BORUSAN MANNESMANN BORU SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 TOGETHER WITH INDEPENDENT AUDITORS REPORT

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Güney Bağımsız Denetim ve SMMM A. Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 K: 2-3-4
34485 Sarıyer/İstanbul TÜRKİYE

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 2021, 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 2021, 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.

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 2021. 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 2021.	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.

4) 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.

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5) 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

20 April 2022
Istanbul, Turkey

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

CONTENTS	**PAGE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of US Dollars unless otherwise stated)

		Audited	**Audited**
ASSETS	**Note**	**31 December 2021**	**31 December 2020**
Current assets		**571.187**	**420.621**
Cash and cash equivalents	6	169.328	107.603
Trade receivables	10	151.577	115.938
- Due from related parties	37	20.634	15.643
- Trade receivables from other parties		130.943	100.295
Other receivables		1.415	19.242
- Other receivables from other parties	11	1.415	19.242
Derivative financial instruments	12	489	-
Inventories	13	222.456	157.881
Prepaid expenses	14	14.845	8.372
Current income tax assets	15	1.870	2.021
Other current assets	26	9.207	9.564
- Other current assets from related parties	37	11	16
- Other current assets from other parties		9.196	9.548
		571.187	**420.621**
Non-current assets		**664.950**	**674.551**
Available-for-sale financial assets	7	55.971	52.684
Property, plant and equipment	18	601.287	612.475
Right of use assets	20	5.731	2.153
Intangible assets		1.842	1.722
- Other intangible assets	19	1.842	1.722
Prepaid expenses	14	83	5.473
Other non-current assets	26	36	44
TOTAL ASSETS		**1.236.137**	**1.095.172**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2021

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

		Audited	Audited
LIABILITIES	**Note**	**31 December 2021**	**31 December 2020**
Current liabilities		**547.313**	**425.947**
Short-term borrowings	8	167.081	211.293
Short-term portion of long-term borrowings	8	98.763	64.793
- Bank Loans		96.514	63.407
- Lease Liabilities		2.249	1.386
Trade payables	10	239.720	122.832
- Due to related parties	37	4.660	2.040
- Trade payables to other parties		235.060	120.792
Employee benefit obligations	17	667	863
Other payables	11	3.462	10.798
- Other payables from third parties		3.462	10.798
Derivative financial instruments	12	-	1.114
Deferred revenue	16	3.152	173
Current income tax liabilities		51	-
Other current liabilities	26	34.417	14.081
		547.313	**425.947**
Non-current liabilities		**189.764**	**185.716**
Long-term borrowings	8	116.023	111.805
- Bank Loans		113.766	111.002
- Lease Liabilities		2.257	803
Provisions for employee benefits	24	3.653	2.857
Deferred tax liabilities	35	70.088	71.054
Total liabilities		**737.077**	**611.663**
EQUITY		**499.060**	**483.509**
Equity attributable to equity holders of the parent		**498.917**	**483.366**
Paid -in capital	27	68.997	68.997
Other comprehensive income not to be reclassified to profit		226.327	222.731
-Investment revaluation reserves	27	37.799	32.651
-Revaluation and measurement gains (losses)	27	188.926	189.631
-Reserve for actuarial loss on employee termination benefits		751	819
-Currency translation differences		(1.149)	(370)
Other comprehensive income to be reclassified to profit		227	(1.114)
-Cash flow hedge reserve		227	(1.114)
Retained earnings		192.752	194.251
Net profit for the period		10.614	(1.499)
Non-controlling interest	27	**143**	**143**
TOTAL LIABILITIES AND EQUITY		**1.236.137**	**1.095.172**

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 2021

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

	Note	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Revenue	28	824.949	532.030
Cost of sales (-)	28	(758.504)	(482.088)
Gross profit		**66.445**	**49.942**
General administrative expenses (-)	29	(34.119)	(33.741)
Marketing expenses (-)	29	(14.086)	(11.287)
Other operating income	31	16.848	19.654
Other operating expenses (-)	31	(869)	(839)
Operating profit		**34.219**	**23.729**
Income from investing activities	32	3.136	1.945
Operating profit before financial income and expense		**37.355**	**25.674**
Financial income	33	5.287	2.706
Financial expense (-)	33	(33.088)	(27.909)
Profit before tax from continued operations		**9.554**	**471**
Tax expense from continued operations		**1.072**	**(1.965)**
- Current tax / (expense)	35	(87)	313
- Deferred tax income / (expense)	35	1.159	(2.278)
Profit from continued operations		**10.626**	**(1.494)**
Discontinued operations		**-**	**(27)**
Period profit/(loss) from discontinued operations	34	-	(27)
Profit for the period		**10.626**	**(1.521)**
Attributable to:		**10.626**	**(1.521)**
- Non-controlling interest	27	12	(22)
- Equity holders of the parent		10.614	(1.499)
Earnings per share			
Earnings per share from continuing operations	36	0,0007488	(0,0001057)
Earnings per share from discontinuing operations		-	(0,0000019)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
PROFIT / (LOSS) FOR THE PERIOD		**10.626**	**(1.521)**
OTHER COMPREHENSIVE INCOME / (LOSS) :			
Items that will not be reclassified to profit or loss		**3.584**	**(16)**
Gain / (Loss) on revaluation of property, plant, and equipment	27	(705)	(1.271)
Gain / (Loss) arising from defined benefit plans		(68)	(39)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	27	5.148	-
Currency translation differences		(791)	1.294
Items that will be reclassified to profit or loss		**1.341**	**(1.105)**
Cash flow hedging		1.341	(1.105)
OTHER COMPREHENSIVE INCOME		**4.925**	**(1.121)**
TOTAL COMPREHENSIVE INCOME		**15.551**	**(2.642)**
Attributable to:			
Non-controlling interest		-	(9)
Equity holders of the parent		15.551	(2.633)

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

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

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

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

		Other comprehensive income/expense not to be reclassified to profit or loss				**Other comprehensive 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**	**Retained earnings**	**Equity attributable to equity holders of the parent**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2020	**68.997**	**189.246**	**32.651**	**858**	**(1.651)**	**(9)**	**195.679**	**485.771**	**332**	**486.103**
Transfer	-	1.519	-	-	-	-	(1.519)	-	-	-
Total comprehensive income / (loss) for the period	-	(1.271)	-	(39)	1.281	(1.105)	(1.499)	(2.633)	(9)	(2.642)
Transactions with non-controlling interests	-	137	-	-	-	-	91	228	(180)	48
Balance at 31 December 2020	**68.997**	**189.631**	**32.651**	**819**	**(370)**	**(1.114)**	**192.752**	**483.366**	**143**	**483.509**
Balance at 1 January 2021	**68.997**	**189.631**	**32.651**	**819**	**(370)**	**(1.114)**	**192.752**	**483.366**	**143**	**483.509**
Total comprehensive income / (loss) for the period	-	(705)	5.148	(68)	(779)	1.341	10.614	15.551	-	15.551
	-							-		- -
Balance at 31 December 2021	**68.997**	**188.926**	**37.799**	**751**	**(1.149)**	**227**	**203.366**	**498.917**	**143**	**499.060**

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 2021

(Amounts expressed in thousands of US Dollars unless otherwise stated)

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Cash flows from operating activities:			
Profit / (loss) from continuing operations		10.626	(1.521)
Reconciliation of profit from continuing operations before changes in working capital			
Depreciation and amortization expenses	18-19-20	32.086	30.167
Provision for employee termination benefits	24	2.313	754
Interest income	33	(722)	(2.706)
Interest expense	33	28.849	27.909
Provision for doubtful receivables	10	(383)	13
Adjustments in provision		14.953	-
Provision for impairment of invesments in associates and financial assets		49	211
Adjustments for fair value loss (gains) of derivative financial instruments		(194)	-
Gain on sale of property, plant and equipment and intangibles	32	(95)	331
Tax (income)/expenses adjustments		(1.072)	1.965
Currency translation differences		(18.988)	(1.872)
Dividend income	32	(3.041)	(2.276)
Operating profit before changes in working capital		**64.381**	**52.975**
Changes in working capital:			
Trade receivables	10	(34.867)	(25.111)
Inventories	13	(64.575)	42.135
Other current assets and liabilities, net		12.642	657
Trade payables	10	116.888	(31.661)
Other non-current assets and liabilities, net		5.349	1.483
Net cash flows on discontinuing operations		-	620
Taxes paid	35	(36)	345
Employee benefit obligations paid	24	(328)	(180)
Decrease (increase) in derivative financial assets		-	1.105
Net cash provided by/(used in) operating activities		**99.454**	**42.368**
Cash flow from investing activities:			
Purchase of property, plant and equipment and intangible assets	18,19	(25.889)	(22.782)
Proceeds from sale of property, plant and equipment and intangibles		4.671	(239)
Net change in available for sale financial assets	7	-	(33)
Dividend received	32	3.041	2.276
Net cash provided by/(used in) investing activities		**(18.177)**	**(20.778)**
Cash flow from financing activities:			
Redemption of borrowings		427.739	3.639.386
Proceeds from borrowings		(416.025)	(3.683.358)
Payments of lease liabilities		(2.967)	(2.848)
Interest paid		(29.020)	(29.014)
Interest received	33	722	2.706
Net cash (used in)/provided by financing activities		**(19.551)**	**(73.128)**
Net increase/(decrease) in cash and cash equivalents		**61.725**	(51.534)
Cash and cash equivalents at the beginning of the year		**107.603**	159.137
Cash and cash equivalents at the end of the period		**169.328**	**107.603**

The accompanying notes from an integral part of these consolidated financial stateme

(Amounts expressed in thousands of US Dollars unless otherwise stated)

1. CORPORATE INFORMATION

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

Period	Worker	Official	Manager	Executive	Total
31 December 2021	1.396	292	37	7	1.732
31 December 2020	1.395	285	33	7	1.720

Consolidated financial statements covering accounting period of 1 January - 31 December 2021 are approved with Board of Directors' decision dated on March 2, 2022. General assembly has the authority to amend the financial statements.

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**	**2021**	**2020**
Holding	Borusan Mannesmann Holding BV"(BM Holding BV)"	Netherlands	100%	100%
Steel Pipe	Borusan Mannesmann Pipe US Inc."(BM Pipe)"	USA	100%	100%
Steel Pipe	Borusan Mannesmann Vobarno Tubi SPA "(BM Vobarno)"	Italy	99%	99%
Steel Pipe	Borusan Tube International Gmbh "(Borusan Tube Germany)"	Germany	100%	100%
Holding	Borusan Mannesmann Cooperative U.A."(BM Coop)"	Netherlands	99%	99%
Steel Pipe	Borusan Mannesmann Espana SA "(BM Espana)"	Spain	99%	99%
Steel Pipe	Borusan Tube Products S.A. "(Borusan Tube Romania)" (*)	Romania	100%	-

(*) The Company was established in 2021.

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 2021 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 reflects the economic substance of the underlying events and circumstances relevant to this company. Therefore, the Company 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 thousands of 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 two years were as follows:

Year	Year end- USD/TRY rates	Average- USD/TRY rates
2020	7,3405	7,0090
2021	13,3290	8,8854

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 2021 (1 Euro = 0,8835); income and expense and cash flows are converted with twelve-month average of the exchange rates (1 Euro = 0,8488) (As of 31 December 2020, 1 Euro = 0,8149; 31 December 2020 twelve-month average exchange rate 1 Euro= 0,8737).

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.

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.

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

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 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 2021 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows:

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") (Continued)

The new standards, amendments and interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows (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. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic (2020 amendment). The 2020 amendment does not apply to lessors. In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

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. The Group will wait until the final amendment to assess the impacts of the changes.

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

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

The new standards, amendments and interpretations (Continued)

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

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 prospectively. 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). The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendments 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 retrospectively 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. Overall, the Group expects no significant impact on its balance sheet and equity.

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 prospectively 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.

Overall, the Group expects no significant impact on its balance sheet and equity.

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

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

The new standards, amendments and interpretations (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. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The Group and will not have an impact on the financial position or performance of the Group.

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

In 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.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

The new standards, amendments and interpretations (Continued)

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

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

The new standards, amendments and interpretations (Continued)

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

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.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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 2021 are consistent with those applied in the preparation of financial statements for the year ended at 31 December 2020.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

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% (2020: 20%) and for foreign currency denominated trade receivables Libor rate is used (2020: Libor). The average collection period of trade receivables is 70 days (2020: 70 days). Trade receivables for which risks and rewards are transferred to third parties as part of factoring transaction are derecognized.

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.

(Amounts expressed in thousands of US Dollars unless otherwise stated)

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

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 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.

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

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 2021, 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.

Finance leases

The Group recognises right-of-use assets at the commencement of the lease (i,e,,the date of underlying asset is available for use), Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any revaluation of lease liabilities.

The cost of right-of-use asset includes:

a) the amount of lease liabilities recognised,
b) lease payments made at or before the commencement date less any lease incentives received,
c) initial direct costs incurred

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Finance leases(Continued)

i) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. At the commencement date of the lease, the measurement of the lease liabilities includes:

(a) Fixed payments,
(b) The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs,
(c) The amounts expected to be paid by the Group under residual value guarantees
(d) The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and
(e) The payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate,

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. The Group discounts the lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. After the commencement date, the Group measures the amount of lease liabilities as follows:

(a) the amount of lease liabilities is increased to reflect the accretion of interest, and
(b) reduced for the lease payments made

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value, Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Trade payables

Trade payables which generally have an average repayment period of 35 days (2020: 34 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% (2020: 20%) and interest rates used for foreign currency denominated trade payables are Libor (2020: 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 1,49%-6,67% for USD based trade payables (2020: 180-360 days and the average interest rates applied are in the interval of %1,26 - %2,53% for EUR based payables and %1,11-%6,63 for USD based payables).

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

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.

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Income taxes(Continued)

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.

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.

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

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.

Financial Assets

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

<u>Financial Assets(Continued)</u>

Classification and measurement (Continued)

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.

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.

<u>Financial Liabilities</u>

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Derivative financial instruments and hedge accounting(Continued)

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).

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 USD, which is the functional currency of the Group.

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Foreign currency transactions(Continued)

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).

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.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

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. 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 24. For the period 1 January - 31 December 2021, if the discount rate used in the calculation was higher/lower by 1%, the comprehensive income of the period would have been USD 241 higher (USD 274 lower). 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 41 higher (USD 54 lower).

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies(Continued)

Significant accounting judgements and estimations(Continued)

- 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. The fair values identified as of 31 December 2019, were determined by equivalent price, discounted cash flow, renewal cost etc. methods. The fair values in financial statement as of 31 December 2021 are based on expertise reports prepared by 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 2021, if the value determined in the expert's report was higher/lower by 1%, the comprehensive income of the period would have been USD 288 lower/higher (2020: USD 288).

- 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.

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 13.5% 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 1%. 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%.

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

None (31 December 2020: 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).

4. JOINT VENTURES

None (31 December 2020: 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 thousands of US Dollars unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in hand	2	6
Cash at banks		
- Demand deposits	121.757	63.324
- Time deposits	47.569	44.273
	169.328	**107.603**

The details of time deposits as of 31 December 2021 and 2020 are as follows:

			31 December 2021	
Currency	**Interest Rate (%)**	**Maturity (days)**	**Original currency amount**	**Amount in USD**
USD	0,01-0,60	3	112.855	112.855
Euro	0,01-0,10	3	7.772	8.797
TL	10,00-24,50	3	1.404	105
				121.757

			31 December 2020	
Currency	**Interest Rate (%)**	**Maturity (days)**	**Original currency amount**	**Amount in USD**
TL	15,50-17,49	4	52.418	7.141
USD	0,03-1,25	4	38.451	38.451
Euro	0,05-1,20	4	14.450	17.732
				63.324

7. FINANCIAL INVESTMENTS

a) Short-term financial investments

None (31 December 2020: None).

b) Available-for-sale financial assets

Available-for sale financial assets as of 31 December 2021 and 2020 are stated below:

	31 December 2021		31 December 2020	
	Amount	**Share (%)**	**Amount**	**Share (%)**
Borçelik Çelik Sanayii Ticaret A.Ş. (Borçelik)	55.955	11,78	50.536	11,78
Borusan Mannesmann Cooperatie U.A. (BM Coop) (*)	-	-	2.134	99,00
Other	16		14	
	55.971		**52.684**	

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

(*) BM Coop. is included in the scope of consolidation as of 2021.

(Amounts expressed in thousands of US Dollars unless otherwise stated)

8. BORROWINGS

a) Short-term borrowings

	31 December 2021			31 December 2020		
Currency	**Amount**	**USD Equivalent**	**Interest Rate (%)**	**Amount**	**USD Equivalent**	**Interest Rate (%)**
USD	108.571	108.571	0,85-3,80	168.407	168.407	0,87-4,00
EURO	27.251	30.845	0,45-0,75	29.581	36.300	0,45-0,80
TL	368.747	27.665	14,75-27,00	48.344	6.586	7,25
		167.081			**211.293**	

As of 31 December 2021, none of short-term borrowings of the Group are secured (31 December 2020: None).

b) Short-term portion of long-term borrowings

- Bank Credits

	31 December 2021			31 December 2020		
Currency	**Amount**	**USD Equivalent**	**Interest Rate (%)**	**Amount**	**USD Equivalent**	**Interest Rate (%)**
USD	93.009	93.009	1,33-4,11	47.020	47.020	4,28-5,35
EURO	3.097	3.505	0,45-3,00	1.416	1.737	0,45-3,00
TL	-	-	-	107.540	14.650	11,00-13,89
		96.514			**63.407**	

As of 31 December 2021; none of the short-term portion of long-term borrowings of the Group are secured (31 December 2020: None).

- Lease Liabilities

	31 December 2021			31 December 2020		
Currency	**Amount**	**USD Equivalent**	**Interest Rate (%)**	**Amount**	**USD Equivalent**	**Interest Rate (%)**
TL	12.516	939	18,1 - 21,7	1.999	273	18,1
USD	1.108	1.108	4,3 - 4,8	871	871	4,8
EURO	178	202	3,0	197	242	3,0
-						
		2.249			**1.386**	

(Amounts expressed in thousands of US Dollars unless otherwise stated)

8. BORROWINGS (Continued)

c) Long-term borrowings

- Bank Credits

	31 December 2021			31 December 2020		
Currency	**Amount**	**USD Equivalent**	**Interest Rate (%)**	**Amount**	**USD Equivalent**	**Interest Rate (%)**
USD	73.523	73.523	3,50-4,50	81.000	81.000	1,32-4,27
EURO	35.554	40.243	0,45-5,10	24.448	30.002	3,00-5,10
		113.766			**111.002**	

As of 31 December 2021; none of the long-term borrowings of the Group are secured (31 December 2020: none). The interest rates of a certain portion of long-term borrowings are linked to LIBOR rates.

The redemption schedule of the long-term borrowings for 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
2022	-	81.000
2023	80.537	19.878
2024	21.782	1.534
2025	2.082	8.590
2026	9.365	-
	113.766	**111.002**

- Lease Liabilitiees

	31 December 2021			31 December 2020		
Currency	**Amount**	**USD Equivalent**	**Interest Rate (%)**	**Amount**	**USD Equivalent**	**Interest Rate (%)**
-						
TL	21.753	1.632	18,1-21,7	149	20	18,1
USD	347	347	4,3-4,8	266	266	4,8
EURO	245	278	3,0	421	517	3,0
-						
		2.257			**803**	

The net debt reconciliation of borrowings from leasing transactions during the periods ended 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Opening	**2.189**	**4.354**
Additions	5.836	528
Change in lease contracts	592	12
Interest expense	400	270
Payment	(2.967)	(2.848)
Foreign exchange difference	(1.488)	(212)
Currency translation difference	(56)	85
Closing	**4.506**	**2.189**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

9. OTHER FINANCIAL LIABILITIES

None (31 December 2020: None).

10. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 December 2021	31 December 2020
Trade receivables	132.879	102.754
Receivables from related parties (Note 37)	20.705	15.720
Notes receivable	1.687	1.930
Allowance for doubtful receivables (-) (*)	(3.694)	(4.466)
	151.577	**115.938**

(*) As of 31 December 2021, USD 71 (31 December 2020: USD 77) of doubtful receivables are due from related parties.

The movement of the provision for doubtful receivables during the periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening	**4.466**	**11.856**
Additions	-	13
Provisions no longer required	(383)	(7.100)
Currency translation differences	(389)	(303)
Closing	**3.694**	**4.466**

As of 31 December 2021, the Group does not have the long-term trade receivables (31 December 2020: None). Nature and level of the risks arising from trade receivables are disclosed in Note 38.

b) Trade Payables

	31 December 2021	31 December 2020
Trade payables	235.060	120.792
Due to related parties (Note 37)	4.660	2.040
	239.720	**122.832**

Within trade payables in 2021, the Group has USD 86.652 of letter of credits for use of purchases with the weighted average interest rate 2,83% for USD and the average maturity of the payables is 180-360 days (31 December 2020: USD 17.034 and EUR 12.210 with the weighted average interest rate 2,91% for USD and 1,85% for EUR). Detailed information about the nature and level of risks arising from trade payables are disclosed in Note 38. There are no long-term trade payables (31 December 2020: None).

(Amounts expressed in thousands of US Dollars unless otherwise stated)

11. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2021	31 December 2020
Receivables from tax authority	1.128	19.132
Due from personnel	127	21
Other	160	89
	1.415	**19.242**

b) Other payables

	31December2021	31December2020
Advances received	2.440	9.489
Taxes and charges payable	1.022	1.309
	3.462	**10.798**

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 2021; total value receivables are GBP 3.255, EUR 26.937 receivables from abroad and TRY 190.381 receivables from domestic. (2020: total value receivables are GBP 2.260 EUR 22.535 receivables from abroad and TRY 68.945 receivables from domestic) (Note 38).

	31 December 2021	31 December 2020
Income accrual from derivative financial instruments	489	-
Expense accrual from derivative financial instruments	-	1.114

13. INVENTORIES

	31 December 2021	31 December 2020
Raw materials	87.736	50.770
Work in progress	36.009	34.954
Finished goods	90.477	58.856
Trade goods	757	7.982
Goods-in-transit	7.477	5.319
	222.456	**157.881**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

14. PREPAID EXPENSES

Details of current and non-current prepaid expenses of the Group as of 31 December 2021 and 31 December 2020 are as follows:

a) Short-term prepaid expenses

	31 December 2021	**31 December 2020**
Advance payments for raw materials	12.187	3.656
Insurance fees	442	646
Other short term prepaid expenses (*)	2.216	4.070
	14.845	**8.372**

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

b) Long-term prepaid expenses

	31 December 2021	**31 December 2020**
Advance payments for fixed assets	21	5.130
Other long term prepaid expenses	62	343
	83	**5.473**

15. CURRENT INCOME TAX ASSETS

As of 31 December 2021, income tax asset is USD 1.870 (31 December 2020: USD 2.021).

16. DEFERRED REVENUE

As of 31 December 2021, the short-term deferred income of the Group is as follows:

	31 December 2021	**31 December 2020**
Deferred income	3.152	173

17. EMPLOYEE BENEFIT OBLIGATIONS

As of 31 December 2021, accrued salaries of employees USD 667 (31 December 2020: USD 863).

(Amounts expressed in thousands of US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Currency transaction differences	Additions	Disposals	Transfers	Increase/(Decrease) in Revaluation	31 December 2021
Cost							
Land	140.143	-	1.846	(962)	-	(783)	140.244
Land improvements and leaseholds	4.844	-	-	-	201	-	5.045
Buildings	154.476	(1.549)	-	(3.640)	203	-	149.490
Machinery and equipment	341.012	(2.272)	1.018	(319)	24.606	-	364.045
Motor vehicles	3.987	(30)	15	(46)	156	-	4.082
Furniture and fixtures	29.191	(30)	22	(1.492)	629	-	28.320
Construction in progress	6.573	-	22.016	-	(25.795)	-	2.794
	680.226	**(3.881)**	**24.917**	**(6.459)**	**-**	**(783)**	**694.020**
Less: Accumulated depreciation							
Land improvements and leaseholds	(827)	-	(249)	-	-	-	(1.076)
Buildings	(7.650)	237	(4.799)	176	-	-	(12.036)
Machinery and equipment	(34.630)	1.319	(21.461)	169	-	-	(54.603)
Motor vehicles	(3.143)	28	(300)	46	-	-	(3.369)
Furniture and fixtures	(21.501)	23	(1.663)	1.492	-	-	(21.649)
	(67.751)	**1.607**	**(28.472)**	**1.883**	**-**		**(92.733)**
Net book value	**612.475**						**601.287**

There is no financial expense capitalized in 2021 (31 December 2020: USD 4.852).

(Amounts expressed in thousands of US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Currency transaction differences	Additions	Disposals	Transfers	Increase/(Decrease) in Revaluation	Transfer with Business Combination	31 December 2020
Cost								
Land	136.613	-	-	-	-	-	3.530	140.143
Land improvements and leaseholds	9.697	-	-	-	1.450	(6.303)	-	4.844
Buildings	141.070	1.731	-	-	3.973	4.713	2.989	154.476
Machinery and equipment	300.170	2.434	-	-	38.163	-	246	341.013
Motor vehicles	3.918	32	-	-	37	-	-	3.987
Furniture and fixtures	28.917	41	-	(129)	361	-	-	29.190
Construction in progress	28.927	17	21.613	-	(43.984)	-	-	6.573
	649.312	**4.255**	**21.613**	**(129)**	**-**	**(1.590)**	**6.765**	**680.226**
Less: Accumulated depreciation								
Land improvements and leaseholds	(539)	-	(288)	-	-	-	-	(827)
Buildings	(2.579)	(248)	(4.823)	-	-	-	-	(7.650)
Machinery and equipment	(13.713)	(1.318)	(19.599)	-	-	-	-	(34.630)
Motor vehicles	(2.825)	(25)	(293)	-	-	-	-	(3.143)
Furniture and fixtures	(19.718)	(22)	(1.796)	35	-	-	-	(21.501)
	(39.374)	**(1.613)**	**(26.799)**	**35**	**-**	**-**	**-**	**(67.751)**
Net book value	**609.938**							**612.475**

(Amounts expressed in thousands of 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 2021 and 2020 are as follows:

	31 December 2021		31 December 2020	
	Land and buildings	**Machinery and equipment**	**Land and buildings**	**Machinery and equipment**
Cost	156.214	437.542	155.321	413.452
Accumulated depreciation (-)	(30.565)	(193.166)	(27.341)	(171.012)
Net book value	**125.649**	**244.376**	**127.980**	**242.440**

19. INTANGIBLE ASSETS

	31 December 2021	31 December 2020
Cost:		
Cost at 1 January	7.799	6.548
Currency transaction differences	(70)	82
Additions	972	1.169
Disposals	(2)	-
	8.699	**7.799**
Less: Accumulated depreciation		
Accumulated amortisation at 1 January	6.077	5.293
Currency transaction differences	(59)	65
Disposals	(2)	-
Amortisation of current period	841	719
	6.857	**6.077**
Net book value	**1.842**	**1.722**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

20. RIGHT OF USE ASSETS

Cost	Building	Vehicles	Total
Opening (1January 2021)	3.649	3.060	6.709
Currency translation differences	(90)	(11)	(101)
Addition	3.993	1.843	5.836
Changes in contracts	592	-	592
Disposal	(755)	(1.197)	(1.952)
Balance at 31 December 2021	**7.389**	**3.695**	**11.084**
Accumulated Depreciation			
Opening (1January 2021)	2.484	2.072	4.556
Currency translation differences	(37)	(7)	(44)
Addition	1.461	1.312	2.773
Disposal	(752)	(1.180)	(1.932)
Balance at 31 December 2021	**3.156**	**2.197**	**5.353**
Net Book Value	**4.233**	**1.498**	**5.731**

Cost	Building	Vehicles	Total
Opening (1January 2020)	2.582	6.384	8.966
Currency translation differences	12	116	128
Addition	45	483	528
Changes in contracts	56	(43)	13
Disposal	-	(2.929)	(2.929)
Balance at 31 December 2020	**2.695**	**4.011**	**6.706**
Accumulated Depreciation			
Opening (1January 2020)	1.235	3.539	4.774
Currency translation differences	5	37	42
Addition	1.159	1.490	2.649
Disposal	-	(2.912)	(2.912)
Balance at 31 December 2020	2.399	2.154	4.553
Net Book Value	**296**	**1.857**	**2.153**

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 2020: None).

22. CONTINGENT ASSETS AND LIABILITIES

None (31 December 2020: None)

(Amounts expressed in thousands of US Dollars unless otherwise stated)

23. COMMITMENTS

- **Export Commitments**

Export commitments amount to USD 292.327 as of 31 December 2021 (31 December 2020: USD 256.652).

- **Letters of credit**

As of 31 December 2021, the Group has open letter of credit agreements for the future purchases from suppliers amounting to USD 55.032 (31 December 2020: USD 25.570 and EUR 4.565).

- **Guarantees, Pledges and Mortgages**

As of 31 December 2021, the Group is contingently liable for safeguards which are USD 188.389 (31 December 2020: USD 198.637). No guarantees are given during this period (31 December 2020: None).

-	USD	EUR	TL	31 December 2021
A. GPM’s given in the name of its own legal personality	154.157	27.719	38.086	188.389
B. GPM’s given on behalf of the fully consolidated companies	60.000	16.746	-	78.954
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	-	-	-	-
	214.157	**44.465**	**38.086**	**267.343**

There are no CPMs that the Group is liable on its immediate parent company (31 December 2020: None)

-	USD	EUR	TL	31 December 2020
-				
A. GPM’s given in the name of its own legal personality	159.345	22.449	86.201	198.637
B. GPM’s given on behalf of the fully consolidated companies	70.385	14.892	-	88.659
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	-	-	-	-
	229.730	**37.341**	**86.201**	**287.296**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

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 8.284,51 as of 31 December 2021 (TRY 7.117,17 as of 31 December 2020). It has been taken into account in the calculation of the severance pay provision of the Group, the amount of 10,848.59 TL effective from 1 January 2022. (31 December 2020: TRY 7,638.96).

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 2021 and 2020 the actuarial assumptions that are used in the calculation of liability are as follows:

	31 December 2021	**31 December 2020**
Discount rate	4,32%	4,22%
Probability of retirement	92%	91%

The movements of provision for employment termination benefits for the periods ended 31 December 2021 and 2020 are as follows:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Opening	2.857	2.700
Service cost	2.149	528
Finance cost	164	226
Actuarial loss	91	49
Paid during the period	(328)	(180)
Currency translation difference	(1.280)	(466)
Closing	**3.653**	**2.857**

25. RETIREMENT PLANS

None (31 December 2020: None).

(Amounts expressed in thousands of US Dollars unless otherwise stated)

26. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2021	31 December 2020
Income accruals	7.475	7.642
VAT receivable	1.457	1.899
Deposits given	237	7
Other current assets from related parties (Note 37)	11	16
Other	27	-
	9.207	**9.564**

b) Other non-current assets

As of 31 December 2021, other non-current assets equal USD 36 (2020: USD 44).

c) Other short-term liabilities

	31 December 2021	31 December 2020
Accrued export expenses (*)	22.355	5.870
Accrued cost of sales expenses	8.681	6.052
Other	3.381	2.159
	34.417	**14.081**

(*) On July 14, 2020, the United States (US) International Trade Court ruled, that the decision of the US Presidency to increase the customs duty on steel imported from Turkey is contrary to the US Constitution, and in accordance with this decision, the additional custom duty, paid by our Company has been refunded by US Customs Authority. However, on July 13, 2021, the US Court of Appeals has overturned this decision of US International Trade Court.

Our company appealed this legal process on unjustified customs duty increase decision to the Supreme Court, the highest court in the US, on November 12, 2021. Despite the ongoing legal process on this, the obligation emerged to return the refunded custom duty by the US Customs Authority. The relevant payments will be proceeded in 2022 thus a provision amounting to 14.483.420 USD reserved in the consolidated financial statements as of December 31, 2021 and classified within export expense accruals. In addition to this payment amounting to USD 14.483.420 refunded by the US Customs Authority, 36 million USD of custom duty refund for the pipes exported in 2018-2019 within the scope of the GCX project for pipe exports, will also be returned. Although having already been exempted for the entire custom duty paid for the shipments of this project, a separate legal process is being carried out for US Customs Authority, since there is no decent ground of not proceeding with this custom duty refund.

(Amounts expressed in thousands of US Dollars unless otherwise stated)

27. EQUITY

a) Paid-in share capital

The legal capital structure of the group as of 31 December 2021 and 2020 is as follows:

	31 December 2021		31 December 2020	
	TRY	**Share (%)**	**TRY**	**Share (%)**
Borusan Mannesmann Boru Yatırım Holding A.Ş.	104.157	73,48	104.157	73,48
Lumbro Corporate Services Limited	9.450	6,67	9.450	6,67
Public Share and Other	28.143	19,85	28.143	19,85
	141.750	**100**	**141.750**	**100**
USD Equivalent	68.997		68.997	

As of 31 December 2021, there are 14.175.000.000 shares, each of which has 1 Kr nominal value. As of 31 December 2021, the paid-in capital of the group comprises Group A (10% of the total shares) and Group B (90% of the total shares) shares (2020: Group A 10%, Group B 90%). Also, the Group has 100 dividend shares that do not grant voting power (2020: 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 2021 and 31 December 2020 the movement of revaluation funds are as follows:

	1 January 31 December 2021		1 January 31 December 2020	
	Property,plant and equipment reveluation reserve	**Investment revaluation reserve**	**Property,plant and equipment reveluation reserve**	**Investment revaluation reserve**
1January	189.631	32.651	189.246	32.651
Transfer of amortisation differences between revelued amounts and initially recognised amounts of available-for-sale financial assets	-	-	1.519	-
Current year revaluation of financial investments	-	5.148	-	-
Current year revaluation on property, plant and equipment	(705)	-	(1.271)	-
Transactions with non-controlling interests	-	-	137	-
31 December	**188.926**	**37.799**	**189.631**	**32.651**

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) 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.

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 1.007.197 in its statutory records as of the balance sheet date (period loss in 2020: TRY 188.387) and the total of other sources which can be subjected to dividend distribution is TRY 15.626 (31 December 2020: TRY 15.626).

(Amounts expressed in thousands of US Dollars unless otherwise stated)

27. EQUITY (Continued)

d) Non-controlling interests

The movement of non-controlling interests for the periods as of 31 December 2021 and 31 December 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
1 January	143	331
Share in current year result	12	(22)
Transactions due to business combinations	-	(180)
Currency translation difference	(12)	14
31 December	**143**	**143**

28. REVENUE AND COST OF SALES

a) Revenue

	1 January - 31 December 2021			1 January - 31 December 2020		
	Sales to Turkey	Sales outside Turkey	Total	Sales to Turkey	Sales outside Turkey	Total
Steel Pipe	328.294	496.655	824.949	170.621	361.409	532.030

b) Cost of sales

	1 January - 31 December 2021	1 January - 31 December 2020
Direct material	617.157	365.281
Direct labor	36.883	33.665
Depreciation and amortization	26.621	25.348
Repair, maintenance and other production expenses	58.156	47.283
Cost of trade goods sold	19.687	10.511
	758.504	**482.088**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

29. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
General administrative expenses	34.119	33.741
Marketing expenses	14.086	11.287
	48.205	**45.028**

30. EXPENSES BY NATURE

Marketing expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Sales distribution	5.946	3.701
Personnel	3.149	2.905
Depreciation and amortisation expenses	2.236	1.825
Consultancy	825	1.436
Direct selling expense	660	283
Vehicle expenses	346	297
Transportation and travel	287	131
Energy	120	85
Communication	36	30
Other	481	594
	14.086	**11.287**

General administrative expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel	13.977	12.978
Consultancy	5.120	6.767
Depreciation and amortisation	3.229	2.995
Information technology	2.017	1.811
Insurance	1.934	1.748
Outsourced services	1.371	1.171
Tax and charges	997	1.226
Donations	894	989
Maintenance	474	356
Vehicle expenses	402	369
Energy	322	280
Rent	246	346
Transportation and travel	215	164
Communication	180	137
Other	2.741	2.404
	34.119	**33.741**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

30. EXPENSES BY NATURE (Continued)

Depreciation and amortization expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of sales	26.621	25.348
General administrative expenses	3.229	2.995
Marketing expenses	2.236	1.824
	32.086	**30.167**

Personnel expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of sales	36.883	33.665
General administrative expenses	13.977	12.978
Marketing expenses	3.149	2.905
	54.009	**49.548**

31. OTHER INCOME AND EXPENSE

Other income

	1 January - 31 December 2021	1 January - 31 December 2020
Interest on credit sales	12.332	5.768
Foreign exchange gain	1.645	1.986
Insurance indemnity gain	718	644
Scrap sales	710	59
Provision no longer required	-	7.100
Government incentive	-	4.095
Other	1.443	2
	16.848	**19.654**

Other expense

	1 January - 31 December 2021	1 January - 31 December 2020
Prior period expenses	151	-
Impairment on financial asset held for sale	48	210
Other	670	629
	869	**839**

32. INVESTMENT INCOME

	1 January - 31 December 2021	1 January - 31 December 2020
Dividend income	3.041	2.276
Gain/(Loss) on disposal of plant, property and equipment	95	(331)
	3.136	**1.945**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

33. FINANCIAL INCOME AND EXPENSE

Financial income

	1 January - 31 December 2021	1 January - 31 December 2020
Income from derivative financial instruments	4.565	1.071
Interest income	722	1.635
	5.287	**2.706**

Financial expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Interest expenses	22.052	20.723
Interest charges	3.459	1.642
Factoring expense	3.338	1.313
Loss on derivative financial instruments	2.470	2.449
Bank expense	1.769	1.782
	33.088	**27.909**

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 IFRS 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.

There is no profit or loss for the period regarding discontinued operations (2020: 27 USD).

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 2021 is 25% (2020:22%).

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 2020: 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 2020: 24%).

(Amounts expressed in thousands of 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 2021 and 2020 is as follows:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Profit before tax	9.554	444
At statutory income tax calculated with rate at 25% (2020: 22%)	2.389	98
Disallowable expenses	9.821	2.267
Tax exempt income	(3.472)	(3.182)
Loss carried forward utilized during the year	-	(1.331)
Effect of using functional currency as Turkish Lira on financial statements prepared for current tax calculation	(9.810)	4.113
Tax expense	**(1.072)**	**1.965**

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 2021 and 2020 are summarized below:

	31 December 2021	**31 December 2020**
-Turkey tax charge	-	-
-U.S.A. tax charge	-	(375)
-Italy tax charge	87	62
Total statutory income tax charge for the year	87	(313)
Prepaid taxes	(1.870)	(2.053)
Currency translation	(36)	345
Income taxes payable	**(1.819)**	**(2.021)**

As of 31 December 2021 and 31 December 2020 deferred tax rate used is %23 for short-term assets and liabilities and %20 for long-term assets and liabilities in Turkey, 21% for subsidiaries in the USA and 24% for subsidiaries in Italy

(Amounts expressed in thousands of US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

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 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Net differences between the tax base and the amounts reported:				
-carrying value of tangible and intangible assets	(346.075)	(320.055)	(70.477)	(65.330)
-carrying value of lands	(118.030)	(115.929)	(11.803)	(11.593)
-carrying value of financial assets	(53.495)	(46.188)	(2.675)	(2.309)
-carrying value of stocks	(31.987)	804	(7.371)	136
Provision for employee benefits obligation	3.500	2.684	700	537
Temporary differences of trade receivables	1.294	350	298	77
Temporary differences of trade payables	(548)	(170)	(126)	(37)
Carry forward tax losses	98.255	27.504	19.726	5.561
Other provisions and accruals	7.780	9.056	1.640	1.904
Deferred tax liability,net	**(439.306)**	**(441.944)**	**(70.088)**	**(71.054)**

The expiry dates of unused previous year losses as of December 31, 2021 and 2020 are as follows:

	31 December 2021	**31 December 2020**
2022	1.494	1.210
2023	2.565	9.314
2024	3.342	12.138
2025	9.312	-
2026	75.564	-
Indefinite	5.977	4.842
	98.254	**27.504**

The distribution of deferred tax assets/(liabilities) for the periods ended on 31 December 2021 and 2020 are as follows:

	31 December 2021	**31 December 2020**
Deferred tax asset	-	-
Deferred tax liability	(70.088)	(71.054)
Deferred tax liability, net	**(70.088)**	**(71.054)**

Deferred tax liability for the periods ended on 31 December 2021 and 2020 are as follows:

	1 January - 31 December 2021	**1 January - 31 December 2020**
1 January	(71.054)	(68.028)
Currency translation reserve	123	(140)
Tax charge recognized in the statement of comprehensive income	(316)	329
Transfer to discontinued operations	-	(937)
Tax charge recognized in the statement of income	1.159	(2.278)
31 December	**(70.088)**	**(71.054)**

(Amounts expressed in thousands of US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

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 2021		31 December 2020	
	Deferred tax asset	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
Borusan Mannesmann Boru	-	56.849	-	57.782
BM Pipe	-	11.791	-	11.690
BM Vobarno	-	1.448	-	1.582
	-	**70.088**	**-**	**71.054**

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 2021 and 2020 is as follows:

	31 December 2021	**31 December 2020**
Average number of shares existing during the period	14.175.000.000	14.175.000.000
Net profit for the period attributable to equity holders of the parent	10.614	(1.499)
Period profit/(loss) from discontinued operations	-	(27)
Profit from continuing operations	10.626	(1.494)
Earnings per share from continuing operations	0,00075	(0,00011)
Earnings per share from discontinuing operations	-	(0,00000)
Earnings per share	**0,00075**	**(0,00011)**

37. RELATED PARTY BALANCES AND TRANSACTIONS

a) Receivables and Payables to Related Parties

	31 December 2021	**31 December 2020**
Trade receivables		
Borusan İstikbal Ticaret T.A.Ş. (İstikbal) (*)	20.515	12.680
Salzgitter Mannesmann Internatıonal Gmbh (Salzgitter Mannesmann)	-	2.896
Other	193	146
Less: Allowance for doubtful receivables	(71)	(77)
Less: Provision for unaccrued finance income	(3)	(2)
	20.634	**15.643**

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

(Amounts expressed in thousands of US Dollars unless otherwise stated)

37. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	31 December 2021	31 December 2020
Trade payables		
Borusan Lojistik Dağıtım Depolama Taşımacılık ve Tic. A.Ş. (3)	4.270	1.616
Eta Elektronik Taşımacılık Ağı ve Taşımacılık A.Ş. (3)	347	373
Borusan Sigorta Acenteliği A.Ş. (3)	30	6
Borusan EnBW Enerji Yatırımları ve Üretim A.Ş (3)	23	-
Other	10	67
Less: Provision for unaccrued finance expense	(20)	(22)
	4.660	**2.040**

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.

b) Other current assets from related parties

	31 December 2021	31 December 2020
Personnel advances	11	16

c) Transactions with related parties

	1 January- 31 December 2021	1 January- 31 December 2020
Material purchases		
Borçelik (4)	960	3.658
	960	**3.658**
Service purchases		
Borusan Lojistik (3)	46.908	29.662
Borusan Holding (1)	3.036	3.109
İstikbal (3)	431	161
Other	237	269
	50.612	**33.201**
Sales		
İstikbal (3)	86.071	32.062
Salzgitter Mannesmann (2)	1.807	3.613
Borçelik (4)	94	-
	87.972	**35.675**
Dividend income		
Borçelik (4)	3.040	2.276
Other (4)	-	-
	3.040	**2.276**

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

(Amounts expressed in thousands of US Dollars unless otherwise stated)

37. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Payments to key management

	1 January- 31 December 2021	1 January- 31 December 2020
Salaries and short-term benefits provided to top management	1.793	1.342
Salaries and short-term benefits provided to board of directors	176	171
	1.969	**1.513**

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 thousands of 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 2021	Related parties	Other	Related parties	Other	Bank accounts	Other
Maximum credit risk exposed as of balance sheet date	20.634	130.943	-	1.415	169.326	-
- the part under guarantee with collaterals, etc.	-	62.408	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	20.634	119.907	-	1.415	169.326	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
B. Net book value of overdue but not impaired	-	11.036	-	-	-	-
- the part under guarantee with collaterals, etc.	-	5.102	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Past due (gross carrying amount)	71	3.623	-	-	-	-
- Impairment (-)	(71)	(3.623)	-	-	-	-
- 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	-	-	-	-	-	-

(Amounts expressed in thousands of US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

	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	15.643	100.295	-	19.242	107.597	-
- the part under guarantee with collaterals, etc.	-	28.594	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15.643	49.530	-	19.242	107.597	-
- the part under guarantee with collaterals, etc.		26.009				
- teminat, vs ile güvence altına alınmış kısmı	-	-	-	-	-	-
B. Net book value of overdue but not impaired	-	50.765	-	-	-	-
- the part under guarantee with collaterals, etc.	-	2.585	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Past due (gross carrying amount)	77	4.466	-	-	-	-
- Impairment (-)	(77)	(4.466)	-	-	-	-
- 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	-	-	-	-	-	-

(Amounts expressed in thousands of 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 2021	31 December 2020
Group 1	783	5.410
Group 2	128.722	8.998
Group 3	11.036	50.765
Total trade receivables	**140.541**	**65.173**

Group 1: Customers which have been performing trade activities with Group no longer than 6 months
Group 2: Customers which have been performing trade activities with Group over 6 months, without any collection problems during the entire process
Group 3: Customers which have been performing trade activities with 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 2020: None).

As of 31 December 2021, the part of overdue trade receivables for which no impairment was calculated equals USD 11.036 (31 December 2020: USD 50.765). Below is the aging of such trade receivables:

	31 December 2021	31 December 2020
1-30 days overdue	7.409	8.609
1-3 months overdue	2.156	4.353
3- 12 months overdue	1.471	37.803
Total overdue receivables	**11.036**	**50.765**
The part under guarantee with collaterals	**5.102**	**2.585**

As of 31 December 2021, the Group holds letters of guarantee equals to USD 59, pledges equal to USD 5.043 (31 December 2020 respectively: letters of guarantee equals to USD 20, pledges equal to USD 2.537, and factoring equal to USD 28). Overdue and impaired receivables are not secured.

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.

(Amounts expressed in thousands of US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

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 2021

	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	377.361	380.972	47.769	218.969	106.950	7.284
Lease Liabilities	4.506	5.654	735	1.600	2.969	350
Trade payables	239.720	239.720	201.640	38.080	-	-
Other payables	3.462	3.462	3.462	-	-	-
Derivative financial liabilities	-	-	-	-	-	
Total liabilities	**625.049**	**629.808**	**253.606**	**258.649**	**109.919**	**7.634**

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	385.702	392.430	67.513	211.397	113.520	-
Lease Liabilities	2.189	2.288	460	983	845	-
Trade payables	122.832	123.451	94.838	28.613	-	-
Other payables	10.798	10.798	10.798	-	-	-
Derivative financial instruments	1.114	1.114	1.092	22	-	-
Total liabilities	**522.635**	**530.081**	**174.701**	**241.015**	**114.365**	**-**

The details of the committed outstanding future contracts as of 31 December 2021 and 2020 are as below;

	Average exchange rates		Buying Amount		Selling amount		Fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD buy - TL sell Between 1-6 months	13,3686	8,0674	14.241	8.546	190.381	68.945	515	(548)
USD buy - GBP sell Between 1-6 months	1,3381	1,3241	4.356	2.992	3.255	2.260	51	(73)
USD buy - EUR sell Between 1-6 months	1,1337	1,1967	30.540	26.968	26.937	22.535	(73)	(493)
EUR buy - TL sell Between 1-3 months	15,2226	-	600	-	9.134	-	(4)	-

38. FINANCIAL RISK- MANAGEMENT (Continued)

(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, TRY and GBP foreign currency risk.

The following table details the Group's sensitivity to a 20% change in the EUR, TRY and GBP 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, TRY and GBP against USD.

(Amounts expressed in thousands of US Dollars unless otherwise stated)

38. FINANCIAL RISK- MANAGEMENT (Continued)

(d) Foreign currency risk management (Continued)

	31 December 2021			
	Profit / (loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	Change of EUR against USD by 20%			
1 - EUR net assets / liabilities	193	(193)	2.863	(2.863)
2 - EUR hedged from risks (-)	-	-	-	-
3- EUR net effect (1+2)	**193**	**(193)**	**2.863**	**(2.863)**
	Change of TRY against USD by 20%			
4- TRY net assets / liabilities	(1.648)	1.648	-	-
5- TRY hedged from risks (-)	-	-	-	-
6- TRY net effect (4+5)	**(1.648)**	**1.648**	**-**	**-**
	Change of GBP against USD by 20%			
4- GBP net assets / liabilities	734	(734)	-	-
5- GBP hedged from risks (-)	-	-	-	-
6- GBP net effect (4+5)	**734**	**(734)**	**-**	**-**
TOTAL (3 + 6 + 9)	**(721)**	**721**	**2.863**	**(2.863)**

	31 December 2020			
	Profit / (loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	Change of EUR against USD by 20%			
1 - EUR net assets / liabilities	(1.508)	1.508	2.870	(2.870)
2 - EUR hedged from risks (-)	-	-	-	-
3- EUR net effect (1+2)	**(1.508)**	**1.508**	**2.870**	**(2.870)**
	Change of TRY against USD by 20%			
4- TRY net assets / liabilities	(556)	556	-	-
5- TRY hedged from risks (-)	-	-	-	-
6- TRY net effect (4+5)	**(556)**	**556**	**-**	**-**
	Change of GBP against USD by 20%			
4- GBP net assets / liabilities	224	(224)	-	-
5- GBP hedged from risks (-)	-	-	-	-
6- GBP net effect (4+5)	**224**	**(224)**	**-**	**-**
TOTAL (3 + 6 + 9)	**(1.840)**	**1.840**	**2.870**	**(2.870)**

(Amounts expressed in thousands of 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 2021and 2020 are as follows, in the original currencies and amounts, and denominated in their USD equivalents:

	31 December 2021				31 December 2020			
	TRY	EUR	GBP	USD equivalents	TRY	EUR	GBP	USD equivalents
1 Trade receivables	397.337	35.310	2.730	73.456	152.443	30.058	1.059	59.089
2a Monetary financial assets (Including cash and cash equivalents)	13.000	6.696	23	8.585	59.675	28.509	-	43.115
4 Current Assets (1+2+3)	**410.337**	**42.006**	**2.753**	**82.041**	**212.118**	**58.567**	**1.059**	**102.204**
5 Trade receivables	-	-	-	-	-	-	-	-
8 Other assets (6+7+8)	-	-	-	-	-	-	-	-
9 TOTAL ASSETS (4+8)	**410.337**	**42.006**	**2.753**	**82.041**	**212.118**	**58.567**	**1.059**	**102.204**
10 Trade payables	114.837	(8.067)	32	(487)	74.403	21.438	1	36.445
11 Financial liabilities	381.950	21.781	-	53.258	157.958	27.276	-	54.991
12a Other monetary liabilities	1.594	198	-	344	3	999	232	1.540
13 Short-term liabilities (10+11+12)	**498.381**	**13.912**	**32**	**53.115**	**232.364**	**49.713**	**233**	**92.976**
14 Trade payables	-	-	-	-	-	-	-	-
15 Financial liabilities	21.793	27.304	-	32.537	149	15.000	-	18.428
16a Other monetary liabilities	-	-	-	-	-	-	-	-
17 Long-term liabilities (14+15+16)	**21.793**	**27.304**	**-**	**32.537**	**149**	**15.000**	**-**	**18.428**
18 TOTAL LIABILITIES (13+17)	**520.174**	**41.216**	**32**	**85.652**	**232.513**	**64.713**	**233**	**111.404**
19 Net asset and liability positions of derivatives out of statement of financial situation(19a-19b)	**(199.515)**	**(26.937)**	**(3.255)**	**(49.846)**	**(68.945)**	**(22.535)**	**(2.260)**	**(40.107)**
19a Total Hedged Assets	-	-	-	-	-	-	-	-
19bTotal Hedged Liabilities	199.515	26.937	3.255	49.846	68.945	22.535	2.260	40.107
20 Net foreign currency Asset/ (Liability) position (9-18+19)	**(309.352)**	**(26.147)**	**(534)**	**(53.457)**	**(89.340)**	**(28.681)**	**(1.434)**	**(49.307)**
21 Monetary Items Net Foreign Currency Asset / (Liability))(=1+2a+5+6a-10-11-12a-14-15-16a)	**(109.837)**	**790**	**2.721**	**(3.611)**	**(20.395)**	**(6.146)**	**826**	**(9.200)**
22 Fair value of the financial instruments used for foreign currency hedging	**6.810**	**(969)**	**679**	**489**	**(4.026)**	**(401)**	**(54)**	**(1.114)**
23 Total Hedged Assets in Foreign Currency	**(199.515)**	**(26.937)**	**(3.255)**	**(49.846)**	**(68.945)**	**(22.535)**	**(2.260)**	**(40.107)**

From 1 January 2021 to 31 December 2021, the Group imported amounting to 197.446 USD, 11.168 EUR and 55 GBP and exported amounting to 315.464 USD, 177.682 EUR ve 11.242 GBP (From 1 January 2020 to 31 December 2020, the Group imported amounting to 55.592 USD 22.360 EUR and 342 GBP) and exported amounting to 294.311 USD, 93.064 EUR and 3.812 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 thousands of US Dollars unless otherwise stated)

39. FINANCIAL INSTRUMENTS

31 December 2021 Balance Sheet	Loans and receivables	Available for sale investments	Derivatives	Other financial liabilities at amortised cost	Carrying amount
Financial assets					
Cash and cash equivalents	169.328	-	-	-	169.328
Trade receivables	130.943	-	-	-	130.943
Due from related parties	20.634	-	-	-	20.634
Financial investments	-	55.971	-	-	55.971
Other receivables	1.415	-	-	-	1.415
Derivatives	-	296	193	-	489
Financial liabilities					
Borrowings	-	-	-	381.867	381.867
Trade payables	-	-	-	235.060	235.060
Due to related parties	-	-	-	4.660	4.660
Other payables	-	-	-	3.462	3.462

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	-	-	-	107.603
Trade receivables	100.295	-	-	-	100.295
Due from related parties	15.643	-	-	-	15.643
Financial investments	-	52.684	-	-	52.684
Other receivables	19.241	-	-	-	19.241
Derivative instruments	-	-	-	-	-
Financial liabilities					
Borrowings	-	-	-	387.891	387.891
Trade payables	-	-	-	120.792	120.792
Due to related parties	-	-	-	2.040	2.040
Other payables	-	-	-	10.798	10.798
Derivative instruments	-	-	1.114	-	1.114

(Amounts expressed in thousands of 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 2021	**Trading purpose**	**Derivative financial instruments**	**Stocks**	**Total**
Openning balance	-	-	50.536	50.536
Total gain or losses				
- Recognized in profit and loss	-	194	-	194
- Recognized in other comprehensive income	-	295	5.419	5.714
- Currency translation difference	-	-	-	-
Closing balance	**-**	**489**	**55.955**	**56.444**

	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	-	-	50.536	50.536
Total gain or losses				
- Recognized in profit and loss	-	-	-	-
- Recognized in other comprehensive income	-	-	-	-
- Currency translation difference	-	-	-	-
Closing balance	**-**	**-**	**50.536**	**50.536**

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 thousands of 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 2021	**Level 1 USD**	**Level 2 USD**	**Level 3 USD**
Permanent fair value measurements:			
Derivative financial instruments at fair value through comprehensive income statement	-	295	-
Available for sale financial assets	-	-	55.971
Property,plant and equipment	-	587.140	-
Non-permanent fair value measurements:			
Non-current assets held for sale	-	-	-

31 December 2020	**Level 1 USD**	**Level 2 USD**	**Level 3 USD**
Permanent fair value measurements:			
Derivative financial instruments at fair value through comprehensive income statement	-	(1.114)	-
Available for sale financial assets	-	-	52.684
Property,plant and equipment	-	593.350	-
Non-permanent fair value measurements:			
Non-current assets held for sale	-	-	-

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

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law" adopted on January 20, 2022, the companies that convert their foreign currencies or various gold resources into Turkish Lira and use the Turkish Lira assets thus obtained in deposits and participation accounts with a maturity of at least three months, will provide tax exemption from exchange difference, interest, profit share and other income. On February 15, 2022, the Group made a foreign exchange protected deposit with a maturity of 180 days amounting to TL 13.702.

The tension between Russia and Ukraine since January 2022 has turned into a crisis and an armed conflict as of the date of the report. The Group does not carry out any activities in these two countries that are subject to the crisis. Considering the geographies in which the Group operates, no direct impact is expected on Group operations. However, as of the date of this report, it is not possible to reasonably estimate the effects of the global developments and their potential impact on the global and regional economy, on the Group's operations because of the uncertainty about how the crisis will evolve.

(Amounts expressed in thousands of US Dollars unless otherwise stated)

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

The fees for the services received from the independent auditor/independent audit firm for the periods ended on 31 December 2021 and 31 December 2020 are as follows:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Fees for Independent audit the reporting period	132	85
Fees related to tax consultancy services	-	10
Fees for other assurance services	3	4
	135	**99**