a past legal or subtle event, where it is probable that the Company 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 Company's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Company discloses this fact in the notes.

2.7.12 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.

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

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

2.7.13 Taxation and deferred income taxes

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement 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 Company'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 Company 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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

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

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

2.7.13 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 income statement, 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.

2.7.14 Employee benefits

According to the Turkish 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 TAS19 (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 Company 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 income. The details related with the defined benefit plans are stated in Note 17.

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

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

2.7.15 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 Company 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.

2.7.16 Statement of cash flows

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

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

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

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

2.7.16 Statement of cash flows (cont'd)

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 Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company 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.

2.7.17 Share capital and dividends

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

2.7.18 Earnings per share

Earnings per share, disclosed in the 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. Accordingly, the weighted-average number of shares are computed by taking into consideration of the retrospective effects of the share distributions.

2.7.19 Significant changes in current period

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

In the preparations of the financial statements as at 31 December 2020, the Company 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 financial statements. Within this scope, the Company evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the financial statements as at 31 December 2020 for any possible impairment but no impairment were identified.

NOTE 3 – SEGMENTAL REPORTING

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

The detail of cash and cash equivalents as of reporting period is as follows:

	31 December 2020	31 December 2019
Banks – demand deposits	38.603	58.197
	38.603	58.197

The breakdown of demand deposits is presented below:

	31 December 2020	31 December 2019
US Dollars	1.236	27.739
TRY	37.210	30.287
EURO	91	111
GB Pound	15	26
Other	51	34
	38.603	58.197

NOTE 5 – FINANCIAL INVESTMENTS

Long term financial investments:

	31 December 2020	31 December 2019
Fair value change reflected in profit or loss	199	161
	199	161

As of reporting period, ratios and amounts of subsidiaries of the Company are as followings:

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 – INVESTMETS ACCOUNTED FOR USING EQUITY METHOD

The detail of the investments accounted for using equity method is follows:

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

Company's share on net assets of investments accounted for using equity method is 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
Company's share on net assets	229.956	200.820

	31 December 2020	31 December 2019
Share capital	175.000	201.667

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., held on 27 February 2020, it has been unanimously approved to reduction of capital by TRY 26.667 thousand and to distribute net profit of 2019 amounting to TRY 17.302 thousand. The payment for the entire capital reduction (its effect in the cash flows of Isdemir is TRY 13.333 thousand) and 25% of the dividend (its effect in the cash flows of Isdemir is TRY 2.163 thousand) has been completed on 4 June 2020.

İsdemir Linde Gaz Ortaklığı A.Ş 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 Company is TRY 7.422 thousand) is included in the financial statements prepared as of reporting date.

Company's share on profit of investments accounted for using equity method is 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
Company's share on net profit	7.685	38.517

NOTE 7 – FINANCIAL DERIVATIVE INSTRUMENTS

The detail of financial derivative instruments as of reporting period is as follows:

	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets cross currency swap contracts				
Basis swap contracts	-	-	-	87
	-	-	-	87

Derivative instruments for fair value hedge

As of 31 December 2019, the details of swap transactions for fair value hedge are as follows:

		Assets		Labilities	
31 December 2019		Nominal value	Fair value	Nominal value	Fair value
Basis interest swap contracts					
USD basis floating interest collection / Basis floating interest payment	Between 3-6 months	-	-	13.977	87
		-	-	13.977	87

As of the reporting date, the Company has no derivative instruments for cash flow hedge purposes. (31 December 2019 : None)

NOTE 8 – BORROWINGS

As of the balance sheet date, the details of the Company's borrowings are as follows:

	31 December 2020	31 December 2019
Short term bank borrowings	48.544	1.221.234
Short term portion of long term bank borrowings	129.998	168.689
Long term bank borrowings	785.769	226.396
Total bank borrowings	964.311	1.616.319
Current portion of long term lease payables	31.821	30.897
Cost of current portion of long term lease payables (-)	(1.485)	(5.381)
Long term lease payables	857.949	781.231
Cost of long term lease payables (-)	(656.916)	(603.430)
Total leases borrowings	231.369	203.317
Total borrowings	1.195.680	1.819.636

NOTE 8 – BORROWINGS (cont'd)

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

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2020
Fixed	US Dollars	1,76	-	251.229	251.229
Fixed	TRY	7,25	48.544	-	48.544
Floating	EURO	Euribor+1,28	129.998	534.540	664.538
			178.542	785.769	964.311

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

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2019
No interest	TRY	-	13.437	-	13.437
Fixed	US Dollars	2,94	1.268.930	-	1.268.930
Floating	US Dollars	Libor+1,9	14.070	-	14.070
Floating	EURO	Euribor+2,25	93.486	226.396	319.882
			1.389.923	226.396	1.616.319

The breakdown of loan repayment is as follows:

	31 December 2020			31 December 2019		
	Financial liabilities	Lease liabilities	Total liabilities	Financial liabilities	Lease liabilities	Total liabilities
Within 1 year	178.542	30.336	208.878	1.389.923	25.516	1.415.439
Between 1-2 years	399.421	25.529	424.950	90.534	21.603	112.137
Between 2-3 years	101.188	23.601	124.789	90.533	17.704	108.237
Between 3-4 years	39.786	20.436	60.222	45.329	15.315	60.644
Between 4-5 years	39.786	17.761	57.547	-	13.248	13.248
Five years or more	205.588	113.706	319.294	-	109.931	109.931
	964.311	231.369	1.195.680	1.616.319	203.317	1.819.636

NOTE 8 – BORROWINGS (cont'd)

Reconciliation of net financial borrowings as of reporting period is as follows:

	31 December 2020	31 December 2019
Opening balance	1.616.319	1.773.004
Interest expenses	43.193	51.947
Interest paid	(40.645)	(42.791)
Unrealised foreign exchange differences	28.767	2.624
Cash inflow from loans	1.697.651	1.877.734
Capitalized	13.549	-
Cash outflow from loan repayment	(2.394.523)	(2.046.199)
Closing balance	964.311	1.616.319

Net financial debt reconciliation of debts from leasing transactions is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	203.317	-
Opening effect of accounting policy change	-	170.686
The effect of the increase in the lease contract liability	28.420	34.057
Cash outflow effect	(32.825)	(29.449)
Increase in interest expenses	31.101	27.410
Exchange rate effect	1.356	613
Closing balance	231.369	203.317

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

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

	31 December 2020	31 December 2019
Short term trade receivables		
Trade receivables	291.736	270.121
Due from related parties (Note 32)	992.977	795.715
Provision for doubtful trade receivables (-)	(3.509)	(2.984)
	1.281.204	1.062.852

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	2.984	2.581
Provision for the period	214	128
Doubtful receivables collected (-)	(289)	-
Provision released (-)	-	(29)
Translation difference	600	304
Closing balance	3.509	2.984

Trade receivables consist of receivables from the customer for products sold in normal work flow. The term of trade receivables is 45 to 50 days on average, and is classified as short-term trade receivables. The Company holds its trade receivables in order to collect the cash flows arising from the contract and therefore, measures the amortized cost by using the effective interest method.

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 Company 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 Company does not provide for any further provision beyond the doubtful receivables provisions that the Company has already provided for in the 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 Note 33.

As of the balance sheet date, there are no significant receivables in trade receivables past due. The Company provides provision according to the balances of all unsecured receivables under legal follow up.

In accordance with the "TFRS 9 Financial Instruments" standard, expected credit losses related to trade receivables were measured, but expected credit loss provisions did not have a significant impact on the financial statements.

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

Short term trade payables	31 December 2020	31 December 2019
Trade payables	1.466.328	979.684
Due to related parties (Note 32)	384.960	215.495
	1.851.288	1.195.179

Trade payables consist of payables to sellers for products or services purchased in the normal workflow.The average repayment period of commercial debts is approximately 40-45 days.

NOTE 10 – OTHER RECEIVABLES AND PAYABLES

As of the balance sheet date, the details of the Company's other receivables and payables are as follows:

Short term other receivables	31 December 2020	31 December 2019
Other receivables from related parties (Note 32)	6.879.919	4.520.915
Receivables from water system construction	1.471	1.560
Receivables from Privatization Authority	33.367	-
Deposits and guarantees given	121	119
	6.914.878	4.522.594

Long term other receivables	31 December 2020	31 December 2019
Receivables from Privatization Authority	-	81.221
Receivables from water system construction	10.193	11.306
Provision for receivables from Privatization Authority (-)	-	(81.221)
	10.193	11.306

The movement of the provision for long term other 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 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 26 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 statement of cash flows.

NOTE 10 – OTHER RECEIVABLES AND PAYABLES (cont'd)

As of the balance sheet date, the details of the Company's short term other payables are as follows :

Short term other payables	31 December 2020	31 December 2019
Taxes payable	18.855	10.976
Deposits and guarantees received	12.130	6.008
Dividend payables to shareholders (*)	4.015	3.898
	35.000	20.882

(*) Dividend payable represents the uncollected balances by shareholders.

NOTE 11 – INVENTORIES

As of the balance sheet date, the details of the Company's inventories are as follows:

	31 December 2020	31 December 2019
Raw materials	1.436.403	1.368.156
Work in progress	825.626	799.362
Finished goods	402.557	591.802
Spare parts	631.992	472.016
Goods in transit	1.119.449	667.288
Other inventories	385.921	285.396
Allowance for impairment on inventories (-)	(211.305)	(160.828)
	4.590.643	4.023.192

The movement of the allowance for impairment on inventories:

	1 January – 31 December 2020	1 January – 31 December 2019
Opening balance	160.828	137.246
Provision for the period	15.805	9.703
Provision released (-)	(3.813)	(4.110)
Translation difference	38.485	17.989
Closing balance	211.305	160.828

The Company has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials within the scope of aging reports in the cases 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 23).

NOTE 12 – PREPAID EXPENSES

As of the balance sheet date, the details of the Company's short term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Insurance expenses	42.552	18.920
Order advances given	1.168	6.439
Due to related parties (Note 32)	-	*6.308*
Other order advances given	*1.168*	*131*
Prepaid utility allowance to employees	2.617	1.706
Other prepaid expenses	3.817	-
	50.154	27.065

As of the balance sheet date, the details of the Company's long term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Order advances given	566.094	148.567
Due to related parties (Note 32)	*12.868*	*10.421*
Other order advances given	*553.226*	*138.146*
Insurance expenses	54.852	-
	620.946	148.567

NOTE 13 – 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 2020	178.488	3.878.626	4.406.497	16.069.273	1.459.032	670.633	42.482	383.579	27.088.610
Translation difference	42.207	916.095	1.039.067	3.796.200	344.031	158.499	10.911	127.612	6.434.622
Additions (*)	16.630	896	45	44.087	380	9.149	1.141	1.008.636	1.080.964
Transfers from CIP (**)	-	36.281	7.311	175.943	6.117	1.783	849	(230.915)	(2.631)
Disposals	(13.877)	(43)	(857)	(49.699)	(4.611)	(2.392)	(59)	-	(71.538)
Closing balance as of 31 December 2020	223.448	4.831.855	5.452.063	20.035.804	1.804.949	837.672	55.324	1.288.912	34.530.027
Accumulated Depreciation									
Opening balance as of 1 January 2020	-	(2.955.206)	(3.013.331)	(8.909.636)	(775.093)	(328.992)	(37.567)	(67.549)	(16.087.374)
Translation difference	-	(700.465)	(715.532)	(2.120.597)	(184.885)	(78.809)	(9.786)	(15.924)	(3.825.998)
Charge for the period	-	(80.032)	(109.425)	(468.645)	(50.022)	(28.419)	(2.677)	-	(739.220)
Disposals	-	40	852	44.074	4.611	2.193	59	-	51.829
Closing balance as of 31 December 2020	-	(3.735.663)	(3.837.436)	(11.454.804)	(1.005.389)	(434.027)	(49.971)	(83.473)	(20.600.763)
Net book value as of 31 December 2019	178.488	923.420	1.393.166	7.159.637	683.939	341.641	4.915	316.030	11.001.236
Net book value as of 31 December 2020	223.448	1.096.192	1.614.627	8.581.000	799.560	403.645	5.353	1.205.439	13.929.264

(*) The amount of capitalized borrowing cost is TRY 13.549 thousand for the current period.
(**) TRY 2.631 thousand is transferred to intangible assets (Note 14).

As of 31 December 2020, the Company has no collaterals or pledges on tangible assets (31 December 2019: None).

NOTE 13 – 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 2019	112.774	3.441.001	3.910.706	14.410.401	1.254.164	591.626	36.859	201.434	23.958.965
Translation difference	16.893	444.006	504.542	1.851.508	163.897	76.511	5.202	33.125	3.095.684
Additions	-	1.023	129	62.949	40.672	5.324	407	316.525	427.029
Transfers from CIP (*)	48.821	16.518	5.767	85.155	6.172	2.009	370	(167.505)	(2.693)
Disposals	-	(23.922)	(14.647)	(340.740)	(5.873)	(4.837)	(356)	-	(390.375)
Closing balance as of 31 December 2019	178.488	3.878.626	4.406.497	16.069.273	1.459.032	670.633	42.482	383.579	27.088.610
Accumulated Depreciation									
Opening balance as of 1 January 2019	-	(2.572.819)	(2.598.761)	(7.838.152)	(652.726)	(273.776)	(30.982)	(59.824)	(14.027.040)
Translation difference	-	(334.496)	(339.160)	(1.014.789)	(86.017)	(36.254)	(4.522)	(7.725)	(1.822.963)
Charge for the period	-	(71.562)	(90.057)	(396.779)	(39.610)	(23.633)	(2.419)	-	(624.060)
Disposals	-	23.671	14.647	340.084	3.260	4.671	356	-	386.689
Closing balance as of 31 December 2019	-	(2.955.206)	(3.013.331)	(8.909.636)	(775.093)	(328.992)	(37.567)	(67.549)	(16.087.374)
Net book value as of 31 December 2018	112.774	868.182	1.311.945	6.572.249	601.438	317.850	5.877	141.610	9.931.925
Net book value as of 31 December 2019	178.488	923.420	1.393.166	7.159.637	683.939	341.641	4.915	316.030	11.001.236

(*) TRY 2.693 thousand is transferred to intangible assets (Note 14).

As of 31 December 2019, the Company has no collaterals or pledges on tangible assets .

NOTE 13 – 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	713.057	601.709
General administrative expenses	4.344	3.547
Marketing, sales and distribution expenses	21.819	18.804
	739.220	624.060

NOTE 14 – INTANGIBLE ASSETS

As of the balance sheet date, the details of the Company's intagible assets are as follows:

	Rights	Total
Cost		
Opening balance as of 1 January 2020	459.313	459.313
Translation difference	108.759	108.759
Additions	7.476	7.476
Transfers from CIP	2.631	2.631
Closing balance as of 31 December 2020	578.179	578.179
Accumulated amortization		
Opening balance as of 1 January 2020	(207.865)	(207.865)
Translation difference	(49.816)	(49.816)
Charge for the period	(17.055)	(17.055)
Closing balance as of 31 December 2020	(274.736)	(274.736)
Net book value as of 31 December 2019	251.448	251.448
Net book value as of 31 December 2020	303.443	303.443

As of 31 December 2020, the Company has no collaterals or pledges on intangible assets.

NOTE 14 – INTANGIBLE ASSETS (cont'd)

	Rights	Total
Cost		
Opening balance as of 1 January 2019	402.552	402.552
Translation difference	52.197	52.197
Additions	1.871	1.871
Transfers from CIP	2.693	2.693
Closing balance as of 31 December 2019	459.313	459.313
Accumulated amortization		
Opening balance as of 1 January 2019	(169.785)	(169.785)
Translation difference	(22.659)	(22.659)
Charge for the period	(15.421)	(15.421)
Closing balance as of 31 December 2019	(207.865)	(207.865)
Net book value as of 31 December 2018	232.767	232.767
Net book value as of 31 December 2019	251.448	251.448

As of 31 December 2019, the Company has no collaterals or pledges on 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	17.055	15.421
	17.055	15.421

NOTE 15 – RIGHT OF USE ASSETS

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

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January 2020	234.532	4.469	239.001
Additions to assets of operating lease	35.583	2.080	37.663
Disposals (-)	(8.637)	-	(8.637)
Translation difference	56.576	1.153	57.729
	318.054	7.702	325.756
Accumulated Depreciation			
Opening balance as of 1 January 2020	7.562	1.666	9.228
Charge for the period	10.632	2.494	13.126
Translation difference	2.291	513	2.804
Closing balance as of 31 December 2020	20.485	4.673	25.158
Net book value as of 31 December 2020	297.569	3.029	300.598

NOTE 15 – RIGHT OF USE ASSETS (cont'd)

The movement of right of use assets for the reporting period is as follows:

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January 2019	-	-	-
Effect of change in accounting principle	177.106	3.266	180.372
Additions to assets of operating lease	32.982	746	33.728
Translation difference	24.444	457	24.901
	234.532	4.469	239.001
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	-	-
Charge for the period	7.217	1.590	8.807
Translation difference	345	76	421
Closing balance as of 31 December 2019	7.562	1.666	9.228
Net book value as of 31 December 2019	226.970	2.803	229.773

As of the reporting date 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 (Note 25, 26)	(13.126)	(8.807)
Interest expense from lease transactions (Note 29)	(31.101)	(27.410)

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	297.569	226.970
Car leases	3.029	2.803
	300.598	229.773

The Company has usage permit agreements regarding the port areas of the General Directorate of National Real Estate. Usage permit periods of the tangibles that will expire in 2048 and 2050 are measured at their present value by reducing the borrowing rate by 12%-16%.

The Company has a usage permit agreement of regarding the forest land of the General Directorate of Forestry. Forest land use permit will expire in 2068. The value of the immovable asset was measured at present value by reducing the borrowing rate in the first calculation with 12%.

NOTE 15 – RIGHT OF USE ASSETS (cont'd)

In addition, leasing contracts of the vehicle whose usage period is between 2020-2023 and whose borrowing rate has been reduced by 13% - 25% have been measured in accordance with the above explanations.

Acoording to the above explanations, lease agrements accounted in the right of use assets and borrowings notes (Note 8) in the statement of financial position.

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

	31 December 2020	31 December 2019
General administrative expenses	2.494	1.590
Other operating expenses	10.632	7.217
	13.126	8.807

NOTE 16 – 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.),
- ✓ Cash incentives from Tübitak – Teydeb for cost of research and development,
- ✓ Inward processing permission certificates and Social Security Institution incentives,
- ✓ Insurance premium employer share incentive.

Research and development incentive premiums received or certain to be received amounts to TRY 1.362 thousand (31 December 2019: None) which are considered as a deduction subject in the calculation of corporate tax as of the reporting date.

NOTE 17 – EMPLOYEE BENEFITS

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

	31 December 2020	31 December 2019
Due to personnel	52.610	47.362
Social security premiums payable	14.582	13.333
	67.192	60.695

NOTE 17 – EMPLOYEE BENEFITS (cont'd)

Long term provision of the employee termination benefits of the Company is as follows:

	31 December 2020	31 December 2019
Provisions for employee termination benefits	313.567	273.104
Provisions for seniority incentive premium	50.568	30.904
Provision for unpaid vacations	39.021	30.749
	403.156	334.757

According to the Turkish Labor Law, the company is obliged to pay severance pay to every employee who has completed at least one year of service and retired after 25 years of working life, who has been dismissed, called for military service or died.

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) As of 1 January 2021, the employee termination benefit has been updated to a maximum of TRY 7.638,96.

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Company'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.

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	reel %1,5	reel %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.

NOTE 17 – EMPLOYEE BENEFITS (cont'd)

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

	1 January – 31 December 2020	1 January – 31 December 2019
Opening balance	273.104	220.511
Service cost	20.293	17.443
Interest cost	35.701	36.770
Actuarial loss / gain	7.039	18.481
Termination benefits paid	(23.253)	(20.242)
Translation difference	683	141
Closing balance	313.567	273.104

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:

	Interest rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	(25.276)	28.980

	Inflation rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	29.918	(26.437)

According to the current labor agreement, employees completing their 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	30.904	21.228
Service cost	3.466	2.560
Interest cost	4.648	3.944
Actuarial loss/(gain)	13.456	3.394
Termination benefits paid	(1.924)	(231)
Translation difference	18	9
Closing balance	50.568	30.904

NOTE 17 – EMPLOYEE BENEFITS (cont'd)

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

	1 January – 31 December 2020	1 January – 31 December 2019
Opening balance	30.749	31.361
Provision for the period	42.081	37.062
Vacation paid during the period (-)	(1.945)	(1.827)
Provisions released (-)	(32.024)	(36.141)
Translation difference	160	294
Closing balance	39.021	30.749

NOTE 18– PROVISIONS

The Company's short term provisions are as follows:

	31 December 2020	31 December 2019
Provision for lawsuits	49.763	35.558
Penalty provision for employment shortage of disabled person	9.938	9.635
Provision for land occupation	2.542	2.138
	62.243	47.331

NOTE ~~18~~ – 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	35.558	16.230	(431)	(3.621)	2.027	49.763
Penalty provision for employment shortage of disabled personnel	9.635	301	-	-	2	9.938
Provision for land occupation	2.138	628	-	(228)	4	2.542
	47.331	17.159	(431)	(3.849)	2.033	62.243

	1 January 2019	Change for the period	Payments	Provision released	Translation difference	31 December 2019
Provision for lawsuits	24.051	13.444	(538)	(1.941)	542	35.558
Penalty provision for employment shortage of disabled personnel	7.301	2.335	-	-	(1)	9.635
Provision released	1.450	687	-	-	1	2.138
	32.802	16.466	(538)	(1.941)	542	47.331

NOTE 18 – PROVISIONS (cont'd)

As of reporting period, lawsuits filed by and against the Company are as follows:

	31 December 2020	31 December 2019
Lawsuits filed by the Company	156.769	210.457
Provision for lawsuits filed by the Company	3.183	83.705

The provisions for the lawsuits filed by the Company represents the doubtful trade receivables.

	31 December 2020	31 December 2019
Lawsuits filed against the Company	28.707	24.871
Provision for lawsuits filed by the Company	49.763	35.558

The Decision of the Constitutional Court for Electricity and Air Gas Consumption 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, the Company used its right on 15 January 2015 to apply the Constitutional Court individually. As a result of the General Assembly Resolution of the Supreme Court the Company,which was issued on 25 October 2018 and published in the Official Gazette on 25 December 2018, was notified and stated that the property rights of the Company were violated, and retrial was decided 22 trials for the applicable claims to eliminate the consequences of the violation of the property rights.

Similarly, it was decided by the Supreme Court that it was combined within the scope of our individual application and that the Company's right to property was violated in 2 cases that were concluded, and that the trials in the relevant lawsuits were taken to eliminate the consequences of the violation of the right to property.

24 lawsuits, which were decided to retrial by the Constitutional Court, were reappeared in the Hatay Tax Court, and it was decided by the Local Court to accept cases in favor of the Company. In addition, the Hatay Tax Court has decided to accept the cases in 9 cases based on the Constitutional Court decision, and the number of files concluded in favor of the Company is 33 in total. The number of 33 decisions, which were appealed by the Municipality of Payas, have not been finalized yet.

As for the ongoing lawsuits, decisions are taken in favor of the Company.

NOTE 19 – COMMITMENTS

The guarantees received by the Company are as follows:

	31 December 2020	31 December 2019
Letters of guarantees received	1.179.636	522.628
	1.179.636	522.628

The Collaterals, Pledges and Mortgages (CPM) given by the Company are as follows:

	31 December 2020	31 December 2019
A. Total CPM given for the Company's own legal entity	57.538	34.354
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
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	-	-
	57.538	34.354

As of reporting period, the ratio of the other CPM given by the Company consist of letters of guarantee to shareholders equity is 0% (31 December 2019: 0%).

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

	31 December 2020	31 December 2019
TRY	39.522	21.053
EURO	18.016	13.301
	57.538	34.354

NOTE 20 – OTHER ASSETS AND LIABILITIES

As of the balance sheet date, the details of the Company's other assets and liabilities are as follows:

Other current assets

	31 December 2020	31 December 2019
Other VAT receivable	69.898	66.398
Deferred VAT	-	17.413
Prepaid taxes and funds	1.483	1.157
Other current assets	1.961	22
	73.342	84.990

Other current liabilities

	31 December 2020	31 December 2019
VAT payable	120.761	-
Other short term liabilities	1.549	5.894
	122.310	5.894

NOTE 21 – DEFERRED REVENUE

As of the balance sheet date, the details of the Company's short term deferred revenue are as follows:

	31 December 2020	31 December 2019
Advances received	107.277	43.753
Deferred income	3.523	3.105
	110.800	46.858

NOTE 22 – EQUITY

As of the balance sheet date, the capital structure is as follows:

	(%)	31 December 2020	(%)	31 December 2019
Shareholders				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	94,87	2.751.326
Quoted in Stock Exchange	5,13	148.674	5,13	148.674
Historical capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		2.900.164		2.900.164

NOTE 22 – EQUITY (cont'd)

Other equity items	31 December 2020	31 December 2019
Foreign Currency Translation Reserves	13.629.734	9.736.362
Actuarial (Loss)/ Gain Fund	(54.295)	(48.664)
Restricted Reserves Assorted from Profit	1.401.860	1.364.160
_*Legal Reserves*	*1.401.860*	*1.364.160*
Retained Earnings	1.680.005	84.277
	16.657.304	11.136.135

According to the Turkish Commercial Code ("TCC"), legal reserves split up as the first legal reserves and the second legal reserves. According to the Turkish Commercial Code 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. 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. Also according to the "TCC" 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.

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 30.09.2020 to 31.12.2020.

The sources which might be used in dividend distribution, including to accumulated profits to TRY 4.449.564 thousand and the net profit for the period to TRY 4.530.656 thousand, in statutory books of the Company are equal to TRY 8.980.220 thousand as of reporting date.

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 income. 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 Company'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 23 – SALES AND COST OF SALES

The Company 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 Company will be eligible for recognition in the future is TRY 107.277 thousand. (Note 21) The Company planning to recognize related revenue amount as a revenue in a year.

The breakdown of sales revenue for the reporting period is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Sales Revenue		
Domestic sales	13.721.356	12.552.200
Export sales	2.652.468	3.458.533
Other revenues (*)	524.012	411.234
Interest income from sales with maturities	27.238	45.732
Sales returns (-)	(981)	(14.267)
	16.924.093	16.453.432
Cost of sales (-)	(13.716.418)	(13.602.013)
Gross profit	3.207.675	2.851.419

(*)The total amount of by product exports in other revenues is TRY 237.864 thousand (31 December 2019: TRY 192.705 thousand).

The breakdown of cost of goods sales for the reporting period is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Raw material usage	(10.605.125)	(10.986.641)
Personnel costs	(686.316)	(603.326)
Energy costs	(578.438)	(498.220)
Depreciation and amortization expenses	(737.201)	(621.011)
Factory overheads	(422.482)	(332.857)
Other cost of goods sold	(461.846)	(357.717)
Non-operating costs (*)	(31.260)	(9.410)
Freight costs for sales delivered to customers	(107.878)	(124.077)
Inventory write-downs within the period (Note 11)	(15.805)	(9.703)
Reversal of inventory write-downs (Note 11)	3.813	4.110
Other	(73.880)	(63.161)
	(13.716.418)	(13.602.013)

(*) TRY (31.260) of unallocated expenses due to the planned/ unplanned halt in the production plant of the Company, has been accounted directly under cost of goods sold (31 December 2019: TRY (9.410) thousand).

NOTE 24 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operational expenses according to their nature for the reporting periods is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Marketing, sales and distribution expenses (-)	(114.911)	(108.868)
General administrative expenses (-)	(187.814)	(163.678)
Research and development expenses (-)	(241)	(251)
	(302.966)	(272.797)

NOTE 25 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing expenses according to their nature for the reporting period is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(28.306)	(25.557)
Depreciation and amortization(-)	(21.819)	(18.804)
Tax, duty and charges (-)	(958)	(786)
Service expenses (-)	(63.828)	(63.721)
	(114.911)	(108.868)

The breakdown of general administrative expenses for the reporting period is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(53.318)	(47.908)
Depreciation and amortization expenses (-)	(4.344)	(3.547)
Amortization expense of right of use (-)	(2.494)	(1.590)
Provision for doubtful receivables (-) net	(3.045)	(6.217)
Tax, duty and charges (-)	(18.944)	(10.422)
Service expenses (-)	(105.669)	(93.994)
	(187.814)	(163.678)

NOTE 26 – OTHER OPERATING INCOME/EXPENSES

The breakdown of other operating income for the reporting period is as follows:

Other operating income	1 January - 31 December 2020	1 January - 31 December 2019
Interest income from sales with maturities	-	7.315
Discount income	488	4.049
Provisions released	3.621	1.941
Service income	6.490	7.345
Maintenance repair and rent income	13.232	12.920
Lawsuit income	1.475	190
Indemnity and penalty detention income	4.066	9.759
Insurance indemnity income	20.080	3.915
Warehouse income	1.329	2.650
Customers delay interest income	945	434
Share transfer agreement receivable income (*)	146.556	-
Other income and gains	15.524	21.293
	213.806	71.811

(*) 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.

The breakdown of other operating expenses for the reporting period is as follows:

Other operating expenses (-)	1 January - 31 December 2020	1 January - 31 December 2019
Provision expenses	(16.531)	(15.779)
Donation expenses	(5.212)	(1.912)
Amortisation expenses of right of use	(10.632)	(7.217)
Foreign exchange expenses from trade receivables and payables	(6.144)	-
Penalty expenses	(650)	(467)
Service expenses	(2.231)	(4.341)
Lawsuit compensation expenses	(1.983)	(1.681)
Other expenses and losses	(11.439)	(14.002)
	(54.822)	(45.399)

NOTE 27 – INVESTING ACTIVITIES INCOME/EXPENSES

The breakdown of investing activities income for the reporting period is as follows:

Income from Investing Activities	1 January - 31 December 2020	1 January - 31 December 2019
Gain on sales of tangible assets	149.573	14
	149.573	14

The breakdown of investing activities expenses for the reporting period is as follows:

Expenses from Investing Activities	1 January - 31 December 2020	1 January - 31 December 2019
Loss on sales of tangible assets	(98)	(151)
Loss on disposal of tangible assets	(6.544)	(1.053)
	(6.642)	(1.204)

NOTE 28 – FINANCE INCOME

The breakdown of financial income for the reporting period is as follows:

Finance income	1 January - 31 December 2020	1 January - 31 December 2019
Interest income on bank deposits	2.520	2.814
Foreign exchange gains	339.585	398.713
Interest income on related party	245.053	140.875
	587.158	542.402

NOTE 29 – FINANCE EXPENSES

The breakdown of financial expenses for the reporting period is as follows:

Finance expenses (-)	1 January - 31 December 2020	1 January - 31 December 2019
Interest expenses on borrowings	(43.193)	(51.947)
Interest cost of employee benefits	(40.349)	(40.714)
Interest expenses on leases	(31.101)	(27.410)
Other financial expenses	(20.109)	(8.873)
	(134.752)	(128.944)

During the period, the interest expenses of TRY 13.549 thousand have been capitalized as part of the Company's property, plant and equipment (31 December 2019: None).

NOTE 30 – TAX ASSETS AND LIABILITIES

The breakdown of profit for the period tax liability for the reporting period is as follows:

	31 December 2020	31 December 2019
Corporate tax payable:		
Current corporate tax expense	1.243.844	887.181
Prepaid taxes and funds (-)	(887.010)	(736.449)
	356.834	150.732

	1 January - 31 December 2020	1 January - 31 December 2019
Tax expense:		
Current corporate tax expense	1.243.844	887.181
Deferred tax expense	(478)	13.210
	1.243.366	900.391

Corporate tax

The Company is subject to corporation tax applicable in Turkey. The necessary provisions are allocated in the financial statements for the estimated liabilities based on the Company's results for the year.

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 other deductions (retained losses if any, used investment allowance if required).

The effective corporate tax rate is 22% as of 2020 (2019: 22%)

The total amount of the corporate tax paid by the Company in 2020 is TRY 1.037.742 thousand (31 December 2019: TRY 1.169.180 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 on Corporate Income Tax added with the Article 91 of the Law No. 7061, 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 tangibles 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, 10% instead of 5%.

NOTE 30 – 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. 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 by tax authority within five years.

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

In accordance with the additional provisional Article 10 of Corporate Tax Law, the tax rate, which is used deferred tax assets and liabilities (excluding land), is %22 for the corporate earnings to be obtained in the taxation periods of 2018, 2019 and 2020 ; 20% for the following years. The tax rate is used as 20% in the deferred tax calculation of the financial statements dated 31 December 2020. The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2019: %10)

NOTE 30 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

The breakdown of deferred tax assets and liabilities for the reporting period is as follows:

	31 December 2020	31 December 2019
Deferred tax assets:		
Provisions for employee benefits	80.631	67.962
Leasing payables	46.274	40.664
Provision for lawsuits	8.690	8.293
Adjustment of receivable rediscount	3.968	4.476
Provision for other doubtful receivables	-	17.869
Other	17.615	25.080
	157.178	164.344
Deferred tax liabilities:		
Tangible and intangible fixed assets	(2.238.059)	(1.809.864)
Right of use assets	(60.119)	(46.156)
Amortized cost adjustment on loans	(7.516)	(2.294)
Inventories	(9.587)	(54.453)
	(2.315.281)	(1.912.767)
Deferred tax assets/(liabilities) net:	(2.158.103)	(1.748.423)

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.

The breakdown of deferred tax asset / (liability) is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	(1.748.423)	(1.539.857)
Deferred tax (expense)/income	478	(13.210)
The amount in comprehensive income/(expense)	1.408	4.066
Translation difference	(411.566)	(199.422)
Closing balance	(2.158.103)	(1.748.423)

NOTE 30 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

Reconciliation of tax provision is as follows:

Reconciliation of tax provision	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	3.666.715	3.055.819
Statutory tax rate	22%	22%
Calculated tax acc. to effective tax rate	(806.677)	(672.280)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(392)	(460)
- Correction effect of corporate tax rate and deferred tax rates	(168.365)	(149.853)
- Non-taxable income	1.730	705
- Effect of currency translation (*)	(269.662)	(78.503)
Tax expense in reported in the statement of income	(1.243.366)	(900.391)

(*) The difference between the Company's functional currency and the currency in basis of tax base cause to translation difference.

As of reporting period, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	1 January -31 December 2020		
Other comprehensive income/(loss)	Amount before tax	Tax income/ (expense)	Amount after tax
Change in actuarial (loss)/gain	(7.039)	1.408	(5.631)
Change in foreign currency translation reserves	3.893.372	-	3.893.372
	3.886.333	1.408	3.887.741

	1 January -31 December 2019		
Other comprehensive income/(loss)	Amount before tax	Tax income/ (expense)	Amount after tax
Change in actuarial (loss)/gain	(18.481)	4.066	(14.415)
Change in foreign currency translation reserves	1.831.946	-	1.831.946
	1.813.465	4.066	1.817.531

NOTE 31 – EARNINGS PER SHARE

	1 January - 31 December 2020	1 January - 31 December 2019
Number of shares outstanding	290.000.000.000	290.000.000.000
Net profit attributable to equity holders - TRY thousand	2.423.349	2.155.428
Profit per share with 1 TRY nominal value TRY %	0,8356 / %83,56	0,7433 / %74,33

NOTE 32 – RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent of the Company are Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

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 receivables of the Company from related parties are disclosed below:

Due from related parties (short term)	31 December 2020	31 December 2019
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	967.223	789.183
Adana Çimento Sanayi T.A.Ş. (3)	-	5.865
OYAK Çimento Fabrikaları A.Ş. (3)	21.844	-
OYAK Beton Sanayi ve Tic.A.Ş. (3)	103	289
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	3.807	378
	992.977	795.715

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

Other receivables from related parties (short term)	31 December 2020	31 December 2019
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	6.873.430	4.520.915
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	6.489	-
	6.879.919	4.520.915

Erdemir's personnel, data system infrastructure and marketing management system are used by The Company for selling flat products to third parties. Flat products which are produced in İsdemir, directly selling over Erdemir and Erdemir takes these inventories as a "Trade goods". Erdemir sells such products through their buying price and date, without adding any profit. Accordingly, in the financial statements, balances of trade receivables and other receivables are arisen from centralized selling.

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint Managing Company

NOTE 32 – RELATED PARTY DISCLOSURES (cont'd)

Ordinary General Assembly Meeting dated 27 February 2020 of İsdemir Linde Gaz Ortaklığı A.Ş. net dividend of 2019, TRY 17.302 thousand cash dividend decisions on the distribution of the companies were approved unanimously (Note 5). The payment for the entire capital reduction and 25% of the dividend has been completed on 4 June 2020. Remaining profit share receivable amount is carried in the records as monetary receivable.

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.

The details of prepaid expenses between the Company and other related parties are disclosed below:

Prepaid expenses to related parties (short term)	31 December 2020	31 December 2019
Omsan Lojistik A.Ş. (3)	-	44
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (3)	-	6.264
	-	6.308

Prepaid expenses (long term)	31 December 2020	31 December 2019
OYAK Pazarlama Hizmet ve Turizm A.Ş. (3)	-	8
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	12.868	10.413
	12.868	10.421

Prepaid expenses to related parties arise from advances given for tangible assets and port services.

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint Managing Company

NOTE 32 – RELATED PARTY DISCLOSURES (cont'd)

The details of payables of the Company to the related parties are disclosed below:

Due to related parties (short term)	31 December 2020	31 December 2019
Erdemir Madencilik San. ve Tic. A.Ş. (2)	284.920	79.240
OYAK Pazarlama Hizmet ve Turizm A.Ş. (3)	10.298	7.008
Erdemir Asia Pacific PTE LTD (2)	47.480	105.623
Omsan Lojistik A.Ş. (3)	7.168	6.497
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	3.113	2.841
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (3)	11.406	5.797
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	865	756
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. (2)	2.908	2.954
Omsan Denizcilik A.Ş. (3)	9.925	-
Other	6.877	4.779
	384.960	215.495

The trade payables from related parties are generally due to the purchase of raw material and service transactions.

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

Major sales to related parties	1 January – 31 December 2020	1 January – 31 December 2019
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	11.004.575	10.188.828
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	2.257	271.119
Adana Çimento Sanayi T.A.Ş. (3)	-	21.838
Ordu Yardımlaşma Kurumu	163.436	-
Aslan Çimento A.Ş. (3)	-	238
Omsan Lojistik A.Ş. (3)	509	578
OYAK Çimento Fabrikaları A.Ş. (3)	40.162	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş.	6.436	11.520
OYAK Pazarlama Hizmet ve Turizm A.Ş. (3)	1.902	1.752
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (3)	33.083	11.436
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	941	809
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	61.382	56.963
Other	1.228	1.028
	11.315.911	10.566.109

The major sales to related parties are generally due to the sales transactions of iron, steel, service and by products.

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint Managing Company

NOTE 32 – RELATED PARTY DISCLOSURES (cont'd)

The company has sold TRY 163.436 thousand of fixed assets to OYAK its ultimate company. Net book value of fixed asset sales income amounting to TRY 149.559 thousand was recorded under the item "Income from Investment Activities" in the summary profit or loss statement.

Major purchases from related parties	1 January – 31 December 2020	1 January – 31 December 2019
Erdemir Madencilik San. ve Tic. A.Ş. (2)	1.386.696	1.223.161
Erdemir Asia Pacific PTE LTD (2)	655.270	1.066.302
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	165.724	205.701
OYAK Pazarlama Hizmet ve Turizm A.Ş. (3)	76.945	56.055
Omsan Denizcilik A.Ş. (3)	98.095	57.803
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	37.419	77.570
Omsan Lojistik A.Ş. (3)	68.121	61.860
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	13.476	14.579
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. (2)	35.639	29.887
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	109.639	91.838
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (3)	77.462	67.223
Other	28.118	16.729
	2.752.604	2.968.708

The major purchases from related parties are generally due to the purchased raw material, energy and service transactions.

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.

The Company earned TRY 268.460 thousand (December 2019: TRY 182.0530 thousand) of revenue from related party transactions of the twelve- month period of 2020, amounting to TRY 245.053 thousand of interest income and TRY 23.407 thousand of interest accrued on term.

<u>The terms and policies applied to the transactions with related parties:</u>

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

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint Managing Company

NOTE 32 – RELATED PARTY DISCLOSURES (cont'd)

Salary, premium and similar benefits provided to executive managers:

The company's executive management team consists of the Board of Directors, 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 Company is TRY 5.032 thousand (31 December 2019: TRY 4.051 thousand).

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

(a) Capital risk management

The Company 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 Company, 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 Company consists of debt which includes the financial liabilities disclosed in Note 8, 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 22.

The Company's Board of Directors analyzes 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 Company, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

As of reporting period the net debt/equity ratio is as follows:

	Not	31 December 2020	31 December 2019
Total financial liabilities	8	1.195.680	1.819.636
Less: Other receivables from related parties	32	6.879.919	4.520.915
Less: Cash and cash equivalents	4	38.603	58.197
Net debt		(5.722.842)	(2.759.476)
Total adjusted equity (*)		22.035.112	16.240.391
Total resources		16.312.270	13.480.915
Net debt / Total adjusted equity ratio		-26%	-17%
Distribution net debt / Total adjusted equity		-35/135	-20/120

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

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(b) Significant accounting policies

The Company's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.7.8 Financial Instruments".

(c) Market risk

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

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

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

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management

Trade receivables include a large number of customers from various industries and regions. There is no risk concentration on a specific customer or a Company 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 Company does not have a significant credit risk arising from any customer.

Credir risk of financial instruments	Receivables				Bank	Derivative
	Trade Receivables		Other Receivables		Deposits	financial instruments
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)	992.977	288.227	6.879.919	45.152	38.603	-
_Secured part of the maximum credit risk exposure via collateral etc.	967.223	252.736	6.879.919	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	992.977	288.227	6.879.919	45.152	38.603	-
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	-	-	-	-	-	-
_secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
_Overdue (gross carrying amount)	-	3.509	-	-	-	-
_Impairment (-)	-	(3.509)	-	-	-	-
_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 amount.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management (cont'd)

Credir risk of financial instruments	Receivables				Bank Deposits	Derivative financial instruments
	Trade Receivables		Other Receivables			
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)	795.715	267.137	4.520.915	12.985	58.197	-
_Secured part of the maximum credit risk exposure via collateral etc.	789.183	266.689	4.520.915	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	795.715	267.137	4.520.915	12.985	58.197	-
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	-	-	-	-	-	-
_secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
_Overdue (gross carrying amount)	-	2.984	-	81.221	-	-
_Impairment (-)	-	(2.984)	-	(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 amount.

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management (cont'd)

Explanation on the credit risk the company is exposed to :

In order to minimize credit risk, the Company has adopted the policy of obtaining collateral when it deems necessary to work with high-credibility parties and to reduce the risk of financial losses in default. The company monitors the credibility of the parties to which it is traded and takes into account the credit rating of the relevant instruments in its financial investments while making the investment choice. Credit ratings are obtained from independent rating agencies, if available. In case the credit ratings are not available or not, the Company makes its own evaluations about the credibility of its important customers by using the information obtained from the market and commercial records. The company updates these evaluations regularly and manages the credit risk by also considering the total transaction costs with the related parties. When accepting a new customer, the credibility of the customer is evaluated by the relevant departments and appropriate credit limits are defined by taking guarantee when necessary.

Credit risk is the Company's risk of financial loss as a result of the other party's failure to fulfill its contractual obligations. In order to minimize credit risk, the Company has made credit ratings considering the default risks of counterparties and categorized the relevant parties.

The current credit risk rating methodology of the Company includes the following categories:

Category	Explanation	Expected credit loss calculation method
Secured receivables	It consists of collateral-related receivables.	Expected credit loss is not created.
Collectable and overdue receivables	The default risk of the other party is low and it is covered.	Expected credit loss is not created.
Doubtful and overdue receivables	There is evidence to show that the related asset has been impaired by credit.	100% provision is reserved over the unsecured part of the receivable.
Deleted from records	There is evidence that the borrower is in serious financial trouble and the Company does not have an expectation to collect the relevant amounts.	It is completely removed from the records.

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management

As of 31 December 2020, stated in Note 2.7.8 the foreign currency position of the Company in terms of original currency is calculated as it as follows:

	31 December 2020			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	323.301	323.115	21	-
2a. Monetary financial assets	7.002.001	1.443.354	617.086	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	25.286	11.591	1.520	-
4. Current assets (1+2+3)	**7.350.588**	**1.778.060**	**618.627**	**21**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	10.392	10.392	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	338.387	259.509	8.757	-
8. Non-current assets (5+6+7)	**348.779**	**269.901**	**8.757**	-
9. Total assets (4+8)	**7.699.367**	**2.047.961**	**627.384**	**21**
10. Trade payables	693.799	536.630	17.448	-
11. Financial liabilities	208.878	78.879	14.432	-
12a. Other monetary financial liabilities	690.874	687.883	332	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**1.593.551**	**1.303.392**	**32.212**	-
14. Trade payables	-	-	-	-
15. Financial liabilities	735.572	201.030	59.341	-
16a. Other monetary financial liabilities	403.156	403.156	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**1.138.728**	**604.186**	**59.341**	-
18. Total liabilities (13+17)	**2.732.279**	**1.907.578**	**91.553**	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	**4.967.088**	**140.383**	**535.831**	**21**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**4.603.415**	**(130.717)**	**525.554**	**21**
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	2.890.332			
26. Imports	8.486.815			

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

As of 31 December 2019, the foreign currency position of the Company in terms of original currency is as follows:

	31 December 2019			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	313.188	214.529	14.834	-
2a. Monetary financial assets	3.738.569	138.067	541.380	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	9.278	9.235	6	-
4. Current assets (1+2+3)	**4.061.035**	**361.831**	**556.220**	**21**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	11.467	11.467	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	83.365	4.311	11.887	-
8. Non-current assets (5+6+7)	**94.832**	**15.778**	**11.887**	-
9. Total assets (4+8)	**4.155.867**	**377.609**	**568.107**	**21**
10. Trade payables	349.492	329.483	3.009	-
11. Financial liabilities	132.440	38.954	14.057	-
12a. Other monetary financial liabilities	306.492	304.459	306	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	**788.424**	**672.896**	**17.372**	-
14. Trade payables	-	-	-	-
15. Financial liabilities	404.197	177.802	34.041	-
16a. Other monetary financial liabilities	334.757	334.757	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**738.954**	**512.559**	**34.041**	-
18. Total liabilities (13+17)	**1.527.378**	**1.185.455**	**51.413**	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	**2.628.489**	**(807.846)**	**516.694**	**21**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**2.535.846**	**(821.392)**	**504.801**	**21**
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	3.651.238			
26. Imports	8.549.528			

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

The following table shows the Company'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 (31 December 2019: TRY 5,9402 = US$ 1, TRY 6,6506 = EUR 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	14.038	(14.038)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	**14.038**	**(14.038)**
5- Euro net asset/liability	482.671	(482.671)
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	**482.671**	**(482.671)**
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	-	-
TOTAL (4+8+12)	**496.709**	**(496.709)**

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) 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	(80.785)	80.785
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	**(80.785)**	**80.785**
5- Euro net asset/liability	343.633	(343.633)
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	**343.633**	**(343.633)**
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	**-**	**-**
TOTAL (4+8+12)	**262.848**	**(262.848)**

(f) 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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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 Company 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 Company's remaining contractual 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 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency 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 five years (IV)
Non derivative financial liabilities						
Borrowings from banks	964.311	1.020.995	65.118	123.139	608.179	224.559
Lease borrowings	231.369	892.098	8.567	25.702	128.657	729.172
Trade payables	1.851.288	1.851.288	1.851.288	-	-	-
Other financial liabilities (*)	176.032	176.032	176.032	-	-	-
Total liabilities	**3.223.000**	**3.940.414**	**2.101.005**	**148.841**	**736.836**	**953.731**

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

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency 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 five years (IV)**
Non derivative financial liabilities						
Borrowings from banks	1.616.319	1.639.335	544.723	860.108	234.505	-
Lease borrowings	203.317	812.129	7.724	23.173	116.707	664.525
Trade payables	1.195.179	1.195.179	1.195.179	-	-	-
Other financial liabilities (*)	101.021	101.021	101.021	-	-	-
Total liabilities	**3.115.836**	**3.747.664**	**1.848.647**	**883.281**	**351.212**	**664.525**
Derivative financial liabilities						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	(87)	(13.977)	-	(13.977)	-	-
	(87)	**(13.977)**	-	**(13.977)**	-	-

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

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management

The majority of the Company'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 Company uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of deposits in which the Company has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Company minimizes the interest rate risk by increasing the share of floating rate denominated assets in its the balance sheet.

Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Company 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 sensitivity

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Company's sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 1,00% 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 Company loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

	31 December 2020	31 December 2019
Floating Interest Rate Financial Instruments		
Financial liabilities	664.538	333.952

For the year round, if the US Dollars and EURO denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO points in respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 3.459 thousand (31 December 2019: TRY 1.587 thousand).

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Additional information about financial instruments

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost liabilities at amortized cost	Derivative financial instruments through profit/loss	Carrying value	Note
31 December 2020				
Financial Assets				
Cash and cash equivalents	38.603	-	38.603	4
Trade receivables	1.281.204	-	1.281.204	9
Financial investments	-	199	199	5
Other financial assets	6.925.071	-	6.925.071	10
Financial Liabilities				
Financial liabilities	1.195.680	-	1.195.680	8
Trade payables	1.851.288	-	1.851.288	9
Other liabilities	176.032	-	176.032	10/17/21
31 December 2019				
Financial Assets				
Cash and cash equivalents	58.197	-	58.197	4
Trade receivables	1.062.852	-	1.062.852	9
Financial investments	-	161	161	5
Other financial assets	4.533.900	-	4.533.900	10
Financial Liabilities				
Financial liabilities	1.819.636	-	1.819.636	8
Trade payables	1.195.179	-	1.195.179	9
Other liabilities	101.021	-	101.021	10/17/21
Derivative financial instruments	-	87	87	7

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 Company 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 Company could realise in a current market exchange.

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

As of 31 December 2020, the Company does not have financial assets and liabilities indicated at their fair value.

31 December 2019

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date: Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(87)	-	(87)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total	(87)	-	(87)	-

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 35 – SUBSEQUENT EVENTS

None.

NOTE 36 – OTHER ISSUES AFFECTING THE FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As at 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 ("IFRS") 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 IFRS.