BORUSAN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019 AND INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Borusan Holding Anonim Şirketi Istanbul

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Borusan Holding Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and "Independence Audit by Law" published by the Public Oversight Accounting Standards Authority ("POA") and independent auditing requirement in the Turkish Commercial Code (TCC) (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Turkish Local Independence Rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRSs, 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.

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

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 ISAs 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.

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As part of an audit in accordance with ISAs, 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.

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

İstanbul, 9 March 2020

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019
(Currency - US Dollars ("USD") unless otherwise indicated)

ASSETS	Notes	31 December 2019	31 December 2018
Current assets			
Cash and cash equivalents	6	**742,408,033**	653,757,670
Trade receivables	7	**488,740,728**	678,557,996
Inventories	8	**658,927,979**	892,798,797
Other receivables and assets	9	**141,509,869**	167,618,313
		2,031,586,609	2,392,732,776
Assets classified as held for sale and discontinued operations	22	**21,643,118**	463,734
Total current assets		**2,053,229,727**	2,393,196,510
Non-current assets			
Trade receivables	7	**23,361,960**	16,667,679
Investment in financial assets		**3,540,361**	4,231,483
Property, plant and equipment	11	**1,609,336,747**	1,845,469,016
Right of use assets	13	**60,064,093**	-
Advances given for property, plant and equipment		**7,777,494**	16,245,634
Intangible assets	12	**58,938,216**	69,013,932
Goodwill	10	**57,662,281**	57,002,281
Investment in a joint venture	30	**130,864,831**	119,577,230
Deferred tax assets	18	**5,825,778**	6,833,336
Other receivables and assets	9	**54,107,936**	63,397,597
Total non-current assets		**2,011,479,697**	2,198,438,188
Total assets		**4,064,709,424**	4,591,634,698

The accompanying policies and explanatory notes on pages 104 through 178 from an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019

(Currency - US Dollars ("USD") unless otherwise indicated)

LIABILITIES AND EQUITY	Notes	31 December 2019	31 December 2018
Current liabilities			
Trade payables	14	687,196,120	731,058,260
Short-term borrowings	15	1,189,484,063	1,319,075,982
Lease liabilities	15	20,551,775	-
Income tax payable	18	20,650,021	3,798,103
Other payables and expense accruals	17	159,334,295	171,488,060
		2,077,216,274	2,225,420,405
Liabilities directly associated with assets classified as held for sale	22	1,176,114	-
Total current liabilities		2,078,392,388	2,225,420,405
Non-current liabilities			
Trade payables	14	71,049,969	239,776,388
Long-term borrowings	16	529,056,428	705,970,327
Lease liabilities	16	37,833,619	-
Employee benefits obligation	19	20,117,267	19,336,468
Deferred tax liabilities	18	171,562,282	184,436,664
Other payables, provisions and expense accruals	17	3,113,786	6,708,954
Total non-current liabilities		832,733,351	1,156,228,801
Total liabilities		2,911,125,739	3,381,649,206
Equity			
Paid-in share capital	20	46,044,080	46,044,080
Currency translation reserve		2,171,160	6,288,031
Revaluation reserve, net	11	179,802,655	215,477,513
Cash flow hedge reserve		(226,525)	774,774
Actuarial loss from employee benefits	19	(2,999,939)	(2,748,737)
Legal reserves and retained earnings		387,455,922	384,124,278
Equity attributable to equity holders of the parent		612,247,353	649,959,939
Non-controlling interests		541,336,332	560,025,553
Total equity		1,153,583,685	1,209,985,492
Total liabilities and equity		4,064,709,424	4,591,634,698

The accompanying policies and explanatory notes on pages 104 through 178 from an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Currency - US Dollars ("USD") unless otherwise indicated)

	Notes	1 January- 31 December 2019	1 January- 31 December 2018
Net sales	23	4,015,718,837	4,793,291,028
Cost of goods sold and services provided	24	(3,538,312,874)	(4,295,509,426)
Gross profit		477,405,963	497,781,602
Selling, general and administrative expenses	25	(280,749,501)	(291,963,689)
Other operating (expense)/income, net	28	(6,965,601)	13,786,569
Financial income	29	34,580,007	46,480,592
Financial expense	29	(158,491,062)	(169,983,064)
Share of loss of a joint venture	30	(6,602,814)	(9,712,025)
Translation gain		7,448,946	6,791,021
Profit before tax		66,625,938	93,181,006
Taxation on income		(18,559,461)	(46,315,222)
- Current (statutory)	18	(25,179,806)	(28,172,387)
- Deferred	18	6,620,345	(18,142,835)
Profit for the year		48,066,477	46,865,784
Loss for the year from discontinued operations	22	(1,284,242)	(418,022)
Net profit for the year		46,782,235	46,447,762
Other comprehensive income :			
Items that will not be reclassified subsequently to profit or loss:			
- Actuarial loss net off tax		(510,572)	626,194
Items that may be reclassified subsequently to profit or loss:			
- (Loss)/gain on cash flow hedge instruments net-off tax		(178,924)	1,702,084
- Changes in revaluation fund		(55,705,325)	(7,781,338)
- Currency translation reserve		(6,822,082)	2,938,730
Total comprehensive income/(loss) for the year		(16,434,668)	43,933,432
Net profit for the year			
Attributable to non-controlling interests		34,724,668	21,166,923
Attributable to equity holders of parent		12,057,567	25,280,839
		46,782,235	46,447,762
Total comprehensive income/(loss) for the year			
Attributable to non-controlling interests		8,811,839	13,783,633
Attributable to equity holders of parent		(25,246,507)	30,149,799
		(16,434,668)	43,933,432

The accompanying policies and explanatory notes on pages 104 through 178 from an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(Currency - US Dollars ("USD") unless otherwise indicated)

		Items that may not be reclassified subsequently to profit or loss		Items that may be reclassified subsequently to profit or loss					
	Paid-in share capital	Actuarial gain / (loss)	Revaluation reserve	Currency translation reserve	Cash flow hedge reserve	Legal reserves and retained earnings	Equity attributable to equity holders' of the parent	Non-controlling interests	Total equity
Balance at 31 December 2017 (Previously Reported)	46,044,080	(2,981,305)	221,624,330	(1,321,686)	(604,407)	382,582,855	645,343,867	611,764,981	1,257,108,848
Restatement effect (Note 3.2)	-	-	-	-	-	(10,081,821)	(10,081,821)	-	(10,081,821)
Balance at 31 December 2017 - As restated	46,044,080	(2,981,305)	221,624,330	(1,321,686)	(604,407)	372,501,034	635,262,046	611,764,981	1,247,027,027
Total comprehensive income	-	232,568	(5,648,631)	7,609,717	1,379,181	26,576,964	30,149,799	13,783,633	43,933,432
Effect of acquisition of subsidiary shares	-	-	(498,186)	-	-	(4,545,444)	(5,043,630)	2,773,048	(2,270,582)
Dividends paid	-	-	-	-	-	(10,408,276)	(10,408,276)	(68,296,109)	(78,704,385)
Balance at 31 December 2018	46,044,080	(2,748,737)	215,477,513	6,288,031	774,774	384,124,278	649,959,939	560,025,553	1,209,985,492
Effect of changes in accounting policy (Note 3.2)	**-**	**-**	**-**	**-**	**-**	**(782,968)**	**(782,968)**	**(128,979)**	**(911,947)**
Balance at 1 January 2018 - As restated	**46,044,080**	**(2,748,737)**	**215,477,513**	**6,288,031**	**774,774**	**383,341,310**	**649,176,971**	**559,896,574**	**1,209,073,545**
Total comprehensive income	**-**	**(251,202)**	**(35,674,839)**	**(4,116,871)**	**(1,001,299)**	**15,797,704**	**(25,246,507)**	**8,811,839**	**(16,434,668)**
Effect of acquisition of subsidiary shares	**-**	**-**	**(19)**	**-**	**-**	**(496,401)**	**(496,420)**	**(73,486)**	**(569,906)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(11,186,691)**	**(11,186,691)**	**(27,298,595)**	**(38,485,286)**
Balance at 31 December 2019	**46,044,080**	**(2,999,939)**	**179,802,655**	**2,171,160**	**(226,525)**	**387,455,922**	**612,247,353**	**541,336,332**	**1,153,583,685**

The accompanying policies and explanatory notes on pages 104 through 178 from an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Currency - US Dollars ("USD") unless otherwise indicated)

	Notes	1 January- 31 December 2019	1 January- 31 December 2018
Cash flows provided from operating activities:			
Profit before taxation on income, non-controlling interest and discontinued operations		66,625,938	93,181,006
Loss before tax from discontinued operation		(1,284,242)	(418,022)
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation	27	127,553,269	124,831,350
Amortization of intangible assets	27	21,429,840	17,561,470
Interest income	29	(12,258,830)	(12,518,670)
Impairment of property, plant and equipment	11	-	135,733
Due date income, net	29	(16,835,219)	(28,196,822)
Interest expense	29	135,600,887	140,349,940
Impairment on inventory recognised in profit or loss	8	1,590,648	5,190,436
Reversal of prior year impairment on inventory	8	(17,620,624)	(6,532,898)
Provision for reserve for employee benefit obligations	19	7,589,040	4,418,680
(Gain)/loss on sale of property, plant and equipment and intangibles	28	(25,148)	(322,623)
Net change in currency translation reserve		(22,700,495)	(51,236,635)
Provision for doubtful receivables	7	18,371,475	15,145,630
Profit from acquisition of shares of subsidiary	35	-	(1,308,785)
Share of loss of a joint venture	30	6,602,814	9,712,025
Operating profit before working capital changes		314,639,353	309,991,815
Working capital changes			
Trade receivables		168,022,911	(104,619,333)
Inventories		249,464,567	29,619,508
Other current assets and liabilities – net		30,479,418	14,123,380
Trade payables		(212,420,633)	140,675,156
Other non-current assets and liabilities – net		3,196,155	14,470,220
Employee benefit obligations paid	19	(6,357,572)	(5,699,705)
Taxes paid	18	(22,029,287)	(46,119,638)
Net cash provided by operating activities		524,994,912	352,441,403

The accompanying policies and explanatory notes on pages 104 through 178 from an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Currency - US Dollars ("USD") unless otherwise indicated)

	Notes	1 January- 31 December 2019	1 January- 31 December 2018
Investing activities:			
Purchase of property, plant and equipment (*)	11	(113,671,458)	(246,241,696)
Purchase of intangible assets	12	(17,714,714)	(17,141,818)
Purchase of shares of subsidiaries		(569,906)	(2,270,582)
Proceeds from sale of property, plant and equipment and intangibles	11	165,021,818	142,516,193
Interest received		29,094,049	40,715,492
Net cash outflow on acquisition of subsidiary		(660,000)	-
Increase in share capital of joint venture	30	(17,890,415)	(5,823,917)
Net cash used in investing activities		43,609,374	(88,246,328)
Financing activities:			
Redemption of borrowings		(7,665,711,737)	(5,855,931,971)
Proceeds from borrowings		7,365,963,581	5,900,657,659
Change in financial receivables from non-consolidated related parties		(5,007,145)	7,095,212
Dividends paid (including dividends of non-controlling interests)		(38,485,286)	(78,704,385)
Interest paid		(115,399,535)	(108,493,167)
Payments for leasing contracts		(20,155,064)	-
Net cash provided by / (used in) financing activities		(478,795,186)	(135,376,652)
Net increase in cash and cash equivalents		89,809,100	128,818,423
Net cash inflow/(outflow) on acquisition of subsidiary		-	3,575,227
Cash and cash equivalents at the beginning of the year		653,757,670	522,522,757
Cash and cash equivalents at the end of the year	6	743,566,770	654,916,407

(*) Decrease in "advances given for property, plant and equipment" amounting to USD 8,468,140 is net-off with "purchase of property, plant and equipment" for the year ended 31 December 2019 (31 December 2018: Increase USD 13,988,179 is included).

The accompanying policies and explanatory notes on pages 104 through 178 from an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Currency - US Dollars ("USD") unless otherwise indicated)

1. CORPORATE INFORMATION

General

Borusan Holding A.Ş. and its Subsidiaries (hereafter referred to as the "Borusan Group" or the "Group") commenced operations in 1944 as Borusan İstikbal Ticaret T.A.Ş., a company, trading steel products and exporting dried fruit.

Borusan Holding A.Ş. ("Borusan Holding" or the "Holding") was established in December 1972 as a corporation to coordinate the activities of and liaise between companies operating in different fields including steel business (pipe and flat steel production), distributorship of leading brands (BMW, Mini, Jaguar, Land Rover and Caterpillar) and integrated logistics. Borusan Holding is registered in Turkey and owned by members of the Kocabıyık Family (see Note 20). The registered address of the Holding is as follows:

Meclis-i Mebusan Caddesi No: 35-37 34427
Fındıklı - Istanbul – Turkey

Nature of Activities of the Group

The principal activities of Borusan Group comprise the following:
- manufacturing of steel pipes longitudinally and spirally welded for sale in domestic and foreign markets;
- manufacturing of cold rolled coils, galvanized coils and metal sheets for sale in domestic and foreign markets;
- exclusive sales and after sales services of BMW, MINI, Land Rover and Jaguar vehicles and car rental and used car services in Turkey;
- exclusive sales and after sales services of Caterpillar, earthmoving equipment and power systems, in Turkey, Central Asia and Far East Russia,
- providing integrated logistic services, shipping, port activities, warehousing and customs clearance services;
- manufacturing of engine valves for the automotive industry for sale in domestic and foreign markets;
- generation and wholesaling of electricity.

Since September 1998, Borusan Holding has a controlling interest in a sub-holding company, Borusan Mannesmann Boru Yatırım Holding A.Ş., which was established to coordinate the activities of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş., a listed company in the Istanbul Stock Exchange (the "ISE"). In addition, Borusan Holding controls three investment companies; Borusan Yatırım ve Pazarlama A.Ş., a listed company in the ISE, Borusan İstikbal Ticaret T.A.Ş. and Borusan Teknolojik Yatırımlar Holding A.Ş.

The Group is organized into four main business segments:
- Steel segment
- Distributorship segment
- Energy segment
- Logistics segment

Other operations of the Group mainly comprise valves production.

1. CORPORATE INFORMATION *(continued)*

Borusan Holding has the following subsidiaries ("the Subsidiaries"). Business segments and the locations of Subsidiaries are as follows:

Business Segment	Subsidiary	Location/ Incorporated in
Flat Steel	Borçelik Çelik Sanayi Ticaret A.Ş. ("Borçelik")	Gemlik – Turkey
	Bortrade Uluslararası Tic. A.Ş. ("Bortrade") [1]	Istanbul – Turkey
Steel Pipe	Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi ("Borusan Boru")	Istanbul – Turkey
	Borusan Mannesmann Pipe US Inc	USA
	Borusan Mannesmann Boru Yatırım Holding A.Ş. ("BMBYH")	Istanbul – Turkey
	BM Vobarno Tubi SPA ("Vobarno")	Italy
	Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. ("Mühendislik")	Gemlik – Turkey
	Borusan İstikbal Ticaret T.A.Ş. ("İstikbal")	Istanbul – Turkey
Energy	Yedigöl Hidroelektrik Üretim Ve Tic. A.Ş. ("Yedigöl")	Istanbul – Turkey
	Hidiv Elektrik Enerjisi Toptan Satış A.Ş. ("Hidiv")	Istanbul – Turkey
	Borusan EnBW Enerji Yatırımları Ve Üretim A.Ş. ("Borusan Enerji")	Istanbul – Turkey
	Kuzey Rüzgarı Enerji Üretim Ve Ticaret A.Ş. ("Kuzey Rüzgarı")	Istanbul – Turkey
	Baltalimanı Enerji Yatırımları Üretim ve Ticaret A.Ş. ("Baltalimanı")	Istanbul – Turkey
	Beylerbeyi Enerji Yatırımları Üretim ve Tic. A.Ş. ("Beylerbeyi")	Istanbul – Turkey
	Balabanlı Rüzgar Enerjisinden Elektrik Üretim A.Ş. (Balabanlı)	Istanbul – Turkey
	Maray Enerji Sanayi ve Ticaret Ltd.Şti. ("Maray")	Istanbul – Turkey
	Bandırma Enerji ve Kimya Sanayi Ticaret A.Ş. ("Bandırma")	Istanbul – Turkey
	Boylam Enerji Yatırımları Üretim ve Tic. A.Ş. ("Boylam")	Istanbul – Turkey
	Fuatres Elektrik Üretim A.Ş. ("Fuatres")	Istanbul – Turkey
	Borusan Ezine Elektrik Üretim San. Tic. A.Ş. ("Ezine")	Istanbul – Turkey
	Sincan Elektrik Üretim San. Tic. A.Ş. ("Sincan")	Istanbul – Turkey
	Borusan Trakya Elektrik Üretim San. Tic. A.Ş. ("Trakya")	Istanbul – Turkey
	Birincil Yenilenebilir Enerji ve Elektrik Üretim A.Ş.	Istanbul – Turkey
	İkincil Yenilenebilir Enerji ve Elektrik Üretim A.Ş.	Istanbul – Turkey
	Baranges Elektrik Üretim A.Ş.	Istanbul – Turkey
	Çinili Res Üretim San. Ve Tic. A.Ş.	Istanbul – Turkey
	Efil Enerji Üretim Tic.ve San. A.Ş.	Istanbul – Turkey
	Epsilonges Elektrik Üretim A.Ş.	Istanbul – Turkey
	Fotoelektron Güneş Enerjisi Yatırım A.Ş.	Istanbul – Turkey
	Gem Wind Enerji San. Tic. A.Ş.	Istanbul – Turkey
	Has Mutlu Güneş Enerjisi San. Ve Tic. Ltd. Şti.	Istanbul – Turkey
	LS Güneş Enerji Üretim A.Ş.	Istanbul – Turkey
	Neptünges Elektrik Üretim A.Ş.	Istanbul – Turkey
	Neptünges Güneş Enerjisi Yatırımları A.Ş.	Istanbul – Turkey
	Alenka Enerji Üretim ve Yatırım A.Ş.	Istanbul – Turkey
	Dardanos B.V	Netherlands
	Bendis B.V	Netherlands
	Tarhunt B.V	Netherlands
	CFI International B.V	Netherlands
	SFI International B.V	Netherlands
	TFI International B.V	Netherlands

[1] Bortrade merged with Borusan İstikbal at 20 December 2019.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Currency - US Dollars ("USD") unless otherwise indicated)

1. CORPORATE INFORMATION *(continued)*

Business Segment	Subsidiary	Location/ Incorporated in
Logistics	Borusan Lojistik Dağıtım Depolama Taşımacılık ve Ticaret A.Ş. ("Borusan Lojistik")	Istanbul – Turkey
	Borusan Logistics International Algeria SPA	Algeria
	Borusan Logistics International Netherlands BV	Netherlands
	Borusan Logistics International USA Inc [2]	USA
	Borusan Logistics International Europe GmbH	Germany
	Borusan Logistics International Kazakhstan Limited Liability Partnership	Kazakhstan
	Bukoli Taşımacılık A.Ş. ("Bukoli")	Istanbul – Turkey
	Daybreak Global Logistics Company Limited [3]	HongKong - China
	Eta Elektronik Taşımacılık Ağı Taşımacılık ve Tic A.Ş	Istanbul – Turkey
Distributorship	Borusan Makina ve Güç Sistemleri Sanayi ve Ticaret A.Ş. ("BMGS")	Istanbul – Turkey
	Machinery Intertrade Limited ("UK")	United Kingdom
	MIT Machine International Trade Limited ("MIT Machine")	Malta
	MIT Machine Holding Limited ("MIT Machine Holding")	Malta
	Machinery International Trade B.V. ("Machinery International")	Netherlands
	Borusan Makina Kazakhstan LLP ("Kazakhstan")	Kazakhstan
	Benim Filom Makina ve Araç Kiralama San. Ve Tic. A.Ş. ("Benim Filom") [4]	Istanbul – Turkey
	Sitech Eurasia Teknoloji Servis ve Tic. A.Ş. ("Sitech")	Istanbul – Turkey
	Borusan İş Makinaları Kiralama Sanayi ve Tic. A.Ş. ("İş Makinaları Kiralama")	Istanbul – Turkey
	Sitech Dalnii Vostok	Russia
	Limited Liability Company Amur Machinery and Services ("Amur")	Russia
	Limited Liability Company Sakhalin Machinery ("Sakhalin")	Russia
	Limited Liability Company Technica Dalnii Vostok ("TDV")	Russia
	Borusan Makina Kyrgyzystan LLP	Kyrgyzystan
	Borusan Kipaş İş Ortaklığı ("Kipaş")	Konya – Turkey
	Borusan Oto Servis ve Ticaret A.Ş. ("Borusan Oto")	Istanbul – Turkey
	Borusan Otomotiv İthalat ve Dağıtım A.Ş ("Borusan Otomotiv")	Istanbul – Turkey
	Borusan Oto Kıbrıs Limited ("Oto Kıbrıs")	Northern Cyprus
	Borusan Otomotiv Pazarlama ve Ticaret A.Ş.	Istanbul – Turkey
	Borusan Otomotiv Premium Kiralama ve Ticaret A.Ş. ("BOPK")	Istanbul – Turkey
Other	Borusan Elektronik Ticaret, İletişim ve Bilgi Hizmetleri A.Ş.("Otomax")	Istanbul – Turkey
	Borusan Araç Pazarlama ve Tic. Ltd. Şti.	Istanbul – Turkey
	Supsan Motor Supapları Sanayi ve Ticaret A.Ş.("Supsan")	Istanbul – Turkey
	Borusan Teknolojik Yatırımlar Holding A.Ş. ("Borusan Teknoloji")	Istanbul – Turkey
	Borusan Danışmanlık ve Ortak Hizmetler A.Ş. ("Borusan Danışmanlık") [5]	Istanbul – Turkey
	Birlik Yönetim Danışmanlığı ve Yatırım Ltd Şti	Istanbul – Turkey
	Borusan Yönetim Danışmanlığı ve Yatırım Ltd Şti.	Istanbul – Turkey
	Borusan Yatırım ve Pazarlama A.Ş. ("Borusan Yatırım")	Istanbul – Turkey
	Borusan Teknoloji Geliştirme ve Arge A.Ş.	Istanbul – Turkey
	Dijital Parça Platformu Satış ve Ticaret A.Ş.	Istanbul – Turkey
	Borusan Tedarik Zinciri Çözümleri ve Taşımacılık A.Ş.	Istanbul – Turkey
	Fan Holding SARL	Luxembourg

[2] Borusan Logistic International USA Inc. closed at 7 January 2019.
[3] Daybreak Global Logistics has been acquired by Borusan Lojistik amounting to 660,000 USD in 2019.
[4] Benim Filom merged with BMGS at 31 December 2019.
[5] Borusan Danışmanlık merged with Borusan Holding at 31 December 2019.

(Currency - US Dollars ("USD") unless otherwise indicated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and amended International Financial Reporting Standards

New and amended IFRS Standards that are effective for the current year

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS Interpretation 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement Emp. Benefit*
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

Impact of initial application of IFRS 16 leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

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2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) *(continued)*

New and amended International Financial Reporting Standards *(continued)*

New and amended IFRS Standards that are effective for the current year *(continued)*

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'operating expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) *(continued)*

New and amended International Financial Reporting Standards *(continued)*

New and amended IFRS Standards that are effective for the current year *(continued)*

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application.

As at 1 January 2019, the impact of IFRS 16 on the financial statements of the Group is disclosed in "Changes and the effects of accounting policy" note.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

IFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

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2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) *(continued)*

New and amended International Financial Reporting Standards *(continued)*

New and amended IFRS Standards that are effective for the current year *(continued)*

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs.

Other than IFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

New and revised IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 3	*Business Combinations*
Amendments to IAS 1	*Presentation of Financial Statements*
Amendments to IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*
Conceptual Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) *(continued)*

New and amended International Financial Reporting Standards *(continued)*

New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IFRS 3 Business Combinations

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

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

Amendments to IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

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

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The consolidated financial statements of Borusan Holding A.Ş. and its Subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3.2 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for land, buildings, flat steel and steel pipe machinery are carried at revalued amounts (Note 11); and certain financial instruments and derivative financial instruments which are carried at fair values.

Comparative Information and Restatement to Previous Year Consolidated Financial Statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. In order to maintain consistency with current period consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

As of 1 January 2018, investment in joint venture has been adjusted due to unrecognized deferred tax provision based on carryforward tax losses amounting to USD 10,081,821 which was not previously considered in determining net asset of joint venture.

Changes and the effects of accounting policy

Changes in accounting policies arising from the first time adaptation of a new IAS/IFRS are applied retrospectively or prospectively in accordance with the respective IASs/IFRSs transition requirements, if any. Where there are no transition requirements for any changes or optional significant changes in accounting policies and identified accounting errors, those are applied retrospectively and prior period financial statements are restated accordingly.

The Group started to apply IFRS 16 standard for the first time on 1 January 2019 by making use of the facilitating practices in transition to IFRS 16. For leases previously classified as operating leases pursuant to IAS 17, in accordance with modified retrospective approach and in accordance with aforementioned approach a lessee does not restate comparative information. Consequently, the date of initial application is the first day of the annual reporting period in which a lessee first applies the requirements of the new leases standard. At the date of initial application of the new leases standard, lessees recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as of 1 January 2019. Right of use asset has been recognized as if the lease asset has been in effect since the start of the lease contract, but on the discounted book value using the alternative borrowing interest rate on the first application date of the rental.

In this context, the application of IFRS 16 Leases standard does not have an impact on the previous years profits of the Group dated 1 January 2019, due to the preferred facilitated transition method.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%, 5% and 27% for EUR, USD and TRY type of rent contracts respectively.

(Currency - US Dollars ("USD") unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Basis of Preparation *(continued)*

Changes and the effects of accounting policy *(continued)*

Based on the changes in IFRS 16 "IAS 17 (version 2018) and accounting principle change effective from 1 January 2019, summarized below:

	Before change in accounting policy 1 January 2019	Effect of IFRS 16 1 January 2019	After change in accounting policy 1 January 2019	Effect on Financial Statements
Right of use asset	-	66,273,207	66,273,207	Increase
Short term portion of financial leases	206,546	21,470,419	21,676,965	Increase
Long term portion of financial leases	235,228	43,044,482	43,279,710	Increase
Prepaid Expenses	19,446,573	(118,029)	19,328,544	Decrease
Deferred tax assets	6,833,336	328,055	7,161,391	Increase

3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Borusan Holding A.Ş. and its Subsidiaries as at 31 December 2019 on the basis set out below:

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Basis of Consolidation *(continued)*

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(Currency - US Dollars ("USD") unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Basis of Consolidation *(continued)*

The following is a list of the operating subsidiaries as of 31 December 2019 and 2018 detailing the Group's controlling interest by direct voting power and the Group's ultimate effective shareholding in such joint ventures' and subsidiaries' equity at those dates:

	Direct Shareholding by Borusan Holding		Effective Shareholding by Borusan Holding		Consolidation method	
	2019 (%)	2018 (%)	2019 (%)	2018 (%)	2019 (%)	2018 (%)
Borçelik [1]	22.92	20.77	39.89	39.90	line by line	line by line
Borusan Boru	-	-	53.81	53.81	line by line	line by line
BMBYH	64.64	64.64	73.23	73.23	line by line	line by line
İstikbal	99.26	99.26	99.26	99.26	line by line	line by line
Vobarno	-	-	53.81	53.81	line by line	line by line
Bortrade [2]	-	70.00	-	92.33	line by line	line by line
Borusan Mühendislik	-	-	52.16	52.16	line by line	line by line
Borusan Mannesmann Pipe US Inc	-	-	53.81	53.81	line by line	line by line
BMGS	81.11	81.11	94.17	94.17	line by line	line by line
Machinery Intertrade Limited ("UK")	-	-	94.17	94.17	line by line	line by line
MIT Machine International Trade Limited ("MIT Machine")	-	-	94.17	94.17	line by line	line by line
MIT Machine Holding Limited ("MIT Machine Holding")	-	-	94.17	94.17	line by line	line by line
Machinery International Trade B.V. ("Machinery International")	-	-	94.17	94.17	line by line	line by line
Borusan Makina Kazakhstan LLP ("Kazakhstan")	-	-	94.17	94.17	line by line	line by line
Sitech Eurasia Teknoloji Servis ve Tic. A.Ş. ("Sitech")	-	-	94.17	94.17	line by line	line by line
Borusan İş Makinaları Kiralama Sanayi ve Tic. A.Ş.	-	-	94.17	94.17	line by line	line by line
Sitech Dalnii Vostok	-	-	94.17	-	line by line	line by line
Limited Liability Company Amur Machinery and Services ("Amur")	-	-	94.17	94.17	line by line	line by line
Limited Liability Company Sakhalin Machinery ("Sakhalin")	-	-	94.17	94.17	line by line	line by line
Limited Liability Company Technica Dalnii Vostok ("TDV")	-	-	94.17	94.17	line by line	line by line
Benim Filom Makina ve Araç Kiralama San. Ve Tic. A.Ş. [3]	-	-	-	94.17	line by line	line by line
Borusan Kipaş İş Ortaklığı	-	-	94.17	94.17	line by line	line by line
Borusan Makina Kyrgyzystan LLP	-	-	94.17	-	line by line	line by line
Borusan Oto [1]	29.05	29.05	42.95	42.95	line by line	line by line
Borusan Otomotiv [1]	21.25	21.25	41.14	41.14	line by line	line by line
Borusan Oto Kıbrıs [1]	-	-	42.04	42.04	line by line	line by line
Borusan Otomotiv Pazarlama [1]	21.25	21.25	41.14	41.14	line by line	line by line
Borusan Otomotiv Premium Kiralama [1]	21.25	21.25	41.14	41.14	line by line	line by line
Yedigöl [4]	0.03	0.01	49.97	49.95	equity pick up	equity pick up
Hidiv [4]	0.02	0.01	49.97	49.95	equity pick up	equity pick up
Borusan Enerji [4]	49.25	49.00	49.97	49.95	equity pick up	equity pick up
Kuzey Rüzgarı [4]	0.02	0.01	49.97	49.95	equity pick up	equity pick up
Alenka Enerji Üretim ve Yatırım A.Ş. [4]	0.01	-	49.97	49.95	equity pick up	equity pick up

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Basis of Consolidation *(continued)*

	Direct Shareholding by Borusan Holding		Effective Shareholding by Borusan Holding		Consolidation method	
	2019 (%)	2018 (%)	2019 (%)	2018 (%)	2019 (%)	2018 (%)
Baltalimanı [4]	0.02	0.01	49.97	49.95	equity pick up	equity pick up
Beylerbeyi [4]	0.25	-	49.97	49.95	equity pick up	equity pick up
Balabanlı [4]	0.01	-	49.97	49.95	equity pick up	equity pick up
Maray [4]	0.10	0.05	49.97	49.95	equity pick up	equity pick up
Bandırma [4]	0.01	-	49.97	49.95	equity pick up	equity pick up
Boylam [4]	0.20	-	49.97	49.95	equity pick up	equity pick up
Fuatres [4]	0.05	0.05	49.97	49.95	equity pick up	equity pick up
Birincil Yenilenebilir Enerji [4]	-	-	49.97	49.95	equity pick up	equity pick up
İkincil Yenilenebilir Enerji [4]	-	-	49.97	49.95	equity pick up	equity pick up
Baranges Elektrik Üretim A.Ş. [4]	1.00	-	49.97	49.95	equity pick up	equity pick up
Çinili Res Üretim San. Ve Tic. A.Ş. [4]	0.50	-	49.97	49.95	equity pick up	equity pick up
Efil Enerji Üretim Tic.ve San. A.Ş. [4]	0.05	-	49.97	49.95	equity pick up	equity pick up
Epsilonges Elektrik Üretim A.Ş. [4]	-	-	49.97	49.95	equity pick up	equity pick up
Fotoelektron Güneş Enerjisi Yatırım A.Ş. [4]	0.20	-	49.97	49.95	equity pick up	equity pick up
Gem Wind Enerji San. Tic. A.Ş. [4]	0.50	-	49.97	49.95	equity pick up	equity pick up
Has Mutlu Güneş Enerjisi San. Ve Tic. Ltd. Şti. [4]	1.00	-	49.97	49.95	equity pick up	equity pick up
LS Güneş Enerji Üretim A.Ş. [4]	0.10	-	49.97	49.95	equity pick up	equity pick up
Neptünges Elektrik Üretim A.Ş. [4]	-	-	49.97	49.95	equity pick up	equity pick up
Neptünges Güneş Enerjisi Yatırımları A.Ş. [4]	0.20	-	49.97	49.95	equity pick up	equity pick up
Borusan Araç Pazarlama ve Tic. Ltd. Şti.	40.50	40.50	96.73	96.73	line by line	line by line
Ezine	-	-	99.26	99.26	line by line	line by line
Trakya	-	-	99.26	99.26	line by line	line by line
Sincan	-	-	99.26	99.26	line by line	line by line
Dardanos B.V	-	-	99.26	99.26	line by line	line by line
Bendis B.V	-	-	99.26	99.26	line by line	line by line
Tarhunt B.V	-	-	99.26	99.26	line by line	line by line
CFI International B.V	-	-	99.26	99.26	line by line	line by line
SFI International B.V	-	-	99.26	99.26	line by line	line by line
TFI International B.V	-	-	99.26	99.26	line by line	line by line
Borusan Lojistik	57.75	57.75	82.70	82.70	line by line	line by line
Borusan Logistics International Europe GmbH	-	-	82.70	82.70	line by line	line by line
Eta Elektronik	-	-	82.70	82.70	line by line	line by line
Borusan Logistics International Algeria SPA	-	-	82.70	82.70	line by line	line by line
Borusan Logistics International Netherlands BV	-	-	82.70	82.70	line by line	line by line
Borusan Logistics International USA Inc [5]	-	-	82.70	82.70	line by line	line by line
Borusan Logistics International Kazakhstan Limited Liability Partnership	-	-	82.70	82.70	line by line	line by line
Bukoli Taşımacılık A.Ş.	-	-	82.70	82.70	line by line	line by line
Daybreak Global Logistics Company Limited [6]	-	-	82.70	-	line by line	line by line
Otomax	0.48	-	93.08	93.05	line by line	line by line
Supsan	7.96	7.96	54.62	54.62	line by line	line by line
Borusan Teknoloji	-	-	94.44	94.44	line by line	line by line
Borusan Yatırım	38.66	38.66	69.49	69.49	line by line	line by line
Borusan Danışmanlık ve Ortak Hizmetler A.Ş. [7]	-	93.78	-	93.78	line by line	line by line
Borusan Teknoloji Geliştirme ve Arge A.Ş.	100.00	100.00	100.00	100.00	line by line	line by line
Borusan Yönetim Danışmanlığı ve Yatırım Ltd Şti.	100.00	99.90	100.00	99.99	line by line	line by line
Birlik Yönetim Danışmanlığı ve Yatırım Ltd Şti.	100.00	99.90	100.00	99.99	line by line	line by line
Dijital Parça Platformu Satış ve Ticaret A.Ş.	33.33	33.33	82.93	82.93	line by line	line by line
Borusan Tedarik Zinciri Çözümleri ve Taşımacılık A.Ş.	57.75	57.75	82.70	82.70	line by line	line by line
Fan Holding SARL	-	-	99.26	99.26	line by line	line by line

[1] These subsidiaries are consolidated on the basis set below:
a) power to govern the financial and operating policies of the entity under an agreement; or,
b) power to appoint or remove the majority of the members of the board of the directors or equivalent governing body; or,
c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body.
[2] Bortrade merged with Borusan İstikbal at 20 December 2019.
[3] Benim Filom merged with BMGS at 31 December 2019.
[4] All energy investments are a joint-ventures of the group.
[5] Borusan Logistic International USA Inc. closed at 7 January 2019.
[6] Daybreak Global Logistics has been acquired by Borusan Lojistik amounting to 660,000 USD in 2019.
[7] Borusan Danışmanlık merged with Borusan Holding at 31 December 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Foreign Currency Translation

The consolidated financial statements are presented in USD, which is also the Holding's functional and 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 USD is used to a significant extent, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group companies mainly use USD as functional currency. All currencies other than the functional currency selected for measuring items in the financial statements are treated as foreign currencies.

Based on the economic substance of the underlying events and circumstances relevant to the Group, the functional currency of certain subsidiaries of the Group has been determined to be USD as defined by IAS 21, *The Effects of Changes in Foreign Exchange Rates* due to the following reasons:

- The purchase and sales prices of the Group companies and the main services and products are mainly quoted in USD,
- A significant part of the financing and related finance costs of the Group is denominated in USD.

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.

As at the reporting date, the assets and liabilities of subsidiaries are translated into the presentation currency of Borusan Holding A.Ş. (USD) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year.

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

The Turkish countrywide producer price index (PPI) published by Turkish Statistical Institute and TL exchange rates for the purchases of USD announced by the Central Bank of the Republic of Turkey for the last three years were as follows:

		%	
Year	Year End TL/USD Exchange Rates	TL/USD Rate Annual Change	Inflation Rates (PPI)
2018	5.2609	39.48	20.30
2019	5.9402	12.91	11.84

3.5 Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Business Combinations *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Business Combinations *(continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Related Parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party

- (i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group as its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

Disclosures regarding related party transactions and outstanding balances are given in Note 34.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Inventories

Inventories are valued at the lower of cost or net realizable value ("NRV") after provision for obsolete items. Cost is determined using the monthly weighted average method or specific identification method depending on nature of production or actual cost for trading goods. Cost of work in progress and finished goods inventories include 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 is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Unrealizable inventory has been fully written off. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

3.9 Property, Plant and Equipment

Property, plant and equipment ("PP&E") is initially stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such costs which are initially recognized include the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Following initial recognition at cost, land, buildings, flat steel and steel pipe machinery are carried at revalued amounts, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. However, the decrease in the carrying value of an asset is debited to the equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell 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 end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in consolidated statement of comprehensive income.

For items of property, plant and equipment carried at revalued amount, valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the statement of comprehensive income.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Property, Plant and Equipment *(continued)*

The cost or revalued amount of depreciable assets is depreciated at rates based on the estimated useful lives of assets. The estimated useful lives and the methods of depreciation are as follows:

	Years	Method
Buildings	15 - 50	Straight-line
Machinery and equipment	5 - 40	Straight-line
Furniture and fixtures	3 - 5	Straight-line
Motor vehicles	3 - 8	Straight-line
Other tangible assets	3 - 10	Straight-line
Leasehold improvements	over the lease period	Straight-line

3.10 Intangible Assets

Intangible assets, which mainly comprise computer software, energy licenses and license applications, 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. Following initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives (3-15 years). The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible asset with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Intangible assets acquired in a business combination

Intangible assets (customer list) acquired in a business combination and recognized separately from goodwill are initially recognized at fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Customer list is amortized on a straight line basis over the best estimate of its useful life which is determined as 10 years.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Non-current Assets Held For Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying value and fair value less costs to sell if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sales, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non- controlling interests in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

3.12 Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill and intangible assests with indefined useful life

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial instruments

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

Financial assets

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

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

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial instruments *(continued)*

Financial assets *(continued)*

(i) Amortised cost and effective interest method

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

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

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

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

A financial asset is held for trading if:

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

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

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial instruments *(continued)*

Financial assets *(continued)*

Foreign exchange gains and losses

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

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets *(continued)*

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

Financial liabilities

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

A financial liability is subsequently classified at amortized cost except:

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

The Company does not reclassify any financial liability.

Derecognition of financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial instruments *(continued)*

Financial liabilities *(continued)*

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

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

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

Hedge accounting

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

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

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

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Group as lessee

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

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Leases *(continued)*

Policies applicable from 1 January 2019 (continued)

The Group as lessee *(continued)*

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

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

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Leasing Policy Applied Until 31 December 2018

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Leases *(continued)*

Leasing Policy Applied Until 31 December 2018 *(continued)*

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see 3.20 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.15 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.16 Research and Development Costs

Research costs are expensed as incurred and development costs recognized as assets are amortized over their estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Taxation and Deferred Income Taxes

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

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 assets and liabilities are not recognised 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its Subsidiaries' expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

3.18 Employee Benefits

(a) Defined Benefit Plan:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service with the Group companies.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit is determined using the "Projected Unit Credit Method" based upon estimates of the Group's obligations to personnel terminating their services and being eligible to receive such benefits, discounting using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the other comprehensive income as incurred.

(b) Defined Contribution Plan:

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

3.19 Revenue Recognition

The Group recognises revenue from the following major sources:

- manufacturing of steel pipes longitudinally and spirally welded for sale in domestic and foreign markets;
- manufacturing of cold rolled coils, galvanized coils and metal sheets for sale in domestic and foreign markets;
- exclusive sales and after sales services of BMW, MINI, Land Rover and Jaguar vehicles and car rental services in Turkey;
- exclusive sales and after sales services of Caterpillar, earthmoving equipment and power systems, in Turkey, Central Asia and Far East Russia,
- providing integrated logistic services, shipping, port activities, warehousing and customs clearance services;

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled.

The Group recognizes revenue based on the following main principles:

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

The Group recognized revenue from its customers only when all of the following criteria are met:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.20 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of income/ (loss) in the period in which they are incurred.

3.21 Contingent Assets and Liabilities

Contingent liabilities are not recognised but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

3.23 Subsequent Events

Post year-end events that provide additional information about the Group's position at the date of the statement of financial position (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3.24 Investments in associates and joint ventures

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.24 Investments in associates and joint ventures *(continued)*

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.25 Earth moving equipment and motor vehicles held for operating lease

Earth moving equipment held for operating lease:

Earth moving equipment held for operating lease are equipment which are originally recognized in inventory and transferred to long term assets once they became part of the rental fleet. They are stated at cost less accumulated depreciation and 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 as revenue and cost of sales similar to original equipment revenue.

Depreciation is computed on a straight-line basis based over the lease term.

Motor vehicles held for operating lease:

Motor vehicles held for operating lease are vehicles which are originally recognized in long term assets once they became part of the rental fleet. They are stated at cost less accumulated depreciation and 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 as revenue and cost of sales similar to original equipment revenue.

Depreciation is computed on a straight-line basis based over the lease term.

3.26 Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with IFRS requires the Group 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. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. The significant management estimates are as follows:

Impairment of inventory:

When the net realizable value of inventory is less than its cost, the inventory is written down to the net realizable value and the expense is included in the statement of income / (loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below its cost no longer exist or when there is clear evidence of an increase in the net realizable value due to change in the economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Useful lives of property, plant and equipment:

Tangible and intangible assets are depreciated and amortized over the useful lives determined by the Group Management (Note 3). The Group periodically reviews its useful live estimates to ensure that they reflect the actual use and expected remaining future benefits to be derived from the use of these property, plant and equipment.

Revaluation of property, plant and equipment:

The Group Management periodically performs independent valuation for land, buildings and flat steel, steel pipe machinery asset groups. These valuations are performed frequently enough to ensure that the fair value of the revalued assets does not differ materially from its carrying amount. If the Group Management believes that the carrying amount of the revalued assets does not differ significantly from its fair value, they do not perform a new revaluation exercise. As at the balance sheet date the Group Management has performed a comprehensive valuation exercise that resulted in USD 55,705,325 million decrease in revaluation reserve.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.26 Significant Accounting Judgments and Estimates *(continued)*

Deferred tax assets:

Deferred tax assets 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 loss carry-forwards 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. The Group has not recognized deferred tax assets in certain entities because it is not probable that sufficient taxable profit will be available to recognise deferred tax assets in those entities. If market conditions improve and future results of operations exceed the Group's current expectations, the existing unrecognised deferred tax assets may be recognised, resulting in future tax benefits.

Impairment of goodwill and intangible assets of indefinite useful lives

The Group tests annually whether goodwill and intangible assests of indefinite useful lives have suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Impairment in financial assets

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

Calculation of loss allowance

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

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

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

4. CHANGES IN GROUP'S ORGANIZATION

The following transactions took place during 2019, which resulted in changes in Group's organization:

Throughout the year 2019, Borusan Holding merged with Borusan Danışmanlık and Bortrade merged with Borusan İstikbal. These transactions have no effect on the consolidated financial statements.

Throughout the year 2018, the Group purchased 50% shares of Borusan Manheim amounting to USD 1 at 20 December 2018 increasing its effective ownership from 47.14% to 96.73%. As a result of aforementioned business acquisition, negative goodwill amounting to USD 1,308,785 recognized in the consolidated statement of profit or loss.

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5. DIVIDENDS

In 2019, a dividend of USD 1,996 (2018: USD 1,857) per thousand share (total USD 11,186,691) (2018: USD 10,408,276) was paid to shareholders.

6. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Banks		
-time deposits	558,367,044	550,616,120
-demand deposits	184,921,575	104,172,943
Cash on hand	67,196	78,103
Other cash and cash equivalents	210,955	49,241
	743,566,770	654,916,407
Loss allowance (-)	(1,158,737)	(1,158,737)
Total	**742,408,033**	**653,757,670**

Effective interest rate of time deposits as of 31 December 2019 is between 8% - 24% (2018: 18% - 27%) per annum for TL deposits and between 0.20% - 4.00% (2018: 0.01% - 9.00%) per annum for the currencies other than TL deposits.

Maturities of these time deposits range from 2 day to 10 days (2018: 1 day to 4 days).

Currency breakdown of cash and cash equivalents is as follows:

	31 December 2019		31 December 2018	
Currency	**Currency Amount**	**USD Equivalent**	Currency Amount	USD Equivalent
USD	361,057,212	361,057,212	372,760,077	372,760,077
EUR	275,022,013	307,906,418	177,292,196	203,143,447
GBP	265,007	347,550	158,767	201,098
SFR	6,708	6,524	1,511,347	1,536,234
TENGE	796,273,459	2,091,219	4,728,021	12,417
TL	397,959,030	66,994,214	395,710,657	75,217,293
ROUBLE	233,258,625	3,771,970	11,571,676	165,715
Other (*)		1,391,663		1,880,126
		743,566,770		654,916,407
Effect of IFRS 9		(1,158,737)		(1,158,737)
Total		**742,408,033**		**653,757,670**

(*) Other currencies consist of DZD, GEL, AZN and KGS.

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7. TRADE RECEIVABLES, net

	31 December 2019	31 December 2018
Current trade receivables		
Trade receivables	535,776,735	713,486,993
Trade receivables from related parties (Note 34)	73,311	285,228
Loss allowance (-)	(47,109,318)	(35,214,225)
	488,740,728	678,557,996

As of 31 December 2019, trade receivables of USD 411,194,185 (2018: USD 603,735,864) were neither past due nor impaired. The average credit period on sales of goods and services provided is 41 days (2018: 56 days). Interest rates applied for amortized cost computation varies between 12% - 25% for TL (2018: 12% - 24.7%), 0.4% for EUR and 2.6% for USD (2018: 0.4% for EUR and 2.6% for USD) denominated receivables.

The Group has offset USD 145,434,773 (31 December 2018: USD 124,570,522) from its trade receivables that are collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2019.

Collateral received in relation to trade receivables that are neither past due nor impaired is as follows:

	31 December 2019	31 December 2018
Letter of guarantee	95,908,335	81,656,682
Mortgages	4,529,382	4,054,527
Guarantee through direct debiting system	94,020,880	86,871,927
Letter of credit related to export receivables	2,864,356	22,811,122
Insured receivables	15,846,549	19,436,516
Other	3,345,149	95,262
	216,514,651	214,926,036

As of 31 December 2019, trade receivables of USD 77,546,543 (2018: USD 74,822,132) were past due but not impaired. Trade receivables disclosed below include amounts that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The aging analysis of these trade receivables is as follows:

	31 December 2019	31 December 2018
Up to 30 days	27,003,406	42,470,954
30 to 90 days	12,671,692	19,802,929
90 to 180 days	12,134,670	9,940,194
Over 180 days	25,736,775	2,608,055
	77,546,543	74,822,132

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7. TRADE RECEIVABLES, net *(continued)*

Collaterals held for trade receivables that are past due but not impaired at the balance sheet date are as follows:

	31 December 2019	31 December 2018
Letter of guarantee	5,055,912	3,160,365
Letter of credit related to export receivables	24,604	495,043
Insured receivables	2,342,495	3,916,139
Mortgages	-	40,412
Guarantee through direct debiting system	131,738	7,439
	7,554,749	7,619,398

As at 31 December 2019, there is no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated (2018: None). Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. As the Group provides services and products to a large number of customers, collection risk is widely distributed amongst these customers and there is no significant credit risk exposure. Therefore, the Group does not provide for any further provision beyond the doubtful receivables provisions that the Group has already provided for in the consolidated financial statements. As at 31 December 2019, USD 47,109,318 (2018: USD 35,214,225) were impaired and provided for. The aging of these receivables is as follows:

	31 December 2019	31 December 2018
Up to 90 days	3,801	256,397
90 to 180 days	-	67,254
Over 180 days	47,105,517	34,890,574
	47,109,318	35,214,225

Movement of allowance of trade receivables is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
At the beginning of the year	35,214,225	25,601,619
Allowance provided during the year (*)	18,371,475	15,145,630
Amounts written-off as uncollectable	(1,387,266)	(16,880)
Amounts recovered during the year	(1,723,498)	(1,816,634)
Currency translation reserve	(3,365,618)	(3,699,510)
At the end of the year	47,109,318	35,214,225

(*) The Group management made a provision amounting to USD 10,000,000 within the framework of the legal dispute regarding import tax fees. The related dispute is aimed to be resolved through mutual negotiations.

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7. TRADE RECEIVABLES, net *(continued)*

	31 December 2019	31 December 2018
Non - current trade receivable		
Other trade receivables	23,361,960	16,667,679
	23,361,960	16,667,679

As of 31 December 2019, non-current trade receivables were neither past due nor impaired (2018: None).

Currency breakdown of current and non - current trade receivables is as follows:

	31 December 2019		31 December 2018	
Currency	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	247,598,135	247,598,135	392,391,503	392,391,503
EUR	153,019,885	171,316,486	181,442,974	207,886,084
GBP	72,178	94,660	183,786	232,788
TENGE	12,013,489,597	31,550,515	12,378,074,968	32,508,010
TL	318,149,758	53,558,762	283,939,743	53,971,705
ROUBLE	493,738,599	7,984,130	575,080,682	8,235,585
		512,102,688		695,225,675

8. INVENTORIES, net

	31 December 2019	31 December 2018
Merchandise inventories (trade goods)	225,162,494	377,619,249
Goods in transit	96,856,372	182,054,479
Raw materials	124,917,104	156,739,834
Finished goods	124,072,362	118,068,870
Spare parts and operating supplies	25,520,857	24,462,275
Work in process (WIP)	68,646,275	55,920,692
Less : Allowance for NRV of trade goods	(6,247,485)	(22,066,602)
	658,927,979	892,798,797

Movement of allowance for NRV is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
At the beginning of the year	22,066,602	22,197,823
Charge for the year	1,590,648	5,190,436
Provision released	(17,620,624)	(6,532,898)
Currency translation reserve	210,859	1,211,241
At the end of the year	6,247,485	22,066,602

Provision released during the year represents reversal of NRV impairment, due to the fact that the impaired inventory is sold during the year.

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9. OTHER RECEIVABLES AND ASSETS

	31 December 2019	31 December 2018
Current asset		
Value added tax (VAT) receivable	19,574,043	36,025,888
Other receivables from non-consolidated related companies (Note 34)	43,450,890	48,458,035
Income accruals	32,603,302	31,447,216
Prepaid expenses	13,513,898	19,446,573
Advances given	1,196,696	1,356,168
Prepaid taxes, funds and receivables	7,332,930	8,030,589
Due from personnel (Note 34)	159,090	76,260
Derivative financial instruments (Note 33)	134,071	3,438,728
Other	23,544,949	19,338,856
	141,509,869	167,618,313

	31 December 2019	31 December 2018
Non-current assets		
Other receivables from non consolidated related parties (Note 34)	45,501,100	53,462,025
Prepaid expenses	1,632,770	1,284,685
Other	6,974,066	8,650,887
	54,107,936	63,397,597

10. GOODWILL

Cost	31 December 2019	31 December 2018
Goodwill	57,662,281	57,002,281
	57,662,281	57,002,281

The Group assesses goodwill for impairment annually. Recoverable amount is determined by calculating the value in use. Principal estimates such as discount rate, growth rate, sale prices and direct costs are taken into account in assessing the value in use. As of 31 December 2019, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's operations was not impaired.

The recoverable amount of the logistic operations was assessed by reference to value in use. A discount factor of 10.7% per annum was applied in the value in use model. The Group assesses goodwill for impairment annually. Recoverable amount is determined by calculating the value in use. Principal estimates such as discount rate, growth rate, sale prices and direct costs are taken into account in assessing the value in use. As of 31 December 2019, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's operations was not impaired.

The recoverable amount of the logistics was assessed by reference to value in use. The calculation of the value in use was based on the following key assumptions:

Cash flows beyond the five-year period are projected by using a terminal growth rate of 1.8% (2018: 1.8%) and a discount factor of 10.7% (2018: 11.7%) per annum was applied in the value in use model.

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11. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment, related accumulated depreciation and provision for impairment for the year ended 31 December 2019 is as follows:

	31 December 2018	Additions	Disposals	Transfers (*)	Revaluation fund	Accumulated depreciation net-off of valued fixed assets	Currency translation reserve	31 December 2019
Cost								
Land and buildings	880,324,998	5,661,616	(403,890)	(14,998,611)	(78,845,880)	(53,167,214)	(7,674,162)	730,896,857
Machinery and equipment	791,934,490	36,396,041	(59,687,813)	9,708,902	20,337,432	(202,819,583)	(3,627,207)	592,242,262
Motor vehicles	372,153,608	34,610,876	(133,832,895)	(12,720)	-	-	(7,199,451)	265,719,418
Furniture and fixtures	168,124,151	7,536,595	(4,089,938)	(66,201)	-	-	(1,209,086)	170,295,521
Leasehold improvements	154,438,955	1,654,062	(1,332,274)	339,714	-	-	(620,639)	154,479,818
Other tangible assets	2,813,641	65,000	-	24,000	-	-	(758)	2,901,883
Construction in progress	51,084,799	36,215,408	(3,429,157)	(25,861,638)	-	-	(594,570)	57,414,842
	2,420,874,642	**122,139,598**	**(202,775,967)**	**(30,866,554)**	**(58,508,448)**	**(255,986,797)**	**(20,925,873)**	**1,973,950,601**
Less : Accumulated Depreciation								
Buildings	(44,044,404)	(18,378,952)	109,715	-	-	53,167,214	1,631,500	(7,514,927)
Machinery and equipment	(234,896,929)	(49,518,632)	11,712,999	229,639	-	202,819,583	7,825,755	(61,827,585)
Motor vehicles	(108,867,330)	(23,394,523)	26,525,984	212,231	-	-	7,683,765	(97,839,873)
Furniture and fixtures	(123,111,267)	(8,266,481)	339,497	1,776,354	-	-	2,066,017	(127,195,880)
Leasehold improvements	(61,672,055)	(6,738,740)	239,413	11,437	-	-	655,414	(67,504,531)
Other tangible assets	(2,813,641)	(58,804)	14,000	-	-	-	127,387	(2,731,058)
	(575,405,626)	**(106,356,132)**	**38,941,608**	**2,229,661**	**-**	**255,986,797**	**19,989,838**	**(364,613,854)**
Net book value	**1,845,469,016**	**15,783,466**	**(163,834,359)**	**(28,636,893)**	**(58,508,448)**	**-**	**(936,035)**	**1,609,336,747**

(*) As of 31 December 2019, USD 7,842,737 (2018: USD 5,245,693) of transfer made from tangible assets to intangibles. A transfer amounting to USD 14,110,219 from land and buildings to asset held for sale. The net book value amounting to USD 6,683,937 is transferred from tangible assets to discontinued operations.

There is borrowing cost capitalized amounting to USD 4,022,358 as of 31 December 2019 (2018: USD 1,093,983).

The net book value of machinery and equipment comprise of earth moving equipment amounting to USD 23,471,966 (31 December 2018: USD 68,212,523) and motor vehicles held for operating lease comprise of rental vehicles amounting to USD 127,587,888 (31 December 2018: USD 200,172,465).

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11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Movement of property, plant and equipment, related accumulated depreciation and provision for impairment for the year ended 31 December 2018 is as follows:

	31 December 2017	Additions	Disposals	Transfers (*)	Write off during the year	Revaluation fund	Accumulated depreciation net-off of valued fixed assets	Acquisition of subsidiary	Currency translation reserve	31 December 2018
Cost										
Land and buildings	849,329,266	13,100,583	(135,084)	66,834,411	-	(8,645,931)	(29,457,607)	-	(10,700,640)	880,324,998
Machinery and equipment	782,922,312	99,025,199	(86,630,333)	3,154,001	-	-	-	-	(6,536,689)	791,934,490
Motor vehicles	376,639,476	72,043,556	(96,969,310)	36,465,087	-	-	-	45,116	(16,070,317)	372,153,608
Furniture and fixtures	157,778,774	14,195,979	(1,544,097)	803,971	-	-	-	769,573	(3,880,049)	168,124,151
Leasehold improvements	146,213,251	9,248,461	(179,187)	12,037	-	-	-	522,106	(1,377,713)	154,438,955
Other tangible assets	3,139,911	31,235	(102,727)	55,392	-	-	-	-	(310,170)	2,813,641
Construction in progress	107,303,692	24,608,504	-	(76,157,068)	(135,733)	-	-	5,665	(4,540,261)	51,084,799
	2,423,326,682	**232,253,517**	**(185,560,738)**	**31,167,831**	**(135,733)**	**(8,645,931)**	**(29,457,607)**	**1,342,460**	**(43,415,839)**	**2,420,874,642**
Less : Accumulated Depreciation										
Buildings	(57,152,975)	(17,264,008)	113,684	-	-	-	29,457,607	-	801,288	(44,044,404)
Machinery and equipment	(203,149,667)	(55,528,038)	20,775,166	-	-	-	-	-	3,005,610	(234,896,929)
Motor vehicles	(99,215,885)	(28,057,015)	20,385,144	(3,444,275)	-	-	-	(35,553)	1,500,254	(108,867,330)
Furniture and fixtures	(116,733,594)	(8,662,865)	1,737,545	-	-	-	-	(615,714)	1,163,361	(123,111,267)
Leasehold improvements	(57,269,637)	(6,179,783)	300,497	-	-	-	-	(438,373)	1,915,241	(61,672,055)
Other tangible assets	(2,032,177)	(1,854,142)	84,599	-	-	-	-	-	988,079	(2,813,641)
	(535,553,935)	**(117,545,851)**	**43,396,635**	**(3,444,275)**	**-**	**-**	**29,457,607**	**(1,089,640)**	**9,373,833**	**(575,405,626)**
Net book value	**1,887,772,747**	**114,707,666**	**(142,164,103)**	**27,723,556**	**(135,733)**	**(8,645,931)**	**-**	**252,820**	**(34,042,006)**	**1,845,469,016**

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11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Market Valuation (fair value assessment)

Land, buildings, flat steel and steel pipe machinery of the Group are revalued in December 2019 by independent professional appraiser, Galata Taşınmaz Değerleme ve Danışmanlık Hizmetleri A.Ş and Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş., of which the effective date is 31 December 2019. Valuations for those assets were made on the basis of the market value. Initially, the book values of such assets were adjusted to the revalued amounts and the resultant initial surplus (reserve) net of deferred taxes was credited to revaluation reserve in equity. Accumulated depreciation of the revalued buildings and machinery and equipment have been eliminated against the gross carrying amounts of related assets as at 31 December 2019 and the net amount is restated to the revalued amount.

Details of the Group's fair value hierarchy as at 31 December 2019 and 2018 are as follows:

	Fair value as at 31 December 2019			
	Level 1	Level 2	Level 3	Total
-Lands & Buildings	-	723,381,930	-	723,381,930

	Fair value as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
-Lands & Buildings	-	836,280,594	-	836,280,594

On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings. Further, the depreciation difference realized from the revaluation surplus is transferred to retained earnings on annual basis as the asset is used by the Group.

Movements in revaluation surplus of land, buildings, machinery and equipment before allocation of non-controlling interest are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
At the beginning of the year	447,526,772	456,604,235
Change in revaluation reserve	(55,705,325)	(7,781,338)
Transfer of depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings pursuant to IAS 16	(3,740,139)	(1,296,125)
At the end of the year	388,081,308	447,526,772

Revaluation reserve included in the consolidated financial statements comprises the following:

	31 December 2019	31 December 2018
Revaluation reserve attributable to equity holders of the parent	179,802,655	215,477,513
Revaluation reserve attributable to non-controlling interest	208,278,653	232,049,259
	388,081,308	447,526,772

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11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Mortgages and Pledges on Assets

As of 31 December 2019, there is no mortgages on property, plant and equipment (2018: None).

12. INTANGIBLE ASSETS, net

Movement of intangible assets during the year ended 31 December 2019 is as follows:

	Rights	Other Intangibles	Customer List	Total
Cost at 1 January 2019	103,786,361	73,317,025	32,285,000	209,388,386
Additions	4,106,196	13,608,518	-	17,714,714
Disposals	(457,874)	(1,103,554)	-	(1,561,428)
Transfers	814,546	7,028,191	-	7,842,737
Currency translation reserve	(4,657,693)	(6,292,538)	-	(10,950,231)
Cost at 31 December 2019	**103,591,536**	**86,557,642**	**32,285,000**	**222,434,178**
Accumulated amortization at 1 January 2019	(69,012,120)	(51,991,334)	(19,371,000)	(140,374,454)
Charge for the year	(8,774,991)	(12,247,913)	(3,228,500)	(24,251,404)
Disposals	29,461	369,656	-	399,117
Currency translation reserve	237,567	493,212	-	730,779
Accumulated amortization at 31 December 2019	**(77,520,083)**	**(63,376,379)**	**(22,599,500)**	**(163,495,962)**
Net book value at 31 December 2019	**26,071,453**	**23,181,263**	**9,685,500**	**58,938,216**

Movement of intangible assets during the year ended 31 December 2018 is as follows:

	Rights	Other Intangibles	Customer List	Total
Cost at 1 January 2018	90,610,997	62,056,082	32,285,000	184,952,079
Additions	9,991,758	7,150,060	-	17,141,818
Disposals	-	(41,961)	-	(41,961)
Transfers	3,451,375	1,794,318	-	5,245,693
Currency translation reserve	(2,626,425)	(1,450,130)	-	(4,076,555)
Acquisition of Subsidiary	2,358,656	3,808,656	-	6,167,312
Cost at 31 December 2018	**103,786,361**	**73,317,025**	**32,285,000**	**209,388,386**
Accumulated amortization at 1 January 2018	(59,511,675)	(46,318,314)	(16,142,500)	(121,972,489)
Charge for the year	(8,647,247)	(6,012,666)	(3,228,500)	(17,888,413)
Acquisition of Subsidiary	(1,580,519)	(263,612)	-	(1,844,131)
Disposals	-	12,494	-	12,494
Currency translation reserve	727,321	590,764	-	1,318,085
Accumulated amortization at 31 December 2018	**(69,012,120)**	**(51,991,334)**	**(19,371,000)**	**(140,374,454)**
Net book value at 31 December 2018	**34,774,241**	**21,325,691**	**12,914,000**	**69,013,932**

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13. RIGHT OF USE ASSETS

	Right to use land, warehouse and office buildings	Right to use vehicles	Total
Opening balance at 1 January 2019	-	-	-
The effect of change in accounting policy (Note 3.2)	75,833,681	23,338,513	99,172,194
Additions	5,188,930	9,890,699	15,079,629
Modifications	4,129,553	-	4,129,553
Disposals	(13,245,034)	(4,441,000)	(17,686,034)
Currency translation reserve	(1,566,341)	(131,315)	(1,697,656)
Cost at 31 December 2019	**70,340,789**	**28,656,897**	**98,997,686**
Opening balance at 1 January 2019	-	-	-
The effect of change in accounting policy (Note 3.2)	20,723,618	12,175,369	32,898,987
Charge for the period	10,190,554	8,156,832	18,347,386
Disposals	(7,609,758)	(3,783,244)	(11,393,002)
Currency translation reserve	(769,641)	(150,137)	(919,778)
Depreciation at 31 December 2019	**22,534,773**	**16,398,820**	**38,933,593**
Net book value	**47,806,016**	**12,258,077**	**60,064,093**

The useful life of the right of use assets as follows:

	Years
Right to use land, warehouse and office buildings	6
Right to use vehicles	3

14. TRADE PAYABLES, net

The average maturity of the trade payables is 40 days and average interest rate applied for TL payables is 13.00% and for USD payables is 3.33% (2018: interest rate applied for TL is 20.00% and for USD is 3.33%, maturity 58 days).

	31 December 2019	31 December 2018
Current trade payables		
Trade payables (*)	686,728,370	730,331,922
Due to related parties (Note 34)	467,750	726,338
	687,196,120	731,058,260

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14. TRADE PAYABLES, net *(continued)*

	31 December 2019	31 December 2018
Non current trade payables		
Non-current trade payables (*)	71,049,969	239,776,388
	71,049,969	239,776,388

(*) Within trade payables, in 2019 BMGS has USD 125,877,042 (EUR 112,430,370) of vendor financing from CAT Financial Services Limited. The final maturity of the financing agreements are in 2022. The average interest rate is fixed at 3.72 %. BMGS has USD 47,648,924 (EUR 42,558,882) of vendor financing from Japan Bank for International Corporation ("JBIC") and Sumitomo Mitsui Banking Corporation ("SMBC") & BNP Paribas ("BNPP") . The final maturity of the financing agreements is 2022 and the interest rate is 2.56% at average. BMGS has USD 55,692,795 (EUR 49,743,475) of vendor financing from Sumitomo Mitsui Corporation ("SMCB"). The maturity of financing agreement is 2020 and the interest rate is 0.70%.

BMB has obtained vendor financing amounting to USD 69,688,996 which 4.24% interest rate is applied to and 1.26% interest rate is applied to EUR 5,356,338 and the average maturity of mentioned payables is between 180-360 days (31 December 2018: USD 63,494,703 interest rate applied is 4.25% and EUR 40,155,081 interest rate applied 0.93% the average maturity is between 180-360 days).

Currency breakdown of current and non - current trade payables is as follows:

	31 December 2019		31 December 2018	
Currency	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	364,883,903	364,883,903	456,612,338	456,612,338
EUR	290,808,413	325,580,400	402,067,216	460,663,630
GBP	30,171	39,568	15,820	20,038
TENGE	5,756,774,053	15,118,770	611,755,744	1,606,628
TL	280,823,430	47,275,080	264,453,690	50,267,766
ROUBLE	-	-	112,431,103	1,610,097
Other (*)		5,348,368		54,151
		758,246,089		970,834,648

(*) Other currencies consist of AUD, AZN, SFR, DZD and GEL.

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15. SHORT-TERM BORROWINGS

	31 December 2019	31 December 2018
Short term bank borrowing	833,394,912	762,182,754
Current portion of long term borrowing	352,864,066	556,686,682
Other financial liabilities	3,225,085	206,546
	1,189,484,063	1,319,075,982

The interest rates for TL borrowings are 14.52% (2018: 27%). Variable interest rates for EUR borrowings vary between Libor+0.45%-Libor+4% (2018: Libor+0.65%-Libor+3.85%) Fixed interest rates for EUR borrowings vary between 1.85%-5.40%. (2018: 2.40%-5.50%.). For USD denominated borrowings, variable interest rates vary between Libor+0.30%-Libor+4.15% (2018: Libor+0.65%-Libor+4.15%). For USD denominated borrowings, fixed interest rates vary between 0%-6.10% (2018: 0%-7.15%).

There are no secured short term borrowings as of 31 December 2019 and 2018.

Currency breakdown of short-term borrowings is as follows:

	31 December 2019		31 December 2018	
Currency	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	737,269,351	737,269,351	747,102,934	747,102,934
EUR	236,572,971	264,860,021	311,864,852	357,315,367
KZT	2,882,696,201	7,570,702	9,007,806,750	23,656,818
TL	1,023,957,818	172,377,667	968,612,261	184,115,315
ROUBLE	303,054,774	4,900,627	326,435,051	4,674,793
GEL	1,191,165	418,687	1,200,000	448,330
AZN	3,533,305	2,087,008	3,000,000	1,762,425
		1,189,484,063		1,319,075,982

The details of short term lease liabilities are as follows:

	Effective Interest rates					
Short term leases	TL	EUR	USD	KZT	RUB	GEL
Land, warehouse and office buildings	19%	-	5%	13%	8%	-
Vehicles	24%	5%	5%	-	8%	10%

	Currency Breakdown						
Short term leases	TL	EUR	USD	KZT	RUB	GEL	Total
Land, warehouse and office buildings	12,747,208	-	867,738	174,272	13,862	-	13,803,080
Vehicles	414,587	4,227,402	1,462,836		602,716	41,154	6,748,695
	13,161,795	4,227,402	2,330,574	174,272	616,578	41,154	20,551,775

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16. LONG-TERM BORROWINGS

			31 December 2019			
			Effective interest rates p.a. (%)			
			USD		EUR	
		Fixed / Variable	Min	Max	Min	Max
Long - term Borrowings	528,260,977	Variable	Libor+2.60%	Libor+3.95%	E+0.45%	E+3.85%
		Fixed	4.65%	6.10%	2.10%	5.40%
Finance lease obligations	795,451					
Total loans	**529,056,428**					

			31 December 2018			
			Effective interest rates p.a. (%)			
			USD		EUR	
		Fixed / Variable	Min	Max	Min	Max
Long - term Borrowings	705,735,099	Variable	Libor+2.75%	Libor+3.95%	E+3.85%	E+3.85%
		Fixed	4.75%	5.99%	2.85%	5.40%
Finance lease obligations	235,228					
Total loans	**705,970,327**					

There is no secured long term borrowing as of 31 December 2019 (2018: None). In 2016, The Group obtained a syndicated loan of USD 400,000,000 at a consortium. This loan is subject to covenant clauses, whereby the Group is required to meet certain key performance indicators.

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16. LONG-TERM BORROWINGS *(continued)*

The redemption schedules of long-term borrowings and long-term financial lease obligations as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Between 1-2 years	439,493,429	338,806,893
Between 2-3 years	31,204,399	321,387,526
Between 3-4 years	25,812,596	16,999,065
Between 4-5 years	26,490,377	16,999,065
More than 5 years	6,055,627	11,777,778
	529,056,428	705,970,327

Currency breakdown of long-term and current portion of long-term borrowings are as follows:

Currency	31 December 2019		31 December 2018	
Currency	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	389,929,981	389,929,981	487,470,177	487,470,177
EUR	90,632,982	101,469,975	190,696,588	218,500,150
TL	127,953,102	21,540,201	-	-
KZT	6,136,592,509	16,116,271	-	-
		529,056,428		705,970,327

The details of long term lease liabilities are as follows:

	Effective Interest Rates					
Long term leases	TL	EUR	USD	KZT	RUB	GEL
Land, warehouse and office buildings	20%	-	5%	13%	-	-
Vehicles	24%	5%	5%	-	10%	9%

	Currency Breakdown						
Long term leases	TL	EUR	USD	KZT	RUB	GEL	Total
Land, warehouse and office buildings	26,862,415	-	5,361,541	113,415	-	-	32,337,371
Vehicles	445,027	3,538,369	816,695	-	23,628	672,529	5,496,248
	27,307,442	3,538,369	6,178,236	113,415	23,628	672,529	37,833,619

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17. OTHER PAYABLES, PROVISIONS AND EXPENSE ACCRUALS

	31 December 2019	31 December 2018
Current payables and expenses accruals		
Accrued expenses	60,925,375	68,016,034
Advances received	17,311,728	18,510,155
Taxes and dues payable	39,789,709	48,219,443
Accruals for personnel and board of directors (BOD) premiums	13,014,146	13,920,496
Deferred income	8,299,834	11,014,137
Due to personnel (Note 34)	3,482,909	3,480,997
Provision for litigation	4,421,777	3,341,791
Derivative financial instruments (Note 33)	2,595,178	1,775,421
Due to related parties (Note 34)	96,431	168,604
Other	9,397,208	3,040,982
	159,334,295	171,488,060

	31 December 2019	31 December 2018
Non - current payables and expense accruals		
Deferred income	3,113,786	1,866,439
Other long-term payables	-	4,842,515
	3,113,786	6,708,954

18. TAXATION ON INCOME

a) Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

The effective tax rate in 2019 is 22% (2018: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22% (2018: 22%). 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.

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18. TAXATION ON INCOME *(continued)*

a) Corporate Tax *(continued)*

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.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Current statutory income tax payable for the years ended 31 December 2019 and 2018 are summarized as follows:

	31 December 2019	31 December 2018
Provision for current taxes as per statements of income		
- Turkey tax charge	14,845,307	20,796,248
- Malta tax charge	8,850,715	5,471,797
- Effect of tax recoverable (Malta) (*)	(7,586,327)	(4,685,081)
- Other tax charge	9,070,111	6,589,423
Total statutory income tax charge for the year	25,179,806	28,172,387
Prepaid taxes	(18,231,184)	(25,273,087)
Currency translation reserve	6,115,072	(3,786,278)
Tax receivable (Malta)(*)	7,586,327	4,685,081
Income tax payable	20,650,021	3,798,103

(*) MIT Holding has a tax receivable amounting to USD 7,586,327 classified under current assets. (2018: USD 4,685,081).

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18. TAXATION ON INCOME *(continued)*

b) Deferred Tax

Deferred tax assets and liabilities are based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. Such temporary differences usually result in the recognition of income and expenses in different reporting periods for IFRS and tax purposes. Deferred taxes reflected in the consolidated statement of financial positions are summarized as follows:

	31 December 2019	31 December 2018
Deferred tax assets	5,825,778	6,833,336
Deferred tax liabilities	(171,562,282)	(184,436,664)
Deferred tax asset (liability), net	(165,736,504)	(177,603,328)

Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2018: %22).

The breakdown of deferred tax assets/ (liabilities) as of 31 December 2019 and 2018 using the current effective tax rates, are as follows:

	Balance Sheet	
	31 December 2019	31 December 2018
Net difference between the tax base and the carrying value of inventories	(10,338,876)	(11,499,360)
Provision for employee benefits obligation	4,023,453	3,867,294
Tax losses carried forward	40,629,064	49,180,370
Other provisions and accruals	13,232,641	18,459,844
Net difference between the tax and the carrying value of property, plant and equipment mainly arising from remeasurement pursuant to IAS 21	(188,003,341)	(204,348,223)
Other temporary differences	8,447,633	7,849,426
Total	(132,009,426)	(136,490,649)
Less: Valuation allowance for deferred tax assets [*]	(33,727,078)	(41,112,679)
Deferred tax asset (liability), net	(165,736,504)	(177,603,328)

[*] Deferred tax asset allowance is provided for specific subsidiaries since sufficient taxable profits will not be available in the foreseeable future. At the balance sheet date, the Group has tax losses of USD 201,457,937 (2018: USD 243,352,940) available for offset against future profits. A deferred tax asset has been recognized in respect of USD 34,457,639 (2018: USD 40,229,532) of such losses. No deferred tax asset has been recognized in respect of the remaining USD 167,000,298 (2018: USD 203,123,408) due to the unpredictability of future profit streams.

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18. TAXATION ON INCOME *(continued)*

b) Deferred Taxes *(continued)*

Expiration schedule of unused carry forward tax losses is as follows:

	31 December 2019	31 December 2018
Expiring in 2019	-	5,937,686
Expiring in 2020	16,350,933	18,462,204
Expiring in 2021	21,489,168	31,848,317
Expiring in 2022	10,986,231	12,748,768
Expiring in 2023	98,981,444	134,126,433
Expiring in 2024	19,192,524	-
	167,000,300	203,123,408

Movements of deferred tax balances during the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
Beginning balance	(177,603,328)	(164,313,375)
Tax charge recognized in the statement of income	6,620,345	(18,142,835)
Tax credited/(charged) to equity (*)	2,997,596	(207,899)
Currency translation reserve	2,248,883	5,060,781
	(165,736,504)	(177,603,328)

(*) USD 50,466 (2018: USD 480,075) charge to equity is related to cash flow hedge, USD 144,007 (2018: USD 176,619) charge to equity is related to actuarial losses from Employee Benefits Obligation and USD 2,803,123 charge to equity is related to revaluation of property, plant and equipments.

Reconciliation of taxes by applying the effective tax rates to profit before tax provision as reflected in the statement of comprehensive income for the years ended 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December2018
Net income from ordinary activities before income tax	66,625,938	93,181,006
At statutory income tax rate at 22% (2018 – 22%)	(14,657,706)	(20,407,856)
Effect of :		
Disallowable expenses	(8,415,757)	(9,941,148)
Tax exempt income	8,261,415	5,308,243
Non tax deductible translation gain arising from remeasurement	(2,213,621)	(6,166,335)
Unused tax losses and tax offsets not recognised as deferred tax assets	(1,533,792)	(15,108,126)
	(18,559,461)	(46,315,222)

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19. EMPLOYEE BENEFITS OBLIGATION

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women), achieves the retirement age (58 for women and 60 for men) if the employee has completed one year of service. The amount payable consists of one month's salary limited to a maximum for each year of service as of 31 December 2019 of TL 6,379.86 (USD 1,074.01) (2018: TL: 5,434.42 (USD 1,032.98)).

The maximum payment for retirement payment liability per year of employment is increased to TL 6,730.15 (USD: 1,132.98) (1 January 2019: TL 6,017.60 (USD: 1,143.83) as of 1 January 2020.

International Accounting Standard No. 19 ("IAS 19") "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As detailed in Note 18, such actuarial gains/losses are recognized within other comprehensive income starting from 31 December 2012.

IFRS requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Accordingly, as of 31 December 2019 and 2018, the following actuarial assumptions were used in the calculation of the liability:

	31 December 2019	31 December 2018
Interest rate	12.00%	16.00%
Expected inflation rate	8.00%	10.00%
Turnover rate	2%	2%

Movements of the provision for employee benefits obligation during the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
Beginning of the year	19,336,468	24,501,403
Actuarial gain/loss	638,215	(782,742)
Interest expense	675,062	913,251
Current service cost	6,913,978	3,505,429
Payments	(6,357,572)	(5,699,705)
Acquisition of subsidiary	-	55,488
Currency translation reserve	(1,088,884)	(3,156,656)
End of the year	20,117,267	19,336,468

Equity reconciliation of actuarial gains and losses from employee benefits obligation is as follows:

	2019	2018
Actuarial loss	5,648,821	5,010,606
Deferred tax	(1,129,765)	(1,002,122)
Actuarial loss (Net)	4,519,056	4,008,484
Non controlling interest	(1,519,117)	(1,259,747)
Actuarial loss attributable to equity holders' of the parent	2,999,939	2,748,737

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19. EMPLOYEE BENEFITS OBLIGATION *(continued)*

Of the total charge of provision for employee benefits obligations, USD 4,416,411 is charged to cost of sales, (2018: USD 1,979,443 is credited) and USD 3,172,629 (2018: USD 2,439,237) is charged to marketing and general administrative expenses.

Average number of personnel for the year ended 31 December 2019 was 8,942 (2018: 8,633). During the year ended 31 December 2019, the average number of personnel working abroad was 2,180 (2018: 1,978), of which 1,296 (2018: 1,127) are located in Middle East and Central Asia, 84 (2018: 95) in Italy, 21 (2018: 22) in Cyprus, 320 (2018: 300) in USA, 459 (2018: 434) in Russia.

20. SHARE CAPITAL

Holding's historical statutory share capital (authorized) consists of 5,605,332,500 shares with a par value of TL 0.01 each as of 31 December 2019 and 2018. The share groups and privileges assigned to each share group are as follows:

			2019		2018	
	Group	Voting Rights	TL	Share %	TL	Share %
Yeni Nesil Yönetim ve Danışmanlık A.Ş.	A	1,2,3	16,815,998	30.00	16,815,998	30.00
Ali Ahmet Kocabıyık	B	1,3	10,650,122	19.00	10,650,122	19.00
Ayşe Nükhet Özmen	B	1,3	10,509,988	18.75	10,509,988	18.75
Fatma Zeynep Hamedi	B	1,3	10,509,988	18.75	10,509,988	18.75
Zehra Nurhan Kocabıyık	B	1,3	4,904,656	8.75	4,904,656	8.75
İsmail Sefa Batıbayı	B	1,3	2,634,506	4.70	2,634,506	4.70
Cemil Bülent Demircioğlu	B	1,3	28,027	0.05	28,027	0.05
Borusan İstikbal Ticaret T.A.Ş.	B	1,3	40	0.00	40	0.00
			56,053,325	100	56,053,325	100
USD equivalent			46,044,080		46,044,080	

1. Voting right.
2. Nomination of majority of board members.
3. Board membership nomination.

	2019		2018	
Common shares	**Shares (thousand)**	**Amount (TL)**	Shares (thousand)	Amount (TL)
At 1 January	5,605,333	56,053,325	5,605,333	56,053,325
31 December	5,605,333	56,053,325	5,605,333	56,053,325

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21. RETAINED EARNINGS AND LEGAL RESERVES

Under Turkish Tax Law and Turkish Commercial Code ("TCC"), consolidated reporting for tax and statutory purposes is not recognised. Each company within the Group is treated as an individual tax paying and statutory entity. The ability of an individual company to distribute dividends to its direct shareholders is dependent on its statutory profits.

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

The statutory legal reserves consist of first and second reserves, appropriated in accordance with TCC. TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the entity's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Revaluation fund from participations and special funds cannot be distributed to the shareholders, but can be added to the share capital.

As of 31 December 2019 and 2018, general and legal reserves including inflation corrections (as per statutory financial statements of the Holding) are as follows (TL):

	31 December 2019	31 December 2018
Legal reserves	**71,754,409**	71,754,409
Revaluation fund from participations	**13,783,557**	13,783,557
Retained earnings	**83,879,758**	86,081,366
Special funds	**14,516,111**	14,516,111
Inflation adjustment on capital	**47,501,810**	47,501,810
Gain on sale of investment to be added onto capital	**16,237,255**	16,237,255
Retained earnings and legal reserves	**247,672,900**	249,874,508

22. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2019 assets classified as held for sale and liabilities associated with assets classified as held for sale is related with İzmit Plant of Borusan Mannesmann Boru and Ataşehir Building of Borusan Oto. The Group classified the building located at Ataşehir amounting to USD 14,110,219 in the current year.

In addition to that, Borusan Mühendislik İnşaat A.Ş. has been producing technological mechanical equipment for the needs of group companies and the iron and steel and pipe industry. Research and development and digitalization studies, which have been maintained consistently within Borusan Group for years, have given the group companies the capacity to solve their technology and technological equipment needs with their own technical knowledge and skills. This situation led Borusan Mühendislik to be removed from Borusan Group's future strategic plans. Within the framework of this decision, Borusan Mühendislik, which was decided to cease its activities in 2019, is classified as "assets held for sale and discontinued operations" in 2019 under IFRS 5.

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22. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

The details of assets classified as held for sale and discontinued operations are as follows:

	31 December 2019	31 December 2018
Assets classified as held for sale	14,573,953	463,734
Net assets arised from discontinued operations	7,069,165	-
Assets classified as held for sale & discontinued operations	21,643,118	463,734

	1 January- 31 December 2019	1 January- 31 December 2018
Balance at the beginning of the year	463,734	463,734
Addition	385,228	-
Transfer from tangible assets	20,794,156	-
Balance at end of year	21,643,118	463,734

	31 December 2019	31 December 2018
Liabilities arised from discontinued operations	1,176,114	-
Liabilities classified as discontinued operations	1,176,114	-

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	141,222	4,042,268
Cost of goods sold and services provided	(147,832)	(3,078,023)
Selling, general and administrative expenses	(557,134)	(1,135,511)
Finance expense, net	(106,851)	(39,868)
Other expense, net	(921,527)	(206,888)
Loss before tax from discontinued operations	(1,592,122)	(418,022)
- Current (statutory) tax	-	-
- Deferred tax	307,880	-
Loss for the year from discontinued operations	(1,284,242)	(418,022)

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23. NET SALES

	1 January - 31 December 2019		
	Domestic sales	Exports	Total
Steel Segment			
Steel pipes	136,740,204	603,219,164	739,959,368
Cold rolled coils	443,483,081	57,286,931	500,770,012
Galvanized sheets	563,747,731	83,314,736	647,062,467
Steel servicing	96,874,557	-	96,874,557
	1,240,845,573	743,820,831	1,984,666,404
Distributorship Segment			
Motor vehicles	665,346,583	-	665,346,583
Auto spare parts and services	121,363,975	-	121,363,975
Earth moving equipment (EME)	87,063,131	313,376,928	400,440,059
Power systems (PS)	73,414,463	18,431,057	91,845,520
EME and PS spare parts and services	97,087,658	244,213,667	341,301,325
	1,044,275,810	576,021,652	1,620,297,462
Other Segment			
Logistic services	302,577,097	82,905,890	385,482,987
Valves	4,033,052	8,878,955	12,912,007
Miscellaneous	12,328,590	31,387	12,359,977
	318,938,739	91,816,232	410,754,971
	2,604,060,122	1,411,658,715	4,015,718,837

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23. NET SALES *(continued)*

	1 January - 31 December 2018		
	Domestic sales	Exports	Total
Steel Segment			
Steel pipes	279,199,160	784,615,990	1,063,815,150
Cold rolled coils	419,236,242	109,512,537	528,748,779
Galvanized sheets	605,616,392	106,940,978	712,557,370
Steel servicing	108,183,161	-	108,183,161
	1,412,234,955	1,001,069,505	2,413,304,460
Distributorship Segment			
Motor vehicles	773,261,077	-	773,261,077
Auto spare parts and services	153,686,223	-	153,686,223
Earth moving equipment (EME)	160,437,788	322,628,422	483,066,210
Power systems (PS)	119,133,932	22,920,639	142,054,571
EME and PS spare parts and services	111,838,806	227,024,779	338,863,585
	1,318,357,826	572,573,840	1,890,931,666
Other Segment			
Logistic services	386,079,086	78,002,337	464,081,423
Valves	5,264,355	11,140,707	16,405,062
Miscellaneous	8,534,721	33,696	8,568,417
	399,878,162	89,176,740	489,054,902
	3,130,470,943	1,662,820,085	4,793,291,028

Management expects that USD 29,704,394 allocated to the unsatisfied contracts for the year 2019 will be recognised as revenue during the next reporting period (2018: USD 10,993,487). The amount of USD 9,515,750 will be recognised over 1 year period (2018: USD 68,511,497).

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24. COST OF GOODS SOLD AND SERVICES PROVIDED

	1 January - 31 December 2019	1 January - 31 December 2018
Direct raw materials	1,633,162,650	1,924,387,961
Labor	119,642,176	127,342,025
Depreciation and amortization expenses	104,623,351	104,525,332
Other production overheads including utilities, repair, maintenance	119,337,823	124,517,747
Net changes in finished goods	(6,003,492)	(2,486,348)
Net changes in WIP inventories	(12,725,583)	2,118,284
Cost of merchandise inventories sold	1,183,906,364	1,501,757,075
Cost of services	391,416,423	477,409,726
Other cost of sales	4,953,162	35,937,624
	3,538,312,874	4,295,509,426

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	113,019,225	120,028,559
Depreciation and amortization expenses	44,359,758	37,867,488
Provision for doubtful receivable, net of recoveries	16,647,977	13,328,996
Consulting, audit and legal fees	16,526,006	17,778,178
Advertising expenses	8,382,538	12,562,621
Outsourcing expenses	8,237,834	8,931,889
Donations sponsorship	7,433,575	8,410,637
Travel expenses	6,250,920	6,959,148
Sales distribution expenses	6,056,190	4,762,879
Insurance	4,334,138	5,676,199
Repair and maintenance expenses	4,103,020	3,228,484
Representation and meeting	4,063,894	4,841,610
Rent expenses	4,063,563	10,430,344
Taxes	3,146,308	3,142,863
Communication	2,412,280	2,972,886
Energy	2,178,628	2,275,478
Training	1,403,411	2,051,478
Car rentals and other car expense	1,323,071	5,457,091
Food expenses	1,297,995	1,738,992
Stationary	544,895	700,499
Other	24,964,275	18,817,370
	280,749,501	291,963,689

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26. PERSONNEL EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Wages, salaries and other social expenses	210,439,065	219,734,572
Cost of defined contribution plan (employer's share of social security premiums)	14,633,296	23,270,349
Termination benefits	7,589,040	4,418,680
	232,661,401	247,423,601

	2019	2018
Personnel expenses	113,019,225	120,028,559
Labor	119,642,176	127,395,042
Total	232,661,401	247,423,601

27. DEPRECIATION AND AMORTIZATION EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of production	88,794,152	98,852,992
Selling, general and administrative expenses	20,411,731	25,978,358
Total depreciation charge	109,205,883	124,831,350
Currency translation reserve	(2,849,751)	(7,285,499)
Total depreciation	106,356,132	117,545,851
Cost of production	5,587,286	5,672,340
Selling, general and administrative expenses	15,842,554	11,889,130
Total amortization charge	21,429,840	17,561,470
Currency translation reserve	2,821,564	326,943
Total amortization	24,251,404	17,888,413
Operating lease amortization expense on cost of production	10,241,913	-
Operating lease amortization expense on selling, general and administrative expenses	8,105,473	-
Total depreciation and amortization expenses	148,954,922	135,434,264

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28. OTHER OPERATING (EXPENSE)/ INCOME, net

	1 January - 31 December 2019	1 January - 31 December 2018
Warranty expense	**(1,730,234)**	(4,752,874)
Commission expense	**(4,885,545)**	(5,027,915)
Scrap sales	**1,292,493**	1,127,000
Rent income	**536,915**	1,347,090
Gain on purchase of shares (Note 4)	**-**	1,308,785
Gain / (Loss) on sale of property, plant and equipment	**25,148**	322,623
Other, net	**(2,204,378)**	19,461,860
	(6,965,601)	13,786,569

29. FINANCIAL (EXPENSE)/ INCOME, net

	1 January - 31 December 2019	1 January - 31 December 2018
Financial income :		
Interest income	**12,258,830**	12,518,670
Due date income, net	**16,835,219**	28,196,822
Other financial income	**5,485,958**	5,765,100
Total financial income	**34,580,007**	46,480,592
Financial expense :		
Interest expense	**(135,600,887)**	(140,349,940)
Other financial expense (*)	**(22,890,175)**	(29,633,124)
Total financial expense	**(158,491,062)**	(169,983,064)
Financial expense, net	**(123,911,055)**	(123,502,472)

(*) Other financial expense mainly comprises foreign exchange losses on loans, factoring expenses, letter of guarantee expenses, bank and credit card commissions, certain bank expenses paid for the loans obtained and other bank expenses.

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30. JOINT VENTURES

Summarized financial information in respect of the Group's material joint ventures is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS. The Group has purchased 50 percent of shares of Borusan Manheim amounting to USD 1 at 20 December 2018. As of 31 December 2018 the consolidation method for Borusan Manheim has changed to line by line (Note 4).

	31 December 2019	
	Borusan Enerji	Borusan Manheim
Current assets	80,300,619	-
Non-current assets	802,832,658	-
Current liabilities	(210,672,298)	-
Non-current liabilities	(410,731,318)	-
Total	261,729,661	-

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	71,290,297	-
Current financial liabilities (excluding trade and other payables and provisions)	(165,598,899)	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(358,682,426)	-

	31 December 2018	
	Borusan Enerji	Borusan Manheim
Current assets	86,946,012	-
Non-current assets	802,036,282	-
Current liabilities	(193,884,228)	-
Non-current liabilities	(455,943,606)	-
Total	239,154,460	-

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	75,655,636	-
Current financial liabilities (excluding trade and other payables and provisions)	(144,679,383)	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(390,314,683)	-

(Currency - US Dollars ("USD") unless otherwise indicated)

30. JOINT VENTURES *(continued)*

	31 December 2019	
	Borusan Enerji	**Borusan Manheim**
Net assets of the joint venture	**261,729,661**	**-**
Proportion of the Group's ownership interest in the joint venture	**50%**	**-**
Goodwill	**1,022,898**	**-**
Carrying amount of the Group's interest in the joint venture	**130,864,831**	**-**

	31 December 2018	
	Borusan Enerji	Borusan Manheim
Net assets of the joint venture	239,154,460	-
Proportion of the Group's ownership interest in the joint venture	50%	-
Goodwill	1,022,898	-
Carrying amount of the Group's interest in the joint venture	119,577,230	-

	1 January- 31 December 2019	
	Borusan Enerji	**Borusan Manheim**
Revenue	**98,257,528**	**-**
Net loss for the year	**(13,205,628)**	**-**
Selling, general and administrative expenses	**(8,169,620)**	
Other operating (expense)/income, net	**132,236**	**-**
Financial (expense)/income,net	**41,372,630**	**-**

	1 January- 31 December 2018	
	Borusan Enerji	Borusan Manheim
Revenue	99,182,626	6,187,542
Net loss for the year	(14,560,348)	(5,263,747)
Selling, general and administrative expenses	(9,439,740)	(5,986,583)
Other operating (expense)/income, net	43,479	(4,078,024)
Financial income /(expense),net	(38,789,949)	120,513

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30. JOINT VENTURES *(continued)*

The movement of Joint Ventures is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Beginning of the period - 1 January	**119,577,230**	134,855,945
Restatement effect (Note 3.2)	**-**	(10,081,821)
Beginning of the period - As restated	**119,577,230**	124,774,124
Shares of profit/(loss)	**(6,602,814)**	(9,712,025)
Effect of change in consolidation method	**-**	(1,308,786)
Contribution to capital increase in Joint Ventures	**17,890,415**	5,823,917
End of the period - 31 December	**130,864,831**	119,577,230

	31 December 2019	
Total comprehensive income for the year	**(13,205,628)**	**-**
Proportion of the Group's ownership interest in the joint venture	**50%**	**-**
Share of loss of a joint venture	**(6,602,814)**	**-**

	31 December 2018	
Total comprehensive income for the year	(14,560,348)	(5,263,747)
Proportion of the Group's ownership interest in the joint venture	50%	46%
Carrying amount of the Group's interest in the joint venture	(7,280,174)	(2,431,851)

31. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

Capital risk management of the 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 includes of issued capital, reserves and equity items consisting of retained earnings disclosed in Notes 21.

The Group's cost of capital and capital risks associated with each capital item are assessed by the Board of Directors and the Management of the Holding. Decisions on the dividend payments or capital increase are made based on those assessments and the Holding aims at balancing its capital structure by borrowing loans or settling its debt amounts.

The Group's overall strategy is determined in accordance with the financial risk management application framework.

(b) Significant accounting policies

The details of the Group's significant accounting policies in respect of financial instruments are disclosed in Note 3 "Summary of significant accounting policies" to the financial statements.

(Currency - US Dollars ("USD") unless otherwise indicated)

31. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Categories of financial instruments

31 December 2019

Balance Sheet	FVTOCI	Amortized cost	FVTOCI - designated	Total	Note
Financial Assets					
Cash and cash equivalents	-	742,408,033	-	742,408,033	6
Trade receivables	-	512,102,688	-	512,102,688	7
Other assets	-	119,630,095	-	119,630,095	9
Investments	3,540,361	-	-	3,540,361	
	3,540,361	**1,374,140,816**	**-**	**1,377,681,177**	
Financial Liabilities					
Borrowings	-	1,718,540,491	-	1,718,540,491	15, 16
Trade payables	-	758,246,089	-	758,246,089	14
Other payables	-	77,518,861	-	77,518,861	
Derivative financial liabilities	-	-	2,595,178	2,595,178	17
	-	**2,554,305,441**	**2,595,178**	**2,556,900,619**	

The carrying value of the financial instruments listed above approximates their fair values as of 31 December 2019.

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31. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Categories of financial instruments *(continued)*

31 December 2018

Balance Sheet	FVTOCI	Amortized cost	FVTOCI - designated	Total	Note
Financial Assets					
Cash and cash equivalents	-	653,757,670	-	653,757,670	6
Trade receivables	-	695,225,675	-	695,225,675	7
Other assets	-	129,986,063	-	129,986,063	9
Investments	4,231,483	-	-	4,231,483	
	4,231,483	1,478,969,408	-	1,483,200,891	
Financial Liabilities					
Borrowings	-	2,025,046,309	-	2,025,046,309	15, 16
Trade payables	-	970,834,648	-	970,834,648	14
Other payables	-	85,586,131	-	85,586,131	
Derivative financial liabilities	-	-	1,775,421	1,775,421	17
	-	3,081,467,088	1,775,421	3,083,242,509	

The carrying value of the financial instruments listed above approximates their fair values as of 31 December 2018.

31. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Objectives of financial risk management

The Group's treasury is managed by finance departments of subsidiaries and the Holding's finance department, which is responsible for the control and coordination and the Group's finance functions are responsible for determining, assessing and managing the financial risks that the Group companies are exposed to using a proactive approach. This responsibility includes 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 (including currency risk, interest rate risk and price risk), cash flow risk, maturity risk and liquidity risk.

Risks that are attributable to the Group companies are managed by using the Value-at Risk (VaR) method and policies that are approved by the Board of Directors of each company. Such policies prescribe the written procedures on the currency risk, interest risk and the use of derivative or non-derivative financial instruments and investments in excess of liquidity. Compliance with the policies and risk limits are monitored by the Holding's Finance Function on a daily basis. Idle liquidity is used to utilize alternative earnings via financial instruments within the limits specified by the BOD.

When appropriate, the Group uses forward agreements as derivative financial instruments to minimize and hedge its risks. The Group has no financial instruments (including derivative financial instruments) used for speculative purposes.

In order to minimize risk exposure, Borusan Holding Finance Department reports to Group's Management on a monthly basis, and reports to the Board of Directors of the Holding on a quarterly basis.

VaR represents the amount of possible loss in one day, with a confidence level of 99%, considering the market volatility in foreign currency exchange rates, capital markets and interest rates.

(e) Market risk

At the subsidiary level, the Group uses VaR analyses, which is the estimation of maximum loss within a given confidence level (99% probability) over a given period of time.

Risk management is assessed based on the functional currency of each company. The overall Group monitoring is performed in USD which is the functional currency of the Group. Risk reports are reviewed on a daily, weekly and monthly basis in order to perform a proactive and efficient management.

(f) Foreign currency and interest risk management

The Group's Treasury Management manages and controls such risk by offsetting the foreign currency assets and liabilities within the Group as well as using forward transactions and options. Fixed/variable costs of current loans are managed using derivative instruments within the VaR limits by monitoring the global market interest movements, for hedging purposes.

According to VaR analysis performed by Group Management; the Group is primarily exposed to TL and EUR foreign currency risks. As a result of open position follow-up, as of 31 December 2019, the Group has long position in TL for a USD equivalent amount of USD 55,992,984 and short position in EUR for a USD equivalent amount of USD 4,601,247 (31 December 2018: the Group has long position in TL for a USD equivalent amount of USD 49,249,653 and short position in EUR for a USD equivalent amount of of USD 49,040,268).

If volatility in capital markets, interest rates and foreign exchange rates is increased by 10% against as of 31 December 2019 keeping all other variables constant, value-at risk amounting to USD 1,768,371 (2018: USD 4,862,920) as of 31 December 2019 would have been higher by USD 1,973,936 (2018: USD 2,352,003).

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31. FINANCIAL RISK MANAGEMENT *(continued)*

(g) Credit risk management

The Group's credit risk primarily arises from its trade receivables. Such credit risk is managed by limiting the risk through the collaterals received and insuring the receivables. In managing credit risk, the Group uses instruments such as; Direct Debit System, non-recourse factoring, letters of guarantee, credit insurances and mortgages. The Group monitors its customer risks on a consistent basis and creditworthiness of the customers are systematically assessed based on the financial position, past experience and other factors. Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. Trade receivables are reviewed depending on the Group policies and procedures and they are carried at net amounts in the consolidated statement of financial position subsequent to any provision for doubtful receivables (Note 7). As of 31 December 2019, trade receivables amounting to USD 18,189,044 (2018: USD 23,352,655) have been insured by the Group.

In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties. The Group's current credit risk rating methodology includes the following categories:

Category	Description	Basis for recognizing expected credit losses
Secured receivables	Consist of secured receivables	Not generating credit losses
Recoverable receivables	The counterparty has a low risk of default and secured	Not generating credit losses
Doubtful or past due receivables	Amount is past due or there has been a significant indicator that the asset may be impaired.	100% allowance for unsecured receivables
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

(h) Price risk

The Group is exposed to price risks arising from the impact of the price changes on the steel raw materials and trade inventories. The Group does not use commodity hedge instruments other than zinc swaps. The Group's Treasury Management uses derivative financial instruments to mitigate the risk of rising of only zinc prices. There are no global derivative instruments to be utilized against the adverse price changes on the sales margins. The Group optimizes inventory turnover rates by reviewing the sale-production-purchase balance on a consistent basis considering the price trend of the steel raw materials and trade goods for future periods and reflects the steel price to the selling prices.

(i) Liquidity risk management

The Group manages its liquidity risk by monitoring its expected and actual cash flows on a consistent basis considering its short, medium and long-time funding and liquidity requirements.

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.

Funding risk on current and future potential loan requirements is managed by maintaining the availability of sufficient number of creditors with high quality.

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31. FINANCIAL RISK MANAGEMENT *(continued)*

The below table shows the contractual maturity analysis of the Group's non-derivative financial liabilities:

(i) Liquidity risk management *(continued)*

Liquidity risk tables *(continued)*

	31 December 2019						
	Up to 1 Month	1 Month - 3 Months	3 Months - 1 Year	1 Year - 5 Years	More than 5 Years	Total	Carrying value
Borrowings	143,205,674	472,292,651	727,176,643	524,565,754	8,601,130	1,875,841,852	1,739,092,266
Trade payables	170,523,876	211,542,892	298,868,208	83,203,782	-	764,138,758	758,246,089
Due to related party	3,482,909	96,431	-	-	-	3,579,340	3,579,340
	317,212,459	683,931,974	1,026,044,851	607,769,536	8,601,130	2,643,559,950	2,500,917,695

	31 December 2018						
	Up to 1 Month	1 Month - 3 Months	3 Months - 1 Year	1 Year - 5 Years	More than 5 Years	Total	Carrying value
Borrowings	202,781,139	288,919,525	871,040,305	789,013,357	12,360,103	2,164,114,429	2,025,046,309
Trade payables	139,342,988	465,718,196	201,978,447	207,746,217	-	1,014,785,848	970,834,648
Due to related party	3,480,997	168,604	-	-	-	3,649,601	3,649,601
	345,605,124	754,806,325	1,073,018,752	996,759,574	12,360,103	3,182,549,878	2,999,530,558

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31. FINANCIAL RISK MANAGEMENT *(continued)*

(i) Liquidity risk management *(continued)*

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	31 December 2019				
	Less than 1 month	1-3 Months	3 Months - 1 Year	1-5 years	Total
Net settled:					
Foreign exchange forward contracts	276,456	151,817	(1,538,990)	(1,350,390)	(2,461,107)

	31 December 2018				
	Less than 1 month	1-3 Months	3 Months - 1 Year	1-5 years	Total
Net settled:					
Foreign exchange forward contracts	(85,587)	(493,048)	624,473	1,617,469	1,663,307

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 (excluding derivative instruments) 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. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

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31. FINANCIAL RISK MANAGEMENT *(continued)*

(i) Liquidity risk management *(continued)*

Financial Assets - Fair Value Measurement

2019	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative transactions (net)	-	(2,461,107)	-	(2,461,107)
	-	(2,461,107)	-	(2,461,107)

2018	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative transactions (net)	-	(1,775,421)	-	(1,775,421)
	-	(1,775,421)	-	(1,775,421)

32. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantee Letters

As at 31 December 2019, the Group is contingently liable for letters of guarantee given mainly to the Government offices, government bids and customers amounting to USD 136,013,889 (2018: USD 146,990,059).

Export Commitments

As at 31 December 2019, total amount of export commitments related to export incentives is USD 509,025,029 committed by the Group (2018: USD 591,180,804).

Legal Proceedings

As of 31 December 2019, The Group is defendants in certain cases against automobile and service customers whose monetary claims aggregate approximately to USD 17,176,598 (2018: USD 19,015,989). Against such claims, reserve amounting to USD 4,421,777 (2018: USD 4,792,818) has been provided in the accompanying consolidated financial statements as of 31 December 2019 in accordance with the advice taken by its legal counsel.

Other commitment and contingencies

As of 31 December 2019 there are no other commitments and contingencies (2018: None).

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33. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2019 and 2018, the summary of nominal amounts of the forward transactions entered into with various local branches of the foreign banks that were outstanding are as follows:

Forward Contracts

		Purchase Amount		Maturities Between		Fair Value	
Purchase	Sell	2019	2018	2019	2018	2019	2018
USD	EUR	83,016,583	102,035,520	2 January 2020 - 16 April 2021	2 January 2019 - 30 March 2020	(1,375,163)	751,613
TL	EUR	-	4,991,884	-	7 January 2019 - 5 December 2019	-	25,478
TL	USD	-	2,775,191	-	10 January 2019 -25 January 2019	-	292,971
USD	GBP	-	589,725	-	5 February 2019	-	14,133
EUR	USD	10,076,131	4,010,300	5 November 2020	31 January 2019	34,694	27,049
USD	KZT	102,068	-	28 February 2020	-	(3,319)	-
USD	TL	435,980	13,704,306	9 January 2020 - 26 February 2020	8 January 2019 - 5 August 2019	(7,799)	(1,693,404)
EUR	TL	14,616,778	3,324,120	13 February 2020 - 15 May 2020	31 January 2019 - 29 August 2019	99,377	(82,017)
Total						(1,252,210)	(664,177)

Interest Rate Swaps

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

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

(Currency - US Dollars ("USD") unless otherwise indicated)

33. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Interest Rate Swaps *(continued)*

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

	Average contracted fixed interest rate		Notional principal value		Fair value assets (liabilities)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	%	**%**				
Less than 1 year	**-**	5.18	**-**	32,844,416	**-**	707,787
2 to 5 years	**2.03**	2.02	**127,500,000**	150,000,000	**(1,208,897)**	1,619,697
			127,500,000	182,844,416	**(1,208,897)**	2,327,484

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

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34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties

31 December 2019	Receivables				Payables	
	Current		Non Current		Current	
	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade
Sistem Organizasyon	-	-	-	-	-	-
B&B Havacılık	-	38,450,000	-	10,000,000	-	-
Due from / due to personnel	-	159,090	-	-	-	3,482,909
Other	73,311	5,000,890	-	35,501,100	467,750	96,431
	73,311	43,609,980	-	45,501,100	467,750	3,579,340

31 December 2018	Receivables				Payables	
	Current		Non Current		Current	
	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade
Sistem Organizasyon	-	4,800,000	-	-	-	-
B&B Havacılık	-	41,350,000	-	-	-	-
Due from / due to personnel	-	76,260	-	-	-	3,480,997
Other	285,228	2,308,035	-	53,462,025	726,338	168,604
	285,228	48,534,295	-	53,462,025	726,338	3,649,601

The receivables from related parties arise mainly from financial transactions. The receivables are unsecured in nature and bear no interest.

(Currency - US Dollars ("USD") unless otherwise indicated)

34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES *(continued)*

Transactions with related parties

1 January - 31 December 2019	Service obtained from related parties	Sales to related parties	Other expenses to related parties	Finance income from related parties
Borusan Kocabıyık Vakfı Kültür ve Sanat İktisadi İşletmesi	574,075	503,693	19,165	-
Borusan Sigorta	88,677	201,635	-	-
Sales to Personnel	-	519,379	-	-
	662,752	1,224,707	19,165	-

1 January - 31 December 2018	Service obtained from related parties	Sales to related parties	Other expenses to related parties	Finance income from related parties
Borusan Kocabıyık Vakfı Kültür ve Sanat İktisadi İşletmesi	994,076	100,000	-	-
Borusan Sigorta	54,456	200,000	-	-
Sales to Personnel	-	858,407	-	-
	1,048,532	1,158,407	-	-

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34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES *(continued)*

Compensation of Key Management Personnel

	2019	2018
Salaries and other short-term benefits	9,975,444	13,435,580
	9,975,444	13,435,580

Key management personnel consists of members of Board of Directors and Executive Board members. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation

35. SUBSIDIARIES

Summarized financial information in respect segments of the each of the Group's material subsidiaries is set out below. The summarized financial information below represents amounts shown in the subsidiaries financial statements prepared in accordance with IFRSs in segment basis.

	2019		2018	
	Automotive	Steel	Automotive	Steel
Current assets	220,059,580	1,096,996,733	313,895,722	1,204,466,601
Non-current assets	395,860,557	1,050,431,610	570,636,145	1,067,920,457
Current liabilities	336,472,502	955,753,618	482,008,930	1,041,106,884
Non-current liabilities	95,612,752	269,245,248	203,973,249	272,654,233
Revenue	788,597,387	1,942,080,240	928,924,607	2,327,388,322
Total comprehensive income for the year	31,990,795	27,739,304	(16,409,234)	56,743,916
Dividends paid during the year	-	19,302,843	10,778,723	41,756,204

36. SUBSEQUENT EVENTS

None.