BORUSAN MANNESMANN BORU SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 TOGETHER WITH INDEPENDENT AUDITORS REPORT

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

INDEPENDENT AUDITOR'S REPORT

To the Board Of Directors of Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi

1) Opinion

We have audited the consolidated financial statements of Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2) Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

4) Other Matter

The consolidated financial statement of the Group, prepared in accordance with International Financial Reporting Standards (IFRS), as of 31 December 2019 were audited by another audit firm whose independent auditor's report thereon dated 16 June 2020 expressed an unqualified opinion.

Building a better working world

Key Audit Matter	How our audit adressed the key audit matter
Revenue recognition	
The Group's activity is steel pipe sales. The reason why we focused on this issue is significance of revenue amounts in the consolidated income statement of the Group as of 31 December 2020. Accordingly, taking into consideration the importance of revenue in the consolidated financial statements, accounting of the revenue in the consolidated financial statements correctly is determined as the key audit matter. Please see Note 2 and 28 in the consolidated financial statements for accounting policies and amount of revenue held by the Group as of 31 December 2020.	We performed the following procedures in relation to the revenue recognition: • Understanding the sales processes and evaluating the design and efficiency of the controls related to these processes, • Evaluating of appropriatenes of Group's accounting policy regarding the revenue recognition, • Testing the customer invoices by sampling method and matching these invoices with shipments and customer collections, • Evaluation of sales contracts made with customers and evaluation of the timing of receipt of revenue for delivery methods.

Building a better
working world

Key Audit Matter	How our audit adressed the key audit matter
Financial Liabilities	
Since short and long term financial liabilities represents approximately 63% of the Group's total liabilities in consolidated financial statements as of 31 December 2020 it is considered as a significant account balance. As of 31 December 2020, the Group has short term borrowings at the amount of USD 276.085.712 and long term borrowings at the amount of USD 111.804.842 in the consolidated financial statements. Accordingly, due to the importance of financial liabilities in the consolidated financial statements, accounting of the financial liabilities in the consolidated financial statements correctly is determined as the key audit matter. Please see Note 2 and 8 in the consolidated financial statements for accounting policies and amount of financial liabilities held by the Group as of 31 December 2020.	We performed the following procedures in relation to the accounting of financial liabilities: • Understanding the financial liabilities processes and evaluating the design and efficiency of the controls related to these processes, • Evaluating of appropriatenes of Group's accounting policy regarding the accounting of financial liabilities, • The existence of financial liabilities have been examined by bank confirmations and reconciliations made with banks and financial institutions, • Obtaining the contracts signed by the Group with banks regarding bank loans and reviewing the loan amounts, maturity dates, interest rates and covenants etc..

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

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

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

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

Building a better working world

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

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most siginificance in the audit of consolidated financial statements of the current period and are therefore the key audit mattters. 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Zeynep Okuyan Özdemir, SMMM
Partner

31 May 2021
Istanbul, Turkey

CONTENTS **PAGE**

BORUSAN MANNESMANN BORU SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(Amounts expressed in US Dollars unless otherwise stated**)**

		Audited	**Audited**
ASSETS	**Note**	**31 December 2020**	**31 December 2019**
Current assets		**420.620.528**	**491.672.060**
Cash and cash equivalents	6	107.603.251	159.137.555
Trade receivables	10	115.938.149	90.538.001
- Due from related parties	37	15.642.875	4.538.797
- Trade receivables from other parties		100.295.274	85.999.204
Other receivables	11	19.241.163	5.367.168
- Other receivables from other parties		19.241.163	5.367.168
Inventories	13	157.881.285	200.016.314
Prepaid expenses	14	8.371.508	15.044.831
Current income tax assets	15	2.021.458	2.055.188
Other current assets	26	9.563.714	11.977.962
- Other current assets from related parties	37	15.574	12.703
- Other current assets from other parties		9.548.140	11.965.259
		420.620.528	**484.137.019**
Assets held for sale and discontinued operations	34	-	7.535.041
Non-current assets		**674.551.121**	**675.248.287**
		-	-
Available-for-sale financial assets	7	52.684.389	52.861.998
Property, plant and equipment	18	612.475.156	609.938.120
Right of Use Assets	20	2.153.251	4.192.598
Intangible assets		1.721.647	1.255.437
- Other intangible assets	19	1.721.647	1.255.437
Prepaid expenses	14	5.472.778	6.946.709
Other non-current assets	26	43.900	53.425
TOTAL ASSETS		**1.095.171.649**	**1.166.920.347**

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

BORUSAN MANNESMANN BORU SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020

(Amounts expressed in US Dollars unless otherwise stated**)**

		Audited	Audited
LIABILITIES	**Note**	**31 December 2020**	**31 December 2019**
Current liabilities		**425.946.841**	**476.971.733**
Short-term borrowings	8	211.292.714	211.698.629
Short-term portion of long-term borrowings	8	64.792.998	89.211.917
- Bank Loans		63.407.263	86.726.350
- Lease Liabilities		1.385.735	2.485.567
Trade payables	10	122.832.090	154.493.023
- Due to related parties	37	2.039.831	7.774.666
- Trade payables to other parties		120.792.259	146.718.357
Employee benefit obligations	17	863.111	865.047
Other payables	11	10.798.446	3.420.936
- Other payables from third parties		10.798.446	3.420.936
Derivative financial instruments	12	1.113.704	8.747
Deferred revenue	16	173.172	94.281
Other current liabilities	26	14.080.606	16.091.959
		425.946.841	**475.884.539**
Assets held for sale and discontinued operations		-	1.087.194
Non-current liabilities		**185.715.312**	**203.845.373**
Long-term borrowings	8	111.804.842	133.117.204
- Bank Loans		111.001.876	131.248.630
- Lease Liabilities		802.966	1.868.574
Provisions for employee benefits	24	2.856.869	2.699.565
Deferred tax liabilities	35	71.053.601	68.028.604
Total liabilities		**611.662.153**	**680.817.106**
EQUITY		**483.509.496**	**486.103.241**
Equity attributable to equity holders of the parent		**483.366.013**	**485.770.758**
Paid -in capital	27	68.996.872	68.996.872
Other comprehensive income/expense not to be reclassified to profit or loss		223.101.258	222.755.046
-Revaluation and measurement gains (losses)	27	32.650.911	32.650.911
-Investment revaluation reserves		189.631.029	189.246.421
-Reserve for actuarial loss on employee termination benefits		819.318	857.714
Other comprehensive income/expense to be reclassified to profit or loss		(1.484.415)	(1.659.856)
-Currency translation differences		(370.711)	(1.651.109)
-Cash flow hedge reserve		(1.113.704)	(8.747)
Retained earnings		194.250.823	184.038.798
Net profit for the period		(1.498.525)	11.639.898
Non-controlling Interest	27	**143.483**	**332.483**
TOTAL LIABILITIES AND EQUITY		**1.095.171.649**	**1.166.920.347**

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

BORUSAN MANNESMANN BORU SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in US Dollars unless otherwise stated**)**

	Note	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
Revenue	28	532.029.910	806.596.259
Cost of sales (-)	28	(482.088.497)	(717.921.757)
Gross profit		**49.941.413**	**88.674.502**
General administrative expenses (-)	29	(33.740.742)	(45.848.105)
Marketing expenses (-)	29	(11.286.909)	(14.616.401)
Other operating income	31	19.655.240	17.665.433
Other operating expenses (-)	31	(839.356)	(271.675)
Operating profit		**23.729.646**	**45.603.754**
Income from investing activities	32	1.944.644	2.773.698
Operating profit before financial income and expense		**25.674.290**	**48.377.452**
Financial income	33	2.706.397	2.148.910
Financial expense (-)	33	(27.909.262)	(36.225.918)
Profit before tax from continued operations		**471.425**	**14.300.444**
Tax expense from continued operations		**(1.965.003)**	**(1.537.118)**
- Current tax (expense)	35	312.638	398.139
- Deferred tax income/(expense)		(2.277.641)	(1.935.257)
Profit from continued operations		**(1.493.578)**	**12.763.326**
Discontinued operations		**(27.497)**	**(1.176.836)**
Period profit/(loss) from discontinued operations	34	(27.497)	(1.176.836)
Profit for the period		**(1.521.075)**	**11.586.490**
Attributable to:		**(1.521.075)**	**11.586.490**
- Non-controlling interest	27	(22.550)	(53.408)
- Equity holders of the parent		(1.498.525)	11.639.898
Earnings per share			
Earnings per share from continuing operations	36	(0,0000106)	0,0000821
Earnings per share from discontinuing operations		(0,000000)	(0,000008)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in US Dollars unless otherwise stated)

	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2019
Profit for the period	**(1.521.075)**	**11.586.490**
Other comprehensive income:		
Items not to be reclassified to profit or loss	**(1.310.118)**	**(24.934.805)**
Current year revaluation on property, plant and equipment	(1.271.722)	(28.786.124)
Change in investment revaluation reserve	-	3.893.290
Remeasurement of employee benefit obligations	(38.396)	(41.971)
Items to be reclassified to profit or loss	**189.316**	**856.177**
Cash flow hedging reserve	(1.104.957)	1.217.226
Currency translation differences	1.294.273	(361.049)
Other comprehensive (loss)/income	**(1.120.802)**	**(24.078.628)**
Total comprehensive income	**(2.641.877)**	**(12.492.138)**
Attributable to:		
- Non-controlling interest	(8.675)	(77.136)
- Equity holders of the parent	(2.633.202)	(12.415.002)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in US Dollars unless otherwise stated**)**

		Other comprehensive income/expense not to be reclassified to profit or loss			income/expense to be reclassified to profit or loss					
	Issued share capital	Revaluation reserve	Investment revaluation reserve	Reserve for actuarial loss on employment termination benefits	Currency translation reserve	Cash flow hedge reserve	Legal reserves and retained earnings	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2019	**68.996.872**	**218.661.333**	**28.757.621**	**899.685**	**(1.293.049)**	**(1.225.973)**	**211.633.912**	**526.430.401**	**409.619**	**526.840.020**
Transfer of 2019 depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings	-	(649.527)	-	-	-	-	649.527	-	-	-
Total comprehensive income / (loss) for the period	-	(28.765.385)	3.893.290	(41.971)	(358.060)	1.217.226	11.639.898	(12.415.002)	(77.136)	(12.492.138)
Dividends paid	-	-	-	-	-	-	(23.511.460)	(23.511.460)	-	(23.511.460)
Other disposals	-	-		-	-	-	(4.733.181)	(4.733.181)	-	(4.733.181)
Balance at 31 December 2020	**68.996.872**	**189.246.421**	**32.650.911**	**857.714**	**(1.651.109)**	**(8.747)**	**195.678.696**	**485.770.758**	**332.483**	**486.103.241**
Balance at 1 January 2020	**68.996.872**	**189.246.421**	**32.650.911**	**857.714**	**(1.651.109)**	**(8.747)**	**195.678.696**	**485.770.758**	**332.483**	**486.103.241**
Transfer of 2020 depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings	-	1.518.897	-	-	-	-	(1.518.897)	-	-	-
Total comprehensive income / (loss) for the period	-	(1.271.722)	-	(38.396)	1.280.398	(1.104.957)	(1.498.525)	(2.633.202)	(8.675)	(2.641.877)
Transactions with non-controlling interest		137.433	-	-	-	-	91.024	228.457	(180.325)	48.132
Balance at 31 December 2020	**68.996.872**	**189.631.029**	**32.650.911**	**819.318**	**(370.711)**	**(1.113.704)**	**192.752.298**	**483.366.013**	**143.483**	**483.509.496**

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

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

(Amounts expressed in US Dollars unless otherwise stated**)**

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
Cash flows from operating activities:			
Profit before tax		443.928	13.123.608
Reconciliation of profit before tax to operating profit before changes in working capital			
Depreciation and amortization expenses	18, 19	30.167.832	29.362.878
Provision for employee termination benefits	24	753.781	883.336
Interest income	33	(2.706.397)	(2.148.910)
Interest expense	33	27.909.262	36.225.918
Provision for doubtful receivables	10	13.271	10.098.280
Provision for impairment of invesments in associates and financial assets	7	210.554	66.995
Gain on sale of property, plant and equipment and intangibles	32	331.762	9.201
Currency translation differences		(1.871.762)	(867.804)
Dividend income	32	(2.276.406)	(2.782.899)
Operating profit before changes in working capital		**52.975.825**	**83.970.603**
Changes in working capital:			
Trade receivables	10	(25.110.646)	124.142.912
Inventories	13	42.135.027	183.908
Other current assets and liabilities, net		656.687	(19.772.835)
Trade payables	10	(31.660.933)	(95.241.349)
Other non-current assets and liabilities, net		1.483.456	7.966.142
Net cash flows on discontinuing operations		619.871	(547.098)
Taxes paid	35	346.368	(443.856)
Employee benefit obligations paid	24	(180.211)	(649.107)
Other inflows (outflows) of cash		-	(4.500.000)
Decrease (increase) in derivative financial assets		1.104.957	(1.217.226)
Net cash provided by/(used in) operating activities		**42.370.401**	**93.892.094**
Cash flow from investing activities:			
Purchase of property, plant and equipment and intangible assets	18, 19	(22.781.932)	(52.847.641)
Proceeds from sale of property, plant and equipment and intangibles		(238.735)	1.880.878
Net change in available for sale financial assets	7	(32.945)	(123.600)
Dividend received	32	2.276.406	2.782.899
Net cash provided by/(used in) investing activities		**(20.777.206)**	**(48.307.464)**
Cash flow from financing activities:			
Redemption of borrowings		3.639.385.901	4.577.340.179
Proceeds from borrowings		(3.683.357.657)	(4.552.559.395)
Payments of lease liabilities		(2.847.921)	(2.877.866)
Dividends paid		-	(23.511.460)
Interest paid		(29.014.218)	(35.008.692)
Interest received	33	2.706.397	2.148.910
Net cash (used in) / provided by financing activities		**(73.127.498)**	**(34.468.324)**
Net increase/(decrease) in cash and cash equivalents		(51.534.304)	11.116.306
Cash and cash equivalents at the beginning of the year		159.137.555	148.021.249
Cash and cash equivalents at the end of the period		**107.603.251**	**159.137.555**

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

(Amounts expressed in US Dollars unless otherwise stated)

1. CORPORATE INFORMATION

General

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (Borusan Mannesmann Boru) ("the Company") is a joint stock company incorporated in Turkey. The Company's shares are traded in İstanbul Stock Exchange since 1994. The Company is registered in Turkey and the address of the registered office is as follows:

Meclis-i Mebusan Caddesi No: 35 - 37
34427 Fındıklı - İstanbul

The avarege number of the personnel in the reported period in terms of category is as follows:

Period	Worker	Official	Manager	Executive	Total
31 December 2020	1.395	285	33	7	1.720
31 December 2019	1.523	292	33	7	1.855

Consolidated financial statements covering accounting period of 1 January - 31 December 2020 are approved with Board of Directors' decision dated on March 5, 2021. General assembly has the authority to amend the financial statements.

In the extraordinary General Assembly meeting of Borusan Birleşik Boru Fabrikaları A.Ş. (Borusan Boru) held on 25 November 2004, the merger with Mannesmann Boru Endüstrisi T.A.Ş. (Mannesmann Boru) was approved. The merger of these entities under common control is effected legally through dissolution without liquidation and takeover of Mannesmann Boru by Borusan Boru by transferring all its assets, liabilities, rights and obligations. Following the merger, the registered name of Borusan Boru has been changed to Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and the change was registered on the Trade Registry Gazette dated 13 December 2004.

The parent and the ultimate parent of the Company are Borusan Mannesmann Boru Yatırım Holding A.Ş. and Borusan Holding A.Ş., respectively.

Business segments, the location and the Group's ultimate effective shareholding in its subsidiaries' equity are as follows:

Business Segment	Subsidiary	Location	(%) of Ownership
Holding	Borusan Mannesmann Holding BV "(BM Holding BV)"	Netherlands	100.0
Steel Pipe	Borusan Mannesmann Pipe US Inc. "(BM Pipe)"	USA	100.0
Steel Pipe	Borusan Mannesmann Vobarno Tubi SPA "(BM Vobarno)"	Italy	99.0
Engineering Services (*)	Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. "(Borusan Mühendislik)"	Turkey	-

(*) Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. merged with Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. on November 30, 2020.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

2.1.1. Accounting policies

The consolidated financial statements of the Company as at 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company maintains its accounting records and prepares its statutory accounting reports in Turkish Lira ("TRY") in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the Turkish Standard Chart of Accounts issued by the Ministry of Finance (collectively referred to as "Turkish statutory accounts" or "local GAAP"). The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

These financial statements are based on the statutory records, which are maintained under historical cost convention, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS.

As the Company is listed in Borsa Istanbul and is subject to requirements of Capital Markets Board of Turkey, it also prepares and published consolidated financial statements in accordance with Turkish Financial Reporting Standards. Due to financial reporting requirements of Capital Markets Board of Turkey, companies need to conform to specified presentation formats for their primary financial statements and use Turkish Lira as their presentation currency. The Company has applied those presentation formats in presenting these consolidated financial statements prepared in accordance with IFRS.

2.2. Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The US Dollar is used to a significant extent, or has a significant impact on the operations of the Company, Borusan Mannesmann Pipe US Inc.(BM Pipe) and Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. ("Borusan Mühendislik") and reflects the economic substance of the underlying events and circumstances relevant to these companies. Therefore, the Company and Borusan Mühendislik use the US Dollar (USD) as functional currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to translation gain / (loss) in the consolidated income statement. Non-monetary items and equity balances (excluding profit or loss) that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currency of the subsidiaries, Borusan Mannesmann Holding BV and Borusan Mannesmann Vobarno Tubi SPA is Euro. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (USD) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation reserve. On disposal of such subsidiaries, the deferred cumulative amount recognized in equity relating to that particular subsidiary is recognized in the income statement.

(Amounts expressed in US Dollars unless otherwise stated)

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Functional and presentation currency (Continued)

The TRY exchange rates for the purchases of USD announced by the Central Bank of the Republic of Turkey for the last five years were as follows:

Year	Year-end USD/TRY rates	Average USD/TRY rates
2015	2,9076	2,7200
2016	3,5192	3,0232
2017	3,7719	3,6477
2018	5,2609	4,8297
2019	5,9402	5,6708
2020	7,3405	7,0090

Consolidated subsidiaries, BM Holding BV and BM Vobarno's functional currency is Euro. In accordance with IAS 21, monetary items in the financial statements are converted via using prevailing Euro exchange rates at 31 December 2020 (1 Euro = 9,0079); income and expense and cash flows are converted with twelve-month average of the exchange rates (1 Euro = 8,0278) (As of 31 December 2019, 1 Euro = 6,6506; 31 December 2019 twelve-month average exchange rate 1 Euro= 6,3477).

2.3. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are the companies which are controlled by the Group. The Group's control has been provided with exposure to variable returns from these companies, having rights in this return and directing of the power. Subsidiaries have been consolidated by the method of full consolidation from the date that controlling by the Group. Subsidiaries have been exculuded from scope of consolidation as of disappearing of the Group's control.

(i) The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity accounts. Intercompany transactions and balances between the Company and its subsidiaries and unrealized gains and losses on transactions among them are eliminated.

(ii) Subsidiaries are consolidated from the date on when control is transferred to the Company.

(iii) Non-controlling share in the net assets of the consolidated subsidiaries is separately classified in the consolidated financial statements as non-controlling interest.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Significant Changes in Accounting Policies and Estimates

Changes of accounting policies resulting from the first time implementation of the IAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period.

2.5. New and Revised International Financial Reporting Standards("IFRS")

i) The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follows:

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 IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group's consolidated financial position and performance have been disclosed in the related paragraphs. The Group is in the process of the assessing the impact of the standards on the consolidated financial statements.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. New and Revised International Financial Reporting Standards("IFRS") (Continued)

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 16 – Covid-19 Rent Related Concessions

In May 2020, the IASB issued amendments to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic 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
There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of 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 costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. . The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.
The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5. New and Revised International Financial Reporting Standards("IFRS")

ii) Standards issued but not yet effective and not early adopted (Continued)

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional IFRS 7 Financial Instruments disclosures such as;
How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

iii) Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

Comparative information and restatements on prior year's financial statements

Significant changes in accounting policies and significant accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates, if only for one period, are made in the current period; if they relate to future periods, are made in future period as well as in the period of change, are applied prospectively. The accounting policies applied in the preparation of these financial statements for the year ended at 31 December 2020 are consistent with those applied in the preparation of financial statements for the year ended at 31 December 2019.

Significant accounting estimations

The preparation of financial statements, require the Group's management to make judgments, estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those judgments, estimates and assumptions. Those estimates and assumptions are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. There has been no significant change in the accounting estimates of the Group in the current period.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.

If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

Trade receivables

Trade receivables are arised from product sales or service providing to the customers. If the expected time for the collection of trade receivables is one year or less, these receivables are classified as short-term receivables. Otherwise, they are classified as long-term receivables. Trade receivables are recognized at original invoice amount and are carried at amortized cost less an allowance for any uncollectible amounts. Interest rates used for amortized cost computation for TRY denominated trade receivables is 20% (2019: 18%) and for foreign currency denominated trade receivables Libor rate is used (2019: Libor). The average collection period of trade receivables is 70 days (2019: 55 days). Trade receivables for which risks and rewards are transferred to third parties as part of factoring transaction are derecognized.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Related parties

If an entity has control over another entity or an entity has significant influence on another entity's financial and operational decisions, these two entities are considered as related parties. In consolidated financial statements, shareholders, available for sale investments and related parties of the shareholders are presented as related parties. Related parties also include the ultimate parent, key management personnel, board members and their families.

Inventories

Inventories are valued at the lower of cost and net realizable value after provision for obsolete stock. Cost is determined by using the monthly weighted average cost. Cost of work in progress and finished goods includes materials, direct labor and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. Provision for slow moving items is recognized in cost of sales at the time it is incurred. Obsolete inventories are written off accounting records.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. As of 31 December 2019, the Group's land, buldings, machineries and equipments were revalued based on expertise review by an independent valuation firm and as a result of this valuation the Group has adjusted its assets to the asset's fair values. Fair values were determined by the methods of imputed price, discounted cash flow, replacement cost, etc. The value increases or decreases were reflected to "revaluation gain/loss" account located in equity (Note 27). Depreciation of these assets are recognized over the fair value and related depreciation expenses are recognized in the income statement. All other tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings. Further, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is realized from the revaluation surplus to retained earnings on an annual basis as the asset is used by the Group.

The cost value of the tangible fixed asset consists of the purchase price, import taxes if any, non-refundable taxes and expenses made in order to make the tangible fixed asset ready to use. The repair and maintenance expenses, which arise after arise after the tangible fixed asset is started to be used, are recorded as expense in the period they arise. If the expenses made, create an economic value increase for the tangible fixed asset in the future use, these expenses can be added to the cost of the asset.

Property, plant and equipment are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity.

For the assets which requires a significant amount of time to be used and ready to be sold, the borrowing costs are capitalised.

(Amounts expressed in US Dollars unless otherwise stated)

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

The depreciation periods for property plant and equipment, which approximate the estimated economic useful lives of the related assets and the depreciation methods applied, are as follows:

	Years	Method
Land improvements	10 - 50	Straight-line
Buildings	25 - 50	Straight-line
Machinery and equipment	12 - 20	Straight-line
Furniture and fixtures	5 - 17	Straight-line
Motor vehicles	5	Straight-line

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of the property, plant and equipment.

Intangible assets

Intangible assets comprising software licenses and rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses and intangible assets are amortized on a straight line basis over the estimated useful life of the asset (5 years). Amortization expenses are recognized in selling, general and administrative expenses in the consolidated income statement.

Impairment of assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. If the impairment provision is not valid or has been decreased, the related impairment is reversed and recorded in income statements. Impairment loss related to the land, buildings and machinery and equipment which are carried at revalued amounts are treated as a revaluation decrease to the extent that impairment loss does not exceed the amount held in revaluation surplus.

As of December 31 December 2020, the Group is not exposed to any impairment risk for its subsidiaries Mannesmann Pipe US Inc and Borusan Mannesmann Vobarno Tubi SPA. The Group has reached positive operating cash flows that they have budgeted for these assessments and revenue growth that has been increasing over the years.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Finance leases

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments (Leased assets are included in related line item in consolidated financial statements). When calculating the present value of the minimum lease payments rate of interest on leasing agreement is used if it can be calculated practically; otherwise interest rate on borrowings is used as discount rate. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Expenses incurred during the acquisition of leased asset are included in cost. Lease payments are apportioned between finance charges and reduction of the lease obligation. Interest charges are calculated by using the constant interest rate and charged directly against income.

The Group has an option to buy the leased asset for nominal amount at the end of lease period.

The Group’s financial lease agreements are mainly subject to car and computer rentals.

Trade payables

Trade payables which generally have an average repayment period of 34 days (2019: 32 days) are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest rate used for TRY denominated trade payables is 20% (2019: 18%) and interest rates used for foreign currency denominated trade payables are Libor (2019: Libor rate).

The major part of the trade payables result from the purchase of raw materials and indirect materials. The trade payables resulting from the purchase of raw materials and indirect materials are interest bearing and the average maturities are 180-360 days and the average interest rates applied are in the interval of 1,26% - 2,53% for EUR based trade payables and 1,11%-6,63% for USD based trade payables (2019: 180-360 days and the average interest rates applied are in the interval of %0,90 - %1,26% for EUR based payables and %4,11-%4,79 for USD based payables).

Provisions, contingent assets and liabilities

i) Provisions

A provision is recognized when, and only when, the enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. When present value method is used, the increase attributable to the current period is recorded in finance expense.

ii) Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements but disclosed when an outflow of resources embodying economic benefits is not highly probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

Income taxes

Tax expense is the aggregate amount of current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. 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 other years and it further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

Deferred tax

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

Employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 “Employee Benefits”. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. Provision for employee termination benefit is made for the present value of the defined benefit obligation calculated. All actuarial gains and losses are recognized in the other comprehensive income as incurred.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

Revenue

Revenue from steel pipes is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates, and other similar allowances. Sales discounts are given as a constant percentage at the time of sale and deducted from revenue. Sales discounts given vary regarding the type of the sale.

Steel pipe sales:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Engineering sales:

Engineering revenue is recognized proportionally to the level of completion.

Interest and dividend income:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

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 income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The Group's qualifiying assets mainly comprises from the investments in BM Pipe, Gemlik and Halkalı factories.

All other borrowing costs are recognized directly in the statement of income the period in which they are incurred.

Financial Instruments

Financial instruments are agreements that increase the financial assets of one enterprise and financial liabilities or capital instruments of another enterprise.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

<u>Financial Assets</u>

Classification and measurement

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Financial Liabilities

Financial liabilities are recorded with their values after the transaction expenses are deducted from the financial debt amount received on the date of receipt. Financial liabilities are followed in the consolidated financial statements with their discounted values calculated with the effective interest rate on the following dates. The difference between the amount of the financial debt received (excluding transaction expenses) and the repayment value is recognized on the accrual basis in the consolidated statement of profit or loss. If the Group does not have unconditional right such as postponing the liability for 12 months from the balance sheet date, financial liabilities are classified as short term liabilities.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

These derivative instruments are recorded at fair value at the beginning of the contract and subsequently measured with its fair value. If the fair value is positive, derivatives are classified as financial asset or otherwise financial liability.

Such derivative instruments are generally accounted as trading derivative instruments in consolidated financial statements, because they do not have related specifications in terms of hedge accounting. The gains and losses related to the changes in fair values of such financial instruments are shown in the profit or loss statement.

Fair value differences of forward transactions, sourcing from trading contracts in scope of main activities of the Group, are recognised under other real operating income (expense) since they are in scope of main activities of the Group while exchange rate differences, sourcing from forward exchange and exchange of interest rate, are recognised under financing income (expense).

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

Cash flow hedges

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

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

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

Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its subsidiaries, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The foreign currency income or expenses incurred from the translation of foreign currency denominated transaction or restatement of monetary items is reflected within the statement of income in the related period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are accounted in profit or loss in the period of occured except the cases specified below:

- Exchange differences which related to assets under construction for future usage and the adjustment item to be considered as interest costs on debts shown in foreign currency and included in these cost of assets,
- Exchange differences arising from transactions carried out in order to provide financial protection against risks arising from foreign currency (accounting policies to providing financial protection against risks are described below).

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in USD using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income by the weighted average number of shares in existence during the period concerned. The weighted average number of shares in circulation during the period have been calculated considering the shares issued without an increase in resources. However, in terms of legal records, calculating earnings per share is subject to local regulations and laws.

Events after balance sheet date

An explanation for any significant event between the balance sheet date and the publication date of the financial statements, which are disclosed and adjusted in the financial statements if necessary.

Statements of cash flows

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Cash flows from operating activities show that cash flows provided from Group's pipe production and sales, engineering operations.

Cash flows from investing activities summarize the Group's cash flows used in or generated from investing activities (fixed and financial investments).

Cash flows from financing activities summarize the Group's cash flows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Capital and dividends

Common stocks are classified as equity. Dividends paid are recorded at the Board's payment decision date retained earnings balance less the dividend amount paid.

Significant accounting judgements and estimations

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on the Group management's best information on the current events and transactions, actual results could differ from those estimates.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

Significant accounting judgements that the Group makes in the application of accounting principles

- Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from tax losses carried-forward and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors taken into consideration include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, therefore some portion of or all of the deferred tax assets are not recognised.

- Employee termination benefits

The Group made actuarial calculation to calculate the amount of liability in accordance with IAS 19. The Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The assumptions made by the Group management have been explained in Note 25. For the period 1 January - 31 December 2020, if the discount rate used in the calculation was higher/lower by 1%, the comprehensive income of the period would have been USD 164.013 lower/higher. For the same period, if the retirement probability rate used in the calculation was higher/lower by 1%, the comprehensive income of the period would have been USD 214.335 lower/higher.

- Revaluation of property, plant and equipment

The Group evaluates its land, buildings, machinery and equipment over its fair value within the scope of IAS 16 revaluation model. These fair values identified equivalent price, discounted cash flow, renewal cost etc. methods.As of 31 December 2019 fair values in financial statement based on expertise report Galata Taşınmaz Değerleme ve Danışmanlık Hizmetleri A.Ş. and Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş. for machinery and equipment in Turkey. And National Appraisal Partners LLP and Third Coast Appraisal, LLC. for machinery and equipment in America. And CBF S.r.l. for machinery and equipment in Italy.During valuation of tangible assets, market value was taken as basis.The related values were initially brought to revalued amounts using a book value and the added value was recorded by netting the deferred tax effect on the revaluation fund in equity.

For the period 1 January - 31 December 2020, if the value determined in the expert's report was higher/lower by 1%, the comprehensive income of the period would have been USD 287.654 lower/higher (2019: USD 287.654).

- Fair value of financial assets

Group management estimated the fair value of the financial assets whose market is not active by utilizing commonly used valuation techniques.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of significant accounting policies (Continued)

- Current period changes

Due to the Covid 19 epidemic that affected the whole world, the economic slowdown has been occured both in the sector which the Group operates and in the general economic activities in the second quarter of the year. The necessary actions were taken by the Group management to minimize the possible effects of Covid 19 on the Group's activities and financial status of the Group. In the meantime, various actions were taken by the Group regarding operations and the cash management strategy has been reviewed by assessing the payment and collection terms for a stronger liquidity position.

Since the possible overall impacts and duration of Covid 19 pandemic on the World and Turkey is still unknown as of reporting the reporting date, it will only be possible to do mid and long term assessment once the impacts become more clear. In preparation of the consolidated financial statements as of 31 December 2020, the Group has assessed the possible impacts of Covid 19 pandemic on the consolidated financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has assessed the possible impairment in the consolidated financial statements and no significant impact has been identified.

Significant changes and errors in the accounting policies

Significant changes in the accounting policies and errors are applied retrospectively; and the financial information of the prior periods are restated.

Going concern

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

3. BUSINESS COMBINATIONS

With the decision taken in 2020, it was decided to merge all assets and liabilities of Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat Anonim Şirketi with Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (Borusan Mannesmann Boru). The merger was made on 30 November 2020 with the approval of the Capital Markets Board regarding the merger transaction (31 December 2019: None).

4. JOINT VENTURES

None (31 December 2019: None).

5. SEGMENT REPORTING

The Group was operating under two main industrial divisions until December 31, 2020. As of January 1, 2019, it was decided to stop the activities of Borusan Mühendislik company, which produces technological mechanical equipment for the iron and steel and pipe industry companies. Within the framework of this decision, Borusan Mühendislik's activities are classified as “assets held for sale and discontinued operations” within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Standard. With the decision taken on October 14, 2020, it was decided to merge all assets and liabilities of Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat Anonim Şirketi with Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (Borusan Mannesmann Boru). The merger was made on 30 November 2020 with the approval of the Capital Markets Board regarding the merger transaction.

Starting from January 1, 2019, only steel pipe production and sales are followed as the main activity within the scope of segment reporting. Since only steel pipe section remains within the scope of consolidation, no reporting is made according to segments starting from January 1, 2019.

(Amounts expressed in US Dollars unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in hand	6.460	7.221
Cash at banks	107.596.791	159.130.334
- Demand deposits	44.272.470	60.159.214
- Time deposits	63.324.321	98.971.120
	107.603.251	**159.137.555**

The details of time deposits as of 31 December 2020 and 31 December 2019 are as follows:

			31 December 2020	
Currency	Effective interest rate	Maturity (days)	Original currency amount	Amount in USD
TL	15.50-17.49	4	52.417.580	7.140.873
USD	0.03-1.25	4	38.451.120	38.451.120
Euro	0.05-1.20	4	14.450.000	17.732.328
				63.324.321

			31 December 2019	
Currency	Effective interest date	Maturity (days)	Original currency amount	Amount in USD
USD	1.40 -3.00	1	82.423.551	82.423.551
Euro	0.40-0.75	1	14.780.000	16.547.569
				98.971.120

7. FINANCIAL INVESTMENTS

a) Short-term financial investments

None (31 December 2019: None).

b) Available-for-sale financial assets

Available-for sale financial assets as of 31 December 2020 and 31 December 2019 are stated below:

	31 December 2020		31 December 2019	
	Amount	Share (%)	Amount	Share (%)
Borçelik Çelik Sanayii Ticaret A.Ş. ("Borçelik")	50.536.200	11,8	50.536.200	11,8
Borusan Mannesmann Cooperatie U.A. (BM Coop) (*)	4.855.275	99,0	4.855.275	99,0
Other	471.305		438.360	
Impairment in fair values of subsidiaries (**)	(3.178.391)		(2.967.837)	
	52.684.389		**52.861.998**	

All financial assets are recorded at cost, except for Borçelik which is carried at fair value.

(*) BM Coop. participated 100% to Borusan Mannesmann Espana S.A. which was established in Spain and has no operations. The financial statements of Borusan Mannesmann Espana S.A. were not consolidated due to their immateriality.

(**) Impairment is made for BM Coop and other companies.

(Amounts expressed in US Dollars unless otherwise stated)

7. FINANCIAL INVESTMENTS (Continued)

b) Available-for-sale financial assets (Continued)

The Group owns 11.78% of the shares of Borçelik Çelik Sanayi ve Ticaret A.Ş. ("Borçelik Grup). Financial assets at fair value through profit or loss are classified as financial assets at fair value through profit or loss. Fair value changes are recognized in other comprehensive income. The fair value of Borçelik is calculated by giving 50% weight to the discounted cash flows and market approach methods. In consideration of this calculation, steel sector beta and company dynamics, the cost of capital to the environment and revenue growth are calculated as 11.8% and 2%, respectively.

If the long-term growth rates were 100 basis points high / low and all other variables remained constant, the calculated fair value would be higher/lower by 12%. If the discount rates were 100 basis points high / low and all other variables remained constant, the calculated fair value would be lower/higher by 4%.

The movements for impairment provision of subsidiaries for the periods ended 31 December 2020 and 31 December 2019 are stated below:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Opening	2.967.837	2.900.842
Provision for the period	210.554	66.995
Closing	**3.178.391**	**2.967.837**

8. BORROWINGS

a) Short-term borrowings

	31 December 2020			**31 December 2019**		
Currency	**Amount**	**USD equivalent**	**Interest rate (%)**	**Amount**	**USD equivalent**	**Interest rate (%)**
Short-term borrowings:						
USD	168.406.851	168.406.851	0,87 - 4,00%	203.997.306	203.997.306	2.56 -5.50%
EURO	29.580.702	36.299.980	0,45 - 0,80%	4.149.061	4.645.255	0.45-0.85%
TL	48.343.674	6.585.883	7,25%	18.153.651	3.056.067	19.85%
		211.292.714			**211.698.628**	

As of 31 December 2020, none of short-term borrowings of the Group are secured (31 December 2019: None).

(Amounts expressed in US Dollars unless otherwise stated)

8. BORROWINGS (Continued)

b) Short-term portion of long-term borrowings

- Bank Credits

	31 December 2020			31 December 2019		
Currency	Amount	USD equivalent	Interest rate (%)	Amount	USD equivalent	Interest rate (%)
Short-term portion of long term borrowings:						
USD	47.019.767	47.019.767	4,28 - 5,35%	67.885.490	67.885.490	4.75-5.90%
EURO	1.415.699	1.737.275	0,45 - 3,00%	16.775.739	18.781.982	0.45-3.75%
TL	107.539.947	14.650.221	11,00 - 13,89%	349.749	58.878	10.00%
		63.407.263			**86.726.350**	

As of 31 December 2020; none of the short-term portion of long-term borrowings of the Group are secured (31 December 2019: None).

- Lease Liabilities

	31 December 2020			31 December 2019		
Döviz Cinsi	Amount	USD equivalent	Discount Rates (%)	Amount	USD equivalent	Discount Rates (%)
Short-term portion of lease liabilities:						
USD	871.194	871.194	4,80%	964.500	964.500	% 4 and 5
EURO	197.408	242.250	3,00%	522.861	585.390	% 1 and 3
TL	1.998.754	272.291	18,10%	5.558.107	935.677	% 12 and 24
		1.385.735			**2.485.567**	

c) Long-term borrowings

- Bank Credits

	31 December 2020			31 December 2019		
Currency	Amount	USD equivalent	Interest rate (%)	Amount	USD equivalent	Interest rate (%)
Long-term borrowings:						
USD	81.000.000	81.000.000	1.32-4.27	92.495.727	92.495.727	4.56-5.77
EURO	24.448.403	30.001.876	3.00-5.10	19.050.401	21.328.675	0.45-3.00
TL	-	-	-	103.503.400	17.424.228	10.55-11.00
		111.001.876			**131.248.630**	

The interest rates of a certain portion of long-term borrowings are linked LIBOR rates.

As of 31 December 2020; none of the long-term borrowings of the Group are secured (31 December 2019: None).

(Amounts expressed in US Dollars unless otherwise stated)

8. BORROWINGS (Continued)

c) Long-term borrowings (Continued)

The redemption schedule of the long-term borrowings for 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
2021	-	75.920.543
2022	80.999.998	14.278.283
2023	19.877.890	14.278.283
2024	1.533.938	20.715.937
2025	8.590.050	6.055.584
	111.001.876	**131.248.630**

- Lease Liabilitiees

	31 December 2020			31 December 2019		
Döviz Cinsi	**Amount**	**USD equivalent**	**Discount Rates (%)**	**Amount**	**USD equivalent**	**Discount Rates (%)**
Long term lease liabilities						
USD	266.200	266.200	% 4.8	1.016.928	1.016.928	% 4 and 5
EURO	420.870	516.469	% 3	587.406	657.655	% 1 and 3
TL	148.979	20.297	% 18.1	1.152.343	193.991	% 12 and 24
		802.966			**1.868.574**	

The net debt reconciliation of borrowings from leasing transactions during the periods ended 31 December 2020 and 31 December 2019 are as follows:

Lease liabilities reconciliation	**2020**	**2019**
Opening - 1 January	**4.354.141**	**5.237.158**
Payment	(2.847.921)	(2.877.866)
Interest expense	270.000	430.643
Additions	528.019	1.622.213
Disposals	-	-
Change in lease contracts	12.075	160.134
Foreign exchange difference	(212.445)	(193.648)
Currency translation difference	84.833	(24.493)
Closing balance - 31 December	**2.188.701**	**4.354.141**

9. OTHER FINANCIAL LIABILITIES

None (2019: None).

(Amounts expressed in US Dollars unless otherwise stated)

10. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 December 2020	31 December 2019
Trade receivables	102.753.452	97.193.519
Notes receivable	1.930.402	492.608
Receivables from related parties (Note 37)	15.720.306	4.707.656
Allowance for doubtful receivables (-) (*)	(4.466.011)	(11.855.782)
	115.938.149	**90.538.001**

(*) As of 31 December 2020, USD 77.431 (31 December 2019: USD 168.859) of doubtful receivables are due from related parties.

The movement of the provision for doubtful receivables during the periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 Dcember 2019
Opening	11.855.782	2.816.608
Currency translation differences	(302.774)	(1.059.106)
Additions	13.271	10.098.280
Provisions no longer required	(7.100.268)	-
Closing balance	**4.466.011**	**11.855.782**

As of 31 December 2020, the Group does not have the long-term trade receivables (31 December 2019: None).

Nature and level of the risks arising from trade receivables are disclosed in Note 38.

b) Trade Payables

	31 December 2020	31 December 2019
Trade payables	120.792.259	146.718.357
Due to related parties (Note 37)	2.039.831	7.774.666
	122.832.090	**154.493.023**

Within trade payables in 2020, the Group has USD 33.113.267 of letter of credits for use of purchases with the weighted average interest rate 2,91% for USD and 1,85% for EUR and the average maturity of the payables is 180-360 days (31 December 2019: USD 75.685.909 with the weighted average interest rate 4,24% for USD and 1,26% for EUR).

There are no long-term trade payables (31 December 2019: None).

Detailed information about the nature and level of risks arising from trade payables are disclosed in Note 38.

(Amounts expressed in US Dollars unless otherwise stated)

11. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2020	31 December 2019
Receivables from tax authority	19.220.321	5.324.297
Due from personnel	20.842	42.871
	19.241.163	**5.367.168**

b) Other payables

	31 December 2020	31 December 2019
Advances received	9.489.769	2.172.993
Taxes and charges payable	1.308.677	1.247.943
	10.798.446	**3.420.936**

12. FINANCIAL INSTRUMENTS

Forward transactions are being performed in order to reduce risks deriving from foreign currency exchange rate fluctuations (GBP/USD), (EUR/USD) and (TRY/USD). As of 31 December 2020; total value receivables are GBP 2.860.000, EUR 22.534.500 receivables from abroad and TRY 68,944,905 receivables from domestic. (2019: the total value of foreign currency payables is TRY 2.890.000) (Note 38).

	31 December 2020	31 December 2019
Expense accrual from derivative financial instruments	1.113.704	8.747
	1.113.704	**8.747**

As of 31 December 2020, USD 1.113.704 amounting expense has been accrued from forward foreign exchange transactions (31 December 2019: USD 8.747).

13. INVENTORIES

	31 December 2020	31 December 2019
Raw materials	50.769.728	94.793.758
Work in progress	34.953.838	40.806.976
Finished goods	58.856.427	63.219.277
Trade goods	7.982.102	286.158
Goods-in-transit	5.319.190	910.145
	157.881.285	**200.016.314**

(Amounts expressed in US Dollars unless otherwise stated)

14. PREPAID EXPENSES

Details of current and non-current prepaid expenses of the Group as of 31 December 2020 and 31 December 2019 are as follows:

a) Short-term prepaid expenses

	31 December 2020	31 December 2019
Advance payments for raw materials	3.655.362	9.312.266
Insurance fees	645.943	607.035
Other short term prepaid expenses (*)	4.070.203	5.125.530
	8.371.508	**15.044.831**

(*) Other short term prepaid expenses consists of prepaid expenses for production, general administration and export operations.

b) Long-term prepaid expenses

	31 December 2020	31 December 2019
Advance payments for fixed assets	5.130.227	6.478.734
Other long term prepaid expenses	342.551	467.975
	5.472.778	**6.946.709**

15. CURRENT INCOME TAX ASSETS

As of 31 December 2020, income tax asset is USD 2.021.458 (31 December 2019: USD 2.055.188).

16. DEFERRED REVENUE

As of 31 December 2020, the short-term deferred income of the Group is as follows:

	31 December 2020	31 December 2019
Deffered income	173.172	94.281
	173.172	**94.281**

17. EMPLOYEE BENEFIT OBLIGATIONS

As of 31 December 2020, accrued salaries of employees USD 863.111 (31 December 2019: USD 865.047).

(Amounts expressed in US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Currency transaction differences	Additions	Disposals	Transfers	Transfer with Business Combination	Increase/(Decrease) in Revaluation	31 December 2020
Cost								
Land	136.613.137	-	-	-	-	3.530.184	-	140.143.321
Land improvements	9.696.679	-	-	-	1.450.334	-	(6.302.811)	4.844.202
Buildings	141.069.575	1.730.698	-	-	3.973.418	2.988.880	4.713.160	154.475.731
Machinery and equipment	300.169.821	2.433.523	-	-	38.161.766	245.500	-	341.010.610
Motor vehicles	3.917.745	31.793	-	-	37.342	-	-	3.986.880
Furniture and fixtures	28.917.313	41.167	-	(127.859)	361.456	-	-	29.192.077
Construction in progress	28.927.078	17.021	21.612.922	-	(43.984.316)	-	-	6.572.705
	649.311.348	**4.254.202**	**21.612.922**	**(127.859)**	**-**	**6.764.564**	**(1.589.651)**	**680.225.526**
Less: Accumulated depreciation								
Land improvements and leaseholds	(539.394)	-	(287.535)	-	-	-	-	(826.929)
Buildings	(2.578.594)	(247.868)	(4.823.139)	-	-	-	-	(7.649.601)
Machinery and equipment	(13.712.764)	(1.317.875)	(19.599.239)	-	-	-	-	(34.629.878)
Motor vehicles	(2.824.772)	(22.763)	(292.792)	-	-	-	-	(3.140.327)
Furniture and fixtures	(19.717.704)	(24.266)	(1.796.497)	34.832	-	-	-	(21.503.635)
	(39.373.228)	**(1.612.772)**	**(26.799.202)**	**34.832**	**-**	**-**	**-**	**(67.750.370)**
Net book value	**609.938.120**							**612.475.156**

As of 31 December 2020, the total amount of capitalized finance expense is equal to USD 4.852.302 (31 December 2019: USD 4.213.447).

(Amounts expressed in US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Currency transaction differences	Additions	Disposals	Transfers	Transfer from asset held for sale to fixed assets	Revaluation adjustment and accumulated depreciation of revalued fixed assets	31 December 2019
Cost								
Land	179.917.999	-	-	-	-	(3.530.184)	(39.774.677)	136.613.137
Land improvements	8.843.386	-	-	-	1.631.875	(11.437)	(767.145)	9.696.679
Buildings	167.557.407	(418.839)	-	-	7.549.280	(2.988.882)	(30.629.391)	141.069.575
Machinery and equipment	341.279.385	(577.850)	-	(1.546.955)	24.730.156	(245.500)	(63.469.414)	300.169.821
Motor vehicles	4.076.838	(8.493)	-	(407.633)	270.752	(13.720)	-	3.917.745
Furniture and fixtures	29.845.432	(4.955)	-	(4.887.791)	3.964.628		-	28.917.313
Construction in progress	15.090.889	(1.288)	51.984.168	-	(38.146.691)		-	28.927.077
	746.611.336	**(1.011.426)**	**51.984.168**	**(6.842.379)**	**-**	**(6.789.723)**	**(134.640.627)**	**649.311.348**
Less: Accumulated depreciation								
Land improvements and leaseholds	(899.958)	-	(418.018)	-	-	11.437	767.145	(539.394)
Buildings	(21.220.224)	57.232	(4.943.299)	-	-	-	23.527.696	(2.578.594)
Machinery and equipment	(75.017.801)	293.598	(18.715.360)	159.127	-	80.627	79.487.046	(13.712.764)
Motor vehicles	(2.826.593)	6.132	(310.149)	292.118	-	13.720	-	(2.824.772)
Furniture and fixtures	(22.550.782)	4.540	(1.827.977)	4.656.515	-	-	-	(19.717.704)
	(122.515.358)	**361.502**	**(26.214.803)**	**5.107.759**	**-**	**105.784**	**103.781.887**	**(39.373.228)**
Net book value	**624.095.978**							**609.938.120**

(Amounts expressed in US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The historical cost of revalued land, buildings and machinery and equipment as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		**31 December 2019**	
	Land and buildings	**Machinery and equipment**	**Land and buildings**	**Machinery and equipment**
Cost	155.320.535	413.451.979	150.146.039	375.068.961
Accumulated depreciation (-)	(27.340.560)	(171.012.373)	(25.122.685)	(149.433.809)
Net book value	**127.979.975**	**242.439.606**	**125.023.354**	**225.635.152**

19. INTANGIBLE ASSETS

	31 December 2020	**31 December 2019**
Cost:		
Costs on 1January	6.548.326	6.151.757
Currenct transaction differences	81.836	(19.864)
Additions	1.169.009	863.473
Disposals	-	(447.039)
	7.799.172	**6.548.326**
Less: Accumulated depreciation		
Accumulated amortisation at 1 January	5.292.890	5.025.724
Current transaction differences	65.254	(19.677)
Disposals	-	(291.580)
Amortisation of current period	719.381	578.423
	6.077.525	**5.292.890**
Net book value	**1.721.647**	**1.255.437**

Current period amount of depreciation and amortization recorded to cost of goods sold and services provided is USD 25.347.989, to selling and marketing expenses is USD 1.825.043 and to general administrative expenses is USD 2.994.800 (31 December 2019: cost of goods sold and services USD 22.771.567, selling and marketing expenses USD 1.932.235, general administrative expenses USD 4.644.866).

(Amounts expressed in US Dollars unless otherwise stated)

20. RIGHT OF USE ASSETS

Cost	**Bulding**	**Vehicles**	**Total**
Opening (1 January 2020)	2.581.742	6.384.319	8.966.061
Currency translation differences	12.183	116.106	128.289
Addition	44.711	483.308	528.019
Differences	55.385	(42.659)	12.726
Disposal	-	(2.929.426)	(2.929.426)
Balance at 31 December 2020	**2.694.020**	**4.011.648**	**6.705.668**
Accumulated Depreciation			
Opening (1 January 2020)	1.234.693	3.538.770	4.773.463
Currency translation differences	5.241	36.195	41.436
Addition	1.158.818	1.490.430	2.649.248
Disposal	-	(2.911.730)	(2.911.730)
Balance at 31 December 2020	**2.398.751**	**2.153.666**	**4.552.417**
Net Book Value	**295.269**	**1.857.982**	**2.153.251**

Cost	**Building**	**Vehicles**	**Total**
Opening (1 January 2019)	2.604.031	4.548.043	7.152.074
Currency translation difference	336.239	587.254	923.493
Addition	-	1.619.834	1.619.834
Differences	160.135	-	160.135
Disposal	(518.663)	(370.812)	(889.475)
Balance at 31 December 2019	2.581.742	6.384.319	8.966.061
Accumulated depreciation			
Opening (1 January 2019)	698.453	2.041.040	2.739.493
Currency translation difference	90.180	263.549	353.729
Addition	964.210	1.605.442	2.569.652
Disposal	(518.150)	(371.261)	(889.411)
Balance at 31 December 2019	1.234.693	3.538.770	4.773.463
Net Book Value	**1.347.049**	**2.845.549**	**4.192.598**

Current period amount of depreciation expenses arising from right of use assets recorded to cost of goods sold and services provided is USD 1.207.056 (2019: USD 1.040.654) and general administrative expenses is USD 1.442.192 (2019: USD 1.528.998).

The Group as a lessee included the right of use representing the right to use the underlying asset and the lease obligations representing the lease payments that it is liable to pay rent to its consolidated financial statements.

21. GOODWILL

None (31 December 2019: None).

(Amounts expressed in US Dollars unless otherwise stated)

22. CONTINGENT ASSETS AND LIABILITIES

None (31 December 2019: None)

23. COMMITMENTS

- **Export Commitments**

Export commitments amount to USD 256.652.488 as of 31 December 2020 (31 December 2019: USD 234.582.625).

- **Letters of credit**

As of 31 December 2020, the Group has open letter of credit agreements for the future purchases from suppliers amounting to EUR 4.564.758 ve USD 25.570.446 (31 December 2019: USD 1.246.763).

- **Guarantees, Pledges and Mortgages**

As of 31 December 2020, the Group is contingently liable for safeguards which are USD 33.644.091 (31 December 2019: USD 47.016.325). No guarantees are given during this period (31 December 2019: None).

	USD	EUR	TRY	31 December 2020
A. GPM's given in the name of its own legal personality	18.344.618	8.448.630	36.201.371	33.644.091
B. GPM's given on behalf of the fully consolidated companies	70.384.615	14.891.635	-	88.658.896
C. GPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GPM's given	-	-	-	-
i. Total amount of GPM's given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GPM's given on behalf of other group companies which	-	-	-	-
iii. Total amount of GPM's given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**88.729.233**	**23.340.265**	**36.201.371**	**122.302.987**

(Amounts expressed in US Dollars unless otherwise stated)

23. COMMITMENTS (Continued)

There are no CPMs that the Group is liable on its immediate parent company (31 December 2019: None)

	USD	EUR	TRY	31 December 2019
A. GPM's given in the name of its own legal personality	34.450.406	7.828.530	22.579.649	47.016.325
B. GPM's given on behalf of the fully consolidated companies	115.769.231	16.159.375	-	133.861.137
C. GPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GPM's given	-	-	-	-
i. Total amount of GPM's given on behalf of the majority s	-	-	-	-
ii. Total amount of GPM's given on behalf of other group companies which	-	-	-	-
iii. Total amount of GPM's given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**150.219.637**	**23.987.905**	**22.579.649**	**180.877.462**

24. PROVISONS FOR EMPLOYEE BENEFITS

In accordance with the Turkish Labour Law, the Group is responsible for paying severance pay for staff who have completed one year of service and cut ties from the Group or retired, who have completed 25 years of service (20 for women) and are entitled to a pension, who have been called up for military service or who die. The severance pay to be paid is equal to the employee's monthly wage for each year of service and this amount is limited to TRY 7.638,96 as of 31 December 2020 (TRY TRY 6.379,86 as of 31 December 2019).

In accordance with IAS 19, an actuarial calculation is required to calculate the Group's liabilities. The Group has calculated the provisions for severance pay using the "Projection Method", based on the Group's experience regarding the completion of the period of service by the employee and being entitled to the severance pay, and has reflected these in the financial statements. Provisions for severance pay, calculated based on the current value of the possible liability that will need to be paid, are set aside in case of employees' retirement.

As of 31 December 2020 and 31 December 2019 the actuarial assumptions that are used in the calculation of liability are as follows:

	31 December 2020	31 December 2019
Discount rate	4,22%	4,70%
Probability of retirement	91%	91%

(Amounts expressed in US Dollars unless otherwise stated)

24. PROVISONS FOR EMPLOYEE BENEFITS (Continued)

The movements of provision for employment termination benefits for the periods ended 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening (January)	2.699.565	2.765.352
Currency translation difference	(465.491)	(302.781)
Service cost	527.969	580.671
Finance cost	225.812	302.665
Actuarial loss	49.225	53.809
Paid during the period	(180.211)	(649.107)
Transfer to discountinued operations	-	(51.044)
	2.856.869	**2.699.565**

25. RETIREMENT PLANS

None (31 December 2019: None).

26. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2020	31 December 2019
Income accruals	7.649.248	7.538.373
VAT receivable	1.898.746	3.988.683
Other current assets from related parties (Note 37)	15.574	12.703
Other job advances	146	438.203
	9.563.714	**11.977.962**

b) Other non-current assets

As of 31 December 2020, other non-current assets equal USD 43.900 (2019: USD 53.425).

c) Other short-term liabilities

	31 December 2020	31 December 2019
Accrued cost of sales expenses	6.051.584	11.088.308
Accrued export expenses	5.870.295	4.403.651
Other	2.158.728	600.000
	14.080.606	**16.091.959**

(Amounts expressed in US Dollars unless otherwise stated)

27. EQUITY

a) Paid-in share capital

The legal capital structure of the group as of 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020		31 December 2019	
	TRY	**%**	**TRY**	**%**
Borusan Mannesmann Boru Yatırım Holding A.Ş.	104.157.266	73,48	104.157.266	73,48
Lumbro Corporate Services Limited	9.450.000	6,67	9.450.000	6,67
Public Share and Other	28.142.734	19,85	28.142.734	19,85
	141.750.000	**100,00**	**141.750.000**	**100,00**
USD Equivalent	**68.996.872**		**68.996.872**	

As of 31 December 2020, there are 141.750.000.000 shares, each of which has 0.1 Kr nominal value. As of 31 December 2020, the paid-in capital of the group comprises Group A (10% of the total shares) and Group B (90% of the total shares) shares (2019: Group A 10%, Group B 90%). Also, the Group has 100 dividend shares that do not grant voting power (2019: 100 dividend shares).

Group A shareholders' rights are as follows:

- Half of the board of directors and additional one member are selected among the candidates nominated by A Group Shareholders.

- Each of A Group shareholders has 5 voting rights at ordinary and extraordinary general assembly meetings.

b) Revaluation funds

As of 31 December 2020 and 31 December 2019 the movement of revaluation funds are as follows:

	1 January 31 December 2020		1 January 31 December 2019	
	Property,plant and equipment reveluation reserve	**Investment revaluation reserve**	**Property,plant and equipment reveluation reserve**	**Investment revaluation reserve**
Balance at 1 January	189.246.421	32.650.911	218.661.333	28.757.621
Transfer of amortisation differences between revelued amounts and initially recognised amounts of available-for-sale financial assets	1.518.897	-	(649.527)	-
Current year revaluation of financial investments	-	-	-	3.893.290
Current year revaluation on property, plant and equipment	(1.271.722)	-	(28.765.385)	-
Transactions with non-controlling interests	137.433	-	-	-
	189.631.029	**32.650.911**	**189.246.421**	**32.650.911**

27. EQUITY (Continued)

b) Revaluation funds (Continued)

Revaluation funds of property, plant and equipment:

Revaluation funds of property, plant and equipment arises from the revaluation of buildings, lands and machinery equipments. In case of disposition of revalued land or buildings, the revalution funds associated with the assets sold are transferred directly to retained earnings.

Cash flow hedge reserve

Cash flow hedge reserve arises as a result recognition in equity of the effective changes in the fair value of the derivate financial instruments subject to a cash flow hedge. Total deferred income/loss earned by protection against financial risk has been accounted in profit/loss when the effect of hedged transaction effecting to profit/loss.

Investment revaluation reserve:

Investment revaluation reserve occurs as a result of valuation of the available-for-sale financial assets over their fair values. In the event of a disposal of a financial instrument that has been appraised over its fair value, the portion of the appreciation fund related to the disposed financial asset is recognised directly as a profit or loss. If the reappraised financial instrument is impaired, the portion of the appreciation fund related to the impaired financial asset is recognised directly as a profit or loss.

c) Legal reserves

First legal reserve is appropriated out of the statutory profits at the rate of 5% until the total reserves reach a maximum of 20% at the Company's share capital. A second legal reserve is appropriated at the rate of 10% of all distribution in excess of 5% of the Company share capital. Amounts expressed in Turkish lira.

	31 December 2020	31 December 2019
Legal reserve	70.326.265	69.644.750
Special reserves	2.778	2.778
	70.329.043	**69.647.528**

d) Retained earnings

As per the Capital Markets Board (CMB) Decision dated 27 January 2010, minimum dividend distribution obligation will not be applied for joint stock corporations whose shares are traded in the stock market, regarding the distribution principles of the profits acquired from the activities of 2009, and within this framework, the profit distribution shall be executed in pursuance with the principles stated under the Board's Communique Serial: IV, No: 27 on Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by the Publicly Held Joint Stock Corporations Subject to Capital Market Law, and as per the provisions under the partnerships' Articles of Association and the dividend distribution policies disclosed to public by the companies.

(Amounts expressed in US Dollars unless otherwise stated)

27. EQUITY (Continued)

d) Retained earnings (Continued)

In addition, the said Board Decision rules that, the companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period stated in the consolidated financial statements that will be prepared and announced to the public according to the Communiqué, Serial: IX, No: 29 as long as the profit are sufficient for dividend distribution on their statutory records.

- Sources Which Can be Subjected to Dividend Distribution:

The Group has a loss amounting to TRY 188.387.307 in its statutory records as of the balance sheet date (period loss in 2019: TRY 84.746.025) and the total of other sources which can be subjected to dividend distribution is TRY 14.126.449 (31 December 2019: TRY 14.126.449).

e) Non-controlling interests

The movement of non-controlling interests for the periods as of 31 December 2020 and 31 December 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	332.483	409.619
Currency translation difference	13.875	(2.989)
Transactions due to business combinations	(180.325)	
Participation of non-controlling interest in revaluation reserve	-	(20.739)
Share in current year result	(22.550)	(53.408)
Balance at 31 December	**143.483**	**332.483**

28. REVENUE AND COST OF SALES

a) Revenue

	1 January - 31 December 2020			1 January - 31 December 2019		
	Sales to Turkey	Sales outside Turkey	Total	Sales to Turkey	Sales outside Turkey	Total
Steel Pipe	170.620.508	361.409.402	532.029.910	203.189.038	603.407.221	806.596.259
	170.620.508	**361.409.402**	**532.029.910**	**203.189.038**	**603.407.221**	**806.596.259**

(Amounts expressed in US Dollars unless otherwise stated)

28. REVENUE AND COST OF SALES (Continued)

b) Cost of sales

	1 January - 31 December 2020	1 January - 31 December 2019
Direct material	355.065.027	588.629.695
Direct labor	33.664.664	47.703.502
Depreciation and amortization	25.347.989	22.771.567
Repair, maintenance and other production	47.283.483	59.936.006
Net change in work-in-process	5.853.138	(2.556.091)
Net change in finished goods	4.362.850	(422.536)
Cost of trade goods sold	10.511.346	1.859.614
	482.088.497	**717.921.757**

29. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
General administrative expenses	33.740.742	45.848.105
Marketing expenses	11.286.909	14.616.401
	45.027.651	**60.464.506**

30. EXPENSES BY NATURE

a) Marketing expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Sales distribution	3.700.879	5.192.513
Personnel	2.905.441	2.819.808
Consultancy	1.436.083	2.512.103
Depreciation and amortisation expenses	1.825.043	1.932.235
Direct selling expense	282.786	625.130
Transportation and travel	130.934	451.843
Vehicle expenses	297.158	317.765
Energy	85.143	111.193
Communication	30.224	55.268
Other	593.218	598.543
	11.286.909	**14.616.401**

(Amounts expressed in US Dollars unless otherwise stated)

30. EXPENSES BY NATURE (Continued)

b) General administrative expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel	12.977.704	15.018.650
Consultancy	6.767.256	3.856.755
Depreciation and amortisation	2.994.800	4.644.866
Information technology	1.811.397	1.701.677
Insurance	1.747.698	1.576.405
Tax and charges	1.226.205	1.247.868
Outsourced services	1.171.081	2.148.478
Donations	989.336	1.289.446
Vehicle expenses	369.153	507.280
Maintenance	355.516	473.172
Rent	345.574	294.962
Energy	280.200	344.573
Transportation and travel	164.007	401.188
Communication	136.902	169.024
Doubtful receivable expense	13.271	10.098.280
Other	2.390.642	2.075.481
	33.740.742	**45.848.105**

Depreciation and amortization expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Cost of sales	25.347.989	22.771.567
General administrative expenses	2.994.800	4.644.866
Marketing expenses	1.825.043	1.932.235
Transfer to discontunied operations	-	14.210
	30.167.832	**29.362.878**

Personnel expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Cost of sales	33.664.664	47.703.502
General administrative expenses	12.977.704	15.018.650
Marketing expenses	2.905.441	2.819.808
	49.547.809	**65.541.960**

(Amounts expressed in US Dollars unless otherwise stated)

31. OTHER INCOME AND EXPENSE

a) Other income

	1 January - 31 December 2020	1 January - 31 December 2019
Interest on credit sales	5.768.401	8.212.623
Provisions no longer required	7.100.268	-
USA government incentive	4.095.300	-
Foreign exchange gain	1.986.715	2.512.341
Insurance indemnity gain	643.560	438.016
Scrap sales	58.819	352.370
Income and profits of previous period	-	4.525.854
Other	2.177	1.624.229
	19.655.240	**17.665.433**

b) Other expense

	1 January - 31 December 2020	1 January - 31 December 2019
Impairment on financial asset held for sale	210.554	66.995
Other	628.802	204.680
	839.356	**271.675**

32. INVESTMENT INCOME

	1 January - 31 December 2020	1 January - 31 December 2019
Dividend income	2.276.406	2.782.899
Gain / (Loss) on disposal of plant property and equipment	(331.762)	(9.201)
	1.944.644	**2.773.698**

(Amounts expressed in US Dollars unless otherwise stated)

33. FINANCIAL INCOME AND EXPENSE

a) Financial income

	1 January - 31 December 2020	1 January - 31 December 2019
Income from derivative financial instruments	1.071.171	833.708
Interest Income	1.635.226	1.315.202
	2.706.397	**2.148.910**

b) Financial expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Interest expenses	20.723.208	25.956.726
Loss on derivative financial instruments	1.642.527	2.593.486
Factoring expenses	2.449.129	2.914.346
Interest charges	1.781.220	2.367.776
Bank expense	1.313.178	2.393.584
	27.909.262	**36.225.918**

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. has been producing technological mechanical equipment of the iron and steel, pipe industry for the needs of Group entities in Gemlik-Bursa since 1977. R&D and digitalization studies, which have been consistently carried out for years within the Borusan Group, have given the Group entities the capacity to solve their technology and technological equipment needs with their own technical knowledge and skills. This situation caused to stop the operations of Borusan Mühendislik, whose operations are mainly with the Group entities, to be excluded from the Borusan Group's current and future strategic plans. Within the framework of this decision, Borusan Mühendislik, whose operations were decided to be suspended in 2019, are classified as “non-current assets held for sale and discontinued operations” in 2019 within the scope of TFRS 5 Standard of Fixed Assets Held for Sale and Discontinued Operations.

With the decision taken on October 14, 2020, it was decided to merge all assets and liabilities of Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat Anonim Şirketi with Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (Borusan Mannesmann Boru). The merger was made on 30 November 2020 with the approval of the Capital Markets Board regarding the merger transaction.

(Amounts expressed in US Dollars unless otherwise stated)

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

The expenditures related to discontinued operations are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Revenue	-	141.222
Cost of sales (-)	-	(67.424)
General administrative expenses (-)	(165.893)	(557.134)
Other operating income and expenses (-)	81.976	(982.601)
Financial income and expenses (-)	56.420	(18.778)
Discontinued Operations Before Tax Loss	(27.497)	(1.484.715)
Current tax (expense)	-	-
Deferred tax income/(expense)	-	307.879
Discontinued Operations Current Loss	**(27.497)**	**(1.176.836)**

Assets and liabilities held for sale and assets and discontinued operations are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	-	44.912
Trade Receivables, net	-	94.219
Inventories	-	225.369
Other current assets	-	22.869
Property, plant and equipment and intangible assets, net	-	7.147.672
Assets held for sale and assets for discontinued operations	**-**	**7.535.041**
Trade payables	-	76.764
Provisions for employee benefits	-	51.043
Other current liabilities	-	71.386
Deferred tax liabilities	-	888.001
Assets held for sale and liabilities for discontinued operations	**-**	**1.087.194**

35. INCOME TAX ASSETS AND LIABILITIES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods.

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

In Turkey, advance tax returns are filed and accrued on a quarterly basis. Advance corporate income tax rate applied in 2020 is 22% (2019:22%).

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

Law No. 6111 has entered into effect after being promulgated in the Official Gazette No. 27857 (1. Repeated) dated 25 February 2011. Pursuant to the Article 6 of the relevant law, in case the income and corporate taxpayers increase their tax bases in their annual tax returns, no income and corporate tax inspection will be made for the years that the increase was made on behalf of them and no further assessment will be made afterwards, for those taxes regarding these years. As per the Law, tax returns regarding the increase in corporate tax base have been submitted.

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate.

Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. However, until the resolution of council of ministers, it was used as 10%. After the resolution, declared in Official Gazette in 23 July 2006, this rate is changed to %15 effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

For 2003 and the previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 “Financial Reporting in Hyperinflationary Economies”. As inflation met certain thresholds in 2004, the Group adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as the opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds in 2005 and the following years, no further inflation adjustment made to the Group’s statutory financial statements.

The corporate tax in the United States is 21% (31 December 2019: 21%). In Italy, the corporate tax rate is 24%, but in 20 administrative regions of Italy, a regional production tax of 4.25% is levied on the net value produced by the regional authorities (31 December 2019: 24%).

(Amounts expressed in US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of taxes by applying effective tax rates to profit before tax provision as reflected in the consolidated income statement for the years ended 31 December 2020 and 31 December 2019 is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	443.928	13.123.608
At statutory income tax calculated with rate at 22% (2019: 22%)	97.664	2.887.194
Effects of:		
Disallowable expenses	2.267.339	1.267.906
Tax exempt income	(3.181.863)	(1.075.383)
Loss carried forward utilized during the year	(1.331.143)	(2.918.828)
Effect of using functional currency as Turkish Lira on financial statements prepared for current tax calculation	4.113.007	1.376.228
Tax expense	**1.965.003**	**1.537.118**

The Group accounts for deferred tax assets and liabilities considering the effects of temporary differences arising as a result of different assessments between IAS and tax legislation that are put into effect by the balance sheet of the balance sheet. The tax rate has been accepted as "Institutional Taxes and Temporary Taxes" of 22% over institutional gains for the period of 2018-2019-2020 with the "Draft Law on the Amendment of Certain Tax Laws and Decrees on the Decree Laws and Decrees" dated 28 November 2017.

Current income tax for the periods ended 31 December 2020 and 31 December 2019 are summarized below:

	1 January - 31 December 2020	1 January - 31 December 2019
Provision for current taxes as per statements of income		
- Turkey tax charge	-	-
- ABD tax charge	(375.017)	(398.139)
- Italy tax charge	62.379	-
Total statutory income tax charge for the year	**(312.638)**	**(398.139)**
Prepaid taxes	(1.708.820)	(1.657.049)
Income taxes payable	**(2.021.458)**	**(2.055.188)**

(Amounts expressed in US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

As of 31 December 2020 and 31 December 2019 deferred tax rate used is 22% in Turkey, 21% for subsidiaries in the USA and 24% for subsidiaries in Italy. For the periods ended on these dates, deferred tax asset/(liability) calculated with temporary differences and effective tax rate is as follows:

	Temporary differences		**Deferred tax asset/(liability)**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Net difference between the tax base and the amounts reported based:				
- carrying value of tangible and intangible assets	(320.054.945)	(304.591.015)	(65.329.636)	(62.175.216)
- carrying value of lands	(115.928.615)	(112.293.693)	(11.592.862)	(11.229.369)
- carrying value of financial assets	(10.593.000)	(10.593.000)	(2.309.374)	(2.258.117)
- carrying value of inventories	803.825	(1.416.944)	135.535	(357.223)
Provision for employee benefits obligation	2.683.722	2.527.030	536.744	505.406
Temporary differences of trade receivables	350.177	213.980	77.039	47.076
Temporary differences of trade payables	(170.478)	(280.283)	(37.505)	(61.662)
Carry forward tax losses	27.504.047	11.509.391	5.561.333	2.301.878
Other provisions and accruals	9.056.448	24.158.788	1.905.125	5.198.623
Deferred tax liability, net			**(71.053.601)**	**(68.028.604)**

The expiry dates of unused previous year losses as of December 31, 2020 and December 31, 2019 are as follows:

	31 December 2020	**31 December 2019**
2022	1.210.369	-
2023	9.313.819	11.509.391
2024	12.137.847	-
Indefinite	4.842.012	-
	27.504.047	**11.509.391**

The distribution of deferred tax assets/(liabilities) for the periods ended on 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	**31 December 2019**
Deferred tax assets	-	-
Deferred tax liabilities	(71.053.601)	(68.028.604)
Deferred tax liabilities, net	**(71.053.601)**	**(68.028.604)**

(Amounts expressed in US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liability for the periods ended on 31 December 2020 and 31 December 2019 are as follows:

	1 January-31 December 2020	1 January-31 December 2019
1 January	(68.028.604)	(69.200.330)
Currency translation reserve	(139.526)	31.095
Tax charge recognized in the equity	328.758	1.879.008
Transfer to discountinued operations	(936.588)	888.001
Tax charge recognized in continued operations	-	307.879
Tax charge recognized in the statement of income	(2.277.641)	(1.935.257)
	(71.053.601)	**(68.029.604)**

Since each company consolidated is a separate entity, the deferred tax assets / (liabilities) of these companies cannot be netted. Deferred tax assets /(liabilities) of the Company and its subsidiaries are as follows:

	31 December 2020		31 December 2019	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Borusan Mannesmann Boru San. ve Tic A.Ş.	-	57.782.136	-	54.658.925
Borusan Mühendislik	-	-	-	-
BM Pipe	-	11.690.000	-	11.916.000
BM Vobarno	-	1.581.465	-	1.453.679
	-	**71.053.601**	**-**	**68.028.604**

36. EARNINGS PER SHARE

Earning per share is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can increase their capital via transfers from retained earnings and revaluation funds; and distribute costless shares to shareholders in corresponding to the capital increases. Such shares are taken into account as dividend payments. Dividends that are included by the capital as they are distributed are also taken into consideration as shared granted as dividends. Thus, such shares are considered to be in circulation throuhout the entire period; when the earnings per share is calculated.

The Group’s earnings per share as of 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Average number of shares existing during the period (total value)	141.750.000.000	141.750.000.000
Net profit for the period attributable to equity holders of the parent	(1.498.525)	11.639.898
Period profit/(loss) from discontinued operations	(27.497)	(1.176.836)
Profit from continuing operations	(1.493.578)	12.763.326
Total comprehensive income attributable to equity holders of the parent	(0,00001)	0,00009
Earnings per share from discontinuing operations	(0,00000)	(0,000008)

Earnings per share	**(1,06)**	**8,21**

(Amounts expressed in US Dollars unless otherwise stated)

37. RELATED PARTY BALANCES AND TRANSACTIONS

a) Receivables and Payables to Related Parties

	31 December 2020	31 December 2019
Trade receivables		
Salzgitter Mannesmann Internatıonal Gmbh (Salzgitter Mannesmann) (2)	2.896.148	4.650.459
Borusan İstikbal Ticaret T.A.Ş. (İstikbal) (*) (3)	12.679.644	-
Borçelik Çelik Sanayi Ticaret A.Ş. (4)	16.015	20.895
Other	130.253	53.796
Less: Allowance for doubtful receivables	(77.431)	(168.859)
Less: Provision for unaccrued finance income	(1.754)	(17.494)
	15.642.875	**4.538.797**

(*) The receivable from İstikbal is derived from the export sales performed through İstikbal.

	31 December 2020	31 December 2019
Trade payables		
Borusan Lojistik Dağıtım Depolama Taş. ve Tic. A.Ş. (3)	1.616.161	6.285.279
Eta Elektronik Taşımacılık Ağı ve Taşımacılık A.Ş. (Eta Taşımacılık) (3)	373.409	-
Borçelik Çelik Sanayi Ticaret A.Ş. (4)	23.724	627.089
Borusan İstikbal Ticaret T.A.Ş. (İstikbal) (3)	-	637.079
Borusan Holding A.Ş. (Borusan Holding) (1)	17.075	134.373
Other	31.513	145.844
Less: Provision for unaccrued finance expense	(22.051)	(54.998)
	2.039.831	**7.774.666**

Borusan Lojistik and Borusan Holding provides services to the Company, whereas Borçelik provides raw material. The average due for the purchases are 30-60 days, and no interest charges may apply. Furthermore, no securities and guarantees are provided for the purchases.

(1) Ultimate partner
(2) Shareholder of the ultimate partner
(3) Subsidiary of the ultimate partner
(4) Financial investment

b) Other current assets from related parties

	31 December 2020	31 December 2019
Other current assets		
Personnel advances	15.574	12.703
	15.574	**12.703**

(Amounts expressed in US Dollars unless otherwise stated)

37. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

c) Transactions with related parties

	1 January- 31 December 2020	1 January- 31 December 2019
Material purchases		
Borçelik (4)	3.658.155	5.555.885
	3.658.155	**5.555.885**
Service purchases		
Borusan Lojistik (3)	29.661.591	31.797.152
Borusan Holding (1)	3.109.410	3.691.888
İstikbal (3)	160.611	169.152
Other	269.112	309.788
	33.200.724	**35.967.980**

	1 January- 31 December 2020	1 January- 31 December 2019
Sales		
İstikbal (3)	32.061.742	34.025.374
Salzgitter Mannesmann (2)	3.613.312	25.646.151
	35.675.054	**59.671.525**
Dividend income		
Borçelik (4)	2.276.272	2.782.829
Other	134	70
	2.276.406	**2.782.899**

Payments to key management

	1 January- 31 December 2020	1 January- 31 December 2019
Salaries and short-term benefits provided to top management	1.341.476	2.258.935
Salaries and short-term benefits provided to board of directors	171.208	376.942
	1.512.684	**2.635.877**

The top management consist of the members of the Board of Directors and member of the Executive Board of the Company.

38. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

Group aims to maximize the profitability through the optimization of the debt and equity balance, while maintaining the continuity of its business operations.

The capital structure of the Group consists of debt which includes the borrowings disclosed in Note 8 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 27.

The Management of the Group analyzes the cost of capital and the risks associated with each class of capital and aims to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

(b) Financial risk management objectives

The Group's finance department is responsible for maintaining a systematical access to international and local markets as well as monitoring and managing the Group's risk exposure using the in-house reports which analyze the level and extent of risks. Such risks consist of market risk, credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments such as foreign currency forwards during the period. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

b.1) Credit risk

	Receivables					
	Trade receivables		Other receivables			
31 December 2020	Related parties	Other	Related parties	Other	Bank accounts	Other
Maximum credit risk exposed as of balance sheet date	15.642.875	100.295.274	-	19.241.163	107.596.791	-
- the part under guarantee with collaterals, etc.	-	28.593.817	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15.642.875	49.530.266	-	19.241.163	107.596.791	-
- the part under guarantee with collaterals, etc.		26.008.851				
B. Net book value of overdue but not impaired	-	50.765.008	-	-	-	-
- the part under guarantee with collaterals, etc.	-	2.584.966	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Past due (gross carrying amount)	77.431	4.466.011	-	-	-	-
- Impairment (-)	(77.431)	(4.466.011)	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

1) In determining the amounts; securities received and the factors that may have an influence on the credit risk are not taken into consideration.
2) Guarantees contain mortgages, letters of guarantee and direct debiting system limits.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

	Receivables					
	Trade receivables		Other receivables			
31 December 2019	**Related parties**	**Other**	**Related parties**	**Other**	**Bank accounts**	**Other**
Maximum credit risk exposed as of balance sheet date	4.538.797	85.999.204	-	5.367.168	159.130.334	-
- the part under guarantee with collaterals, etc.	-	11.264.537	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4.538.797	47.935.516	-	5.367.168	159.130.334	-
- the part under guarantee with collaterals, etc.		9.464.399				
B. Net book value of overdue but not impaired	-	38.063.688	-	-	-	-
- the part under guarantee with collaterals, etc.	-	1.800.137	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Past due (gross carrying amount)	168.859	11.855.782	-	-	-	-
- Impairment (-)	(168.859)	(11.855.782)	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

1) In determining the amounts; securities received and the factors that may have an influence on the credit risk are not taken into consideration.
2) Guarantees contain mortgages, letters of guarantee and direct debiting system limits.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

Disclosures regarding the quality of financial assets

The Group's credit risk primarily arises from its trade receivables. Such credit risk is managed by limiting the risk by the amount of the collaterals received. In managing credit risk, the Group uses four types of instruments which are Direct Debit System, letters of guarantee, mortgages and credit insurance. The Group monitors the customers' credit limits on a consistent basis and creditworthiness of the customers are systematically assessed based on the financial position, past experience and other factors.

Trade receivables are reviewed depending on the Group policies and procedures and they are carried at net amounts in the balance sheet subsequent to any provision for doubtful receivables.

In accordance to the internal evaluation;	31 December 2020	31 December 2019
Group 1	5.410.414	4.554.970
Group 2	8.997.719	9.855.655
Group 3	50.765.008	38.063.688
Total trade receivables	**65.173.141**	**52.474.313**

Group 1: Customers which have been performing trade activities with the Group no longer than 6 months

Group 2: Customers which have been performing trade activities with the Group over 6 months, without any collection problems during the entire process

Group 3: Customers which have been performing trade activities with the Group over 6 months, with several collection problems

There is no trade receivables restructured, or that may be overdue in the case of being not restructured (31 December 2019: None).

As of 31 December 2020, the part of overdue trade receivables for which no impairment was calculated equals USD 50.765.008 (31 December 2019: USD 38.063.688). Below is the aging of such trade receivables:

	31 December 2020	31 December 2019
Trade receivables		
1-30 days overdue	8.608.687	5.113.235
1-3 months overdue	4.352.854	2.440.688
3- 12 months overdue	37.803.467	30.509.765
Total overdue receivables	**50.765.008**	**38.063.688**
The part under guarantee with collaterals	**2.584.966**	**1.800.137**

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

As of 31 December 2020, the Group holds letters of guarantee equals to USD 19.560, pledges equal to USD 2.537.125, and guarantee equal to USD 28.282 (31 December 2019 respectively: letters of guarantee equals to USD 170.294.603, pledges equal to USD 1.605.238, and factoring equal to USD 24.604). Overdue and impaired receivables are not secured.

The part of USD 37.202.690 of overdue receivables; As explained in the previous reports, it was caused by the disruption of the payments of a customer due to the difficulties in the import process. Within the framework of the legal dispute with this customer, which the management of the company could not agree after the tax on the import process, continues and according to the opinion of the management, it is expected that the cash flow will be achieved and the dispute will be resolved through mutual negotiations in the future.

b.2) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk tables

Conservative liquidity risk management requires maintaining sufficient cash on hand, availability of sufficient loan transactions and fund sources and ability to close market positions.

31 December 2020

	Carrying value	Total cash outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings	385.701.853	392.430.482	67.512.800	211.397.583	113.520.099	-
Lease Liabilities	2.188.701	2.288.060	460.473	983.006	844.581	-
Trade payables	122.832.090	123.450.315	94.837.605	28.612.710	-	-
Other payables	10.798.446	10.798.446	10.798.446	-	-	-
Derivative financial instruments	1.113.704	1.113.703	1.091.786	21.917	-	-
Total liabilities	**522.634.794**	**530.081.006**	**174.701.110**	**241.015.216**	**114.364.680**	**-**

31 December 2019

	Carrying value	Total cash outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	
Non derivative financial liabilities						
Borrowings	429.673.609	453.009.821	40.285.477	266.854.821	139.594.076	6.275.447
Lease Liabilities	4.354.141	4.626.052	985.034	1.775.985	1.865.033	
Trade payables	154.493.023	155.727.532	65.155.710	90.571.822	-	-
Other payables	3.420.936	3.420.936	3.420.936	-	-	-
Derivative financial instruments	8.747	8.747	8.747	-	-	-
Total liabilities	**591.950.456**	**616.793.088**	**109.855.904**	**359.202.628**	**141.459.109**	**6.275.447**

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

The details of the committed outstanding future contracts as of 31 December 2020 and 31 December 2019 are as below;

	Average exchange rates		Buying Amount		Selling amount		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD buy-TL sell Between 1-6	8,0674	-	8.546.130	-	68.944.905	-	(548.412)	-
USD buy-GBP sell Between 1-6 months	1,3241	-	2.992.466	-	2.260.000	-	(72.690)	-
USD buy-EUR sell Between 1-6 months	1,1967	-	26.968.113	-	22.534.500	-	(492.602)	-
USD buy-TL sell Between 1-6 months	-	5,7381	-	503.654	-	2.890.000	-	(8.748)

(c) Market risk

Market risk includes foreign currency risk, interest rate risk and price risk.

The Group is exposed to risks deriving from exchange rates and interest rates. In order to manage these risks, the Group uses derivative financial instruments.

Furthermore, market risk can also be assessed via sensitivity analyses. There are no significant changes in the methods that are being used by the Group in assessing the market risk and other risks.

(d) Foreign currency risk management

Transactions in foreign currencies results in foreign currency risk. Foreign currency risk is managed by using derivative financial instruments such as foreign currency forwards.

Foreign currency sensitivity

The Group is mainly exposed to EUR and TRY foreign currency risk.

The following table details the Group's sensitivity to a 20% change in the EUR and TRY exchange rates. 20% 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. The sensitivity analysis below have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The negative amount indicates the revaluation of EUR and TRY against USD.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk management (Continued)

	31 December 2020			
	Profit / (loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciaiton	Foreign currency appreciation	Foreign currency depreciaiton
	Change of EUR against USD by 20%			
1 - EUR net assets / liabilities	(4.707.108)	4.707.108	(15.783.166)	15.783.166
2 - EUR hedged from risks (-)	-	-	-	-
3- EUR net effect (1+2)	**(4.707.108)**	**4.707.108**	**(15.783.166)**	**15.783.166**
	Change of TL against USD by 20%			
4- TRY net assets / liabilities	(4.078.962)	4.078.962	-	-
5- TRY hedged from risks (-)	-	-	-	-
6- TRY net effect (4+5)	**(4.078.962)**	**4.078.962**	**-**	**-**
TOTAL (3 + 6)	**(8.786.070)**	**8.786.070**	**(15.783.166)**	**15.783.166**

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk management (Continued)

	31 December 2019			
	Profit / (loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciaiton	Foreign currency appreciation	Foreign currency depreciaiton
	Change of EUR against USD by 20%			
1 - EUR net assets / liabilities	(3.298.290)	3.298.290	(16.823.990)	16.823.990
2 - EUR hedged from risks (-)	-	-	-	-
3- EUR net effect (1+2)	**(3.298.290)**	**3.298.290**	**(16.823.990)**	**16.823.990**
	Change of TL against USD by 20%			
4- TRY net assets / liabilities	(27.318.341)	27.318.341	-	-
5- TRY hedged from risks (-)	-	-	-	-
6- TRY net effect (4+5)	**(27.318.341)**	**27.318.341**	**-**	**-**
TOTAL (3 + 6)	**(30.616.632)**	**30.616.632**	**(16.823.990)**	**16.823.990**

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk management (Continued)

The assets and liabilities in foreign curencies that are being held by the Group as of 31 December 2020 are as follows, in the original currencies and amounts, and denominated in their USD equivalents:

	31 December 2020				31 December 2019			
	TRY	**EUR**	**GBP**	**USD equivalents**	**TL**	**EUR**	**GBP**	**USD equivalents**
1 Trade receivables	152.442.682	28.461.512	1.059.317	57.128.911	44.247.542	22.358.187	-	32.480.876
2a Monetary financial assets (Including cash and cash equivalents)	59.675.131	30.345.804	40	45.368.503	1.938.902	15.785.020	-	17.999.185
2b Non-monetary financial assets	-	-	-	-	-	-	-	-
3 Other	-	-	-		-	-	-	
4 Current Assets (1+2+3)	**212.117.813**	**58.807.316**	**1.059.357**	**102.497.414**	**46.186.444**	**38.143.207**	**-**	**50.480.061**
5 Trade receivables	-	-	-	-	-	-	-	-
8 Other assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9 TOTAL ASSETS (4+8)	**212.117.813**	**58.807.316**	**1.059.357**	**102.497.414**	**46.186.444**	**38.143.207**	**-**	**50.480.061**
10 Trade payables	74.403.269	23.543.246	909	39.028.338	50.543.745	11.498.675	-	21.382.585
11 Financial liabilities	157.957.177	32.879.793	-	61.867.048	25.090.528	21.562.921	-	28.365.525
12a Other monetary liabilities	3.185	998.956	231.690	1.540.162	245.536	893.202	-	1.041.356
12b Other non-monetary liabilities	-	-	-	-	-	-	-	-
13 Short-term liabilities (10+11+12)	**232.363.631**	**57.421.995**	**232.599**	**102.435.548**	**75.879.809**	**33.954.798**	**-**	**50.789.466**
14 Trade payables	-	-	-	-	-	-	-	-
15 Financial liabilities	148.990	24.920.863	-	30.601.952	106.898.341	20.679.861	-	41.148.753
16a Other monetary liabilities	-	-	-	-	-	-	-	-
16b Other non-monetary liabilities	-	-	-	-	-	-	-	-
17 Long-term liabilities (14+15+16)	**148.990**	**24.920.863**	**-**	**30.601.952**	**106.898.341**	**20.679.861**	**-**	**41.148.753**
18 TOTAL LIABILITIES (13+17)	**232.512.621**	**82.342.858**	**232.599**	**133.037.500**	**182.778.150**	**54.634.659**	**-**	**91.938.219**
19Net asset and liability positions of derivatives out of statement of financial situation(19a-19b)	**(68.944.905)**	**(22.534.500)**	**(2.260.000)**	**(40.107.134)**	**(2.890.000)**	**-**	**-**	**(486.516)**
19a Total Hedged Assets	-	-	-	-	-	-	-	-
19bTotal Hedged Liabilities	68.944.905	22.534.500	2.260.000	40.107.134	2.890.000	-	-	486.516
20 Net foreign currency Asset/ (Liability) position (9-18+19)	**(89.339.713)**	**(46.070.042)**	**(1.433.242)**	**(70.647.220)**	**(139.481.706)**	**(16.491.452)**	**-**	**(41.944.674)**
21Monetary Items Net Foreign Currency Asset / (Liability)	**(20.394.808)**	**(23.535.542)**	**826.758**	**(30.540.086)**	**(136.591.706)**	**(16.491.452)**	**-**	**(41.458.158)**
22 Fair value of the financial instruments used for foreign currency hedging	**(4.025.618)**	**(401.419)**	**(53.660)**	**(1.113.703)**	**(51.958)**	**-**	**-**	**(8.747)**
23 Total Hedged Assets in Foreign Currency	**(68.944.905)**	**(22.534.500)**	**(2.260.000)**	**40.107.134**	**2.890.000**	**-**	**-**	**486.516**

From 1 January 2020 to 31 December 2020, the Group imported amounting to 55.591,777 USD, 22,360,114 EUR and 342,339 GBP and exported amounting to 249,311,497 USD, 93,063,812 EUR ve 3,811,586 GBP (From 1 January 2019 to 31 December 2019, the Group imported amounting to 88,399,144 USD 31,524,903 EUR and 416,229 GBP) and exported amounting to 491,201,785 USD, 96,620,800 EUR and 3,177,643 GBP)

38. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The interest rates on the Group's financial liabilities are detailed in Note 8, Bank Borrowings, Short Term and Long Term.

Interest rate sensivity

The Group's exposure to interest rate risk is related to its financial liabilities. These risks are managed by the Group through the interest rate swap agreements and forward interest rate agreements and by maintaining an appropriate distribution between fixed and variable rated debts. Hedging strategies are evaluated regularly to be compatible with interest rate expectations and defined risk. Thus, the creation of optimal hedging strategy, revision of the balance sheet position both and to be kept under the control of interest expenditure at different interest rates have been intended. The interest rate is fixed for significant portion of the Group's borrowings when the borrowing is obtained. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the income and loss effect of variable rate borrowings in the financial statements would be immaterial.

(f) Price risk

The Group is exposed to price risks arising from the cost of raw material inventories and the steel price changes affecting the sales prices except pipeline projects. Projects has not been affected by change in steel prices due to fixed the raw materials prices at the beginning. There are no global derivative instruments to be utilized against the adverse price change effect on the sales margins. The Group optimizes inventory turnover rates by reviewing the sales-production-purchase balance on a consistent basis considering the steel price trend and reflects the changes on steel prices to the selling prices.

(Amounts expressed in US Dollars unless otherwise stated)

39. FINANCIAL INSTRUMENTS

31 December 2020 Balance Sheet	Loans and receivables	Available for sale investments	Derivatives	Other financial liabilities at amortised cost	Carrying amount
Financial assets					
Cash and cash equivalents	107.603.251	-	-	-	107.603.251
Trade receivables	100.295.274	-	-	-	100.295.274
Due from related parties	15.642.875	-	-	-	15.642.875
Financial investments	-	52.684.389	-	-	52.684.389
Other receivables	19.241.163	-	-	-	19.241.163
Financial liabilities					
Borrowings	-	-	-	387.890.554	387.890.554
Trade payables	-	-	-	122.832.090	122.832.090
Due to related parties	-	-	-	2.039.831	2.039.831
Other payables	-	-	-	10.798.446	10.798.446
Derivative instruments	-	-	1.113.704	-	1.113.704

31 December 2018 Balance Sheet	Loans and receivables	Available for sale investments	Derivatives	Other financial liabilities at amortised cost	Carrying amount
Financial assets					
Cash and cash equivalents	159.137.555	-	-	-	159.137.555
Trade receivables	85.999.204	-	-	-	85.999.204
Due from related parties	4.538.797	-	-	-	4.538.797
Financial investments	-	52.861.998	-	-	52.861.998
Other receivables	4.170.647	-	-	-	4.170.647
Derivative instruments	-	-	-	-	-
Financial liabilities					
Borrowings	-	-	-	434.027.750	434.027.750
Trade payables	-	-	-	146.718.357	146.718.357
Due to related parties	-	-	-	7.774.666	7.774.666
Other payables	-	-	-	3.420.936	3.420.936
Derivative instruments	-	-	8.748	-	8.748

(Amounts expressed in US Dollars unless otherwise stated)

39. FINANCIAL INSTRUMENTS (Continued)

Below table is the reconciliation of fair values of financial assets and liabilities;

	Finacial assets at fair value through profit or loss		Available-for-sale financial asset	
31 December 2020	**Trading purpose**	**Derivative financial instruments**	**Stocks**	**Total**
Openning balance, 1 January 2020	-	-	50.536.200	50.536.200
Total gain or losses				
- Recognized in profit and loss	-	-	-	-
- Recognized in other comprehensive income	-	-	-	-
- Currency translation difference	-	-	-	-
Closing balance 31 December 2020	**-**	**-**	**50.536.200**	**50.536.200**

	Finacial assets at fair value through profit or loss		Available-for-sale financial asset	
31 December 2019	**Trading purpose**	**Derivative financial instruments**	**Stocks**	**Total**
Openning balance, 1 January 2019	-	-	46.438.000	46.438.000
Total gain or losses				
- Recognized in profit and loss	-	-	-	-
- Recognized in other comprehensive income	-	-	4.098.200	4.098.200
- Currency translation difference	-	-	-	-
Closing balance 31 December 2019	**-**	**-**	**50.536.200**	**50.536.200**

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

(Amounts expressed in US Dollars unless otherwise stated)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follows:

31 December 2020	**Level 1**	**Level 2**	**Level 3**
	USD	**USD**	**USD**
Permanent fair value measurements:			
Derivative financial instruments at fair value			
through comprehensive income statement	-	(1.113.704)	-
Available for sale financial assets	-	-	52.684.389
Property,plant and equipment	-	593.350.185	-
Non-permanent fair value measurements:			
Non-current assets held for sale	-	-	-

31 December 2019	**Level 1**	**Level 2**	**Level 3**
	USD	**USD**	**USD**
Permanent fair value measurements:			
Derivative financial instruments at fair value			
through comprehensive income statement	-	(8.748)	-
Available for sale financial assets	-	-	52.861.998
Property,plant and equipment	-	561.561.176	-
Non-permanent fair value measurements:			
Non-current assets held for sale	-	7.535.041	-

The fair values of the property, plant and equipment of the Company, as explained in Note 2.5, have been determined by an independent valuation firm as at 31 December 2019.

41. SUBSEQUENT EVENTS

The Group has been involved in 4 separate lawsuits filed against the US Department of Commerce regarding Section 232 taxes. In one of these lawsuits, the Group collected USD 11,7 million of the amount to be recovered from the US customs authority for OCTG and Standard Pipes. Since USD 14.483.420 is recognised as accrued income in the consolidated financials of the year 2020 regarding this collection, the Group will not have any effect on the 2021 income statement. (31 December 2019: None).

42. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (31 December 2019: None).