



#BeraberAşacağız

I Protect My Employees

I Protect My Business

I Protect My Stakeholders

 **BORUSAN**  
Annual Report 2020



“Throughout my life, I have always believed that people come first and companies exist to serve them.”

1924-2012

**ASIM KOCABIYIK**  
Founder and Honorary Chairperson



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# #WeWillOvercomeThisTogether

**Operating across different industries as Borusan Group, we are a great family together with our employees and our stakeholders. It is our fundamental duty to protect each and every member of this family.**

As the COVID-19 pandemic spread through the world and Turkey, we acted swiftly. At Borusan Group, we started taking measures against the pandemic – even before the first cases of the virus in Turkey were confirmed. We focused on protecting our employees, our business, and our stakeholders. We continue to manage this challenging period firmly and successfully while introducing practices that are exemplary in both Turkey and the world.

We have continued to implement numerous projects for our stakeholders. In a period marked by national and international solidarity against the COVID-19 pandemic, the “Borusan Dayanışma Destek Platformu” contributed significantly to the fight against the pandemic and our companies added value to the platform with their projects.

We, as always, look to the future with hope.





D RH (+)  
TUTKU TUĞ

Press CTRL + ALT + DELETE to log on  
**#BeraberAşacağız**

Windows / Windows

BORUS  
MANİ

Yan  
Söndü

DEMİR KARDEŞLERİ  
KONYA



I Protect My Employees

#WeWillOvercomeThisTogether

I Protect My Stakeholders

I Protect My Business

We established the Borusan Group Crisis Committee and have consistently communicated with our employees since the first day of the pandemic. Through the online programs of Borusan Academy, we provided our colleagues with the support they needed to develop while working remotely. At Borusan Sports Club, we encourage people to move, offer digital coffee breaks for socializing, and support them with nutritionists and psychologists online. We continue adding value to a healthy life through our diverse digital projects, mobile apps, and disinfectant booths.









**I Protect My Business**

**#WeWillOvercomeThisTogether**

**For the sustainability of our business, we disinfect all working spaces with the utmost care, while strictly observing pandemic-related rules and guidelines. We keep our physical working spaces risk-free, while developing strategic projects for the future of the working life and our business. Our employees can attend and express their opinions at Senior Management meetings. We gather on live broadcasts through digital channels and share our experiences with colleagues even in the farthest locations.**





I Protect My Stakeholders

#WeWillOvercomeThisTogether

We steadfastly fulfill our responsibility to our stakeholders to guarantee the sustainability of our business. Aware of our social responsibilities, we work contribute to the healthcare sector. We care about equal opportunities in education; we have collaborations in place and we implement specific projects to guarantee equal access to education, an area that has gained importance after the adoption of remote education. We visit homes through Borusan Sanat and Borusan Contemporary, ensuring that the arts remain present during the pandemic. Thanks to our leaders who met with youth, we light the way for the future.

# Borusan Group and its stakeholders united against the COVID-19 pandemic...

Borusan protected its employees, business, and stakeholders against the pandemic and maintained business continuity.



## “Dayanışma Destek Platformu” in the Fight Against the Pandemic

Measures taken to combat the COVID-19 pandemic at Group companies are presented to internal and external stakeholders on the website of the “Dayanışma Destek Platformu,” launched within Borusan ([dayanismaplatformu.com/tr/](http://dayanismaplatformu.com/tr/)).

Thanks to its professional management approach, Borusan Holding had swift and effective crisis management in place and took prompt action at the outset of the pandemic, immediately introducing measures to protect its employees, business, and stakeholders. In the meantime, Borusan Holding’s corporate communication channels adopted the motto #WeWillOvercomeThisTogether (#BeraberAşacağız), playing a key role in coordinating the fight against the pandemic at Group companies. Publicly available applications, which are accessible via the “Dayanışma Destek Platformu ([dayanismaplatformu.com/tr/](http://dayanismaplatformu.com/tr/)),” serve as a reference point for all private sector organizations in terms of such areas as business continuity and employee motivation.





## #IPROTECTMYEMPLOYEES

### Innovative Case Tracking Systems

Digital tracking apps deployed at Borusan Group companies are intended to promptly create a map of contacts and close contacts with COVID-19 cases.

### Borusan Academy's Online Training Support for Employees

Borusan Academy training programs were held online, continuing to assist employees in their continuous development journey during the pandemic.

Borusan Holding adopted a multi-faceted strategy with regard to the COVID-19 pandemic under the motto #IPROTECTMYEMPLOYEES. The Group tapped into the opportunities brought along by digital transformation and regularly provided information to employees via digital channels.

As part of the internal communication activities throughout the pandemic, adopting the motto, #DevelopmentStartsWithYou, Borusan Academy stood by all employees during the COVID-19 pandemic. Borusan Sports Club invited all Borusan employees – who had started to work from home due to the pandemic and lacked the opportunity to work out in the new normal – to stay active at home.

Borçelik's regular Interactive Meetings, named Orange Mic, were held digitally. The psychologist and nutritionist support Borçelik provides to employees was also moved to online platforms for service continuity. Borusan Cat gathered team members based in six countries around the theme "Remain Strong, Remain in Touch" throughout the pandemic. Borusan Mannesmann Vobarno in Italy, where faced the fastest spread of the virus after China, shared its experiences during the pandemic with employees in Turkey. Borusan EnBW Enerji held online meetings with employees every Tuesday starting from March 24, 2020, after the first confirmed COVID-19 cases in Turkey.

Within its digital tracking systems, Borçelik deployed RTLS (Real-Time Locating System). The system, designed for occupational health and safety and to protect employees against the COVID-19 pandemic, was in part a result of Borçelik's successful and farsighted digital transformation investments. Meanwhile, the QR code feature within the Bi'şler mobile app helps spot the location of employees quickly via QR codes placed at designated areas of the Company. Borusan Mannesmann also launched a mobile application called "Sağlık Olsun (For the Sake of Health)." In order to fight against the coronavirus, Borusan Lojistik launched the İş'te Mobile App, based on the QR code system, which is aimed at creating a map of employees' contacts and close contacts in the case of a positive COVID-19 case.



### #IPROTECTMYBUSINESS

#### IoT and Artificial Intelligence Technologies for Business Continuity

Borusan Group companies tapped into digital technologies such as IoT and AI to guarantee business continuity in the face of the COVID-19 pandemic.

Borusan Holding adopted the motto #IPROTECTMYBUSINESS to maintain its sustainable success trajectory even when faced with vulnerabilities caused by the pandemic.

Driven by the firm support of its stakeholders, Borusan run business processes without interruption thanks to the digital transformation investments executed.

Borusan Mannesmann utilized the Agility method and developed new solutions and products to address certain issues in HR processes. Within this framework, four groups, with employees from different functions, were formed under the Action Masters Volunteering Project aimed at generating new perspectives and solutions. This initiative helped boost interaction, empathy, and solidarity among departments, while employees experienced the benefits of Agile firsthand and thus embraced this method.

Borçelik saw the benefits of its investments in IoT and Artificial Intelligence during the pandemic. Closely monitoring the impact of the pandemic on the sector, Borçelik was an active participant in sectoral meetings. In measures taken to fight the coronavirus, Borusan Cat digitized spare part sales via the website, parts.cat.com, and ensured free-of-charge and contactless delivery of products under the assurance of Borusan Cat. In addition, Borusan Otomotiv Group enabled customers to examine all models available in the stocks in detail, to compare prices, to book the selected automobile, to get credit offerings if they wished, and to initiate purchasing procedures on existing online sales platforms.



### #IPROTECTMYSTAKEHOLDERS

#### #EducationOnTheHanger

Borusan Holding collaborated with Askıda Ne Var (What's On the Hanger) Social Entrepreneurship Platform and launched "EducationOnTheHanger," a project to support university students experiencing difficulty in accessing distance learning opportunities. "EducationOnTheHanger" supported 11,290 university students.

In the meantime, Borusan Araç İhale took a maiden step and launched "Auction for Good," an initiative to share its 20-year-long auction experience with all Borusan employees. Under this initiative, volunteering Borusan employees could place belongings they no longer used on open auction. Volunteers who purchased these belongings directed the payment to the Lokman Hekim Health Foundation in the first auction and to the charity accounts of the Koruncuk Foundation in the second auction.

Borusan Holding contributed TL 5 million to the campaign initiated by the Presidency of Turkey, "We are Self-Sufficient Turkey." On May 19, the Commemoration of Atatürk, Youth and Sports Day, Borusan Sports Club prepared a live media streaming program, hosting inspiring speakers on Borusan Holding's Instagram account. A total of 1,512,678 steps were taken over 10 days to facilitate young people's access to education as part of the Education on the Hanger project. Every 10 thousand steps taken became a donation for the students educational needs.



Recognized by stakeholders for its social investments into arts and culture in Turkey, Borusan Holding stood by art enthusiasts throughout the post-pandemic new normal. Leading institutions such as Borusan Istanbul Philharmonic Orchestra and Borusan Contemporary were made available online, offering a diverse range of content.

Borçelik Maker Club under Borçelik joined the countrywide 3D Support Group organized to fight against the COVID-19 pandemic. Borçelik Maker Club started to produce protective face shields with their 3D printer for hospitals in Bursa. The Club also provided acetate and elastic bands for the production of 65 filaments, 1,500 face shields and 3,800 facial masks. Striving to raise experts in their respective fields, Borçelik Technical Academy continued to support students in vocational schools during the pandemic through online training courses.

Borusan Mannesmann re-adjusted its existing production plans to prioritize the requirements of the Sancaktepe Field Hospital, constructed during the pandemic, and ensured that any and all requirements for the hospital in terms of mechanical installation products were addressed promptly. In addition, the Company undertook efforts geared towards producing IV poles made of pipes and medical equipment transportation vehicles for four hospitals via the Clinical Engineering Unit of the Istanbul Provincial Health Directorate.

Adopting the motto, "We have the most heartfelt gratitude to healthcare workers," Borusan Mannesmann took step and established the "Grant Fund for the Heroes of the Pandemic" under the Turkish Education Foundation to support, throughout their education, the children of those healthcare workers who had lost their lives on the frontlines of the fight against the COVID-19 pandemic.

Supsan provided 1,000 protective shields to 12 hospitals in Istanbul in support of the countrywide fight against the coronavirus spearheaded by the Ministry of Health. Borusan Cat, prioritized hospitals in the utilization of generators in different powers and capacities.

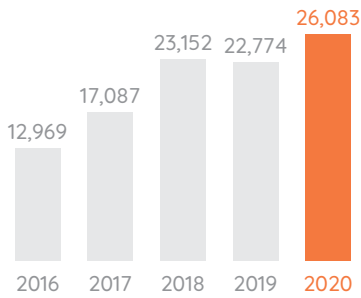
Borusan Port heeded suggestions from employees and donated 600 kilograms of dry food to the Gemlik Municipality and Gemlik Foundation for Life with Animals to meet the nutritional needs of stray animals. Borusan Port, Borçelik and Borusan Mannesmann acted in collaboration with Borusan Holding and continued to provide materials for the Gemlik State Hospital during the pandemic. Orders for facial masks were placed at the Gemlik Public Training Center for distribution to those in need. In addition, 1,500 families were provided with ration packets under the auspices of the VEFA Social Support Group in cooperation with the Gemlik Municipality and District Governorate.

Borusan Otomotiv Group launched a joint campaign with the İstanbul Metropolitan Municipality to support individuals facing financial difficulties due to the COVID-19 pandemic. As part of the campaign, organized by the Borusan Otomotiv Group's Ocean Volunteers, the Company donated one check for each employee who donated their check for a Ramadan ration packet to the campaign. A total of 1,390 Ramadan bags were provided to those in need. In addition, Borusan Otomotiv Group donated overalls and protective face shields for the healthcare workers of Yeşilköy Acıbadem International Hospital. The group provided medical overalls, masks, and digital blood pressure devices to İstinye State Hospital, and masks to Hekimhan State Hospital in Malatya. Borusan Araç İhale blazed a trail in the 2020 fiscal period and united its 20-year-long auction experience with the "Benevolence" of Ocean Volunteers. Borusan EnBW Enerji provided support to healthcare institutions on the frontlines of the fight against the COVID-19 pandemic in various Anatolian provinces.

# Borusan Holding in Figures

In a challenging period marked by the pandemic, Borusan Holding attained successful financial results and concluded 2020 with net sales of TL 26.1 billion and a total asset size of TL 29.6 billion.

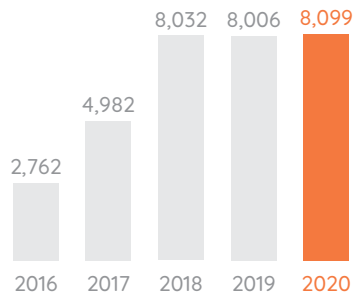
## Sales (TL million)



## TL 26.1 billion

Borusan Holding's sales amounted to TL 26.1 billion.

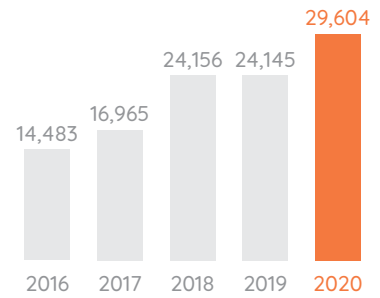
## Export (TL million)



## TL 8.1 billion

Borusan Holding adds value to Turkey's economy with export operations.

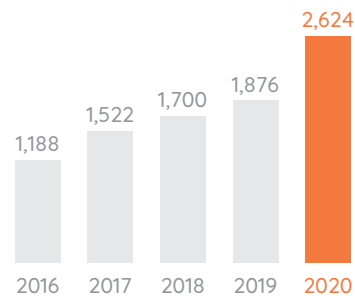
## Total Assets (TL million)



## TL 29.6 billion

Borusan Holding's total assets stand at TL 29.6 billion as of the end of 2020.

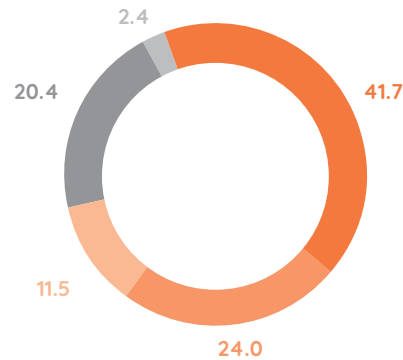
## EBITDA (TL million)



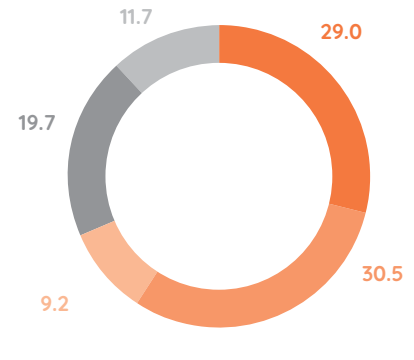
## TL 2.6 billion

Borusan Holding's EBITDA increased by 40% to TL 2.6 billion.

## Breakdown of Combined Sales (%)



## Breakdown of Combined EBITDA (%)



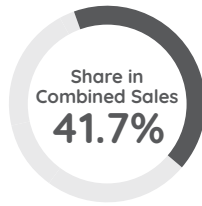
- Manufacturing Group
- Automotive Group
- Logistics Group
- Machinery and Power Systems Group
- Energy Group



## Borusan at a Glance

### Manufacturing Group

Share in Combined EBITDA  
**29.0%**



#### Borusan Mannesmann

##### Field of Activity

Europe's and the world's leading manufacturer in the steel pipe sector

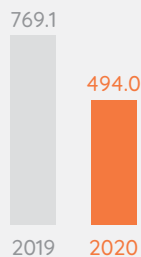
##### Production Capacity

Annual production capacity of 1.2 million tons

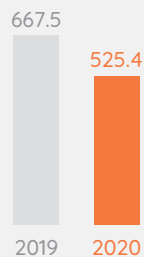
##### Overseas Partner



##### Total Revenue (USD Million)



##### Sales Volume (Thousand Tons)



#### Borusan Mannesmann Pipe US

##### Field of Activity

An annual capacity of producing and processing 300 thousand tons of well and drilling pipes

##### Service Point

Manufacturing plant in Houston, Texas, USA

#### Borusan Mannesmann Vobarno

##### Field of Activity

Annual production capacity of 28 thousand tons of cold-drawn special pipes

##### Manufacturing Plant

Plant covering an indoor area of 29 thousand m<sup>2</sup> in Vobarno, Italy

#### Borçelik

##### Field of Activity

Turkey's biggest galvanized steelmaker, offering the highest quality

##### Production Capacity

Annual production capacity of 1.5 million tons

##### Number of Export Countries

**32 countries**

#### Kerim Çelik

##### Field of Activity

Turkey's first steel service center at global standards

##### Production Capacity

Metal processing capacity of 500 thousand tons/year in total

#### Supsan

##### Field of Activity

The leading engine valve supplier for the world's top car brands

##### Production Capacity

**12 million units/year**

##### Total Production

**3.9 million units**

##### Overseas Partner



## Borusan at a Glance

### Machinery and Power Systems Group

Share in Combined EBITDA

**19.7%**

Share in Combined Sales  
**20.4%**

#### Borusan Cat

##### Field of Activity

Caterpillar representative in 6 countries

##### Customers Served in 2020

**8,252**

##### Effective Customer Value Agreements in 2020

**8,703 (48%) ↑**



##### Customer Value Agreements Sales

**TL 413 million**

##### Consolidated Sales (USD Million)



### Automotive Group

Share in Combined EBITDA

**30.5%**

Share in Combined Sales  
**24.0%**

#### Borusan Automotive Group

##### Products and Services

Sales of passenger cars and 4x4 vehicles, used cars, and motorcycles; fleet and corporate sales; sales of special diplomatic cars, parts; aftersales services; long-term car leasing; and loan and auto insurance services

##### Dealer Network

20 Authorized Dealers and 45 Authorized Services

##### Brands

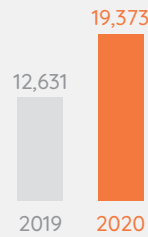
BMW, MINI, BMW Motorrad, Jaguar, Land Rover

##### Business Partner



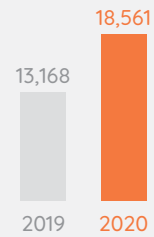
##### Borusan Automotive Group Wholesales (Units)

(Including BMW Motorrad)



##### Borusan Automotive Group Retail Sales (Units)

(Including BMW Motorrad)



#### Borusan Araç İhale

##### Field of Activity

A multi-channel and multi-brand auction company in the secondhand car market

##### Brands

7/24 İhale, 7/24 Fiyat, Otonakit

##### Member Dealers

**11,032**

##### Corporate Members

**2,042**



## Logistics Group

Share in Combined EBITDA  
**9.2%**



### Borusan Lojistik

#### Field of Activity

Technology company operating in the logistics sector

#### Products and Services

- Domestic special transportation (eTA)
- Storage, value added services and production logistics
- PDI, milk run and automotive transportation,
- International logistics services

#### eTA Shipments Performed

420 thousand shipments

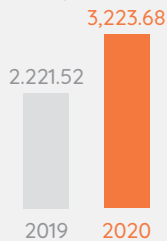
#### eTA Registered Truck Drivers

160 thousand

#### Warehouses

23 warehouses

#### Sales (TL Million)



### Borusan Port

#### Field of Activity

General cargo, container and vehicle

#### General Cargo Volume

2.9 million tons

#### Container Business Volume

176 thousand TEU

#### Vehicle Business Volume

218,340 vehicles

## Energy Group

Share in Combined EBITDA  
**11.7%**



### Borusan EnBw Enerji

#### Field of Activity

An energy company with 100% renewable energy sources

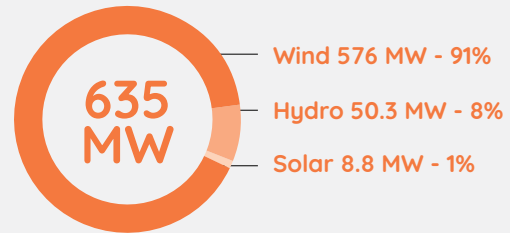
#### Products and Services

Electricity generation and sales

#### Overseas Partner



#### Installed Capacity



We are a **strong and deep-rooted family** that delivered our best efforts to maintain business and attained exemplary achievements in and outside Turkey by **uniting** with employees and stakeholders during the challenging times marked by the pandemic.



# A global power with 77 years of experience

Borusan Group maintains its steady growth in production, automotive, logistics, machinery and power systems, and energy industries in Turkey and around the world. The Group carries out distinctive efforts driven by its mission of generating maximum benefit for society, the economy, and the environment.

Having celebrated its 77<sup>th</sup> anniversary in the 2020 fiscal period, Borusan Group maintains its steady growth in production, automotive, logistics, machinery and power systems, and energy industries in Turkey and around the world. Attributing this achievement to its strong corporate business culture, the Holding strives to determine the needs of customers and the market and develops creative, distinctive, and affordable solutions. The Company does not avoid taking risks and taps into its ability to take prompt and flexible action, offering innovative products, services, and business models that re-shape the markets where it operates. In this respect, Borusan rolls out distinctive practices driven by a strategy aimed at innovation and vigorous competition in global markets, and by its mission of generating maximum benefit for society, the economy, and the environment.

Borusan Group has overseas partnerships with strong companies in all parts of the world.



**29.6**  
TL billion

In the rather challenging year of 2020, Borusan Holding's total assets corresponded to TL 29.6 billion as of the year-end.

**26.1**  
TL billion

Continuing operations without respite in 2020, Borusan Holding reached TL 26.1 billion in sales as of the end of 2020.

### Global Achievements Consistently Elevated

Borusan Group has overseas partnerships with strong companies in all parts of the world. The Group has successful partnerships in place with large organizations including ArcelorMittal, a leading steel company in the world, Salzgitter Mannesmann, a leading industrial company, automotive giant BMW AG, Germany's third-largest energy company EnBW AG, and CAT and BMW.

### Working Towards a Better Future

Borusan Group has made it a mission to spearhead efforts towards sustainability and environmental responsiveness in all its business lines. Well aware that the natural resources of Earth are not infinite, the Group makes efficient use of such resources and works within its operations to improve quality of life without depleting the future.

Borusan focuses on driving lasting social benefits for education, culture and the arts, and gender equality. The Group comes to the forefront with the schools commissioned, and later handed over to the Ministry of National Education, by the Borusan Kocabiyik Foundation, which was established in 1992 by the late Asim Kocabiyik, Borusan's Founder and Honorary Chairperson. Borusan is also recognized for its contributions to these schools and the scholarships provided to students with financial hardships.

Borusan Group organizes music events via the Borusan Istanbul Philharmonic Orchestra, the Borusan Quartet, the Borusan Music House, and the Borusan Children's Choir, under the roof of Borusan Sanat, which commenced activities in the area of arts and culture in 1997. The Holding's headquarters, Perili Köşk (the Haunted Mansion), has also been home to contemporary artworks at the Borusan Contemporary since 2010. Borusan Group is among the first signatories to the Women's Empowerment Principles of the UN (UN WEPs) and executes significant projects aimed at gender equality. The Group strives to devise policies geared towards encouraging women employees and eliminating gender-based discrimination, and to provide equal opportunities at work via initiatives such as the "My Mom's Job is My Future" project, the "Borusan is Equal" platform, and the "Gender Lens Program." The Group aims to raise awareness with the guides it publishes on these issues.

# Global operations spanning 12 countries on 3 continents



## Manufacturing

Borusan Holding takes pioneering steps in the Turkish steel pipe sector and thus plays a defining role in the development of this sector.

Please refer to page 42 for further information.

# 1,054.8

USD million

Leading brand of the sector, Borçelik reached a turnover of USD 1,054.8 million as of end-2020.



## Machinery and Power Systems

Borusan Holding creates value in the construction, mining, energy, and transportation industries with Borusan Cat, which has machinery and power systems operations.

Please refer to page 66 for further information.

# 25

years of experience

Borusan Cat stands out with 25 years of extensive experience and expertise in its respective field.



## Automotive

Borusan Holding delivers an exclusive service with its Automotive Group, while its expert human resources offer benefits for customers at all sales and after-sales points.

Please refer to page 76 for further information.

# 17,940\*

units

Borusan Otomotiv Group sold 17,940 retail automobiles.

\* This number excludes BMW Motorrad



## Logistics

With Borusan Lojistik, Borusan Holding takes steps towards its goal of becoming a tech company in this specific sector, while operating the only Turkish port, namely Borusan Port, with activities in three different segments.

Please refer to page 92 for further information.

# 420

thousand shipments

eTA, the first digital logistics platform in Turkey bringing shippers and truck drivers digitally together without the need for intermediaries, enabled 420 thousand shipments.



## Energy

Borusan Holding's energy company, Borusan EnBW Enerji, strives to improve Turkey's renewable energy potential and reduce the country's reliance on overseas resources.

Please refer to page 106 for further information.

# 635

MW

Borusan EnBW Enerji's installed capacity is 635 MW.





# Corporate Governance

Borusan Holding runs its operations based on the principles of transparency, fairness, responsibility, and accountability under professional corporate governance.

The corporate center of the Borusan Group is Borusan Holding. In its efforts towards strategic guidance of the Group, Borusan Holding acts as a bridge between shareholder expectations and the companies, supporting systematic and nuanced management of these efforts. The Holding offers recommendations and poses questions while also directing and supervising Borusan Group companies. However, Borusan Holding does not participate in the direct operational activities of Group companies. If the ideas and recommendations it provides are adopted by Group companies, Borusan Holding supports their implementation through cooperation.

Borusan Holding Steering Committee is an executive platform composed of executive directors that Group Company General Managers report to. The Steering Committee aims to set the Group's strategy, conduct best practices and operationally guide Borusan Group companies.

Borusan Group is a well-established, powerful industrial conglomerate in its 77<sup>th</sup> year of operation. The Group plays a leading role in the steel, machinery and power systems, automotive, logistics, and energy sectors. With nearly 11 thousand employees, Borusan operates across a wide geographic area that includes 12 countries on three continents – North America, Asia, and Europe. Borusan Group companies reinforced with Borusan's deep-rooted values and corporate culture create added value with their international partners which are leaders in their respective industries in the field of manufacturing, service, and industry. Empowered by Borusan's deep-rooted values and solid corporate culture, Borusan Group companies conduct their business operations with the primary goal of creating added value for customers, employees, and business partners as well as the societies, countries, and environments where they operate. Group companies are also

## Composition of Borusan Holding's Board of Directors

**40%**  
Female members

Borusan Holding pursues a five-year trajectory for the long-term strategies of its Group companies and focuses on four themes including profitability growth, strategic market positioning, new products and services, and business excellence.

committed to providing advantages at work, quality, and convenience in life. Borusan Holding determines the rules creating value for the companies and stakeholders while safeguarding Borusan's corporate culture. The Holding delivers strategic guidance and conducts supervisory activities for the entire Group.

Borusan Holding continuously enhances the shareholder value created via its strategic leadership, services, and supervision for the Group's companies.

Borusan Holding runs its operations based on the principles of transparency, fairness, responsibility, and accountability under professional corporate governance. Building internal and external stakeholder communications on an effective and transparent basis, the Holding sets its priorities taking stakeholder expectations into account.

Borusan Holding pursues a five-year trajectory for the long-term strategies of its Group companies and focuses on four themes including profitability growth, strategic market positioning, new products and services, and business excellence.

The Holding's vision for 2024 is "Borusan to grow, achieve high profits, dominate its markets, consist of innovative companies, have a culture that nurtures the best skills, and is successful and responsible." In every step, Borusan takes with this vision, it aims to create sustainable added value.

## Strategy and Corporate Governance

Borusan Group Companies are managed under the roof of the Corporate Center with Borusan Holding and Borusan Yatırım, which is a portfolio company that participates in parent companies with minority shares, based on effective communication and oversight mechanisms.

Borusan Holding's Board of Directors is the ultimate decision-making authority of Borusan Group and assumes the overall responsibility for the Group's operations before shareholders and stakeholders while setting objectives and strategies in this direction. Consisting of 5 members with executive and non-executive roles, the Board does not include independent members.

The Holding's Steering Committee, on the other hand, is composed of the executive directors to whom the General Managers of companies report and serve as the executive platform of the Group. The Committee is in charge of determining Group companies' strategies and overseeing their implementation. Borusan Mannesmann, a publicly-traded company of Borusan Group, has a corporate governance structure that consists of three committees: the Audit Committee which assists in the realization of the Board's decisions and objectives, the Early Detection of Risk Committee, and the Corporate Governance Committee. The Corporate Governance Committee also performs the duties and tasks of the nomination and remuneration committees.

### Code of Ethics and Compliance

Borusan Group's stakeholder relations are predicated on a code of ethics composed of the principles of integrity, transparency, and accountability.

Accordingly, all the employees are responsible for complying with, and acting as a guide for compliance with, the Orange Guide at the corporate website that is issued by the Ethics Board of Borusan Group covering such themes as human rights, the environment, and activities for the public.

As part of this responsibility, communications, as required for compliance with the code of ethics and working principles, are performed via Borusan Group's Ethics Hotline (Orange Ethics) which is available 24/7. Examinations

Preventing conflicts of interest, managing stakeholder relations professionally, and eliminating unlawful conduct are the values that make up the corporate culture at Borusan Group.

In Turkey and any other country where it operates, Borusan has made it a principle to not endorse any political opinion or provide in-cash or in-kind support to political organizations and people either directly or indirectly.

and investigations on the incomings are carried out by the Breach Examination and Prevention Unit under the Audit Department.

Borusan Holding's Ethics Board is in charge of determining the ethical principles in all the Group's operations in and outside Turkey, ensuring compliance with such principles, and assessing non-compliant conduct.

Borusan Holding, Borusan Yatırım, Borusan Sigorta, and Borusan Mannesmann are among the corporate members of TEİD, namely the Ethics and Reputation Society founded to raise awareness on code of ethics in Turkey. Besides, the Borusan Holding audit team also serves as the members of the International Institute of Internal Auditors and its representative in Turkey, Internal Audit Institute of Turkey (TİDE), to monitor current developments around business ethics and conduct and oversee their functioning in terms of international standards.

Borusan Group also observes the code of ethics in its collaborations with subcontractors and suppliers. In this respect, for any collaboration to start, Borusan Group Suppliers Working Requirements Protocol is presented to all contractors and suppliers for signature. Under no circumstances does the Group collaborate with clients and suppliers who have been found to infringe laws and fail to comply with the code of ethics.

### Risk Management

The Internal Audit Department audits Group companies' processes, identifies their risks and opportunities, and proposes areas of improvement to companies in relevant matters.

Conducting audits, the Department focuses on the risks and opportunities in a given process, while tackling social matters such as compliance with the code of ethics, employee rights, and occupational health and safety, as well as environmental issues.

## Borusan Group's stakeholder relations are predicated on a code of ethics composed of the principles of integrity, transparency, and accountability.

Social and environmental audits represented 41% of all the audits performed by the Holding's Internal Audit Department at the group companies in 2018.

In addition to the management of overall risk arising from the Holding's activities, risk management procedures are also carried out for the insurable risk of group companies in project-based assignments. These risks are managed on an efficient, secure, and shared platform in line with changing and evolving business dynamics and needs, utilizing targeted, advanced risk analysis and methods, pursuing content and cost optimization, and observing high standards.

Damages that may occur in the facilities of Borusan group companies are identified and managed through risk engineering practices consisting of the stages as follows: Risk Assessment/Scorecard, Recommendations, Implementation and Tracking of Recommendations.

Risk Management and Internal Control processes at Borusan Group are embraced by all group employees. The senior management of each company is responsible for the implementation of these processes, while oversight responsibility rests with the Boards of the companies. Borusan Holding Audit Department is an independent body that provides assurance for relevant processes.

### **Anti-Corruption and Fight Against Anti-Competitive Practices**

Preventing conflicts of interest, managing stakeholder relations professionally, and eliminating unlawful conduct are the values that make up the corporate culture at Borusan Group.

At Borusan Group, relations with every stakeholder group are clearly described in the Orange Guide, and methods for stakeholder communications are implemented in the light of these rules. Risks in relation to corruption are observed via risk

**Borusan Holding, Borusan Yatirim, Borusan Sigorta, and Borusan Mannesmann are among the corporate members of TEİD, namely the Ethics and Reputation Association founded to raise awareness on the code of ethics in Turkey.**

**Borusan Group also observes the code of ethics in its collaborations with subcontractors and suppliers.**

management methods centered on gifts, hospitality, donations and charity payments, public tenders, and conflicts of interest to prevent corrupt behavior. Group companies pay utmost attention to prevent unethical behavior such as corruption, bribery, and misconduct while supporting international efforts to eliminate such corrupt practices and observing competition laws and ethical rules in their operations.

After their hiring process is complete, all new white-collar recruits are trained on ethics and risks related to corruption, which is a part of ethics.

In Turkey and any other country where it operates, Borusan has made it a principle to not endorse any political opinion or provide in-cash or in-kind support to political organizations and people either directly or indirectly. Borusan has transparent relations with public authorities and acts fairly and in compliance with competition laws. Borusan pursues the same approach for ethics, transparency, and fairness in its relations with competitors and refrains from any behavior that harms competition. Confidentiality rules in place are observed, and a firm stance is taken against any action that may be construed as monopolization or as the forming of trusts. Policies and procedures on preventing anti-competitive behavior are devised at Borusan group companies, which also train employees on this matter and conduct on-site inspections and investigations.

No anti-competitive behavior or no incident of monopolization or trustification has been encountered, and no lawsuit has been filed against the organization during the reporting period. Developments on ongoing cases are shared with the public as necessary via material event disclosures.







# Delivering strong results in a challenging year

Esteemed Business Partners, Colleagues and Shareholders,

The COVID-19 pandemic that marked the year 2020 resulted in significant changes to all aspects of our lives, from ways of doing business to everyday habits. Towards the end of the year, news started to arrive from global powerhouses – the USA, China, Russia and the European Union – on the licensing of COVID-19 vaccines. This development brought a glimmer of hope to help curb the pandemic without having to reach herd immunity. In the meantime, the benefits of digital transformation ensured that life continued for individuals and organizations alike.

**Expansionary fiscal policies supported national economies in the face of the pandemic**

To address the adverse impacts associated with the pandemic, expansionary monetary policies were introduced to stimulate national economies worldwide. IMF projections estimate that the global economy experienced a dramatic contraction of 3.5% in 2020. The pandemic is also expected to further squeeze the world economy in 2021,

despite mass vaccination campaigns in developed countries. Democratic nominee Joe Biden's triumph in the US presidential elections gave rise to expectations that the economic stimulus packages in the US would firmly support growth in the world's largest economy while also ushering in a new era in global politics. Meanwhile, China took prompt action to keep the pandemic under control and became the fastest expanding economy in the world, posting growth of 2.3% in 2020. This strong performance demonstrated that China remained a key driver of the global economy.

### Agile steps to mitigate the impact of the pandemic...

Due to the jarring effects of the COVID-19 pandemic, the Turkish economy shrank by 2.7% in the first half of 2020. However, a recovery took hold in the second half of the year, driven by gradual steps toward normalization and supportive economic policies. Turkey's government introduced a comprehensive assistance program across a broad range of areas – from loans at affordable interest rates with the support of public banks to short-term payments for employees – to offset the negative impact of the pandemic on the economy. This responsive approach also contributed to Turkey's economic agility and social stability. As a result of weakening exports, Turkey's economy recorded a current account deficit of USD 36.7 billion during the year. However, the country's economy posted positive growth of 1.8% for full-year 2020. Seizing the opportunity to position itself as a key hub for the new, post-pandemic global production and logistics map, Turkey is likely to achieve significantly better results in the coming year. In 2020, Borusan Holding delivered a successful performance in line with our goal of protecting our employees, stakeholders and business during these very trying times.

### A new era for professional life: Digital Migration

Digital transformation has introduced speed and efficiency into all aspects of life today. In 2020, the pandemic prompted yet another phenomenon: digital migration. This mass migration did not take place only in terms of remote working. Consumers also migrated to digital environments quickly and seamlessly, minimizing risks linked to the pandemic. In addition to fast emerging innovative technologies – such as artificial intelligence (AI), the internet of things (IoT), electronic payment systems, and blockchain – broader access to mobile technologies paved the way for the expansion of the global digital economy and wider adoption of the entrepreneurial ecosystem. Needs that arose

Generating added value for Turkey over the past 77 years, Borusan Holding successfully navigated the high risk environment caused by the COVID-19 pandemic in fiscal year 2020. With our solid performance, we took another step toward our goal of "operating 200 years from now."

**TL 29.6 billion**

Borusan Holding grew its total assets to TL 29.6 billion as of year-end 2020.

**15% ↑**

In 2020, our net sales rose by 15% to TL 26.1 billion.

under the pandemic conditions underscored the importance of R&D investments for domestic technology in all arenas.

Borusan Holding is well aware of its responsibility as a major industrial conglomerate representing Turkey in global markets. In 2020, Borusan invested in digitalization and reported solid financial and operational results despite the very challenging environment. Distribution, steel, energy and logistics – the focal areas of our digitalization investments – achieved high efficiency in their business processes during the year.

### A robust sustainability approach backed by 77 years of experience

At Borusan Holding, we have shaped our sustainability approach in light of 77 years of experience and know-how. Sustainability is positioned at the heart of our business processes. Borusan is a holding company that strides towards long-term goals. We focus on success in financial and operational terms while continuing our social and environmental investments in parallel with the United Nations' 2030 Agenda for Sustainable Development Goals. In fiscal year 2020, we undertook major corporate social responsibility projects and initiatives. I would also like to inform all our stakeholders about this key point: Borusan plays an active role in preserving the natural environment for future generations as part of its ongoing efforts to combat climate change. We remain committed to bolstering our financial and operational achievements with social investments aimed at advancing Turkish society and engaging in exemplary environmental impact assessment work. Borusan generates sustainable value in all aspects of life with operations it views as a continuous value chain.

### Borusan plans to be operating 200 years from now

At Borusan Holding, we believe in the bright future ahead for Turkey and make all our investments accordingly. I would like to thank our shareholders, employees and customers for their support in our business activities in 2020 – a year when we took major steps toward our goal of "operating 200 years from now." It is my hope that our ongoing success continues.

Kind regards,

**AHMET KOCABIYIK**  
Chairperson  
Borusan Holding



# A great example of solidarity

Esteemed Business Partners, Colleagues and Shareholders,

COVID-19 had an overarching impact on life throughout 2020. Originating in the Chinese state of Hubei, the novel coronavirus quickly spread before being declared a global pandemic. Over 100 million people were infected with the tragic loss of over 2.1 million lives worldwide as of year-end 2020. Restrictions were imposed to slow the global pandemic from the first quarter of the year. Meanwhile, the world's central banks, including the Fed in particular, expanded efforts to maintain economic stability by adopting expansionary fiscal policies. A once-in-a-century pandemic, the COVID-19 crisis caused multidimensional problems and widespread devastation. However, the pandemic also paved the way for a significant opportunity in unfolding the strengths of humankind. Driven by technological advancements, preventative and responsive measures were taken across the world to safeguard economies and communities while ensuring the stability and continuity of life. Mass vaccination programs launched in late 2020 were embraced as the first step toward a return to normal without having to reach herd immunity.

### Turkey's private sector stands out with its competitive edge

Turkey has always achieved great accomplishments in a challenging region. Similarly, the country has implemented a wide range of precautionary and supportive measures to counter the coronavirus pandemic. Under the leadership of the Turkish government, crisis management practices were successfully introduced in a number of key areas, ranging from public health to macroeconomics. To address the domestic market in parallel with the shrinking global economy, Turkey focused on supporting disadvantaged groups through loans and direct assistance. Having made digital investments in a host of areas - from supply processes to payment systems - for many years, Turkey's economy maintained its export potential especially driven by the performance

At Borusan Group, we capitalized on our professional governance approach and robust shareholding structure to achieve successful financial and operational results in the 2020 operating period.

**3** continents  
**12** countries

Borusan Holding operates in 12 countries on three continents through a wide service network.

**TL 8.1** billion

In 2020, we generated export revenues totaling TL 8.1 billion, creating significant added value for Turkey's economy.

of textiles and semi-finished goods. Borusan owes its very existence to Turkey. We see the country successfully unlocking its strong growth potential in the coming year, despite the necessity to take tangible steps to address food inflation and youth unemployment.

### Sustainable success in core industries

At Borusan Holding, we have always differentiated from the competition thanks to our professional governance approach. In 2020, we recorded strong financial and operational results. Borusan Group reported total turnover of over USD 3.7 billion and EBITDA of USD 375 million in 2020. Not confining our efforts to responding to the pandemic, we achieved lasting improvements in our cost structure during the year.

As of year-end 2020, Borçelik, our flat steel company, produced 1,760 thousand tons and recorded total turnover of USD 1.1 billion, accounting for the lion's share of Borusan Group's turnover. Together with Borusan Mannesmann, our steel business line's total turnover exceeded USD 1.6 billion. Meanwhile, our automotive and machinery and power systems business lines generated turnover of USD 1.7 billion in 2020 - a striking contribution to the Group's total turnover. Aiming to be a strong player in every region where it operates, Borusan Group posted total international sales of USD 1.2 billion through its various companies, making up 31% of our consolidated turnover.

A pioneering brand in its industry, Borçelik took prompt action to address the negative impact of the coronavirus pandemic on the domestic market in particular while expanding its share in overseas markets. Borçelik has delivered a robust performance, improving its EBITDA by 17% compared to 2019.

Borusan Mannesmann's shale gas business in the US was negatively affected by the sharp decline in oil prices combined with the pandemic. However, our company maintained its strong position vis-à-vis the competition owing to its digital transformation investments and diversified product portfolio.

Boasting a strong brand mix, Borusan Otomotiv Group turned rising automobile demand into high profitability in 2020. The Group delivered a strong performance and increased EBITDA by 45% compared to the previous year. Our Automotive Group maintained its track record of sustainable success in all its business areas and continued investments in the digital arena in 2020.

Having concluded 20 years in Kazakhstan operations, Borusan Cat kept its EBITDA at the healthy levels of 2019 thanks to the high performance of our overseas dealerships despite the challenging conditions of the pandemic.



Supsan – the engine valve provider for the world's leading automobile brands and Turkey's largest engine valve manufacturer offering the widest product range – continued to move forward in fiscal year 2020. The company sold 4.27 million valves, 1.9 million of which were exported to mostly European markets. Supsan largely owes this success to the positive impact of R&D and innovation activities conducted internally.

Borusan Lojistik, a leading logistics player in Turkey, continued its technology transformation journey in 2020. Turkey's first digital logistics platform eTA, developed by Borusan Lojistik, has enabled 420 thousand full truck load (FTL) s to be shipped. Annually, 35 thousand individual and corporate shippers execute their shipments via eTA. With these volumes, eTA is the largest digital logistics platform in Turkey and the third biggest in Europe.

Borusan ENBW Enerji closely monitored global developments in energy technologies and maintained its digitalization investments during the year. Thanks to the capacity extension at Kiyıköy WEPP and the start of operations at Saros WEPP, the company reached a total installed capacity of 725 MW. Coming to the fore with its balanced portfolio structure, Borusan ENBW Enerji aims to create further sustainable added value for Borusan Group in the coming year.

#### **Creating sustainable value with our agile management style**

Borusan Holding has the capacity to inject momentum into Turkey's economic growth in all its business lines – including steel, energy, automotives and heavy machinery distribution,

**Borusan Holding has the capacity to inject momentum into Turkey's economic growth in all its business lines – including steel, energy, automotives and heavy machinery distribution, as well as logistics.**

**TL 2.6 billion**

In 2020, we maintained our operational profitability and boosted EBITDA by 40% to TL 2.6 billion.

as well as logistics. Serving as a building block in the Turkish real sector, Borusan Holding plans to capitalize on its well-established corporate culture and create further sustainable value for stakeholders in the years to come. Borusan is a global brand with operations in international markets in addition to Turkey. As a result, Borusan Holding will utilize its comprehensive sustainable approach and adapt to the change and transformation facing its core business lines. In addition, Borusan aims to maintain its agile management style in the face of uncertainties – just as it did successfully during the COVID-19 pandemic.

From the beginning, Borusan Group has invested in R&D and innovation for business development purposes. Today, we are pursuing the ambitious goal of creating sustainable value 200 years from now. I have no doubt that we will achieve these forward-looking objectives with the valuable contributions of our shareholders, customers, business partners, and first and foremost, our employees. All the while, we remain committed to our top priority: creating sustainable value. Borusan Family is one big team whose members are all interconnected – moving forward to the future, together.

I would like to thank all our stakeholders for being with us on this long and challenging journey to sustainable success.

Kind regards,

**ERKAN KAFADAR**  
Group CEO  
Borusan Holding

## Board of Directors



**AHMET KOCABIYIK**  
Chairperson



**ZEYNEP HAMEDİ**  
Vice Chairperson



**NÜKHET ÖZMEN**  
Vice Chairperson



**MEHMET HAMEDİ**  
Member



**SEMİH ÖZMEN**  
Member



**LEVENT KOCABIYIK**  
Member



## Borusan Holding Executive Members



**ERKAN KAFADAR**  
Group CEO



**BARIŞ KÖKOĞLU**  
Group Chief Financial Officer



**NURSEL ÖLMEZ ATEŞ**  
Group Chief Human Resources and  
Corporate Communications Officer



**DENİZ EMRE DAĞ**  
Assistant General Manager -  
Strategy and Business Development

# Our employees are our most valuable asset...

Borusan Human Resources pursues a vision of establishing and sustaining an organization that creates value, adds meaning to life, and derives its happiness and power from employees.

### Borusan Human Resources Strategy

Borusan Holding pursues a mission of delivering the best employee experience, designed to address differing needs. Borusan Holding runs HR processes with the vision of establishing and sustaining an organization that creates value, adds meaning to life, and derives its happiness and power from employees.

Borusan Holding believes that a difference in business life can only be achieved with a focus on the "human." Thus, it guarantees continuity in employee relations, provides an environment based on trust, and embraces a shared language and shared values.

### Qualified Human Resources

Borusan Holding sets itself apart from the competition with its qualified employees. As of the end of 2020, the Holding has 9,657 employees domestically. The Holding has 2,100 employees abroad.

### Human Resources Profile

**11,757**  
Total number of employees

**9,657**  
Number of employees in Turkey

**2,100**  
Number of employees abroad

**36.5**  
Average age of employees

**25.1%**  
Ratio of female white collar employees

**27.0%**  
Ratio of female employees in managerial positions

### INNOVATIVE HR PRACTICES

#### Performance Management

Performance Management processes at Borusan Holding are run centrally and applicable to all Borusan Holding companies so that individual goals are aligned with corporate strategies and goals, and personal performance is measured and rewarded. The aim is to have a fair, lean, and transparent structure that is focused on feedback and rewards success.

#### Remuneration and Fringe Benefits

Borusan Group's overall reward management approach is based on impartial, rewarding, motivating, and competitive remuneration and fringe benefits policies that encourage outstanding performance and focus on employees' contributions to business goals and individual competencies.

At Borusan Group, jobs are based on an internationally recognized job evaluation methodology, while the volume of work under a relevant role is taken into account in evaluations. The Group's remuneration system is aligned with corresponding wages in the sector and labor market. The system is handled objectively, considering individual results and/or business performance results, and in line with employees' job groups and levels designated as per job valuation methodology.

The performance bonus system is intended to encourage companies to achieve the determined targets and employees to deliver outstanding performance by rewarding business results that exceed the targets.

As part of the remuneration policies, annual wage increase processes, end-of-year bonus payment processes, and promotion or adjustment wage increase processes during the year are run on the digital remuneration infrastructure.

All employees are provided a fringe benefits package in line with their job levels. The Flexible Fringe Benefits system is based on diversity and varies depending on the requirements of the employee's job. This is intended to deliver the best employee experience that meets existing needs. In 2020, the system was revamped entirely, and moved to a singular user-friendly digital infrastructure that offers a diverse range of products, improves employee experience via customized recommendations, and provides details on fixed and flexible fringe benefits.

#### **TALENT MANAGEMENT APPROACH**

In its talent management practices, Borusan Holding aims to turn the potential of each and every Borusan employee into high performance and deliver a happy, meaningful, and authentic working experience.

#### **Employer Brand and Talent Acquisition**

Offering a strong employer brand, Borusan Group strives to rank among the most preferred employers for potential talents and therefore develops innovative recruitment tools, programs, and partnerships. Among Borusan's key objectives is acquiring the best talents to help the Group achieve its strategy and goals. In this respect, it is essential to assess candidates objectively via the use of modern recruitment processes and methods designed as per existing needs.

Together with the Human Resources team, the entire management team is responsible for optimally representing the Group's employer brand internally and externally, attracting the best talents to the Borusan Group, and taking an active role in recruitment processes. Candidates are evaluated with a focus on their functional fitness for the job, as well as alignment with Borusan Group's values and Leadership Model; their potential to add value to the organization in areas other than business is also important.

The performance bonus system is intended to encourage companies to achieve the determined targets and employees to deliver outstanding performance by rewarding business results that exceed the targets.

Through its talent management practices, Borusan Holding aims to transform the potential of each Borusan employee into high performance and provide a happy, meaningful, and authentic working experience.

#### **Borusan Alpha Young Talent Program**

For 29 years, Borusan Group has run the Borusan Alpha Young Talent Program, which was granted an international award at the Peer Awards for Excellence in 2018. This program acquires promising new graduates for the Group and raises the leaders of the future. While digital recruitment tools are preferred in processes, candidates' experience is prioritized, and the structure of the program is updated continually in light of emerging needs. Talents who join Borusan Holding through the Borusan Alpha Young Talent Program are included in a structured development program consisting of training and mentoring sessions to prepare them for the future.

#### **Career Management**

High-potential employees who demonstrate outstanding performance and exemplary conduct at Borusan Holding are identified and meticulous investments made in their development under the Career Management process. Successors are also designated for management roles at Group companies and intra-Group rotation plans are developed. The process is run on Borusan Human's Digital Infrastructure.

Group employees are given priority in assessments for management roles within the Group. Employees are included in evaluations for promotions if they deliver high performance and potential; act as role models in harmony with corporate values and culture, and the designated leadership competencies; become successful in centrally defined assessment center processes; and are deemed fit for the position by their respective management team.

#### **360 Degree Competency Evaluation**

360° Competency Evaluation is a development tool under which employees give feedback to their colleagues as per the competencies and behaviors described in the Borusan Group Leadership Model. Under this development tool, employees themselves initiate the evaluation and designate the colleagues from whom they would like to receive feedback. Employees can discover their strengths and areas of improvement, as well as formulate development plans, thanks to the personal reports obtained at the conclusion of these evaluations.



“Every Employee is a Talent.” For Borusan Academy, this motto defines its inclusive approach to development. Borusan Academy designs development solutions with a specific focus on digital resources, thus providing a more agile learning experience.

## BORUSAN ACADEMY

### Borusan Academy and Digital Learning

Borusan Academy was established in 2007 as a pioneering corporate academy with the vision of raising value-creating business leaders. In 2020, Borusan Academy adopted a new approach and redefined development in parallel with changing needs. “Every Employee is a Talent” for Borusan Academy. It is this motto that is behind its approach to development, now transformed in a manner that is much more inclusive. Borusan Academy devises its development solutions with a specific focus on digital resources to provide a more agile learning experience.

The revamped Borusan Academy deployed learning methods that both transfer knowledge and encourage individuals to share their experiences. The Borusan Academy Portal is aimed at planning, managing, and monitoring all processes related to Borusan employees’ development on a single platform. A practical and professional development environment was designed to enable all employees to access their ideal learning methods without any restrictions on time and space.

E-learning courses, as well as guides that contain “bite-sized learning” development resources, virtual classes and long-term development programs, are available on the Borusan Academy Portal.

## LEADERSHIP DEVELOPMENT

### Leadership Faculty

In 2020, Borusan Academy addressed the Leadership Faculty, consisting of high performing and high potential employees within the Group, from a new perspective, designing it from the ground up. The revamped Leadership Faculty Program preserves the experience and best practices acquired to date, while its content and codes of practice have been enhanced to acknowledge changing needs and global trends. Specifically designed to address differing needs at leadership levels, this

In 2020, Borusan Academy addressed the Leadership Faculty from a new stance, redesigning it from the ground up. The Leadership Faculty comprises high performing and high potential employees within the Group.

The “Coachlike Leadership Development Program” is designed to enable team-leading Borusan employees to cultivate the leader within themselves and to improve their leadership skills. It also helps them acquire hands-on experience while learning how to run coaching meetings based on a specific model.

eight-month program now consists of courses, workshops, seminars, practical studies, digital learning resources, and mentoring/coaching support.

### “Coachlike Leadership Development Program”

The Coachlike Leadership Development Program is designed to enable team-leading Borusan employees to cultivate the leader within themselves and to improve their leadership skills. It also helps them acquire hands-on experience while learning how to run coaching meetings based on a specific model. In 2020, under this program, 385 leaders at Borusan honed their basic skills to approach their team members, juniors, and themselves from a coaching perspective.

### “Borusan Alpha Young Talent Development Program”

The Borusan Alpha Young Talent Program was launched to target promising new graduates who will add value to Borusan Group in order to raise Borusan’s future leaders by supporting them with a culture based on continuous learning.

Young talents undergo various assessment center practices at the recruitment stage and are included in a long-lasting and comprehensive development program from their first day onwards. This one-and-a-half-year modular development program is intended to prepare these recruits for evolving global trends, new working models, the speed of technology, and employee transformation. In 2020, 22 Young Talents who joined the Holding through the Borusan Alpha Young Talent Program completed the first module of this development program.

## MENTORING PROGRAM

Borusan Holding believes in the experience and power of learning from one another. Therefore, it positioned mentoring as an inclusive, innovative, and tailored development tool that can be adjusted according to need to prepare leadership for the future. The Borusan Group Mentoring Program responds to the varying needs of different target groups and provides networking opportunities among Borusan Group companies. Mentor-mentee pairings are made from across different Group companies and departments in the program, in which 95 Borusan leaders were positioned as leaders in 2020. Set to last eight months, the program utilizes virtual classes, video training, and mentoring guides to prepare mentors and mentees in the optimal manner.

# Let's Make it DIFFERENT



## COMPETENCY DEVELOPMENT

Great emphasis is placed on the adoption and improvement of competencies within the Borusan Group's Leadership Model. Different learning methods are offered, addressing each competency within the Leadership Model. Borusan employees' competency development is supported by a diverse range of materials, including real-time virtual classroom sessions led by a trainer, local and global online courses, and "bite-sized learning" content such as articles, podcasts, and videos.

### Competence Development Guides

To support the development of competencies within the Borusan Group Leadership Model, all employees who lead or do not lead teams are provided with Competence Development Guides, which contain resources to support reading, listening, observing, experiencing, and learning actions. In 2020, 512 pieces of content within the Competence Development Guides were made available for Borusan employees: 47% of employees completed the Development Guides on reading, 24% on observation, and 29% on experience.

### Online Courses

Borusan Academy strives to make the knowledge and experience of experts in their respective fields available and accessible for everyone. Efforts are underway to ensure Borusan employees can access training opportunities and develop themselves independent of time and location.

Around 600 online courses on the Borusan Academy Portal are made available for all Borusan employees group-wide, while over 8 thousand LinkedIn Learning contents are

Borusan Group aims to ensure that employee engagement is monitored and enhanced by noting employees' expectations and suggestions.

**~600**  
online training  
programs

Around 600 online training programs are available on the Borusan Academy Portal and accessible to all Borusan employees group-wide.

available for all Borusan executives. Borusan employees attended training courses on 426 different topics in 2020.

## RECOGNITION & APPRECIATION

### Puquantum

Borusan Holding developed Puquantum to ensure that feedback is leaner, easier and digitally accessible for Borusan employees. Borusan employees can use Puquantum to provide feedback to their colleagues at their preferred place and time. The content of such feedback can be displayed by all the Holding's employees. The "Puquantum App" was granted the Peer Award for Excellence in 2018.

### Employee Engagement

Borusan Group aims to ensure that employee engagement is monitored and enhanced by acknowledging employee expectations and suggestions. The Group's priorities include providing a safe working environment that upholds ethical values and considers the professional-personal life balance, and creating a positive organizational climate via optimal leadership styles to achieve sustainable employee engagement. With this in mind, the Group works with independent firms to conduct regular employee engagement surveys and collect employees' suggestions and expectations. Opportunities and areas of improvement identified in the Engagement Survey are examined by management and by Human Resources. Action plans are developed as necessary and integrated into the corporate goals, while progress towards them is monitored.

Borusan Holding integrates a focus on humans with technology in its HR practices and works to improve itself each day by offering solutions that make employees' lives easier.

### BORUSAN HUMAN DIGITALIZATION JOURNEY

Borusan Holding blends a focus on humans with technology in its HR practices and works to improve itself each day by offering solutions that make employees' lives easier. Among the Holding's key strategies are adopting an innovative perspective and moving all HR practices to digital systems, spearheading best practices and examples, and offering a distinctive employee experience.

As a step on the digital transformation journey, Borusan Group's HR processes are managed via a single digital infrastructure to optimize employee experience and boost process efficiency. From recruitment to exit interviews, all the steps in an employee's experience are handled continuously on a shared platform, via self-service screens used by managers and employees. In this way, the employee experience is provided with a leaner, more accessible, and more digital framework.

In 2020, the "Borusan Human Digital Transformation Project" won the Silver Award in the 'Business Transformation' category at the SAP Quality Awards, one of the most prestigious awards in business and technology.

### Borusan İnsan (Borusan Human) Mobile App

Rolled out in 2018 with a primary focus on internal communication, the Borusan Human Mobile App is updated continuously to align with changing and emerging needs. This app serves as a platform where Borusan employees can access information on all HR-related processes, develop themselves through up-to-date content, and get to know Borusan and their colleagues better. The app also contains information on such areas as Borusan Group and Group companies, human resources systems and processes, social clubs, and volunteering activities at

Borusan Holding blends a focus on humans with technology in its HR practices and works to improve itself each day by offering solutions that make employees' lives easier.

### Silver award

In 2020, the "Borusan Human Digital Transformation Project" won the Silver Award in the Business Transformation category at the SAP Quality Awards, one of the most prestigious awards in business and technology.

### Digitalization vision

Borusan Holding's Human Resources aim to serve employees through mobile, user-friendly, transparent, and value-creating self-service applications in line with its digitalization vision.



Borusan, as well as a Frequently Asked Questions section where employees can quickly find answers to their questions.

### Borusan Human Chatbot

Borusan Holding's Human Resources aim to serve employees through user-friendly, mobile, transparent, and value-creating self-service applications in line with its vision for digitalization. In this respect, the Borusan Human Chatbot App, utilizing artificial intelligence, promptly handles and addresses all employee requests for information regarding Human Resources.

### HR Analytics

Shaping strategic decisions based on data in parallel with its digitalization drive is a key priority for the Borusan Human Resources Team. Accordingly, data analytics are utilized in each stage of an employment lifecycle, which in turn provides insights and input for the development of strategies in HR processes such as recruitment, onboarding, performance management, career management, remuneration, and learning and development. The process is designed centrally so that Human Resources teams within Group companies have their analytical requirements addressed easily. All Human Resources teams are able to access reports and dashboards instantly, promptly, and in self-service and mobile formats.





# “When the work is finished, everyone heads home to be with their loved ones.”

Borusan Holding runs certification processes at international standards in all Group companies.

### POLICY

Human health is the foremost priority in all Borusan Holding Group companies. The success behind the Holding's businesses is based on the awareness that humans are the most important asset for the Group's sustainability – for its capability to proactively predict risks, and for taking action to eliminate those risks. As one of Turkey's most well-established holdings, Borusan Holding enjoys a success story. “Once work is done, everyone heads home to be with their loved ones” is the highlighted message of this success story.

Borusan Holding's OHS principles are as follows.

- Borusan Holding complies with all applicable laws, regulations, and national and international standards in effect in the locations where it operates.
- It runs activities to reach the ideal level of “Zero Occupational Accidents,” which is its core objective across all sectors.
- It identifies in advance potentially hazardous situations that employees may face, and takes measures in line with risk levels.
- It conducts case studies with utmost attention to occupational accidents, illnesses, and near misses not prevented; takes action towards certain root causes;

As one of Turkey's most well-established holdings, Borusan Holding enjoys a success story. “Once work is done, everyone heads home to be with their loved ones” is the highlighted message of this success story.

A shared software program was deployed at all Group companies as part of digitalization efforts to track activities related to Occupational Health and Safety, and all processes started to be monitored on this software program.

and works to prevent the recurrence of such events.

- It provides a safe working environment for all employees, customers, suppliers, and sub-contractors, and strives to introduce the best practices in the sector.
- It continuously conducts inspections on systems installed and activities performed, and keeps the reports available for access and audit by relevant parties.
- It includes employees in all aspects of occupational health and safety in their respective fields of responsibility; raises their awareness of their rights, roles, and responsibilities; and expects them to contribute to the development of an OHS culture.
- It makes sure that every leader and manager both incorporates occupational health and safety in their methods of doing business and owns the process.
- It identifies a management system based on the principle of continuous development and works towards its development.



### Highlights of 2020

- A shared software program was deployed at all Group companies within digitalization efforts to track activities related to Occupational Health and Safety, and all processes started to be monitored on this software program.
- Borusan Oto completed OHSAS 45001 migrations in all its locations and was awarded at the International Occupational Health and Safety Contest organized by the British Safety Council.
- Borusan Lojistik deployed “Söz Bizde (We Have the Floor)” as a practice to understand employees' opinions on OHS-related topics firsthand and more clearly. Interviews with employees were initiated under this practice. In addition, an OHS Motto Contest was organized at the Company. The first motto adopted is “Make your work safe, make your life safe.”





- Borusan Mannesmann launched “B’Dost,” a Behavior-Oriented Safety Management System, and involved all employees in these processes. The system enabled employees to provide feedback to one another comfortably, and thus noticeably eliminated unsafe behaviors.
- At Borusan Mannesmann, the app “Sağlık Olsun (For the Sake of Health)” enables employees to answer questions related to possible COVID-19 symptoms and contact tracing prior to their commute to work and taking the shuttle. The app also creates daily QR codes to allow employees to enter the facility, and seats on the shuttle busses are allocated accordingly, while potential cases are detected before arrival at the facility to minimize the risk of spread. Furthermore, employees wear smart bracelets designed to prevent breaches of social distancing rules and facilitate contact tracing efforts retroactively.
- “İşte Sağlık (Health at Work)” is a mobile app launched as part of the fight against the COVID-19 pandemic. All points used by employees at 170 Borusan Lojistik locations have been identified with QR codes. The scanned QR codes note the current location of employees, which helps create a map of individuals who have had close contact with confirmed COVID-19 cases.

**Basic Occupational Health and Safety Courses are organized periodically in line with the hazard levels at all Group companies.**

**In Group companies with manufacturing activities, the Turkish Standards Institute’s (TSE) COVID-19 Safe Production Certification processes were completed, and Safe Production Certificates obtained.**

#### TRAINING

- Basic Occupational Health and Safety Courses are organized periodically in line with the hazard levels at all Group companies.
- Regarding Emergency Preparedness, all members of the Emergency Team receive theoretical and practical courses from authorized training institutions and update their knowledge through regular drills.
- All employees are required to complete Orientation and Basic OHS Courses when they are hired.
- Regarding measures taken against COVID-19, required awareness-raising courses were delivered by Workplace Physicians in all Group companies, and Online Training Programs were organized to support employees in the areas of Occupational Health and Safety.
- The Professional Courses that employees are required to take in their respective fields have been completed.

#### CERTIFICATIONS

- All Group companies have an OHSAS 18001 Occupational Health and Safety Quality Management System in place. The transition to OHSAS 45001 was initiated, with some companies having completed the transition and others starting with the certification process.
- In Group companies with manufacturing activities, the Turkish Standards Institute’s (TSE) COVID-19 Safe Production Certification processes were completed, and Safe Production Certificates obtained.



# A year crowned with awards

Borusan Holding and its Group companies, distinguishing themselves from the competition with innovative and agile management styles, were granted 10 awards for projects that contributed to society in 2020.



### Stevie and Felis Awards to "Education on the Hanger"

Borusan Holding strives to create benefits in education in every reporting period. In 2020, the Holding launched the "Education on the Hanger" campaign as part of its fight against the coronavirus pandemic. Promptly organizing resources, Borusan Holding raised funds from Group companies in collaboration with 18 universities and 27 student clubs and touched the lives of 11,290 university students. Borusan Holding's "Education on the Hanger" was granted the Bronze Award at the Stevie Awards, and it won the Grand Prize in the 'education' category and the Achievement Award in the 'digital' category at Felis, one of the outstanding advertising awards in Turkey. In addition, the Holding was presented the "COVID-19 Collaboration Project of the Year" by the Business Administration Faculty of Istanbul University.

Borusan Holding won the Bronze Award at Stevie Awards with its "Education on the Hanger" campaign, initiated towards the fight against the coronavirus pandemic.

## 11,290 university students

The "Education on the Hanger" campaign touched the lives of 11,290 university students.

### Gender equality

Borusan Holding established "Equal Borusan" as a platform to ensure that gender equality is embraced at corporate and individual levels. In 2020, the "Gender Lens Program" was launched under this platform.



### Bronze at the Stevie Awards and Silver at the Crystal Apple Awards for the Gender Lens Program

Believing that gender equality should be adopted and internalized at corporate and individual levels, Borusan Holding established the "Equal Borusan" platform in 2015. In 2020, the "Gender Lens Program" was launched under this platform. The program is intended to examine the invisible barriers causing gender inequality at work and contribute to the efforts to eliminate these barriers. The Project was deemed worthy of a Bronze in Community Management at the Stevie Awards, and to a Silver at the Crystal Apple Awards in the category of 'Gender Equality in Advertising'.

### Additional awards to Borusan Holding are listed below:

- Social Media Management, Social Media Awards, Data Analytics Bronze Award
- The Most Admired Companies in Business, Capital Magazine, Ranked 12<sup>th</sup>
- 'Digital, Social Media and Activation' Category, Crystal Apple Awards, Bronze Award

### Second Most Admired Company in the Steel & Iron Sector: Borçelik

A Borusan Holding company, Borçelik remained the leading brand of the sector in the 2020 fiscal period. Borçelik was the second "Most Admired Company" in the Iron and Steel Sector according to the Capital Magazine survey, "Turkey's Most Admired Companies," conducted with the participation of 1,470 leaders from more than 600 businesses in different sectors. In addition, the Company ranked 27<sup>th</sup> in the Istanbul Chamber of Industry's (İSO) 2019 survey, "Turkey's Top 500 Industrial Enterprises," and ranked 53<sup>rd</sup> on the Fortune 500 list for 2019. The Company also won the following awards in 2020:

- Ranked 66<sup>th</sup> on the Capital 500 list
- Third Place for the "Overhead Crane Simulator Project" by Borçelik Technical Academy, which maximizes success to 100% and minimizes risks to 0%, in the 'Innovation Project of the Year' category at the IDC CIO 2020 Awards, chosen by the votes of the CIOs from Turkey's largest 100 enterprises
- Borçelik Technical Academy was a Finalist at the Excellence in Vocational Education Awards, which selects exemplars of excellence and quality in vocational education in Europe

- Golden Suggestion Award for the “Safe Coil Transfer Project” at MESS Occupational Health and Safety Contests
- Awards in the categories of ‘Top 1,000 Exporters of Turkish Exporters Assembly-TİM’ and ‘ISO’s Top 500 Industrial Enterprises’ at the Made in Manisa Awards Ceremony held by the Manisa Organized Industrial Zone
- COVID-19 Safe Production Certificate by the Turkish Standards Institute (TSE)
- TurkishTime “R&D 250, Companies with Highest R&D Spending in Turkey” Survey, 100<sup>th</sup> Place
- “Most Successful Voluntary Project” award with the “3 Dimensional Volunteering Program” from the 13<sup>th</sup> Awards from the Heart organized by Private Sector Volunteering Association (OSGD)

### **Borusan Mannesmann Pipe US Selected the Year’s Pipe Manufacturer on Global Markets**

A global brand in the steel pipe industry, Borusan Mannesmann’s US Subsidiary Borusan Mannesmann Pipe US won its third Tube and Pipe Producer of the Year award at the Steel Excellence Awards organized by American Metal Market (AMM), a prestigious and independent steel industry publication. Other awards granted to the Company are listed below:

- Safe Production Certification for the Bursa Gemlik and Halkali Plants as well as the Bursa ABYK Plant; Safe Service Certification for the Salıpazarı Office
- The Golden Glove Award at the MESS OHS Contests with the “B’Dost Behavior-Oriented Safety Management” App; Golden Suggestion Award for the “Internal Chipping Robot Project”
- IATF 16949 Automotive and Quality Management System Certificate for the New Automotive Plant



### **International Occupational Safety Award for Borusan Automotive Group**

Standing out with its solid brand mix and international quality standards, the Borusan Automotive Group was recognized with an international occupational safety award by the British Safety Council. Other awards granted to the Company are listed below:

- ISO 45001 Occupational Health and Safety Management System Certification
- Golden Award in the categories of ‘Best Use of Social Media’ and ‘Best Technology

**Borusan Mannesmann Pipe US won a third “Pipe Manufacturer of the Year” Award at the Steel Excellence Awards organized by American Metal Market (AMM), one of the most prestigious independent publications in the US steel industry.**

### **International occupational safety award**

Standing out with its solid brand mix and international quality standards, the Borusan Automotive Group was recognized with an international occupational safety award by the British Safety Council.

### **Excellence awards**

Undertaking international operations at outstanding quality standards, Borusan Cat received numerous excellence awards in 2020.

Innovation’; Silver Award in the ‘Best Customer Services’ category at the Contact Center World Awards’ EMEA Region Finals

- SAP Quality Awards, “Borusan Automotive S/4HANA Digital Transformation Project”
- Call Center Quality League Awards, First Place
- Bureau Veritas Hygiene Inspection Certificate
- Automotive Distributors’ Association, the 2020 Gladiators, PR/Event Execution of the Year Award

### **Borusan Cat Garnered Excellence Awards**

Conducting international operations at outstanding quality standards, Borusan Cat was deemed worthy of numerous excellence awards in 2020. The Company’s operations in Turkey were presented a Silver Award in the categories of ‘Excellence in Marketing’ and ‘Sales and Excellence in Rental Business’ from among representatives in the Middle East and Africa, and a Golden Award in the ‘Excellence in Service’ category. The Company also won the Golden Award in the category of ‘Excellence in Components Processes’. Other awards granted to the Company are listed below:

Turkey operations:

- The highest number of views in Europe, Africa, and the Middle East region in Caterpillar’s contest for digital marketing advertisements

Far East Russia operations:

- Golden Award for the Excellence in Caterpillar Components Processes program
- Golden (Amur) and Bronze (SM) in Caterpillar’s Excellence in Service Program
- Golden Award in Caterpillar’s Excellence in Warranty Processes Program
- Silver in Caterpillar’s Digital Excellence Program
- Bronze in Caterpillar’s Excellence in Marketing and Sales Program
- EAMI CI Sales Rally - First Place in TDV (SEM)

Kazakhstan operations:

- Golden Award in Caterpillar’s Excellence in Warranty Processes Program
- Golden Award for the “Excellence in Caterpillar Components Processes” category
- Silver Award in Caterpillar’s Excellence in Service Program

### **Great Place to Work Award to Borusan Lojistik**

By meeting the criteria of an excellent workplace with a high culture of trust, Borusan Lojistik was ranked as a “Great Place to Work 2020” company by Great Place to Work Turkey.

# Manufacturing

A man in a yellow hard hat and safety glasses is shown in profile, working in a factory. He is wearing a dark blue jacket with orange reflective stripes and the text 'BORUSAN MANNESMANN' on the back. The background shows industrial machinery and a red handwheel.

Added-value  
manufacturing  
operations





#### About the Industry

During the 2020 operating period marked by the rapid spread of the coronavirus, the steel industry was no different from any other sector and suffered a sharp decline in demand. Supply has been restricted all around the world in the face of such declining demand. The partial slowdown of the spread after June rekindled demand and the need for stocks, which created pressure on prices in a market with restricted supply. This also paved the way for a rapid hike in prices in the last months of the year.

In 2020, the steel industry was negatively affected by the trade wars between large global economies that brought along a series of developments including, first and foremost, Section 232 tariffs in the US and safeguard measures in Europe.

**65%**  
share of  
international sales  
in total sales

Borusan Mannesmann's international sales reached 65% of the total prime quality product sales.

**1.8**  
million tons sold

As of the end of 2020, Borçelik sold 1.8 million tons.

**3.9**  
million engine  
valves produced

Supsan produced 3.9 million engine valves throughout 2020.

The leading player of the Turkish steel pipe sector, Borusan Mannesmann continued to solidify its presence in global markets in 2020. The Company's overseas sales reached 65% of the total prime quality product sales.

A pioneering brand of the Turkish flat steel sector, Borçelik has achieved a sales volume of 1,760 million tons as of the end of 2020. Total export sales, in the meantime, amounted to 332 thousand tons. Positioned as the valve supplier for the world's leading automobile brands and the largest engine valve manufacturer in Turkey with the widest product range, Supsan maintained its strong export potential in the 2020 operating period.

## Borusan Mannesmann

### Boru Yatırım Holding

Borusan Group and Salzgitter Mannesmann GMBH merged their welded steel pipe investments in Turkey under Borusan Mannesmann Boru Yatırım Holding A.Ş. in 1998. The Company holds 73.48% of the shares in Borusan Mannesmann Boru San. ve Tic. A.Ş.

Borusan Mannesmann Boru Yatırım Holding invested USD 20.9 million in 2020. The total amount of investments made in the past five years is USD 142.7 million.



## Borusan Mannesmann

# Leading steel pipe manufacturer



Please scan the QR Code to access Borusan Mannesmann's website.

A pioneer in the Turkish steel pipe industry, Borusan Mannesmann successfully created value for stakeholders also in 2020 by investing in occupational health and safety, people-oriented success, digital transformation, innovativeness, and globalization. The Company shines out among competitors with its innovative approach to management and boasts a broad range of steel pipe products with its principle of continuous investment.

### **Strategic Positioning**

Borusan Mannesmann is a globally recognized leading steel pipe and complementary solutions provider focusing on high value-added products with a production footprint in its primary markets. It is positioned as the leader of high value-added products in the Turkish market as well as one of the leading steel pipe producers in Europe and the USA. The company's main competitive advantages include:

- Profitable growth strategy of investing in high value-added products in target markets;
- Global competitive edge attained by channeling approx. 65% of prime quality sales tonnage to global markets;



- Ability to garner more than three-fourths of prime quality product turnover from high value-added product sales;
- A sustainable and profitable business model for large diameter spirally welded line pipes in high value-added markets;
- Aiming to become North America's most profitable and most preferred player in high value-added products in the drilling and well pipes market;
- Maintaining its lead in special pipes for the automotive sector in Turkey, and aiming to become one of the top three manufacturers in Europe;
- Digitalized business processes that provide efficiency increasing solutions and competitive edge in operations;
- Investment strategy focusing on high value-added products and processes to meet customers' unfulfilled expectations with fast, innovative and value-adding solutions;
- Penetration strategy for niche and new markets while maintaining leadership in existing markets by pursuing a strategy focused on innovative products and new business models.

#### 2020 Figures

**65%**  
Share of  
international sales  
in total sales

Borusan Mannesmann sharpened its competitive edge by channeling 65% of its sales to global markets.

**525**  
thousand tons

Borusan Mannesmann's prime quality product sales corresponded to 525 thousand tons in 2020.

**Borusan Mannesmann shines out in competition with its innovative approach to management, and boasts a broad range of steel pipes with its principle of continuous development.**

#### A Global Brand in its Industry

Borusan Mannesmann's prime quality product sales corresponded to 525,400 tons in 2020. Continuing investments in high value-added products in 2020, Borusan Mannesmann solidified its presence in global markets. The Company's overseas sales reached 65% of the total prime quality product sales.

Borusan Mannesmann's turnover from high value-added pipe sales, specifically, pressure, special and spiral pipes was 74% in the prime quality product sales turnover. Its existing production capacity was enhanced significantly upon the commissioning of the new production plant, which represents an investment of USD 75 million, in Gemlik that can manufacture high value-added standard pipes and pipes for the automotive industry.





# Passion to innovate

## Innovative and Value-Added Products

Borusan Mannesmann embraces new product and service development as one of the key triggers to reach the organization's long-term targets. In 2020, Borusan Mannesmann focused on developing new value-added products and advanced processes for different customer segments. The company also targeted building innovative value-added services for customers to make their lives easier and increase efficiency in their businesses.

## Sustainability Steps of Borusan Mannesmann

Borusan Mannesmann grows and develops together with its customers in line with its high-quality standards, passion to innovate and focus on customer satisfaction.

**74%**  
share of high  
value-added  
product turnover  
in total prime  
quality sales

High value-added product sales have made up 74% of Borusan Mannesmann's turnover in 2020.

**20.9**  
USD million

Borusan Mannesmann invested USD 20.9 million in 2020.

Accordingly, Borusan Mannesmann carefully listens to the expectations and needs of its customers and engages in meticulous VoC (Voice of Customer) and customer satisfaction efforts.

Throughout its operations, Borusan Mannesmann identifies strategies to minimize its ecological footprint on the environment and follow environment-friendly policies for a clean environment and a healthy future. It operates in accordance with all national and international regulations with a view to recycling its waste, minimizing its use of natural resources, and ensuring a healthy environment for future generations.





At Borusan Mannesmann, employees are the most valuable assets. This is why great importance is placed on employees within the organization.

- Strives to minimize waste, and guarantees the disposal of waste in an environmentally-friendly manner;
- Works to bring consumption of natural resources down to acceptable levels;
- Inspects its systems and activities regularly and allows the related parties to inspect them; and
- Adopts a management system built on continuous improvement principles and expresses its commitment to reach its targets.

At Borusan Mannesmann, employees are the most valuable assets. This is why great importance is placed on employees within the organization. Borusan Mannesmann is improving the Health Safety & Environment (HSE) scores year on year. The aim is to formulate strategies and standards via the use of technology and automation to reach the highest level in Health Safety & Environment (HSE) standards and the ultimate zero accident target.

Embracing society and the environment, Borusan Mannesmann keeps its OHS and Environmental Protection Policies publicly accessible via its website, bulletins, and notice boards.

Furthermore, the OHS and Environmental Protection Policy is communicated to contractors and suppliers prior to working with them, i.e. the contract phase, with a letter. Contractors working on behalf of Borusan Mannesmann are required to act in compliance with the provisions of Occupational Health and Safety (OHS) stipulated by the laws and Borusan Mannesmann's OHS and Environmental Management principles.

### Reaching "Zero Accident" is the Main Target

A key player in the steel pipe industry in Turkey and around the globe, Borusan Mannesmann works with all its might to create safer and healthier working environments for stakeholders.

The company targets reaching the "zero accident" goal, and protecting the environment during production operations. Therefore, Borusan Mannesmann:

- Complies with all applicable laws, regulations and other rules on Occupational Health and Safety (OHS) and Environmental Protection;
- Identifies all potential risks emerging from its operations and works to mitigate them and attain acceptable risk levels;

### OHS and Environmental Protection Policy

Embracing society and the environment, Borusan Mannesmann keeps its OHS and Environmental Protection Policies publicly accessible via its website, bulletins, and notice boards.

### Minimum ecological footprint target

Throughout operations, strategies are developed to minimize the ecological footprint on the environment and follow environment-friendly policies for a clean environment and a healthy future.

### "Zero accident" target

Borusan Mannesmann strives to reach the "zero accident" target, and protect the environment during production operations.

### Borusan Mannesmann's Strides for "Good"

Positioning itself as a model corporate citizen, Borusan Mannesmann supports institutions and projects in the fields of education, culture, arts, and gender equality. While sending clothes to university students during the winter months, the Company provided IV poles made of pipes and medical equipment transportation vehicles in support of four hospitals after the outbreak of the COVID-19 pandemic. Besides, the Company provided masks and disinfectants to the Private Gemlik Rehabilitation Center affiliated with the Association for the Protection of Mentally Disabled Children.

"We have a debt of gratitude to healthcare workers" was the motto behind the "TEV Grand Fund for Corona Heroes" under the Turkish Education Foundation to support the children of healthcare workers, who lost their lives on the frontlines to fight the pandemic, throughout their education.

"We have a debt of gratitude to healthcare workers" was the motto behind the "Borusan Mannesmann Grand Fund for Corona Heroes" under the Turkish Education Foundation to support the children of healthcare workers, who lost their lives on the frontlines to fight the pandemic, throughout their education. This helped rapidly meet the education expenses of eleven university students for one year. The Company believes that the more one gives the more it will span communities, and therefore established the İyilik Kazansın (Let the Good Win) Platform as a force for good. This platform enabled the Company to provide support to the project, "You Can Light a Candle Too," run by the Association for the Support of Contemporary Living (CYDD). A "Gender Equality Seminar" was held for the employees at Gemlik and Halkalı locations so as to raise awareness on gender equality. Meanwhile, Borusan Mannesmann was a sponsor of "Unprejudiced Ideathon," a contest where ideas on a campaign geared towards tackling the bottlenecks, prejudices, and challenges linked with gender equality are conceived. The Company considered some of the ideas developed via the Equal Borusan Committee and incorporated them into its own studies. The Company changed the color of newborn packages sent to employees after childbirth with a gender-neutral color to emphasize the message, "Gender has no color for us." "Bring An End to Sexist Behavior!" is the motto behind the recruitment interviews held at the Company, which also had targeted communications with division heads and senior positions on this matter.

"TEV Grand Fund for Corona Heroes" was established under the Turkish Education Foundation. This helped rapidly meet the education expenses of eleven university students for one year.

### Awareness-raising seminars

A "Gender Equality Seminar" was held for the employees at Gemlik and Halkalı locations to raise awareness on gender equality.

### Raising future leaders

The Field Staff Performance Assessment System was developed to raise Future Team Leaders and establish necessary action plans from today onwards and moved to the digital environment.

**Experience in Different Function and/ or Segment;** "Development knows no boundaries" was the motto adopted in this new period where development tools were diversified. The aim was to let employees have experience in different functions and/ or segments so as to diversify their skill sets, improve their skills in different areas, help them positively contribute to business results whilst raising their motivation. This way, employees can gain knowledge and experience in different fields, develop a new perspective into the new function/ segment where they assume a role, and explore new opportunities. This practice contributes to business results positively and offers new opportunities for development and learning, and thus is intended to have a positive impact on employee motivation and engagement.

### Online Field Staff Assessment System;

The Field Staff Performance Assessment System was enhanced and moved to the digital environment so as to measure field employees' contributions to corporate goals, assess their performance as per their success criteria, and handle necessary rotation, relocation, or succession plans accordingly. Also designed to identify and raise future team leaders from today and develop action plans accordingly, this practice will help continuously develop business deliverables and reach an efficient and competent Human Resources profile that reflects their performance on business results.

### Offering the Best Employee Experience;

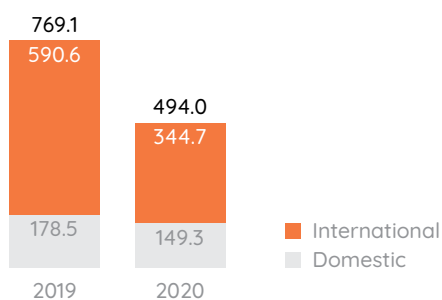
Action Master; a team of volunteers in different departments and levels of experience from production and sales to finance and planning has utilized the Agile method in their ways of doing business and came up with new ideas and products by way of developing new perspectives into HR processes. On the other hand, Wise Talks By Techstation is a new platform that encourages learning from one another and covers mini exchange meetings held to enable different departments to get to know each other so as to further their cooperation. Meanwhile, teams continued their efforts towards improving orientation processes and experiences and running performance processes in a more fair, transparent, and collaborative fashion.



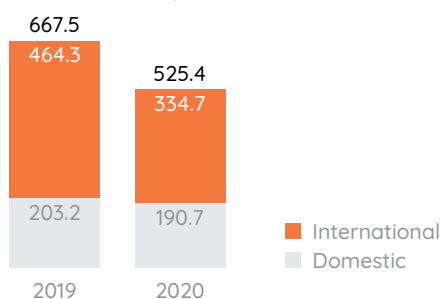
### Future Objectives

Borusan Mannesmann has made it a vision to become a world-known provider of pioneering steel pipe and complementary solutions with a focus on value-added products, local production capabilities in target markets, and the most competitive cost basis in all its products. In this respect, high added-value products will remain a core area of focus for Borusan Mannesmann in 2021 and beyond. Considering new product development and digitalization among the distinctive features of its competitive capabilities, the Company aims to work towards cementing its position in these areas non-stop in 2021 and beyond.

### Prime Product Total Revenue (USD Million)



### Prime Product Sales (Thousand Tons)



High value-added products will remain a core area of focus for Borusan Mannesmann in 2021 and beyond.

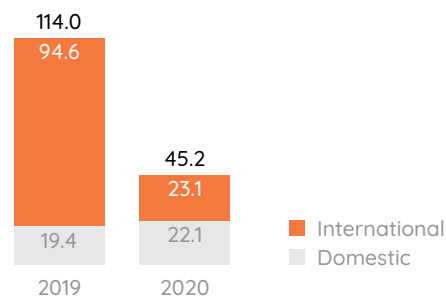
**494**  
USD million

Borusan Mannesmann's revenues from prime quality product sales equaled USD 494 million.

**45**  
USD million

Borusan Mannesmann's gross profitability in prime quality products corresponded to USD 45 million as of the end of 2020.

### Prime Product Gross Profitability (USD Million)



**ZAFER ATABEY**  
General Manager  
Borusan Mannesmann



**JOEL JOHNSON**  
General Manager  
Borusan Mannesmann Pipe US

Borusan Mannesmann has made it a vision to become a world-known provider of pioneering steel pipe and complementary solutions with a focus on value-added products, local production capabilities in target markets, and the most competitive cost basis in all its products.

## COMPANY PROFILE

### Borusan Mannesmann

#### Operational Information

- Prime Product Sales: 525 thousand tons
- Prime Product Total Revenue: USD 494 million
- Prime Product Gross Profitability: USD 45 million
- Investments: USD 20.9 million

#### Manufacturing

- Manufactures 4 thousand types of pipe, with diameters ranging from 4.6 mm to 3,048 mm and wall thickness from 0.7 mm to 25.4 mm.
- Produces water pipes, general use pipes, natural gas, and petroleum line pipes, industrial pipes and profiles, construction pipes, drilling pipes, boiler pipes, and spirally welded pipes.

- Borusan Mannesmann is the only European producer of large diameter petroleum and natural gas line pipes. The company manufactures spirally welded steel pipes with exterior diameters ranging from 508 mm to 3,048 mm, for water, natural gas, and petroleum transmission lines. The company has the capacity to match customers' special requests for Plastic Pipe (PE), Fusion-bonded Epoxy (FBE), Polypropylene (PP), Epoxy, and concrete-covered pipe types.

#### Production Capacity

- Annual production capacity of 1,1 million tons, comprised of about 750 thousand tons of longitudinally welded and 300 thousand tons of spirally welded steel pipe.

#### Sectors Served

- A wide product range in longitudinally welded steel pipe, backed by high-quality service focused on the construction, energy, and automotive sectors.
- Spirally welded steel pipe solutions focused on domestic and foreign infrastructure projects for water, petroleum, and natural gas lines and the construction industry.

#### Service Locations

- Bursa-Gemlik, Istanbul-Halkali production plants, Bursa Automotive Pipe Service Center
- 90 dealers

#### Partnership

- Salzgitter Mannesmann

### Borusan Mannesmann Pipe US

#### Production Capacity

- An annual capacity of producing and processing 300 thousand tons of well and drilling pipes
- 546 thousand m<sup>2</sup> production plant

#### Sectors Served

- North America drilling and well, and line pipe markets

#### Service Point

- Manufacturing plant in Houston, Texas, USA

### BM Vobarno

#### Production Capacity

- Annual production capacity of 28 thousand tons of cold-drawn special pipes
- Operational area of 29 thousand m<sup>2</sup> (closed space)
- Special value-added steel pipes with exterior diameters ranging from 20 mm to 140 mm

#### Sectors Served

- European manufacturing industries, primarily in the automotive sector

#### Service Point

- Manufacturing plant in Vobarno, Italy

### İstikbal Ticaret

- Borusan Group's first company.
- Conducts Borusan Group's flat steel and steel pipe exports.
- Incorporated under Turkish law as a foreign trade company.





# Galvanized steel producer offering the highest quality

Borçelik is the highest quality galvanized steel producer with the largest production capacity in Turkey.



Borçelik was founded in 1990 as the first private and the second largest flat steel producer in Turkey. The Company has started its business operations with producing cold-rolled steel in 1994. Borçelik has increased its production capacity to 1.5 million tons with the investments made in the years 1994, 2003 and 2008 which costs totally 530 million USD. Borçelik has three cold-rolling and three hot dip galvanized steel lines. As Turkey's largest galvanized steel producer, Borçelik offers the highest quality products with 900 thousand tons of galvanized capacity. Borçelik operates as a partnership of Borusan Holding and ArcelorMittal, one of the world's leading integrated steel and mining companies.

Borçelik has a total production capacity of 1.5 million tons under the Borçelik brand and a metal processing capacity of 500 thousand tons under the Kerim Çelik brand. As of year-end 2020, Borçelik recorded product sales totaling 1.8 million tons.

## 2020 Figures

**1.8 million tons**

In 2020, Borçelik recorded product sales totaling 1.8 million tons.

**Over 50 years of experience**

Kerim Çelik is Turkey's first steel service center at global standards, with more than 50 years of experience.

## Strategic Positioning

In line with its vision, Borçelik aims to become the number one flat steel solutions provider for its key sectors in target territories by focusing on customer proximity, efficiency, and innovation. Borçelik's competitive advantages include:

- With extensive experience and know-how, Borçelik is the first private flat steel producer in Turkey.
- Turkey's market leader in the hot-dip galvanized steel industry
- Main supplier to leading industrial OEM's of Turkey
- Kerim Çelik, Turkey's first steel service center at global standards, with more than 50 years of experience.
- Merging rerolling and SSC operations provide flexibility and market penetration advantage
- Strategic partnership with ArcelorMittal, one of the world's leading integrated steel and mining companies.



Please scan the QR Code to access Borçelik's corporate website.





### Sustainable Financial and Operational Results

As of year-end 2020, Borçelik recorded sales totaling 1.8 million tons and exports of 332 thousand tons. Even though the year 2020 was a difficult year overshadowed by COVID 19, Borçelik followed new pandemic initiative "I protect my employees, my business, my stakeholders" and successfully achieved continuity in production.

Especially during the breakout of pandemic, where domestic demand was dropped abruptly, Borçelik followed closely export markets, where its competitive edge can be utilized and direct its volumes to those markets. In later stages of the pandemic, the domestic demand revived and Borçelik quickly shifted its production to domestic OEM's. The company's agility and service flexibility in those difficult periods translated to positive business results and Borçelik continued to add value to its stakeholders in 2020.

In 2020, Borçelik accounted for 17% of Turkey's total cold-rolled and galvanized steel exports. In 2020, Borçelik exported to 38 countries besides its first priority which was producing and supplying for domestic customers and Turkish economy.

# 17%

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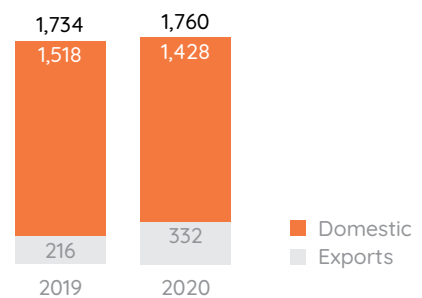
# Exports to 38 countries

In 2020, Borçelik exported to 38 countries besides its first priority which was producing and supplying for domestic customers and Turkish economy.

As in previous years, Borçelik recorded a high-capacity utilization rate in 2020.

R&D, innovation, and digitalization initiatives continued in 2020. Borçelik's internal focus was on health and safety, cost reduction, productivity. Externally, Borçelik focused on new products, industry 4.0 incentives, and enhanced customer service.

### Total Sales (Thousand Tons)





As part of an R&D project carried out for Tofaş, Borçelik contributed to the production of rear inner door frames for Fiat Egea in 2020. Under this effort, 3 thousand tons of rear inner door frame were produced with Borçelik steel for Fiat Egea.

## Investments in R&D and Innovation

In 2020, Borçelik moved forward on its R&D strategies and technology roadmap. During the year, Borçelik continued projects which were designed to create added value in Process, Material, and Technology development. Some of these projects were completed this year. Borçelik is already benefiting from the actual results and contribution of certain projects. In 2020, Borçelik submitted eight applications to expand its EU funded project portfolio. Thanks to these efforts, Borçelik now has three projects actively funded by the EU. In the intellectual property rights arena, Borçelik has seven projects underway. Five congress/conference presentations were made during the year despite the pandemic. In 2020, Borçelik submitted a project application for TÜBİTAK's Order-Based R&D Call for Papers. The project was accepted by TÜBİTAK with wide support. Partnerships with universities continued in the 2020 to provide technical assistance to projects and create new areas of learning. Joint project agreements were signed with three universities under the TÜBİTAK 2244 Industrial Doctorate Program.

In the area of material development, Borçelik conducted studies to domestically develop the steel qualities currently imported and not produced domestically by the automotive sector. During the year, industrial trial production processes for two important new qualities were completed and client approval processes commenced. Efforts are underway to add two new products to the current portfolio in 2021.

As part of an R&D project carried out for Tofaş, Borçelik contributed to the production of rear inner door frames for Fiat Egea in 2020. By using BORMECH – which contains mechanical testing data of coils and creates a coil-based material data card for shaping simulations – Borçelik focused on reducing mold set-up times and realizing rapid mass production of Fiat Egea with collaborative work. Under this effort, 3 thousand tons of rear inner door frame were produced with Borçelik steel for Fiat Egea.

In 2020, Borçelik successfully implemented the world's first Virtual Reality-based Overhead Crane Simulator with Cabin/Control.

## 8 commercialized projects

In 2020, Borçelik commercialized eight innovation projects. Sales tonnage and portfolio expansion efforts were conducted for these projects.

## Artificial intelligence algorithms

Borçelik focused on developing special sensors and AI algorithms for the flat steel sector under the Industrial Sensing for Smarter Europe (IS4SE) initiative.

Two process development projects that improve process efficiency and boost occupational safety were completed during the year. These efforts proved exemplary in terms of the transfer of R&D capabilities to the field. Borçelik also played a major role in projects related to coatings with high corrosion resistance and coatings with advanced surface qualities. These various efforts were focused on commercializing a product.

In 2020, Borçelik commercialized eight innovation projects. Sales tonnage and portfolio expansion efforts were conducted for these projects. In addition, five ideas were studied to develop a new funnel-oriented product with enhanced capabilities. One of the ideas was turned into a full R&D project in the 2020 operating year. Three of the ideas were included within the referenced project's scope. The infrastructure for the one remaining idea was organized for sales.

## Borçelik's Digital Transformation Journey

- In 2020, the preliminary development and testing of the SpeedAP SAP Hana project, the backbone of the organization's digital transformation, was completed successfully. This effort aims to achieve a more agile, up-to-date, and faster technology structure. The project was implemented on March 1, 2021.
- Launched in 2019, the Advanced Planning and Optimization project continued to move forward during the year. This initiative aims to integrate management of supply chain processes from demand planning to scheduling.
- The Digital Maintenance Platform, Forklift Operations Process Digital Transformation, and Trailer Operations Tracking projects, which support new technology applications at the Borçelik production site, were successfully implemented in 2020.
- All Borçelik business processes that will serve as the systems infrastructure of the digital transformation were reviewed. These processes were redesigned based on the end-to-end value structure from the original functional structure.
- In 2020, Borçelik successfully implemented the world's first Virtual Reality-based Overhead Crane Simulator with Cabin/Control.
- With the video analytics system designed with deep learning algorithms using existing camera systems, occupational health and safety measures are monitored in order to prevent work accidents.



## Contribution to Social Development

### Continuous Support from Borçelik Employees to Healthcare Workers and the General Society throughout the Pandemic!

During the pandemic, Borçelik employees volunteered for numerous campaigns in support of healthcare workers – who selflessly battle against COVID-19 – and society at large. Borçelik Maker Club (BMK) started to produce protective face shields with their 3D printer for hospitals in Bursa. Borçelik Volunteers distributed 3800 face shields to healthcare institutions in urgent need and met 15% of Bursa's total need for protective shields. In addition, BMK partnered with Uludağ University's Anesthesiology and Reanimation Unit in developing the Laryngoscope U-profile for use in pediatric and adult patients. For Yedikule Respiratory Diseases Hospital, BMK produced components that play a role in the functioning of saturation devices measuring blood oxygen and cardiac rhythm as well as in ECG devices, both used in COVID-19 cases. These critical components were also delivered to the required locations.

Under the Borçelik Fund for Contribution to Education, company volunteers have provided support to accomplished high school and university students with insufficient financial means since 1998. This year, scholarships were granted to 16 students. 120 students received tablet computers to facilitate their educational journeys.

Guided by stakeholders, a comprehensive initiative was carried out to set Borçelik's Sustainability Strategy Roadmap for 2020-2030. Under this effort, Borçelik identified priority areas for sustainability and developed goals and action plans.

## 3,605 saplings

In 2020, Borçelik planted 3,605 saplings under the One Coil One Sapling initiative.

### Support for students in need

Under the Borçelik Fund for Contribution to Education, company volunteers provide support to accomplished high school and university students with insufficient financial means.

### Gender Equality Workshop for Children

During the year, Borçelik organized an educational workshop in collaboration with Istanbul Bilgi University's Child Studies Unit to raise the awareness of 16 youth on gender equality and enhance their critical thinking skills.

### One Coil One Sapling

As part of the One Coil One Sapling initiative, Borçelik grows saplings in its 2 thousand square meter greenhouse located at its production site for replanting in the natural environment and safeguarding the future. In 2020, Borçelik planted 3,605 saplings from its greenhouse.

### Support and Assistance Provided during the Pandemic

In collaboration with BUSİAD, Borçelik donated an Oxivent Oxi 4 Plus Ventilation device for use by Emergency/Intensive Care services of Uludağ University's School of Medicine. Borçelik also delivered assistance packages to support 500 families in collaboration with the Gemlik Municipality and District Governorate in conjunction with Vefa Social Support Group. In addition, Borçelik distributed face masks to 10 thousand persons in response to the pandemic.

# Sustainable flat steel solutions

## Borçelik's Sustainability Priorities

Guided by stakeholders, a comprehensive initiative was carried out to set Borçelik's Sustainability Strategy Roadmap for 2020-2030. Under this effort, Borçelik identified sustainability priority areas and developed goals and action plans.

Borçelik's priority areas over the next 10 years period as set out in the roadmap include: Circular Economy and Business Models, Climate Crisis, Safe Work, Human and Society, Digitalization, R&D and Innovation, and Integrated Risk Management.

## Moving Forward under the TURQUALITY Program

Under the TURQUALITY program, Borçelik bolstered the image of the Borçelik brand in target markets and continued efforts geared toward becoming a global player. To expand into new target markets, brand registration applications were filed for the Borçelik brand in three countries in 2020. Currently, Borçelik has seven TURQUALITY target markets.

The Bi'şler digital application helped Borçelik to perform contact tracing promptly and easily identify possible COVID-19 cases. Further spread of the coronavirus was minimized via scanning the QR codes in company shuttles, dining facilities, staff locker rooms, and pool vehicles.

## 7 TURQUALITY target markets

In 2020, Borçelik filed three brand registration applications for three countries and currently has seven TURQUALITY target markets.

## Measures to Fight against the COVID-19 pandemic

In response to the pandemic, Borçelik formed a COVID Crisis Group made up of department heads across the organization to decide on anti-Covid-19 actions and measures for common implementation. The Group engaged in a wide range of activities. As a result of the Group's efforts, Borçelik obtained a Safe Production Certificate from TSE (Turkish Standards Institute). In addition, the TÜV-SÜD Hygiene Audit was successfully performed in collaboration with MESS. The Bi'şler digital application helped Borçelik to perform contact tracing promptly and easily identify possible COVID-19 cases. Further spread of the coronavirus was minimized via scanning the QR codes in company shuttles, dining facilities, staff locker rooms, and pool vehicles. New arrangements were made in all common spaces to re-configure capacities; efforts were undertaken to ensure social distancing and adequate hygiene; internal and external audits ensured continuous monitoring of all anti-COVID measures. During the pandemic period, additional support was also provided to the workforce via Borçelik's nutritionist, psychologist, and the Employee Support Line.



## Continuous OHS

Borçelik's occupational health and safety policy aims to prevent unsafe working, continuously improve hazardous situations, and create a culture that gives feedback on unsafe practices. Risk assessment, site inspections, and behavior-based safety management (Number Ten) tools are regularly implemented at Borçelik. Employees participate in each of these tools.

In 2020, Borçelik introduced a number of new OHS practices. These included two Behavior-Based Safety Management (Number Ten) campaigns; Safe Line Entrance and Traffic Safety; two specialized OHS projects; Major Accident Prevention audits; and Working at Height Control systematics. During the year, Borçelik delivered numerous training courses on 194 topics including Fundamentals of OHS, Behavior-Based Safety Management (Number Ten) Observer-Captain Training, and On-the-Job Trainings. In 2020, Borçelik delivered a total of 4,544 hours of OHS training.

## Borçelik Technical Academy

Borçelik Technical Academy (BTA) was initially established in 2014 to design technical training for company employees to develop/improve their competencies and obtain corporate technical information. Seeing professional training as a social responsibility, BTA uses the funds raised to improve professional training in Turkey. Helping both aspiring youth and experienced professionals to develop themselves, BTA capitalizes on its technical training experience across all sectors where it has played an active role. BTA's mission is to serve as a training and certification institution that contributes to developing a well-qualified labor force. BTA is committed to conducting all its activities in a reliable, quality-focused, ethical and lawful manner.

In 2020, Borçelik Technical Academy (BTA) engaged in the following activities:

- Online and face-to-face training in 166 sessions covering 8 thousand hours were delivered by Borçelik Technical Academy as a part of life-long learning activities for Borçelik employees.
- BTA served as a successful technical training solution partner of other companies, delivering 160 hours of professional training to persons outside of Borçelik.

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- BTA designed and deployed the competency model system for internal trainers under an effort to improve the skills of trainers.
- BTA delivered 84 hours of training to 21 employees with its Crane Simulator. Borçelik Technical Academy was accredited in four industries and 17 international vocational qualifications and 35 sub-units by the Turkish Accreditation Board (TÜRKAK) under code AB-0331-P on May 12, 2020. On August 18, 2020, BTA was authorized by the Vocational Qualification Institution (MYK) under code YB-249 and officially commenced testing and certification activities for national qualifications within its responsibilities.
- BTA delivered coaching to 90 students from four vocational high schools under the Student Development Program.

## Looking toward the Future

In 2021, Borçelik plans to continue its effective response to conditions arising from the COVID-19 pandemic. Borçelik aims to take major steps forward in Occupational Safety, Digital Transformation, and New Product and Service Development – its strategic priority areas. Borçelik is committed to maintaining its competitive edge as Turkey's largest galvanized steel producer offering the highest quality. In the coming year, Borçelik plans to introduce major projects and efforts geared towards bolstering its strong market position.

**8,000**  
hours of training

Borçelik Technical Academy provided 8 thousand hours of training in 166 sessions.

**World's first virtual crane training**

BTA delivered 84 hours of training to 21 employees with its Crane Simulator



**KEREM ÇAKIR**  
General Manager  
Borçelik

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## COMPANY PROFILE

### Borçelik

#### Product Portfolio

- Hot-dipped galvanized steel, cold-rolled steel, and hot-rolled steel (pickled and oiled), used as industrial raw material.
- Production of various grades of flat steel, including commercial, drawing, extra deep drawing, dual-phase, bake-hardening, rephosphorized, high strength low alloy (HSLA), high-carbon and special alloy, enameling, and structural steel.

#### Production Capacity

- Total production capacity of 1.5 million tons
- 600 thousand tons of cold-rolled steel
- 900 thousand tons of hot-dip galvanized steel

#### Metal Processing Capacity (Kerim Çelik)

- Total metal processing capacity of 500 thousand tons
- Bursa Steel Service Center: 340 thousand tons
- Manisa Steel Service Center: 130 thousand tons
- Adana Steel Service Center: 30 thousand tons

#### Sectors Served

- Borçelik serves the following industries: household appliances, automotive (main and sub-sectors), panel radiators, construction, color coating, pipe and profile, packaging, metal goods, and steel service centers.
- Kerim Çelik serves the following industries: automotive sub-industry, household appliances (main and sub-sectors), heating, cooling and ventilation, electricity, electronics, lighting, construction, elevator, machinery, and spare parts industries, radiator, silo and poultry equipment, furniture, and accessory manufacturers, cable and conveying systems, pipe and profile, steel service centers, and other sectors.

#### Service and Manufacturing Center

- Gemlik
- Bursa Steel Service Center
- Manisa Steel Service Center
- Adana Steel Service Center
- Istanbul Sales Office

#### Partnership

- ArcelorMittal









Supsan

# Turkey's largest engine valve manufacturer

Positioned as the valve supplier for the world's leading automobile brands, and as the largest engine valve manufacturer in Turkey with the widest product range, Supsan continued to move forward in the 2020 operating period, which coincided with its 50<sup>th</sup> anniversary. In a year overshadowed by COVID-19, Supsan continued production processes without interruption due to measures taken to safeguard the health of employees during the pandemic. Despite the difficulties faced in the period, Supsan maintained its visionary strategies for the future and invested in the serial production of Turkey's first sodium-filled Hollow engine valves.

## **Strategic Positioning**

Operating as a Borusan Holding company, Supsan carries out distinctive business processes thanks to the following competitive advantages:

- Turkey's largest manufacturer of engine valves,
- The widest range of engine valves,
- Executor of the most advanced, technological methods in engine valve production,
- The first plant with serial sodium valve production capability in Turkey, keeping abreast of technology developments in engine valves,



Please scan the QR Code to access Supsan's website.



- Leader of the domestic Original Equipment Manufacturer (OEM) and spare parts market,
- Capability to reach more customers in turbocharger production every year,
- A corporate strategy focused on meeting the needs of the automotive spare parts market,
- Efforts to become a sensitive parts manufacturer in automotive sector,
- Project activities linked with process digitalization and robotic practices under Industry 4.0.,
- Capability to manufacture any type of valve,
- The only brand that commenced turbocharger production in addition to valve-only production activities and the brand with the widest product range in automotive parts,
- An infrastructure that meets all the expectations of OEM customers with IATF 16949, OHSAS 18001, ISO 14001, and Ford Q1 certificates,
- Solid know-how owing to its place among the top 250 companies with the highest R&D spending,
- Engine testing infrastructure.

#### 2020 Figures

## 13 R&D projects

Supsan's spending on 13 R&D and digitalization projects conducted in 2020 reached TL 5 million.

### Processes driven by RPA

Supsan automated numerous processes via the Robotic Process Automation (RPA) software included in digitalization efforts.

Despite the challenges of 2020, Supsan made an investment in the serial production of Turkey's first sodium engine valve.

### Supsan Ranks among the Top 250 Companies with the Highest R&D Spending

Due to its R&D investments during the year, Supsan ranked among the top 250 companies with the highest R&D spending according to the survey "R&D 250: Companies with the Highest R&D Spending in Turkey." The Company continued R&D and digitalization investments despite the COVID-19 pandemic and spent a total of TL 5 million for 13 R&D and digitalization projects during the 2020 operating period. Of these 13 projects, six involved product development, two involved process development, and five involved Industry 4.0 and digitalization. Four projects were finalized in 2020.

Supsan acquired a comprehensive Computer-Assisted Engineering (CAE) software infrastructure, which positioned the Company as an engineering service provider for OEM clients. Capabilities of the existing engine testing room were enhanced; as a result, Supsan became further equipped to undertake more comprehensive engine tests. Capabilities regarding testing processes under product development and R&D projects were also improved. Supsan automated numerous processes through the Robotic Process Automation (RPA) software included in digitalization efforts.

An important project for Supsan is the “Hollow Valve Design and Production” project, a joint project with a leading OEM producer supported by TÜBİTAK (Scientific and Technological Research Council of Turkey). The design and prototype production under this project have been completed, and testing of these sodium-filled hollow valves has started.

### From Engine Valve Manufacturer to Engineering Solution Partner

Supsan has utilized the most advanced technologies since its founding. With its engineering infrastructure established in recent years, the Company now provides support to OEM clients as an Engineering Solution Partner in next-gen engine projects. An important project for Supsan is the “Hollow Valve Design and Production” project, a joint project with a leading OEM producer supported by TÜBİTAK (Scientific and Technological Research Council of Turkey). The design and prototype production under this project have been completed, and testing of these sodium-filled hollow valves has started. Another project supported by TÜBİTAK is underway through CAE activities aimed at boosting energy efficiency in heat treatment processes. “Turbocharger Design Tool Development” is another important project conducted by Supsan. Under this project, a software program was developed that enabled a turbocharger design from scratch so as to match the characteristics of the engine owned by OEM clients. Relevant works were performed as part of a Ph.D. dissertation. Regarding Industry 4.0 activities, the “Data Collection System Development” project was carried out. As a result, a system was installed that collects data and monitors the status of the units within auxiliary facilities that are critical to the functioning of the plant. This system was aimed at proactively diagnosing failures. In innovation activities, the focus was on potential new products and business models for Supsan. Evaluations were made regarding new products, and business models were either developed internally or proposed by customers.

Supsan has utilized the most advanced technologies since its founding. With its engineering infrastructure established in recent years, the Company now provides support to OEM clients as an Engineering Solution Partner in next-gen engine projects.

### “Green Plant” concept

Action plans have been formulated to implement the “Green Plant” concept in new enterprises, which places sustainability at the heart of all activities related to new investment projects.

### “Gold Medal”

Upon the request of a leading domestic OEM client, a Corporate Social Responsibility assessment was completed on the “Ecovadis platform;” as a result, the Company was granted a “Gold Medal” for its sustainability approach.

### Moving the corporate structure into the future

Advancing its corporate structure to the future, Supsan continued to take successful steps towards sustainability and digitalization in 2020.

### Firm Steps Towards Sustainability and Digitalization

In an effort to move its corporate structure to the future, Supsan continued to take successful steps towards sustainability and digitalization in 2020.

- Supsan identified certain areas under the United Nations Sustainable Development Goals and adapted them to its strategy to more effectively assess the progress achieved towards sustainability and the results of this progress.
- Systematic works are performed to reduce waste and address the opportunities linked with the circular economy. In this respect, economic benefits were gained in 2020 by recovering the metals inside the waste that form on the central filters of cutting and cooling oil.
- Efforts towards reduced carbon emissions continued; two R&D projects on energy efficiency were completed, and one R&D project continued.
- Upon the request of a leading domestic OEM client, a Corporate Social Responsibility assessment was completed on the Ecovadis platform; as a result, the Company was granted a “Gold Medal” for its sustainability approach.
- In 2020, findings obtained from the annual Employee Engagement Survey were above the average rates in the sector both in Turkey and around the world, again demonstrating the Company’s success and the importance it attaches to employees.
- Action plans have been formulated to implement the “Green Plant” concept in new enterprises, which places sustainability at the heart of all activities related to new investment projects.

Supsan took the following steps towards digital transformation:

- Five Industry 4.0 and Digitalization projects were carried out in 2020 to minimize potential failures and errors in production and internal processes, achieve time savings, and prevent financial losses that might arise from such failures/errors.
- In Industry 4.0 activities, a “Data Collection System Development” project was carried out. As a result, a system was installed that collected data and monitored the status of the units within auxiliary facilities that are critical to the functioning of the plant.
- The incorporation of an RPA software program was the highlight development of Supsan’s digitalization drive. The software program rapidly automates routine and time-consuming processes that do not require human intervention.





### Measures Taken Against the COVID-19 Pandemic

Supsan executed several projects to mitigate the impact of the COVID-19 pandemic and guarantee the continuity of production.

- Facial masks and protective shields were distributed to all employees.
- Employees' temperatures are checked before each shift, during the lunch break, and prior to the use of shuttles.
- The capacity of shuttles was cut by 50% in a manner to ensure social distancing for each employee, and the seating was logged in the shuttle seating plan on a weekly basis.
- End times for each shift were adjusted to ensure that only a designated number of people use the changing room at a given time.
- Changing rooms were regularly ventilated, and all the areas and working sites within the plant were disinfected weekly.
- White-collar employees shifted to the partial remote work system.
- Employees who are included in a risk group per the workplace doctor's opinion do not come to the physical working space.
- Adjustments were made in break times to limit the number of employees taking a break.
- Coffee machines and water fountains were turned off and water distributed to each production line and office in closed bottles.
- Checks were performed throughout the day to ensure that necessary measures are taken if the healthcare

The incorporation of an RPA software program was the highlight development of Supsan's digitalization drive. The software program rapidly automates routine and time-consuming processes that do not require human intervention.

### Digitized meetings and gatherings

Meetings, courses and project presentations are now held solely on online platforms.

### Emergency plan

Risk analyses and an emergency plan have been prepared for the COVID-19 pandemic as per applicable laws.

unit professionals find a risk factor in an employee and that the employee is redirected to the contracted hospital for testing.

- Mealtimes were re-adjusted. The number of employees who can be present at the cafeteria at the same time was halved. The location of tables was altered to provide the social distance required. Adjustments were made to allow only two people to sit at each table, and tables were divided into two sections with separators. Tables used by employees have been logged into the seating schedule on a weekly basis.
- Foods and beverages in common places, e.g. salads, water, spices, at the cafeteria were removed and distributed to employees in disposable packages.
- Markings were placed as reminders of social distancing rules in the cafeteria, changing rooms, infirmary, production card scanning areas, and offices.
- Overseas and domestic travel was postponed, and employees who returned from trips quarantined for 14 days.
- Meetings, courses, or project presentations are now held solely on online platforms.
- Decisions passed by the Ministry of Health are monitored continuously, and the Company complies with each decision taken.
- Risk analyses and an emergency plan have been prepared for the COVID-19 pandemic as per applicable laws. Drills were conducted for emergencies; shortcomings, as identified in these drills, were remedied promptly.

Positioned as the valve supplier for the world's leading automobile brands, and as the largest engine valve manufacturer in Turkey with the widest product range, Supsan continued to move forward in the 2020 operating period.

### A Pioneer of Corporate Social Responsibility Projects

In 2020, Supsan undertook numerous corporate social responsibility projects, serving as a model for its stakeholders as an exemplary corporate citizen. The Company executed the following projects in the 2020 operating period:

- Protective shield support to healthcare workers,
- TEGV Sponsorship at the Lego Robot Tournament and the team being granted the best presentation award,
- Adopting blind cats,
- Support for the Plastic Lid Collection project of TOFD.

### A Look into the Future

Supsan will continue operations in parallel with its vision of becoming a preferred destination in and outside Turkey for the engineering, production, and supply of precision machined parts for new technologies. Other than engine valves, the Company aims to identify customers' requirements for precision machined parts and undertake efforts to become a supplier of these parts. In addition, Supsan has targeted supplying turbocharger product, which has been sold on the aftermarket since 2014, for the Original Equipment Manufacturers. It will continue its activities geared towards this goal. Another aim is to continue efforts to boost the market share of aftermarket products.

Supsan provided protective shields to healthcare workers as part of its corporate social responsibility efforts in the 2020 fiscal period and contributed to the Plastic Lid Collection project of TOFD (The Spinal Cord Paralytics Association of Turkey).

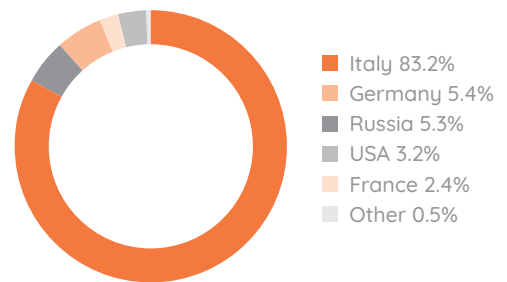
## 83%

Italy represented 83% of Supsan's total exports in 2020.

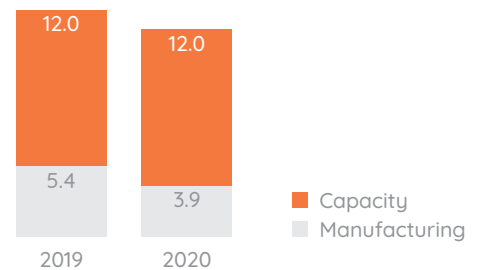
## 3.9 million engine valves produced

Supsan produced 3.9 million engine valves throughout 2020.

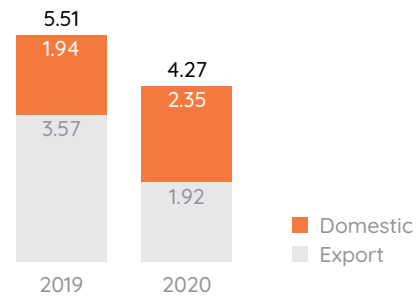
### Distribution of Valve Exports By Country (%)



### Capacity and Production (Million Units)



### Sales (Million Units)



**ATINÇ OCAĞ**  
General Manager  
Supsan



## COMPANY PROFILE

### Supsan

#### Operational Information

- Total Production: 3.9 million units
- Global Sales: 1.92 million units
- 2020 Valve Sales: 4.27 million units
- Exports to Italy: 83%

#### Production Capacity

- 12 million valves a year
- 3 million stellated valves
- Capacity for 3.3 million two-piece valves

#### Corporate Information

##### Field of Activity

- International expertise in the manufacturing and aftersales services of engine parts and other related products in the original equipment and aftermarket.
- Valve production for internal combustion engines under the license of Eaton SRL, the leading manufacturer in the global market.

##### Sectors Served

- Domestic and international OEM and after-market customers

##### Service Locations

- Headquarters: Halkalı Plant
- Independent Spare Parts: 100 dealers

##### Partnership


Eaton

##### Products and Services

- Domestic OEM
- Domestic OES
- International OEM & OES



# Machinery and Power Systems



We create  
solutions for  
a better world





### Industry Outlook

Borusan Cat with its purpose statement "We create solutions for a better world," had a successful operating period in 2020, the year hit by the pandemic. In this period, the Company gained prominence with its robust management approach, and delivered on customer requests in Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, and Far East of Russia, in addition to in Turkey, where it is the dealer of Caterpillar.

Borusan Cat adopted hybrid work promptly with the outbreak of the pandemic and delivered seamless service tapping into the opportunities brought along by digital transformation in its six countries of operation.

Reaching consolidated sales of USD 781.4 million as of the end of 2020, Borusan Cat raised the number of customers served to 8,252.

# 70%

The customer satisfaction score in Turkey improved by 15% and reached 70%.

# 84%

Borusan Cat's Employee Opinion Survey (EOS), as part of which the Company focuses on Sustainable Employee Engagement, rose by two points reaching 84%.

### Digital business processes

Borusan Cat moves its business processes to digital channels such as its online sales channel PCC and digital counter service and has never compromised on customer satisfaction. Sales on PCC grew 12 times in 2020.

The Company continues to move its business processes to digital platforms such as its online sales channel PCC (parts.com.com) and digital counter service and has not compromised on customer satisfaction. Sales on PCC grew 12 times in 2020. During the pandemic, Borusan Cat took measures to protect all its stakeholders. As a result, its Employee Opinion Survey (EOS) score, as part of which the Company focuses on sustainable employee engagement, rose by two points reaching 84. The customer satisfaction score in Turkey improved by 15% and reached 70%. "We create solutions for a better world." This is the purpose statement of the Company that drives it to continue creating value for all its domestic and international stakeholders in the coming period.

# Expert solutions in different parts of the world

In 2020, Borusan Cat continued to fulfill customers' expectations through value-added solutions during its operations in six countries.



"We Create Solutions for a Better World" was the approach that drove Borusan Cat to continue developing effective solutions for customers in different parts of the world with a team of some 3 thousand professionals in Turkey, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, and Far East of Russia. Ranking among the world's leading Caterpillar dealers, Borusan Cat runs operations in six countries successfully. Despite all the challenges faced in 2020, the Company continued to satisfy all stakeholders through strategic initiatives aimed at creating solutions, which is embedded in its DNA. The Company realized its priority targets in full thanks to its robust financial structure, rigorous management approach, rapid integration of digital tools developed, and sustainable, transparent communications.

## 2020 Figures

**781.4**  
USD million

Borusan Cat attained USD 781.4 million sales revenue from its operations in 2020.

**8,252**  
customers

The number of customers served in 2020 rose to 8,252.

Borusan Cat ran a dynamic process and successfully tackled the negative impact of the pandemic and the economic, social, and political uncertainties witnessed in its regions of operation through a robust governance approach.

In its operations spanning six countries, Borusan Cat fulfilled customers' expectations through value-added solutions. The Company navigated this period prioritizing the protection of its team, its customers, its business, and society. Boasting a professional team who demonstrate all the traits for resilience, Borusan Cat takes firm steps towards the future.

The Company continued its investments in advanced technologies and digitalization while striving to enhance its operational excellence in the 2020 operating period.



Please scan the QR Code to access Borusan Cat's website.





### Strategic Positioning

Borusan Cat sustains its strong presence and successful operations, driven by the following competitive strengths:

- A reliable consultant for customers with solution provider identity,
- Unique expertise gained in different territories,
- Value-added sales and aftersales solutions reinforced by innovation and digitalization,
- Strong engineering capabilities, project management skills, and integrated turnkey solutions,
- Process and analysis of continuous data flow from the field with artificial intelligence tools,
- A customer-oriented, agile and lean organization working with the founder's mentality.

In 2020, Borusan Cat addressed all the requirements of customers and succeeded in increasing customer satisfaction scores.

**Borusan Cat sustains its strong presence and successful operations, driven by its distinctive competitive strengths.**

### One out of every three machines is Cat

In Kazakhstan, Azerbaijan, Georgia, Kyrgyzstan, and Far East of Russia, Borusan Cat expanded its share in the backhoe loader market, ensuring that one out of every three machines is Cat in a rather competitive region of the world.

### Leadership in the marble industry

While the Company ventured into new partnerships in the marble industry, the market share of HEXLG (excavators over 35 tons) was expanded, and thus the leading position in marble industry was maintained.

### Construction Industry

- Despite excessive fluctuations in market conditions throughout the year, Borusan Cat construction industry reached its market share goals. Progress was attained in the market share of machinery with high customer support potential. In Far East of Russia, the Company broke a record in market share thanks to the contributions from the sales performance of a heavy machinery brand SEM, for which it acts as a distributor.
- In all regions, STU (Sales to Users) market share was expanded steadily thanks to the Company's focus on HEXLG on the side of prime products. Levels that go beyond the 2022 targets as mutually agreed with Caterpillar have been attained in Turkey operations.
- In Kazakhstan, Azerbaijan, Georgia, Kyrgyzstan, and Far East of Russia, Borusan Cat expanded its share in the backhoe loader market, ensuring that one out of every three machines is Cat in a rather competitive region of the world.
- As for the road construction segment, the customer-oriented approach and the broad Caterpillar product range allowed Borusan Cat to deliver new cold planers, rotary mixers, and asphalt pavers to clients.
- While the Company ventured into new partnerships in the marble industry, the market share of HEXLG (excavators over 35 tons) was expanded, and thus the leading position was maintained.
- Serving as a single contract for large multinational clients, the Company was a solution partner in their global projects.
- One out of every two machines was sold with Customer Value Agreements (CVA), while a contract renewal ratio of 60% was attained for ongoing CVAs.
- Rebuilt component (Exchange) sales doubled and half of the sales were made through PCC.
- IMC (Interactive Management Center) process and the reporting infrastructure were completed, being ready for roll out in all Borusan Cat regions.
- As for Used and Rental segments, ideal solutions were offered to customers at high standards which were crowned with silver and bronze awards in "Used and Rental Excellence" certification audits by Caterpillar. Borusan Used and Rental business has transferred its know-how and high standards attained in Turkey onto five other regions of activity and succeeded in becoming a solution partner with service delivery at the same standards in all Borusan Cat regions.

The resource industry team of Borusan Cat continued to deliver tailor-made solutions through a customer-centric approach in 2020.

- Trimble Navigation Limited's SITECH is a local distribution channel in charge of delivering technology solutions in large-scale construction and highway projects. It continued to set itself apart from the market with its products and solutions while providing high-quality service for clients to finalize projects in rather difficult regions of the world in a fast and efficient manner. Therefore SITECH remained an indispensable and reliable solution partner for customers in this period.
- Benim Filom's transformation has been completed successfully. In addition to the restructuring efforts and the synergy created within Borusan Cat, the supply network has been systemically enhanced in line with strategic goals during the year. Benim Filom carried on its path with a business model that addresses the requirements of projects end to end.

### Resource Industry

- The resource industry team of Borusan Cat continued to deliver tailor-made solutions through a customer-centric approach in 2020.
- Key account management policies and practices have been merged with digital solutions and production capabilities, helping the company maintain its leadership in the market.
- The high market share in the underground and open pit mining segment were maintained, and the position as Caterpillar's leading dealer was sustained in the operating regions.
- Most innovative Caterpillar products were provided to the highlight projects of 2020 in Kazakhstan, Far East of Russia, Kyrgyzstan, and Turkey.
- Kazakhstan's resource industry prime product market share, which was 82% in 2019, rose to 92% in 2020.

Most innovative Caterpillar products were provided to the highlight projects of 2020 in Kazakhstan, Far East of Russia, Kyrgyzstan, and Turkey.

# 92%

Kazakhstan's resource industry share, which was 82% in 2019, rose to 92% in 2020.

### First underground mining sales

The first sales in underground mining in Turkey were performed. This significant achievement will help the Company attain major success in the Turkish underground market.

### Continuous customer service

Borusan Cat sustained continuous service delivery in all mining sites in Kazakhstan, Far East of Russia, Kyrgyzstan, and Turkey despite the COVID-19 pandemic.

- The Company sustained continuous service delivery in all mining sites in Kazakhstan, Far East of Russia, Kyrgyzstan, and Turkey. Even when faced with the most challenging times, the Company safeguarded the health of its teams, customers, and the adjacent communities, and adapted to the new normal in providing services of outstanding quality with no compromise on rigorous measures for safety.
- The Company made sure that work sites could operate without respite.
- The Company felt the deserved pride of having built on the long-standing ties with key business partners in the operating regions.







- Efficient management of resources, rules of the new normal, and implementation of digital solutions enabled continuous product and service delivery.
- The first sales in underground mining were performed in Turkey. This significant achievement will help the Company attain major success in the Turkish underground mining market.

#### Energy and Transportation Industry

- Borusan Cat Energy and Transportation Industry provide sales, project management, and customer support services to address customers' growing need for energy and transportation solutions in different regions and sectors.
- Digital projects were brought live to continue with activities centered on

#### Full adaptation to new conditions

Digital projects that were brought live helped adapt the working order to new conditions rapidly.

#### 82% tugboat market share

Borusan Cat's share in the Turkish Marine market grew considerably, while the tugboat share rose to 82%.

customer satisfaction in six countries. These projects helped re-adjust and organize work in line with emerging conditions successfully.

- Borusan Cat's share in the Turkish marine market grew considerably, while the tugboat market share rose to 82%.
- Renewable power generation and co-generation systems that use landfills gas and biogas have enabled clients to cut costs and reduce emissions that harm the environment. Significant references have been garnered, with the market share in this area rising to 39%.
- In Far East of Russia, strategic oil segment projects that had been planned for 2020 were successfully delivered despite all the challenges that came along, and high-quality solutions were offered to global clients.



Borusan Cat continued R&D and digital investments and enjoyed significant gains in the 2020 operating period. The AI and IoT app Müneccim is a global award winner the revision model of which generated value for all stakeholders with its proactive approach.

- Power plants that belong to Turkey's large healthcare complexes were successfully commissioned during the pandemic.
- In 2020, the Company reached 88 MW of installed power, the highest commissioning experience gained in natural gas, landfill, and biogas projects to.
- In Azerbaijan, the data center project was successfully delivered and petroleum pipelines and offshore platforms received continuous services.
- In Kazakhstan, customer support operations grew significantly compared to the previous year. The number of Customer Value Agreements, which have high strategic importance, grew by 30%.
- Borusan Cat started creating value for customers through artificial intelligence tools. In Turkey and Far East of Russia, the number of connected units that enabled data collection from machinery increased rapidly.
- Thanks to the partnerships with other Cat dealers, significant references were garnered in the projects for boats manufactured for use in North European countries.
- Rig up Turkey's first domestic onshore drilling rig with a 350-ton capacity were performed successfully.
- The Company received the first diesel generator order from the strategic partner in Kyrgyzstan.
- Seven diesel generators, designed specifically for locomotive projects, have been deployed.

### Digital Solutions Lie in the Heart of Our Business

With its focus on customer experience and proactive solutions, Borusan Cat continues its digital transformation journey successfully. The Digital and Technology team of 40 engineers allowed the Company

In 2020, significant progress was attained towards process automation and their automation through AI algorithms.

## 731 MW

The total installed capacity in the power plants deployed for customers in six countries Borusan Cat represents reached 731 MW.

## 370 MW

Power plants that belong to healthcare complexes were successfully deployed during the pandemic. In the past seven years, the total fleet size delivered to customers rose to 370 MW.

## 350 tons

Rig up Turkey's first domestic onshore drilling rig with a 350-ton capacity were performed successfully.

to utilize mobile, web, AI, and robotic process automation technologies in generating solutions and value as well as spearheading digital transformation as a business partner for customers during the 2020 operating period.

In 2020, significant progress was attained towards process automation and optimization and their automation through AI algorithms. Via the use of the latest technologies, applications were successfully developed that produce foresight from data. Deliverables of these efforts turned into value-creating solutions for Borusan Cat customers. With its digital gains, Borusan Cat delivered on its promise and purpose: "We Create Solutions for a Better World."

### Rising on R&D and Digital Investments

In 2020, investments and gains in R&D and digital spheres continued:

- An AI and IoT app Müneccim is a global award winner. Its new revision model adopts a proactive approach and predicts the need for revision that may occur in the machine. This has helped the Company create value for all stakeholders successfully. Müneccim's roll-out in Turkey, Kazakhstan, Far East of Russia, and Azerbaijan has been completed and brought live.
- RFM-S is an artificial intelligence app that identifies customers that may pose a selling potential and their probable purchasing periods after sensitivity analyses were incorporated into the criteria of customers' shopping frequency, time passed since last purchase, and purchase amount. The roll-out of the app has been completed in Turkey, Kazakhstan, and Azerbaijan.
- Used for Spare Parts and Service, FM (Frequency Monetary) is a segmentation model based on customers' shopping frequency and purchase amount and displays customer value. This model has been deployed in Turkey, Kazakhstan, and Azerbaijan. Actions required specifically for these groups have been determined to increase customers' effective use of spare parts and services.
- "Commodore" is a software-driven robot that processes data from IoT in a rule-based manner to match them with error codes that may be encountered in the machinery and share the outputs with relevant teams. This application has been brought live in Turkey, Kazakhstan, Far East of Russia, and Azerbaijan. Redirecting



error codes to relevant teams has made it easier to detect machine failures and improved the efficiency of technicians out on the field.

#### R&D and Innovation

Driven by its vision to create value for customers, the Company continued with innovative apps and R&D initiatives developed using the most advanced technologies to date in 2020. A new R&D project, under which customers' past behavior and data are assessed from a broader perspective and scored in terms of the value created at Borusan Cat, has been deployed in Turkey, with the plans for roll-out in other countries made ready. Project deliverables will prove useful in getting to know customers better, customer targeting, customer retention, preventing customer losses, and prioritizing action.

- **Anywhere Anytime:** As new features were still introduced to WeKing, a technician planning tool available on the digital platform, the app was also launched in Far East of Russia. Deployment of over 120 RPA (Robotic Process Automation) helped the Company gain speed and efficiency with a 3,135 person/day saving per annum. These robots contributed significantly to the business processes of finance and operation departments.

Driven by its vision to create value for customers, the Company continued with innovative apps and R&D initiatives developed using the most advanced technologies to date in 2020.

**3,135**  
person/day saving

Deployment of over 120 RPA (Robotic Process Automation) helped the Company gain speed and efficiency with a 3,135 person/day saving per annum.

- Digital Counter has been introduced to eliminate the need for physical contact during the pandemic. This service handles customer requests quickly while protecting the health of customers and employees and contributing to business continuity.
- **B'SAFE:** It is a Health Application that helps protect the health of colleagues in offices, workshops, and all working sites. Especially during the pandemic, employees used the "B'Safe" app to share, on a daily basis, how they felt and their location with the Workplace Doctor. This also helps employees isolate themselves at home as and when necessary, keep a social distance in the working areas, and quickly identify the individuals who have had close contact with a positive COVID-19 case and whether there is any exposure to the virus within the working place.

#### E-Commerce

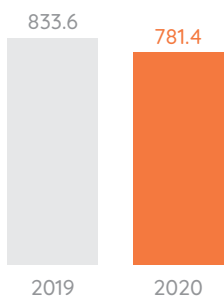
- PCC (part.cat.com) online part sales platforms were launched in the 2020 operating period. Actively used by 730 customers in Turkey, Kazakhstan, Azerbaijan, and Far East of Russia, the online sales channel PCC has delivered a sales performance above the targets set for the 2020 operating period.

In its operations spanning six countries, Borusan Cat fulfilled customers' expectations through value-added solutions. To address the concerns of stakeholders in the face of the COVID-19 pandemic, the Company ran its operations with the priority to protect its team, its customers, its business, and society.

## Continuity in Transformation

- The Company completed Turkey's first SAP HEC (SAP Hana Enterprise Cloud) transformation project under which SAP systems were moved to SAP cloud. This transformation project moved the entire SAP infrastructure to the cloud, while Premium support began to be delivered by expert SAP teams for the management of SAP systems.
- Data is a corporate value that must be protected in all circumstances. This is the principle that the Company pursued when deploying the digital documentation classification and protection app and successfully renewing its ISO 27001 Information Security Management Certificate.
- One national and three international patent applications were filed to protect the intellectual rights of the technologies developed by the R&D team. "Industry 4.0 Application on Diagnosis Prediction of Construction Machinery: A New Model Approach" is an article that was penned as a result of R&D projects. This article was published in the Civil Engineering and Architecture journal. "Customer Segmentation with RFMS Analysis" is also a scientific article that is currently being reviewed for publication in refereed journals.

## Borusan Cat Consolidated Sales (USD Million)



One national and three international patent applications were filed to protect the intellectual rights of the technologies developed by the R&D team.

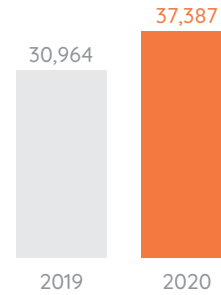
**37** thousand field service work orders completed

Completed field service work orders rose to 37 thousand as of the end of 2020.

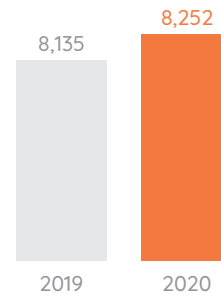
**58.9** USD million

Borusan Cat's sales revenues from customer value agreements reached USD 58.9 million.

## Completed Field Service Work Orders (Units)



## Customers Served (Units)



**ÖZGÜR GÜNAYDIN**  
CEO  
Borusan Cat



# 1 national and 3 international patent applications



## COMPANY PROFILE

### Borusan Cat

#### Operational Information

- Borusan Cat 2020 Consolidated Sales: USD 781.4 million
- Completed Rebuilds in CRCs: 3,539
- Completed Field Service Work Orders: 37,387
- Customers Served: 8,252
- Active Customer Value Agreements: 8,703
- Sales Revenue from Customer Value Agreements: USD 58.9 million

#### Corporate Information

- Dealer for Caterpillar in Turkey since 1994.
- Caterpillar's sole representative in Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, and Far East of Russia, as well as Turkey.
- Representative of Metso, a world leader in mobile crushers and screener units, in Turkey and Kazakhstan.
- The sole representative of Mantsinen harbor cranes in Turkey
- Representative of heavy fuel and medium speed MaK marine engines and Electro-Motive Diesel (EMD) marine engines; as well as Turkey representative of Berg Propulsion, a leading propulsion and propeller systems producer in the world.
- Representative of Sitech (Trimble Navigation Limited) in 6 countries, which provides technological solutions to large construction and highway projects.

# Automotive

A blue car is shown from a front-quarter perspective, driving on a road. The background is heavily blurred, suggesting high speed. The car's headlights are on, and the license plate is visible. The overall scene is bright and dynamic.

The best  
customer  
experience in  
the automotive  
sector





### Industry Outlook

The global automotive industry saw the negative impact of the COVID-19 pandemic in terms of both supply and demand. While sales dropped in parallel with the stagnation in a developed market, global supply chains were interrupted resulting in a noticeable decrease in the supply of automotive.

Turkish automotive industry runs its course in January and February 2020. However, fluctuations hit the market after the first confirmed COVID-19 cases in the country, which had spread the entire world in March. In the face of quarantine measures, the industry first witnessed a sharp decrease, followed by strides of growth as opposed to the global trend. The underlying reason for such growth is the desire to buy personal cars to avoid public transport and low interest rates. Meanwhile, problems occurred in supply for manufacturers during the times of lockdown, whilst disruption of production/capacity in manufacturing plants caused lower production quantities and less supply. Price increases took place once demand started to grow and supply to

**610,109**  
units

Car sales in the Turkish automotive market grew by 57.6% year-on-year to 610,109 in 2020.

**2.4**  
EUR million

Borusan Otomotiv Group invested EUR 2.4 million in the 2020 operating period.

**1.1**  
TL million

In 2020, Borusan Araç İhale invested TL 1 million in the digital sphere.

drop. The market saw record growth levels in July, September, and October 2020. Car sales grew by 57.6% year-on-year to 610,109 in 2020.

Borusan Otomotiv Group invested EUR 2.4 million in 2020, with EUR 1.4 million of this investment being channeled into digital initiatives. Borusan Otomotiv's focus for 2020 was delivering the best customer experience and the group successfully continued its business process transformation and digital cultural change through digital technologies.

During the pandemic, the supply of new cars lagged behind the demand, causing part of the demand to make a shift towards used cars. The sales of used passenger cars and light commercial vehicles rose by 4.6% year on year, equaling a total of 7,963,917 units. Borusan Araç İhale made TL 1.1 million investment in the digital sphere while handling the operations of 23,749 cars and attaining a success rate of 49% in the 2020 operating period.





## Borusan Otomotiv İthalat, Borusan Otomotiv Pazarlama, Borusan Oto and Borusan Otomotiv Premium

# Premium car and motorcycle sales and aftersales services



Please scan the QR Code  
to access Borusan Otomotiv's  
website.

Borusan Otomotiv Group serves the premium automobile segment with four companies including Borusan Otomotiv İthalat, Borusan Otomotiv Pazarlama, Borusan Oto and Borusan Otomotiv Premium. Borusan Otomotiv İthalat has been the distributor of BMW, MINI, and BMW Motorrad brands in Turkey for over 35 years, while Borusan Otomotiv Pazarlama is the distributor of Jaguar and Land Rover.

Borusan Otomotiv Group operates with 20 Authorized Dealers and 45 Authorized Services. Borusan Oto, in the meantime, operates as Borusan Otomotiv's Authorized Dealer and Authorized Service with 11 premises in Turkey and Northern Cyprus.

Borusan Otomotiv Premium has been operated since 2012 as an affiliate of Borusan Otomotiv Group and offers rental services, financing and insurance solutions and used car operations through all its dealers for BMW, MINI, Jaguar and Land Rover brands distributed by Borusan Otomotiv.

## Strategic Positioning

Borusan Otomotiv, Borusan Oto, and Borusan Otomotiv Premium create strong synergy and focus on added value in business processes through the following vision, mission, and strategic goals:

### Borusan Otomotiv

- Borusan Otomotiv pursues the following:  
Be the first choice and pioneer company in the premium automobile and motorcycle segment,
- Offer a unique experience to customers and sustainable value to stakeholders with innovative products and services in the automotive industry,
- Know customers well and provide customized, integrated, transparent and value-focused services at all touchpoints by building trust and fostering sustainable relations,
- Be the most preferable company in the automotive industry that respects the principles of equality and supports the development of employees in a positive environment encouraging creativity and high performance,
- Be the most admired brand in the premium automobile and motorcycle segments, in line with the values of the brands Borusan Otomotiv represents, creating value for all stakeholders,
- Be a leading company in the implementation of digital solutions and create value by providing a seamless experience to customers, employees, and all stakeholders with lean, innovative, and data-driven decision-making processes.

### Borusan Oto

- Holds over 55% share in all authorized retail operations as authorized dealer and service provider for Borusan Otomotiv,
- Borusan Oto is the customer-facing part of Borusan Otomotiv Group, therefore it focuses on creating the best experience for customers.

### Borusan Otomotiv Premium

- Provides loans, insurance solutions and long-term rental services for Borusan Otomotiv customers.
- Conducts initiatives for sales of used car operations.
- Creates a loyal customer base for Borusan Otomotiv Group with high customer satisfaction by differentiating from the traditional long-term fleet rental business model and providing customized and flexible solutions,

## 2020 Figures

**17,940\***  
units

Borusan Otomotiv Group  
retailed 17,940 cars in 2020.

*\*BMW Motorrad excluded.*

**796**  
EUR million

Borusan Otomotiv Group's  
revenues totaled EUR 796  
million as of the end of 2020.

## High customer satisfaction

Borusan Otomotiv Premium creates a loyal customer base for Borusan Otomotiv Group with high customer satisfaction by differentiating from the traditional long-term fleet rental business model and providing customized and flexible solutions.

- Aims at providing loan and insurance services via partnerships, through an integrated system infrastructure, and with a team positioned in Borusan Otomotiv Authorized Dealers.

## It's All About Offering the Best Customer Experience

Borusan Otomotiv has focused on offering the best customer experience in 2020 and:

- Continued business process transformation and digital cultural change through digital technologies.
- The S/4HANA investment made it possible to complete the second phase efforts for over 100 processes successfully, which is a first for Borusan Holding and the sector.
- Borusan Otomotiv introduced e-freight bill and e-archive implementations having prepared a reliable digital infrastructure in a timely manner.
- Operational efficiency has been attained thanks to the mobile confirmation feature in rental processes.
- The Company scored above the average figures in Turkey in the digital maturity study, conducted with Digitopia, and commenced new actions pursuing a stronger digital strategy.
- Upon the outbreak of the COVID-19 pandemic, sales and aftersales operations were handled through real-time data for all brands.
- Data analytics have been enhanced through different machine learning models in aftersales services.
- Highly manual, repetitive and rule-based processes went through Robotic Process Automation (RPA), which was disseminated across four companies and thus boosted employee satisfaction.
- Within the scope of online channels, the customer experience was enhanced and online booking structure was launched for BMW, MINI, BMW Motorrad, Jaguar, Land Rover and Borusan Otomotiv İkinci El.
- Customer data was also enhanced and new communication channels were launched.
- Borusan Otomotiv's Customer Council was formed to analyze customer feedback with the support from AI on a shared platform to take action accordingly.
- Borusan Otomotiv has become a group company that has completed Microsoft's AI Certification Program with employees from different functions and positions.

In parallel with growing digital needs due to the COVID-19 pandemic, a "sales advisor panel" that enables the sales teams to handle the entire sales process, as well as an "online payment infrastructure" were introduced on "Find Your BMW" platform.

- Monthly "Digital Tribe" and "Digital Chair" activities, as well as the annual "Digital Experience Day" support a true achievement in digital transformation. Digital experience within Borusan Otomotiv Group was shared with employees as part of these initiatives.

### 2020 Business Results

#### Borusan Otomotiv İthalat

- Sold 14,270 BMW cars (2019: 9,583).
- Sold 1,395 MINI cars (2019: 1,254).
- Sold 621 BMW motorcycles and ranked third in the BMW Motorrad Importer Group in Eastern Europe and Asia. (2019: 716)
- Borusan Otomotiv's total sales of retail parts and labor revenue for BMW, MINI, and BMW Motorrad Authorized Services amounted to EUR 95 million.
- BMW 3 Series represents 38% of the total sales in its respective segment, while BMW 7 Series represents 39%. This has made both models attain the lead in their respective segments among premium competitors, according to ODD's total sales data for 2020.
- Launched in the second half of 2018, "Find Your BMW" is a platform where reservation and down payment processes - the starting point of all car sales - are managed. In 2020, a "sales advisor panel" that enables the sales team to handle the entire sales process, as well as an "online payment infrastructure" were introduced on the platform in parallel with growing digital needs due to the COVID-19 pandemic. With these features, down payments for all BMW cars sold in 2020 have been finalized on this system.

In the "Good Life Survey" conducted for Turkey, BMW was chosen by customers as a "Good Life" automotive brand that adds value to their lives.

- BMW won the Bronze Award in the "Automotive Manufacturers" category of the "SocialBrands Data Analytics" section at the Social Media Awards Turkey. In addition, the brand's project titled "Let Us Introduce: New BMW 3 Series" won the Bronze Award in the "Effective Use of Data on Social Media" category.
- The third "Turkey Good Life Survey" was conducted by Nielsen Turkey for Sustainable Brands Turkey in 2020. Consumers chose BMW as the "Good Life" automotive brand that adds value to their lives according to the survey.
- BMW AG chose Borusan Otomotiv's social media communications and quickly introduced contactless communication point activities, which have been performed in Turkey for BMW during the pandemic starting in March, as a best practice.
- "BMW Customer Service Retention Project" came third in Digital Trailblazer 2020 organized by IDC, which honors IT leaders' transformation achievements.
- Online delivery of all training courses during the COVID-19 pandemic was named as best practice by BMW AG within the C3-R1-A region.
- MINI performed some 50% of its retail sales in 2020 on MINI Onlinestore, its online reservation platform.
- MINI rose to the first rank with a market share of 44% with MINI Electric sales within C3-R1 region of BMW AG (103 units).
- At the MINI Marketing Awards 2020 organized by the manufacturer, "MINI Electric x Elvin Levinler E-Guide Project" stood out from among 27 countries and won the first prize.

**14,270**  
BMW sales

In 2020, the number of BMW cars sold, which were 9,583 in 2019, increased to 14,270.

**95**  
EUR million

Borusan Otomotiv's total sales of retail parts and labor revenue for BMW, MINI, and BMW Motorrad Authorized Services amounted to EUR 95 million.





- Run with MINI Owners, the project titled #BizMINI'yiz (We are MINI) was chosen as best practice among the markets in the C3-R1 region.
- BMW Motorrad made a striking start in the Motobike Istanbul 2020 in February to the motorcycle season. 23% of motorcycle sales, which amounted to 621 units in 2020, were performed with down payments during the fair.
- A bronze award was won in the motorcycle category under the "SocialBrands Data Analytics Awards" section of the Social Media Awards Turkey.

### First prize

At the MINI Marketing Awards 2020, "MINI Electric x Elvin Levinler E-Guide Project" stood out from among 27 countries and won the first prize.

### A leading step in the sector

BMW Motorrad's online sales platform was launched in December 2020 as being the first in motorcycle sector.

- BMW Motorrad's online sales platform was launched in December 2020 as being the first in the sector. This website enabled users anywhere in Turkey to choose from among the motorcycles in stocks and reserve the one they desire without having to visit authorized dealers.





# Successful results, a striking performance

## Borusan Otomotiv Pazarlama

- Sold 2,010 Land Rover vehicles (2019: 1,371)
- Sold 265 Jaguar cars (2019:244).
- Borusan Otomotiv's total sales of retail parts and labor revenue for Jaguar & Land Rover Authorized Services amounted to EUR 33 million.
- Borusan Otomotiv won two awards, including Best Distributor and Best Customer Experience, in Jaguar Land Rover's annual assessment within the European Importer Region (EIRO) consisting of 21 countries.

**2,010**  
Land Rovers sales

In 2020, the number of Land Rover vehicles sold, which were 1,371 in 2019, increased to 2,010.

- "Live Countdown for the Launch of the New Land Rover Defender" was an outdoor application conducted by the company and it won the "Outdoor Application of the Year" award at the Automotive Distributors Association's (ODD) Sales & Communications Gladiators Awards 2020.
- The 32<sup>nd</sup> edition of Crystal Apple Turkey Advertising Awards organized by the Turkish Association of Advertising Agencies granted a Crystal Apple to the New Land Rover Defender advertisement named "Doğa'da İlk Kez Görüldü (Seen in Nature for the First Time)" in the Media/Automotive-Transport-Tourism category. It was also granted the Grand Prize in the Media category.



- Online Video Chat and Contact Center Structure, New Land Rover Defender Digital Media Launch, Online Reservation Platform, aftersales loyalty programs, and customer retention activities were considered best practices by Jaguar Land Rover and shared with other countries within the region.
- Virtual and interactive product training delivered for the first time in Turkey was chosen as a best practice by Jaguar Land Rover, and know-how was transferred.

**Borusan Oto Samandira premises, which suspended operations in 2019, commenced Jaguar Land Rover sales and aftersales operations again.**

### Online Sales Advisor App

The Online Sales Advisor App was launched for customers who wish to have online or video chats with sales teams to get detailed information about cars.

**3,036**  
number of  
car stock

In 2020, Borusan Otomotiv Premium achieved 3,036 units of car stock.

### Borusan Oto

- The pandemic changed consumer behavior, and its consequences were felt more clearly on the retail side. Measures taken at Borusan Oto branches were communicated regularly throughout the year. "Online Sales Advisor App" designed to provide remote assistance, Excellence Hub that allows sales talks to be held in exclusively designated areas, as well as Hygienic Test Drives were the actions that came to the fore.
- "Online Sales Advisor App" was launched for customers who easily make an appointment to get detailed information about the cars via online meetings or video chats with sales teams comfortably at home, without having to pay physical visits to Borusan Oto branches. As for aftersales services free of charge, valet services continued to make sure that customers do not have to visit branches for the service requirement of their cars.
- Borusan Oto Samandira premises, which suspended operations in 2019, commenced Jaguar Land Rover sales and aftersales operations again.

### Borusan Otomotiv Premium

- In 2020, Borusan Otomotiv Premium achieved 3,036 units of car stock.
- Compared to the actual figures of 2019, the fleet size grew by 8.93%, and the budget targets for 2020 were passed by 35.60%.
- Total turnover was EUR 69.1 million, including EUR 33 million as rental revenues, EUR 34.7 million as revenue from used car sales, EUR 1.4 million as revenue from loan-insurance operations.
- Profit before tax was EUR 13.8 million, while balance sheet fleet value (depreciation deducted) amounted to EUR 128.8 million.
- Actions were taken in order to digitalize and make the rental, loan and insurance services leaner. As a result, the first completed phase of this project enabled all loan and rental solution requests to be submitted via the brand websites. In addition, specifically for BMW and MINI brands, down payments and car reservations were proceeded on websites.



With respect to the principle of benefiting society, the environment, and customers, Borusan Otomotiv Group predicated its organization-wide sustainability roadmap on its vision, which is "Pioneering Turkish Automotive Sector's Transformation into Electrification." This way, Borusan Otomotiv aims to introduce a new approach for automobile use and serve as a pioneering company with solutions for eco-friendly transport in Turkey.

### Actions for a "Sustainable Future"

With respect to the principle of benefiting society, the environment, and customers, Borusan Otomotiv Group predicated its organization-wide sustainability roadmap on its vision, which is "Pioneering Turkish Automotive Sector's Transformation into Electrification." This way, Borusan Otomotiv aims to introduce a new approach for automobile use and serve as a pioneering company with solutions for eco-friendly transport in Turkey. While "Employee Happiness" is what Borusan Otomotiv Group pursues with the emphasis that people are its greatest asset, "Customer Happiness" is the raison d'être and assurance of the future for the Company, which incorporated it as a key element of its sustainability efforts in 2020. Led by the Executive Committee, Borusan Otomotiv Group's Sustainability Committee, consisting of the Company's managers of all brands and critical functions, was formed in 2020.

As part of the efforts by the Committee, targets and follow-up indicators for 2021 and potentially for 2030 were determined regarding the focus areas of the Sustainability Strategy. Benchmarking studies and retrospective performance measurements were carried out.

In parallel with these targets, work will continue in terms of which values will be created in relation to fields of activity and how these values will be shared with communities in 2021.

### Steps to Ensure the Sustainability of Employee Engagement

Borusan Otomotiv Group builds its human resources strategy on high employee engagement and motivation. During the COVID-19 pandemic, the health and

**Sustainability Committee undertook efforts to determine the goals and follow-up indicators for 2021 and potentially for 2030 in the key areas of the Sustainability Strategy.**

### Employee happiness

Driven by the emphasis that people are the greatest asset of a company, Borusan Otomotiv focused on "employee happiness" as one of the key areas of sustainability efforts.

### Customer happiness

"Customer happiness" is the raison d'être and future assurance for the Company, which incorporated it as a key element in sustainability efforts.

safety of employees were prioritized with actions taken and as a result, high employee engagement was achieved. Online ergonomics courses were delivered to employees upon the shift to working from home and in alternating schedules. Internal communication plans were revised in parallel with the COVID-19 pandemic, the Executive Committee's and Human Resources' gatherings with employees were increased via online meetings. Team leaders were provided support and consulting remotely. Seniority Awards, which is held annually as a tradition, was organized online, with an agenda and content that made sure all participants felt the shared emotion of the event. The internal communication team Voltran was active during the whole year and via the team, employees' changing needs and demands were discovered, assessed and concluded in due time with the Executive Committee.

### A Healthy and Safe Working Environment

- Protective face shields were provided to customer-facing roles and plexiglass was installed on their desks.
- Office employees' body temperature was measured every morning.
- Red markers were placed in front of counters to ensure social distance.
- All employees were provided with masks in the amount sufficient for their disposal every four hours.
- Waste mask containers were placed in working spaces.
- Employees in customer-facing roles and the staff who continued working in the office were provided with regular vitamin C support.
- Office chairs and laptop elevator stands in the workplaces were delivered to employees working from home in order to minimize musculoskeletal risks.



- Cleaning and disinfection of all working areas were made more frequent.
- Social distancing rules were taken into account in the re-adjustment of employee shuttles. Up to 80% occupancy was allowed in shuttle buses, and additional shuttles were made operational for crowded routes.
- Seating order was changed in canteens; lunch break times were re-arranged.
- Break times were re-arranged; plans were made in groups to reduce crowds.
- Consulting services were procured from Acibadem University to have the protective measures at Borusan Oto branches checked by an authorized institution to find out rooms for improvement. In addition, a plan was devised for customer communications via an authorized institution that explains protective measures. Set to be released in episodes, several videos were shot in which in-branch measures taken for all processes were explained.

### High employee engagement

During the COVID-19 pandemic, the health and safety of employees were prioritized with actions taken and as a result, high employee engagement was achieved.

### COVID-19 measures

Borusan Otomotiv Group introduced several measures and practices and prioritized the health of employees to protect against the COVID-19 pandemic.

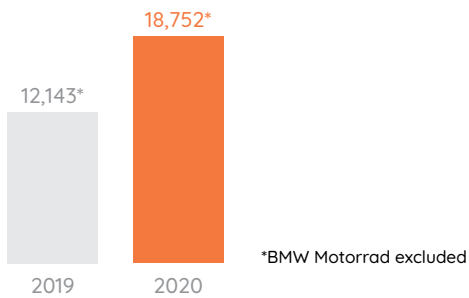
### Borusan Otomotiv Represents Turkey in Motorsports

Initiated by Borusan Otomotiv in 2008, Borusan Otomotiv Motorsport (BOM) won - over the course of 13 years - 18 championships in 368 races, which took place in 36 different circuits in 20 countries on four continents. In the 2020 season, Borusan Otomotiv Motorsport (BOM) participated in the GT4 European Series, which included over 50 drivers from 13 brands and 12 racing teams. Borusan Otomotiv Motorsport (BOM) represented Turkey successfully in races held in Italy, Germany, the Netherlands, Belgium, and France, opening the season with a pole position won in Imola and taking the podium eleven times. Two BMW M4 GT1 cars of the team completed the championship with second and fourth places in Europe. In addition, the "BOM Karting Project" was rolled out in 2020, and a BOM Karting Girls Team was formed - a first in Turkish motorsports history. Preparations of the team for taking place in the start line were fully completed, and a seven-day test drive, organized to develop drivers on the Körfez Racing Circuit, was finalized successfully.

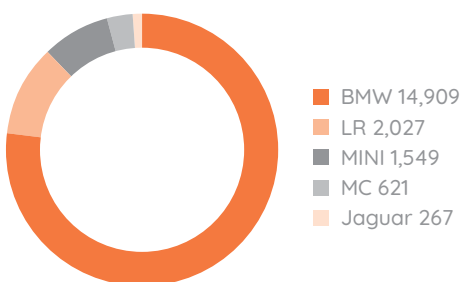
BOM E-Team, founded in 2018 with the aim of playing a part in the emerging e-sports industry and representing Turkey in this field, organized the Virtual GT Championship for the third time with the motto, "The Path from Virtual to Reality." The organization, consisting of eight legs, was completed successfully.

BOM E-Team, founded in 2018 with the aim of playing a part in the emerging e-sports industry and representing Turkey in this field, organized the Virtual GT Championship for the third time with the motto, "The Path from Virtual to Reality." The organization, consisting of eight legs, was completed successfully. During the pandemic, selected team members took part in the international SRO Charity Challenge and represented Turkey successfully. In the same period, three races organized outside the scope of championships helped boost visibility and create more awareness about the team.

### Borusan Otomotiv Group Wholesales (Units)

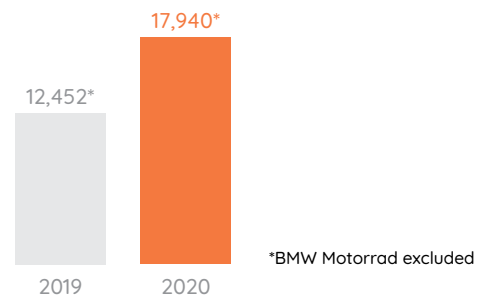


### Breakdown of Wholesales

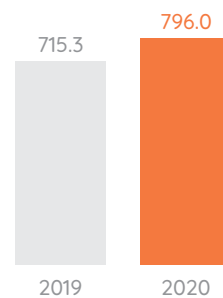


Borusan Otomotiv Group operates with 20 Authorized Dealers and 45 Authorized Services. Borusan Oto, in the meantime, operates as Borusan Otomotiv's Authorized Dealer and Authorized Service with 11 premises in Turkey and Northern Cyprus.

### Borusan Otomotiv Group Retail Sales (Units)



### Borusan Otomotiv Group Revenues (EUR Million)



**18,752\***  
units

Borusan Otomotiv Group's automobile wholesales in 2020 equaled 18,752 units.

**17,940\***  
units

Borusan Otomotiv Group retailed 17,940 cars in 2020.

\*BMW Motorrad excluded



**HAKAN TİFTİK**  
Executive Committee Chairperson  
Borusan Otomotiv Group





## COMPANY PROFILE

### Borusan Otomotiv İthalat, Borusan Otomotiv Pazarlama, Borusan Oto and Borusan Otomotiv Premium

#### Operational Information

- Borusan Otomotiv Group  
Wholesales: 19,373 units (BMW  
Motorrad included)
- Borusan Otomotiv Group Retail  
Sales: 18,561 units (BMW Motorrad  
included)
- Borusan Otomotiv Group  
Revenues: EUR 796 million

#### Corporate Information

#### Company History

- BMW's Turkey distributor in 1984.
- BMW Motorrad's distributor in  
Turkey in 1985.
- Land Rover's distributor in Turkey  
in 1998.
- MINI's distributor in Turkey in 2001.

- Founded Borusan Oto Cyprus Ltd.  
Land Rover in 2008.
- Becomes Jaguar's distributor in  
Turkey in the last quarter of 2014.
- Distributor of BMW, MINI, BMW  
Motorrad, Jaguar, and Land  
Rover as of the end of 2019.

#### Products and Services

- Sales of passenger cars and  
4x4 vehicles, used cars, and  
motorcycles, fleet and corporate  
sales, sales of special diplomatic  
cars, parts, aftersales services  
and long-term car leasing, loan,  
and insurance services.

#### Dealer Network

- Borusan Otomotiv provides  
sales and aftersales services  
for its products through 20  
Authorized Dealers and 45  
Authorized Services across seven  
geographical regions in Turkey.

- Borusan Oto, a Borusan Otomotiv  
authorized dealer and service  
provider, operates in two  
countries (Turkey and Northern  
Cyprus), seven cities (Istanbul,  
Ankara, Adana, Gaziantep,  
Çorlu, Bodrum, Nicosia), and 11  
premises (Avcılar, İstinye, Vadi,  
Samandıra, Esenboğa, Balgat,  
Adana, Gaziantep, Çorlu, Bodrum,  
Nicosia).

#### Brands

- BMW
- MINI
- BMW Motorrad
- Jaguar
- Land Rover

#### Business Partners

Giwa Holding GmbH & Co. KGa

# Turkey's leading multi-brand used car auction platform



### Turkey's Leading Multi-Brand Used Car Auction Platform

A wholly-owned Borusan company since 2019 and the first multi-brand used car auction platform in Turkey, Borusan Araç İhale is an integral part of Borusan Group's expanding network of automotive dealers. The company had 11,032 buyer members as of the end of 2020. Since 2001, the company has been organizing auctions for member dealers with used vehicles from fleet lease companies, independent dealers, authorized dealers, banks, insurance companies, distributors, and commercial fleets.

### Strategic Positioning

Borusan Araç İhale is the leading multi-channel and multi-brand auction company in the Used Car sector. Borusan Araç İhale also shines out among the rivals by being the leading trusted auction service provider between sellers and buyers.



Please scan the QR Code to access Borusan Araç İhale's website.

### 2020 Figures

**11,676**  
vehicles sold

In 2020, 11,676 used vehicles were sold.

**11,032**  
dealers

Borusan Araç İhale has 11,032 member dealers as of the end of 2020.

Borusan Araç İhale diversified auction channels and managed to provide fast sales and premium prices to their customers in 2019. With the deployment of the CRM system, Borusan Araç İhale started to manage all customer operations centrally and provide a more personalized service to its customers. In cooperation with the group company Borusan Lojistik, Borusan Araç İhale can provide countrywide logistics service in addition to other value-added services such as fixed/mobile inspection and storage, and valuation.

Borusan Araç İhale can also provide easy-to-integrate B2B Valuation service to automotive companies, thanks to the API-based pricing system. This valuation tool (7/24 Fiyat) calculates the prices based on the real sales data, which is also its unique differentiator in the market.

The majority of the applications are developed by its local team in Borusan Araç İhale. They include, among others, the new fixed/mobile inspection tool, field management tools, portals of online services, and some mobile services. Borusan Araç İhale also transformed its inspection and photography areas to cutting-edge premises to obtain minimal inspection errors and the most realistic car pictures.



### Competitive Advantages of Borusan Araç İhale

- Multi-channel auction and sales structure
- Development of CRM system
- New Live Auction System and the "Buy Now" sales option in the new system
- In cooperation with Borusan Lojistik
- Integration of B2B valuation service into automotive companies
- 24/7 pricing service as launched on the BiP platform,
- The Otonakit brand deployed in July 2020 providing cash purchasing services for retail customers,
- The majority of the applications are internally developed,
- 19 years of experience, recognition, customer portfolio, and service quality.

### The Evolution of the Turkish Used Car Market in 2020

Contraction in the Turkish automotive industry since the third quarter of 2018 has changed its course towards growth once deferred demand made a comeback in the last quarter of 2019. This upward trend continued until the first quarter of 2020. The market, which saw a sharp and abrupt shrinkage during the COVID-19 pandemic, recovered quickly in parallel with the decline in confirmed cases owing to the restrictions implemented. Reluctance to use public transport in the face of the pandemic drove the demand for buying cars.

**Borusan Araç İhale continued its digital transformation journey successfully in the 2020 operating period.**

### A multi-brand auction company

Borusan Araç İhale is a unique multi-channel and multi-brand auction company in the Used Car sector.

### Cutting-edge premises

Borusan Araç İhale transformed its inspection and photography areas into cutting-edge premises to obtain minimal inspection errors and the most realistic car pictures.

As a result, first-hand passenger cars and the light commercial vehicle market concluded 2020 with a 61.3% year-on-year growth amounting to 772,788 units. Used car and light vehicle sales, on the other hand, rose by 4.6% to 7,963,917 units.

### The Market Leader in Physical Auctions

Used car sales between corporate customers, who represent Borusan Araç İhale's main business areas, has contracted since Q4 2018 - a trend that continued also in 2020 due to the COVID-19 pandemic. The contraction was largely caused by the shrinking vehicle pool of operational fleet rental and Rent-A-Car companies in the market. Authorized dealers, a primary supply channel for the Company, opted for selling traded-in used cars to end-users directly so as to address growing demand in the period marked by an uptick in the market. Indeed, a significant portion of authorized dealers, upon the sharp rise in demand, became Borusan Araç İhale's buyer customers in 2020 in addition to their position as seller customers. In 2020, auction platforms of the Company served as key alternative channels where independent dealers, in particular, sold their vehicles quickly. As a result, sales of vehicles supplied from independent dealers exceeded the budget targets. Otonakit, a service that enables the purchase of personal cars in cash, was rolled out in five provinces and six campuses in July 2020. Otonakit is expected to be a core business area where Borusan Araç targets strategic growth in 2021.

### 2020 Business Results

- Operations of 23,749 cars have been handled in 2020, and a 49% success rate attained in the cross-sales of 11,676 cars.

### Firm Steps on the Path to Digital Transformation

Borusan Araç İhale continued its digital transformation journey successfully in the 2020 operating period. The fixed/mobile inspection tool, field management tools, the new valuation practice, portals of online services, and some mobile services have all been internally developed by Borusan Araç İhale teams as part of digital transformation. Physical auctions were suspended during the COVID-19 pandemic, and all sales were moved to online channels. In addition to 724ihale.com, a new cyber-auction system was used after being developed via next-gen tools and launched in late Q1 2020 for this purpose. Furthermore, fully functional



## Borusan Araç İhale

A wholly-owned Borusan company since 2019 and the first multi-brand used car auction platform in Turkey, Borusan Araç İhale is an integral part of Borusan Group's expanding network of automotive dealers.

Otonakit and 7/24 Fiyat on BİP are among the services developed and rolled out in 2020.

Having invested TL 1.1 million in the digital realm in 2020, Borusan Araç İhale carried out the following projects:

- Cloud Migration Phase 1,
- Live Auction Stream Services,
- New Auction System,
- CRM,
- Technical enhancements for existing valuation services,
- Revamping financial portals.

### Measures Taken to Fight Against the COVID-19 Pandemic

Borusan Araç İhale took prompt action right after the COVID-19 pandemic started. Taking Borusan Holding's principles as a guiding light, the Company rolled up sleeves to protect its employees, business processes, and stakeholders. Borusan Araç İhale made a shift to working from home/in alternating schedules to protect its employees while introducing rigorous measures in line with the depth and breadth of the crisis. Starting from March, all auctions were performed on online platforms. Furthermore, the Company offered value-added solutions, including end-to-end shipment and mobile valuation, to minimize partners' physical burden and thus eliminate the risk of their exposure to the virus.

### An Auction for Good

Borusan Araç İhale launched İyilik İhalesi (Auction for Good) that blends professionalism and volunteerism. Borusan Araç İhale organized three auctions, one internal and two with the participation of Borusan group companies. Funds raised from the sales of the belongings volunteering Borusan staff no longer used were donated to Lokman Hekim Health Foundation and Koruncuk Foundation. In addition, the Company took part in social responsibility projects organized under the roof of

Borusan Araç İhale launched İyilik İhalesi (Auction for Good) that blends professionalism and volunteerism.

**2,042**  
corporate  
members

As of the end of 2020, Borusan Araç İhale has 2,042 corporate members.

### COVID-19 measures

Borusan Araç İhale made a shift to working from home/in alternating schedules to protect its employees while introducing rigorous measures in line with the depth and breadth of the crisis.

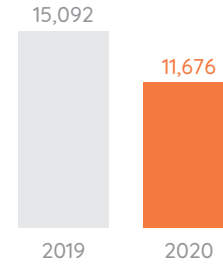
Borusan Holding. These include September, Education on the Hanger, İyilik Peşinde Koş (Run for Good), and projects aimed at Gender Equality.

### A Look into the Future

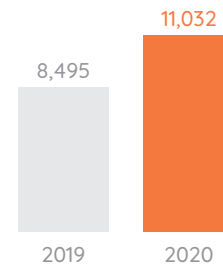
Borusan Araç İhale adopts the continuous development principle of Borusan Holding and pursues the following goals for the future:

- Reaching greater customer portfolios through developing new products and services.
- Increasing the sales volume for fleet and rental companies in the light of solid marketing strategies.
- Reducing fixed costs by boosting efficiency through online transformation and digitalization.
- Ensuring the sustainability of qualified human resources.

### Auction Sales (Units)



### Member Dealers



**SİNAN BARUTÇUOĞLU**  
General Manager  
Borusan Araç İhale



## COMPANY PROFILE

### Borusan Araç İhale

#### Operational Information

- Member Dealers: 11,032
- Corporate Members: 2,042
- Auction Sales: 11,676 units

#### Corporate Information

#### Field of Activity

- Providing a platform for used vehicle buyers and sellers in a secure auction format that strictly complies with all applicable laws and regulations.

#### Products and Services

- Private auction: B2B business model

- Inspection, pricing, logistical support for transportation of vehicles to special auctions, and all documentation and payment by proxy services between buyer and seller for all domestic or imported used motor vehicles
- Sales of all vehicle models
- Weekly private auctions for member dealers from many provinces at Borusan Araç İhale's Gebze facilities
- 24/7 Fiyat-Online Pricing Tool
- Online sales systems
- Mobile Auction
- 7/24 İhale- 724ihale.com
- Otonakit: Cash purchasing services for end-users (C2B business model)

#### Sectors Served

- Used vehicles

#### Service Locations

- Headquarters: Kocaeli - Gebze

#### Otonakit Valuation Centers

- Pilot Garage İstanbul/Şişli
- Pilot Garage İstanbul/Üsküdar
- Pilot Garage İstanbul/Kıraç
- Pilot Garage Ankara/İskitler
- Pilot Garage Bursa/Osmangazi
- Pilot Garage İzmir/Karşıyaka



# Logistics

*Bu Yollar*

KADINA ŞİDDETE KAPALI

 BORUSAN  
LOJİSTİK

Digital  
transformation  
in logistics





### Industry Outlook

Global logistics is among the most affected industries in the face of the COVID-19 pandemic. Increased border controls implemented due to the pandemic have caused interruptions in international logistics operations. Inter-city logistics have become more critical to address the growing needs of households amid lockdowns and restrictions.

**394.9**  
USD million

Borusan Lojistik attained sales worth USD 394.9 million, USD 345.6 million of this amount being non-Group sales and USD 49.3 million intra-Group sales.

### The only port in Turkey

Borusan Port is the only Turkish port serving in 3 different segments; general cargo, container, and vehicle handling.

Witnessing the COVID-19 pandemic, the Turkish logistics industry narrowed by 25% in April and May, followed by an uptick as of June 2020. In the second quarter of the year, contraction in logistics stood at 20%, while e-commerce and thus transactions on online platforms delivered a solid growth within the industry.

In 2020, Borusan Lojistik continued to transform and expand its operations utilizing its quick technology development capabilities and expertise.



## Borusan Lojistik

# Expert logistics solutions



Please scan the QR Code  
to access Borusan Lojistik's  
website.

### **Strategic Positioning**

Driven by the goal of offering the best customer experience in logistics, Borusan Lojistik serves as a technology company and develops digital platforms that provide exclusive solutions for customers.

Borusan Lojistik maintains its firm lead in the Turkish logistics industry, tapping into its rapid technology development capabilities and expertise and giving a direction to the industry's digital transformation.

### **Sectors Served**

Core sectors served by Borusan Lojistik are food & beverage, consumer goods, e-commerce, durable goods, industrial products, and automotive manufacturing, representing some 70% of total turnover.

### **Products and Services**

- Domestic FTL transportation (eTA)
- Storage, value added services and production logistics
- PDI, milk run and automotive transportation
- International logistics services

### **eTA**

Founded in 2012, eTA is the first digital logistics platform in Turkey, bringing shippers and truck drivers digitally together without any need for intermediaries.



During its initial phase, eTA was mainly focusing on small-sized businesses while large accounts' operations were managed by Borusan Lojistik. This has given eTA a unique opportunity to assess large-scale operations for future digitalization while running a purely digital operation with early adopters from both shippers and truck drivers.

After eTA has reached the target technological maturity and scale especially in terms of member truckers; Borusan Lojistik and eTA FTL services have been migrated to the eTA Platform. In 2020, 420 thousand trips have been performed.

Truck drivers can sign up to the eTA Platform through the "eTA Mobile Application" by uploading their vehicle and commercial documents, which are reviewed and approved by the eTA team. Following the sign-up, truck drivers can browse through trips published on the eTA Mobile Application, bidding instantly for trips, and can also request loads for desired routes in advance, so that they can secure their future dated trips.

#### 2020 Figures

**394.9**  
USD million

Borusan Lojistik's net sales was USD 394.9 million in 2020.

**420**  
thousand trips

The number of trips performed via eTA rose from 395 thousand to 420 thousand.

**Core sectors served by Borusan Lojistik are food & beverage, consumer goods, e-commerce, durable goods, industrial products, and automotive manufacturing, representing some 70% of total turnover.**

eTA operating model can be best described as "digital forwarding" where all the deliveries are operated by Borusan Lojistik. In order to ensure an excellent shipper experience with no compromise on "On Time In Full" delivery performance, trucks owned by Borusan Lojistik are used to cover in case an independent eTA Platform member trucker cannot initiate a trip.

In the same manner, all payments upon successful completion of a trip are made by Borusan Lojistik through eTA Card, eTA Platform's payment system, offering discounts and benefits to truck drivers besides instant payment.

eTA platform was developed by Borusan Lojistik's in-house R&D team. The eTA infrastructure enables transactions made on the platform to grow rapidly. In order to offer customized trips to truckers and the best price calculations to shippers, eTA is being moved to the cloud environment so as to further expand through cloud computing services.

Besides efficiency and customer satisfaction through digitalization, another critical success factor for eTA is environmental sustainability. Empty trip rates for FTL services in Turkey are estimated at around 24%. By offering personalized trip recommendations and assigning the nearest truckers to trips, eTA aims to bring this rate down to 18%, reducing carbon emissions caused by FTL trips.

#### **Partial Delivery Network, Special Distribution & Home Delivery**

Borusan Lojistik, as part of its domestic logistics services, provides partial land transportation, special distribution, milk run operations, and storage & customer facility management services including vehicle logistics.

Borusan Lojistik's partial delivery network covers 24 distribution centers and 93 pick-up & drop-off locations, enabling deliveries from 81 cities to 81 cities across Turkey.



## In 2020, Borusan Lojistik's international logistics operations focused mainly on Europe, North America, Russia, Middle East, Central Asia, and the Far East.

As part of the special distribution and home delivery operations, Borusan Lojistik carried 720 million desi load in 2020. In terms of volume, Borusan Lojistik made over 235 thousand home deliveries. Deliveries are complemented with digital solutions such as "scheduled deliveries integrated with e-commerce platforms" and "traceability of deliveries" targeting excellent customer experience.

In 2019, Borusan Lojistik opened the Tepeören Warehouse, as its main warehouse for storage services, offering 1,500 m<sup>2</sup> open and 93 thousand m<sup>2</sup> closed storage area. In total, the Company has 405 thousand m<sup>2</sup> open and closed storage area in 23 warehouses across Turkey as of the end of 2020. Besides its own warehouses, Borusan Lojistik is offering storage services at its customers' facilities.

### International Logistics Services

Borusan Lojistik provides land, railroad, air, and sea transportation services, as well as multimodal transportation services as part of its international logistics services.

In 2020, Borusan Lojistik's international logistics operations focused mainly on Europe, North America, Russia, Middle East, Central Asia, and the Far East.

Borusan Lojistik's international land operations mainly focus on European destinations and completed around 20 thousand trips through a wide network of agents and partners, in 2020. Services cover full truckload and less than truckload deliveries, as well as intermodal operations.

Borusan Lojistik's air forwarding operations cover 80+ airlines through agreements in 120 countries and 275 destinations. Borusan Lojistik has become one of the Top 10 IATA Agencies in Turkey in 2020, in terms of freight.

## 120 countries

Borusan Lojistik's air forwarding operations cover 80+ airlines through agreements in 120 countries and 275 destinations.

## 405 thousand m<sup>2</sup> storage area

In total, Borusan Lojistik has 405 thousand m<sup>2</sup> open and closed storage area in 23 warehouses across Turkey as of the end of 2020.

## 720 million desi load

Borusan Lojistik transported 720 million desi load in 2020. In terms of volume, Borusan Lojistik made over 235 thousand home deliveries.

Besides the forwarding operations, Borusan Lojistik provides logistics services for project loads that require sensitive handling, as well as for heavy cargo and special equipment transportation. Borusan Lojistik's project logistics services include chartering, project consultancy, heavy/oversized cargo operations, vessel loading/discharging operations, port terminal operations, warehouse management, door-to-door logistics organization, unloading at customer site, site operations, installation at site, and energy logistics.

### 2020 Business Results

- In the 2020 operating period, Borusan Lojistik's total trips increased by 6% compared to the previous year.
- Borusan Lojistik attained over 50% of e-commerce growth in 2020.
- Borusan Lojistik invested TL 14.3 million in R&D in 2020.

### Digitalization Drive for All Business Processes

Borusan Lojistik pursues digital transformation in two primary areas: Focusing on the digitalization of internal operational processes, the Company aims to establish swift workflows free of human error, and improve the quality of service provided to customers. In addition, Borusan Lojistik takes steps towards digitalization in customer relationship management. Operating with two key partners, namely truckers and loaders, the Company attaches great importance to running relations with both groups via digital channels.

In 2020, the Company invested TL 14.3 million in R&D in pursuit of digital transformation. Borusan Lojistik's focal projects include "eTA FTL Operation Digitalization Project," "Atlas LTL Logistics System Development Project," and "Location Data Verification Project,"

### Sustainability Activities on the Basis of Prioritization

Borusan Lojistik's and eTA's sustainability strategy is built on the frameworks of "Combating Climate Change," "Contribution to Quality Education" and "Future-Proof Business Model with eTA." In line with its sustainability strategy, the Company conducts training courses on the reduction of carbon emissions, coding, and robotics. In addition, it has commenced efforts on the sustainability of work as a digital platform on eTA journey.



With eTA, the aim is to reduce empty return trips and contribute to lower emissions. In the 2020 operating period, the "İşte Sağlık" (Health at Work) application was launched to create a map of individuals who have had close contact with confirmed cases if and when an employee tests positive for COVID-19. Taking firm steps towards Europe's top ranking as a digital platform, eTA sets itself apart from rivals with its agile management approach. Accordingly, the Company transforms all software teams into agile teams and has supported this transformation with its Scrum team of 45 people.

Intended to develop a different perspective for eTA's business problems, eTAthon admitted 308 people" applications and 112 teams, while including 91 people and 31 teams into the contest as a result of qualifier sessions. Three winning teams and 7 finalist teams were presented their respective awards. The outcome of eTAthon was work on analytics and machine learning in the field of pricing, one of the major issues that eTA experiences.

**Borusan Lojistik's and eTA's sustainability strategy is built on the framework of "Combating Climate Change," "Contribution to Quality Education" and "Future-Proof Business Model with eTA."**

**14.3**  
TL million

Pursuing digital transformation, Borusan Lojistik invested TL 14.3 million in R&D in 2020.

Borusan Lojistik cares about the little companions of people, and therefore provided assistance in the moving of shacks from Bursa to Ankara for stray animals.

AI, robotics, and coding courses for children were delivered online in collaboration with Twin Science. Having launched the eTA card, the Company created numerous benefits for suppliers both in terms of payment and at petrol stations, restaurants, markets, and workplaces.

Borusan Lojistik gained further speed in its digitalization drive in 2020 and aims to position it as a core area of focus for the 2021 operating period. Therefore, the Company works to offer truck drivers a much more advanced mobile app experience.

## Full Compliance with Laws for Occupational Health and Safety

Borusan Lojistik delivered 26,260.75 person-hour training on OHS in the 2020 operating period. In addition, awareness-raising training was delivered by Occupational Safety Professionals (i.e. Occupational Safety Specialists and Workplace Doctors) to address the COVID-19 pandemic. Topics included general information, hygiene practices, and control measures. In 2020, the following OHS training was carried out:

- Legal occupational health and safety training,
- Emergency action plan training,
- Emergency response team training,
- Orientation training upon recruitment,
- Business-specific focus trainings,
- First responder employee refreshers
- SDS, first aid, fire, and spill response courses in areas where chemical substances are located/handled,
- Waste management training,
- Working at height training,
- Toolbox training on a specific OHS matter as determined weekly for all employees before the start of the week.

## Social Responsibility Project for Kids

As a model corporate citizen, Borusan Lojistik aims to deliver AI, robotics, and coding courses to children under the Twin Social Responsibility Project. Courses taught on the project's YouTube channel reach the children of all stakeholders and employees. A contest is held during live streams and winning children are given Twin Science Sets as gifts to contribute to their social development. Under "ÇEKÜL Natural and Cultural Heritage Training Programs" co-run with ÇEKÜL (Foundation for the Protection

"Seviyorsan Gel Koru Bence" (Protect What You Love) is a project conducted in the 2019-2020 academic year that provided 1,000 students and 50 teachers across Turkey with awareness-raising training.

## "Seviyorsan Gel Koru Bence" (Protect What You Love) Project

"Seviyorsan Gel Koru Bence" (Protect What You Love) is a project conducted in the 2019-2020 academic year that provided 1,000 students and 50 teachers across Turkey with awareness-raising training.

**26,261**  
person-hour  
training

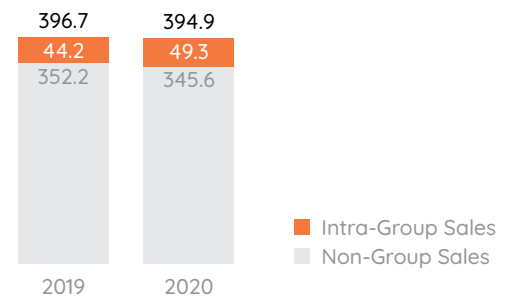
Borusan Lojistik delivered 26,261 person-hour training on OHS in the 2020 operating period.

and Promotion of the Environment and Cultural Heritage), a project was initiated with the title "Seviyorsan Gel Koru Bence" (Protect What You Love). In the 2019-2020 academic year, 1,000 students and 50 teachers around Turkey attended awareness-raising courses within this scope. A donation campaign for the Foundation for the Education and Protection of Mentally Handicapped Children (ZİÇEV) was initiated and continued across the organization.

## Future Objectives

Borusan Lojistik gained further speed in its digitalization drive in 2020 and plans to position it as a core area of focus for the 2021 operating period. Within this scope, the Company aims to offer a much more advanced mobile app experience to truckers and run the manual flow of work with loaders via digital methods. The overall objective is to provide both customer groups with a quick, seamless, and accessible transaction experience. Under the "Atlas LTL Logistics System Development Project," the Company intends to reinforce its competitive edge in overseas transport with digital muscles, while swiftly creating action plans through the agile structure adopted in the organization in 2020.

## Net Sales (USD million)



**SERDAR ERÇAL**  
General Manager  
Borusan Lojistik





## COMPANY PROFILE

### Borusan Lojistik

#### Net Sales

USD 394.9 million

#### Non-Group Sales

USD 345.6 million

#### Intra-Group Sales

USD 49.3 million

# The only Turkish port providing services in three different segments



Borusan Port is a service provider in a hinterland that expands rapidly with a broad range of product groups and boasts a strategic location in the Gemlik Region. Borusan Port is the only Turkish port can be serving in 3 different segments, general cargo, container and vehicle handling with substantial market shares.

Operating in multiple segments enables the company to deliver high resilience, high capacity utilization, and high financial performance. Today in Marmara Region, Borusan Port is the 1<sup>st</sup> biggest general cargo, 3<sup>rd</sup> biggest vehicle handling and 8<sup>th</sup> biggest container terminal in terms of volume handled.

### Strategic Positioning

Borusan Port is positioned as an integrated solution provider for customers with experience in steel & iron businesses in the general cargo segment by seamless customer experience with the capabilities of equipment & terminal area, customer integrations with strong IT systems and continuous improvement approach in process management.



Please scan the QR Code to access Borusan Port's website.

### 2020 Figures

**46.7**  
USD million

Borusan Port attained USD 46.7 million in revenues from port sales in 2020.

**2.9**  
million tons/year

Borusan Port handled 2.9 million tons general cargo, 176 k TEUs container, and 218 k units vehicle handling in 2020.

As a trusted & boutique service provider in the container segment, a customer-centric approach, high berthing and equipment availability, customer integrations, and strong IT systems enable it to differentiate by customer touch & service quality in its region.

As Turkey's third biggest port in the vehicle handling segment, Borusan Port's dedicated customer and account responsible approach, coupled with real-time and integrated information flow, as well as flexible operation ability to customer demand fluctuations proactively guide the main customer.

### Key Industries and Sectors Served

#### Automotive & Automotive Spare Parts

- One of the worldwide bases of automotive manufacturing
- 60% of Turkey's total auto manufacturing

#### Flat Steel and Steel Pipes

- Manufacturing of iron-steel alloy tube-pipe-profiles, metals, casting, and other products

#### Textile

- Produces 75% of all synthetic yarn

#### Wood, Paper, and Furniture

- Includes Turkey's 1<sup>st</sup> furniture and wood products organized industrial zone

#### Mines-Marble, Chrome, Zinc, Manganese

- One of the leading Turkish bases for marble production





## 2020 Business Results

- Borusan Port handled 2.9 m tons in general cargo, 176 k TEUs in container, and 218 k units in vehicle handling.
- Borusan Port maintains to be the market leader in general cargo thanks to the located this hinterland, long term operational experience and competence and its special equipment.
- Wind power investments and incentives that have recently soared in Turkey, as in the rest of the world, allowed the company to handle 25 thousand tons project cargo.
- The only port in Turkey providing services in three different segments that have their own unique dynamics with substantial market shares, Borusan Port accounts for 85.5% in the general cargo market and 57.8% in the vehicle handling market in the Gemlik Region. As for the container segment, it holds 21.3% of the market share.

## Business Volumes

**General Cargo:** 2.9 million tons

**Container:** 176 thousand TEUs

**Vehicles Handled:** 218 thousand units

## Successful Digital Transformation Underway

As successful digital transformation efforts are underway, Borusan Port has moved equipment and hand-held terminals to Android and fully revamped its technology and infrastructure. It has also introduced 3D addressing systems to labor-intensive areas where smart automation could be deployed. Meanwhile, the company serves with a world-class IT infrastructure with NAVIS SPARCS N4, a software program preferred by global terminals in container operations.

**Borusan Port has set "Affordable and Clean Energy" - Goal 7 among the 17 Sustainable Development Goals under the United Nations Development Program - as its main theme in operations.**

## Three different segments

Borusan Port is the only port in Turkey providing services in three different segments that have their respective inherent dynamics, general cargo, container and vehicle handling with substantial market shares.

## Market leader in general cargo

The Company holds a leading position in general cargo and vehicle handling with market shares of 85.5% and 57.8%, respectively in the Gemlik region. As for the container segment, it holds 21.3% of the market share.

"BOPSNET", specially designed to port special requirements by the in-house IT team, is a software program that allows traceability and instant reporting from the moment of entry into the port. As a result, customer-specific integrations have been made, positioning Borusan Port as a strategic business partner generating solutions for its customers.

In an attempt to tackle the ongoing pandemic COVID-19, Borusan Port initiated a process that will enable case maps to be accessed in case of possible cases. Having deployed this software to help employees remain in a safe social distance with heavy equipment and one another by this means the company contributed notably to occupational safety.

## Firm Steps Towards Sustainability

Borusan Port has set "Affordable and Clean Energy" – Goal 7 among the 17 Sustainable Development Goals under the United Nations Development Program - as its main theme. One of Turkey's first ports with Green / Eco Port certification in Turkey, Borusan Port decreases carbon footprint every year although handling volumes increase. Reducing carbon emissions by 5% to 10% within the next three years is a priority for the company. In addition, Borusan Port started generating energy with its solar power system, which became operational as a pilot project in the port area in 2020.

Contributing to Borusan Holding's "Equal Borusan" movement, Borusan Port conducts activities geared towards "Gender Equality", one of the Sustainable Development Goals.



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### Measures Taken to Fight Against the COVID-19 Pandemic

Ports have played a significant role in ensuring the continuity of the supply chain in the face of the challenges brought along by the COVID-19 pandemic that hit the world. Besides it being a public health issue, the pandemic has had an economic and social impact and many industries had to suspend or stop their operations. However, maritime operations continued with no interruption and the share of sea transport has grown to ensure the continuity of supply chains.

While keeping operations up and running during these trying times, Borusan Port created safe working areas for all employees and stakeholders with the motto, "I protect my employees, my business and my stakeholders" since the first period of the epidemic. Borusan Port has determined the health of its employees as a top priority while continuing to provide uninterrupted service delivery thanks to its strong digital infrastructure.

Borusan Port continues to take measures for hygiene and health, for common use areas, for visiting and travel planning, for working order and meeting order, and for material and supply planning in order to ensure business continuity. Measures for hygiene and health include measurement of fever at the entrances to the port, daily disinfection of field, office and construction equipment, placing disinfectants in all areas and using

Occupational safety rules that play a critical role to prevent occupational accidents have been communicated to employees under the title "Our 10 Fundamental Rules" for awareness-raising purposes.

### Port OHS and Environmental Management Guideline

In addition to all legal health and safety requirements, Borusan Port has issued Port OHS and Environmental Management Guide for providing port suppliers a healthier and safer working area.

**7,351**  
hours of training

A total of 7,351 hours of Occupational Health and Safety Training was provided by Borusan Port in 2020.

disinfection cabinets made in-house by the maintenance team. Actions taken for common use areas include the cancellation of fingerprint systems at the port entrance and cafeteria, restriction of the use of dressing rooms, reduction of capacities in the service and cafeteria, and the abolition of the use of common items such as computers and mice. Borusan Port, which also restricts the acceptance of visitors, ship personnel, agents and customers to the port area, prevents possible risks by ensuring that ship personnel enter and exit the port areas with agency vehicles and by carrying all the paperwork to digital platforms. On the other hand, Borusan Port aims to comply with the new order working norms and to reduce the risk by switching to hybrid working model for other roles except field roles and holding the meetings on online platforms with re-planning the working and meeting arrangements.

### Global Occupational Health and Safety Standards

Borusan Port declared the 2020 operating period the "Cultural Transformation in Occupational Health and Safety", whilst organizing an "OHS Motto Contest" to help employees at all levels internalize this culture. A huge number of field staff joined the contest, which chose "Make Your Work Safe, Take Your Life Safe" as the motto to be used throughout the year. In line with this motto, the Occupational Health and Safety and Environment Department held regular meetings with field staff under the heading "Talks For Safety". This represented an OHS model that given a consider all voices from the field and taken action accordingly.

Occupational safety rules that play a critical role to prevent occupational accidents have been communicated with under the title "10 Basic Safety Rules" for employees' awareness-raising purposes. BOS on-site tours were initiated with operational managers to minimize unsafe behavior, one of the major causes of occupational accidents.



In addition to all legal health and safety requirements, Borusan Port has issued Port OHS and Environmental Management Guide for providing port suppliers a healthier and safer working area. Borusan Port delivered a total of 7,351 hours of Occupational Health and Safety Training in 2020, meeting legal requirements and demonstrating an important development that makes a difference in the sector by increasing employee awareness.

#### Contribution to Community

- COVID-19 support packages were delivered to employees' parents who are over 65 years of age
- Under the "Auction for Good" project, raised funds via Borusan Araç İhale and Lokman Hekim Health Foundation for the families of healthcare workers who lost their lives on the frontlines during the pandemic

COVID-19 support packages were delivered to employees' over 65 years of age parents.

- Sharing the products purchased in the "Auction for Good" project with the children in the Gemlik Care Home
- Presenting gifts to children at the Gemlik Care Home during Eids
- Providing hygiene support to Gemlik Borusan Primary School
- Taking part of "What's on the Hanger" project
- Repairing the metal garbage containers used at the port; sending them to the schools in the Gemlik Region to raise children's awareness on recycling
- Establishing blue lid collection points at 10 locations for delivery to the Spinal Cord Paralytics Association of Turkey





# A making difference service quality

### Future Objectives

Borusan Port will maintain its existing market share in its three segments where it demonstrates a holistic logistics approach in port management. Sustaining its position as a distinctive port in its region thanks to its long-standing experience in general cargo, terminal area, equipment, strong IT infrastructure, and 3PL, as well as customs integrations.

**Borusan Port aims to prevent its position as the only port handles all project cargo loads in the Gemlik region and its near hinterland.**

Meanwhile, Borusan Port will maintain and cement its position as the only port that can handle all project cargo loads in the Gemlik region and its adjacent hinterland and therefore remain the preferred destination in this area. As for the container segment, Borusan Port will remain as a trusted boutique service provider to global lines in its region through tapping into its continuous and fast operations and scale independent customer approach.

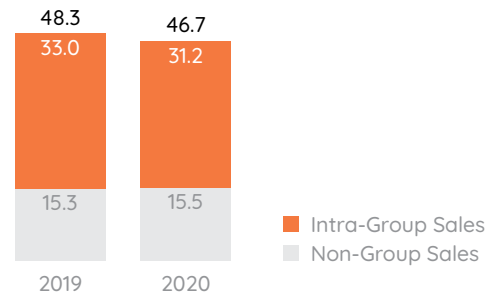




Borusan Port will continue sustainability practices throughout the year on its commitment of social benefit while increasing its work for a better future.

Alongside all these goals set for better service delivery, Borusan Port will continue sustainability activities throughout the year, while intensifying efforts for a better future and working to generate benefits for society.

#### Port Sales (USD Million)



**176**  
thousand TEUs

Container volume is 176 thousand TEUs in 2020.

**218**  
thousand units

Vehicle handling volume is 218 thousand units in 2020.

In vehicle handling segment, Borusan Port aims to serve as the only export port for main customer by providing complementary terminal services besides loading, discharging, and storage services.



**HAMDİ ERÇELİK**  
Borusan Lojistik  
Port Services General Manager

#### COMPANY PROFILE

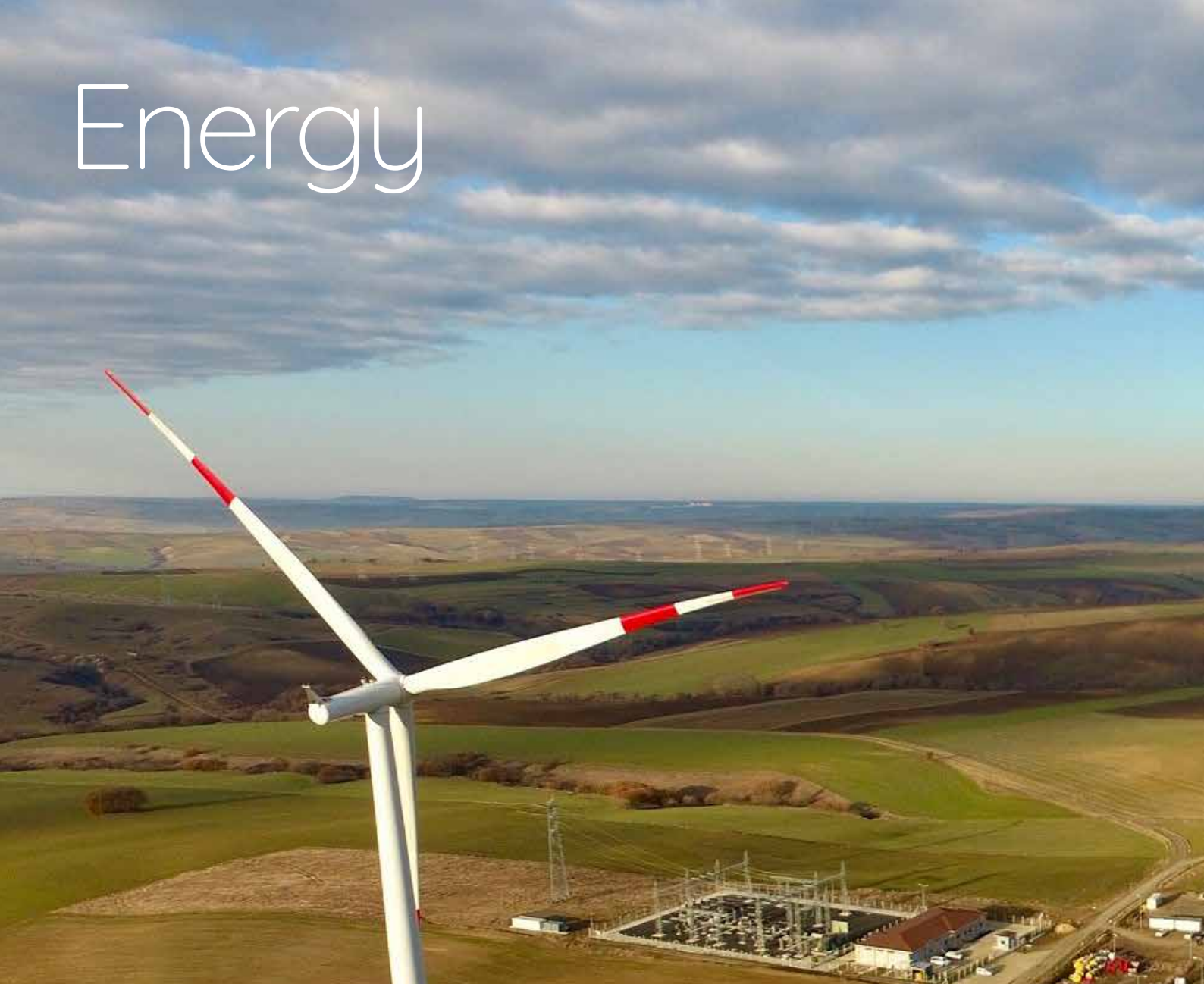
##### Borusan Port

General Cargo Volume (m tons/year)  
2.9

Port Container (thousand TEUs)  
176

Port Vehicle Park (thousand units)  
218

Energy

An aerial photograph of a white wind turbine with red-tipped blades, positioned in a vast, rolling green landscape. In the background, a substation with various electrical structures and buildings is visible. The sky is filled with soft, white clouds, and the overall scene conveys a sense of clean, sustainable energy production in a rural setting.

A sustainable  
future led by  
renewable  
energy





### Industry Outlook

Energy consumption was affected negatively around the globe as more lockdowns were introduced and interruptions hit industrial production during the COVID-19 pandemic. Demand for oil and coal declined sharply in energy generation operations around the world.

In the second quarter of 2020, a rapid decline in industrial consumption, in particular, amid the restrictions imposed during the COVID-19 pandemic resulted in a 16% year-on-year decrease in total electricity consumption. Although electricity consumption saw an uptick in the second half of the year, spot electricity prices dropped by 12.9% compared to the previous year.

Turkey's installed capacity reached 95.9 GW by the end of 2020 with a 4.6 GW net capacity extension compared to the previous year. Investments in renewables recently added to the capacity exceeded investments in thermal power: 1,241 MW of wind, 99 MW of geothermal, 672 MW of solar, 2,481 MW of hydro, 39 MW of

## 635 MW

Borusan EnBW Enerji's installed capacity is 635 MW as of the end of 2020.

## 1.5 TWh

Borusan EnBW Enerji generated 1.5 TWh of power in total throughout 2020.

## 783 thousand tons

Borusan EnBW Enerji prevented 783 thousand tons of carbon emissions in 2020.

## 12 renewable energy plants

Borusan EnBW Enerji operates with 12 renewable energy plants.

coal, and 321 MW of other capacities were commissioned, whereas 229 MW of natural gas capacity was decommissioned. Renewables' share in the installed capacity including the hydro-dams is 45%. By the end of 2020, the state owns 23% of the installed capacity and private sector generators own 77% of the total capacity.

Borusan EnBW Enerji generated 1.35 TWh from WEPPs, 0.112 TWh from hydro, and 0.015 TWh from solar power in 2020. This generation corresponds to a reduced CO<sub>2</sub> by 0.783 million tons. Under Borusan EnBW Enerji's "Kıyıköy WEPP Capacity Extension Project," which consists of 20 turbines, the assembly of 20 turbines was completed. In addition, commercial production commenced upon the Ministry's Provisional Acceptance for 18 turbines. Commercial production for 12 turbines in the "Saros WEPP" composed of 27 turbines also commenced.



# Making a direct contribution to sustainability

Borusan EnBW Enerji aims to lead the wind energy sector and has made it a core priority to contribute directly to the sustainability of Turkey and the world.



Featuring an installed capacity and portfolio based entirely on renewable energy sources, Borusan EnBW Enerji makes a direct contribution to sustainability in Turkey and in the world as it ranks among the leading wind power generation companies.

## Two Giant WEPP Investments Realized in 2020

Borusan EnBW Enerji paced up activities to commission two large wind investments set to contribute significantly to Turkey's sustainable development in 2020. The Company's Capacity Extension in Kıyıköy WEPP and Saros WEPP investments carried on after adoption of all necessary measures in the face of the challenging conditions of the COVID-19 pandemic, while the works on the construction site continued. Significant progress was attained in both investments in 2020.



Please scan the QR Code to access Borusan EnBW Enerji's website.

## 2020 Figures

**1.5 TWh**

A total of 1.5 TWh of electricity was generated in 2020.

**131 MW**

The installed capacity Borusan EnBW Enerji commissioned in 2020 is 131 MW.

**600 thousand households**

Borusan EnBW Enerji met the electricity need of 600 thousand households per annum.

**783 thousand tons CO<sub>2</sub>**

Electricity generation with renewables helped prevent 783 thousand tons of CO<sub>2</sub> emissions in a year.

## Strategic Positioning

Borusan EnBW Enerji aims to lead the wind energy industry and has made it a core priority to contribute directly to the sustainability of Turkey and the world. The Company enjoys the following competitive advantages:

- Installed capacity and portfolio comprised solely of renewable energy sources,
- Professional investment management that creates added value through high-level project management and engineering expertise,
- Efficient power plants managed by expert operation and maintenance teams with high availability and capacity,
- A broad portfolio diversified with renewables including wind, solar and hydro, coupled with risk management,
- The product portfolio that helps the customers procure green electricity with I-REC Green Energy and Gold Standard Carbon Certificates.
- In renewables, continuous development in existing business models; a vision based on development through new business models; digital transformation focus.

## 2020 Business Results

- Borusan EnBW Enerji generated 1.35 TWh from WEPPs, 0.112 TWh from hydro, and 0.015 TWh from solar power in 2020. This generation corresponds to a reduced CO<sub>2</sub> by 0.783 million tons.



- Kiyıköy WEPP Capacity Extension and Saros WEPP projects - two great investments of 2020 - took first steps towards commercial production.
- The assembly of 20 turbines under the "Kiyıköy WEPP Capacity Extension Project" consisting of 20 turbines was completed, while commercial generation commenced upon the provisional acceptance of 18 turbines by the Ministry.
- 12 turbines commenced commercial electricity generation under the Saros WEPP project consisting of 27 turbines.
- Borusan EnBW Enerji started to collaborate actively with start-ups. In 2020, Borusan EnBW Enerji co-ran its Entrepreneurship Program with Workinlot so as to explore opportunities for collaboration with technology ventures developing solutions in areas under the Company's radar.
- Borusan EnBW Enerji has a total installed capacity of 635 MW.
- Borusan EnBW Enerji's installed wind capacity makes up 6.5% of Turkey's installed wind capacity. Borusan EnBW Enerji's share in wind-generated electricity represented 5.5% with 1.35 TWh in 2020. The total installed capacity of Borusan EnBW Enerji accounts for 0.6% of Turkey's installed capacity and its 2020 generation corresponds to 0.5% of the total generation in Turkey.

## 6.5%

Borusan EnBW Enerji's installed wind capacity makes up 6.5% of Turkey's installed wind capacity.

### Environmental and Social Impact Assessment Process

Borusan EnBW Enerji runs an Environmental and Social Impact Assessment process in line with international criteria to act in harmony with the natural and social environment in the construction of plants.

### R&D and Digitalization Steps of Borusan EnBW Enerji

Borusan EnBW Enerji intensified works on projects to support remote working in the aftermath of the unanticipated COVID-19 pandemic in 2020. The Company focused on projects in the areas of BPM (Business Process Management) and ECM (Enterprise Content Management).

R&D studies are ongoing with a view to increasing turbine efficiency. Digitization of existing processes is also underway, while new products and services are being deployed to target internal and external customers with the support of digital technologies. Wind generation prediction capabilities are improved through AI technology, and the project on a predictive maintenance system continues.

### Direct and Indirect Contribution to the World's Sustainability

Borusan EnBW Enerji's key approach toward sustainability involves direct and indirect contributions to the world's sustainability in its operations. Green energy is generated in all 12 power plants and this has a direct contribution to the sustainability of the world. Borusan EnBW Enerji's plants generate clean energy through renewables and thus replace power plants running on fossil fuels that cause significant amounts of greenhouse gas emissions. Indeed, 783 thousand tons of CO<sub>2</sub> emissions have been prevented in 2020. All measures aimed at sustainable operations are taken at the Company.



Borusan EnBW Enerji runs an Environmental and Social Impact Assessment process in line with international criteria to act in harmony with the natural and social environment in the construction of plants. Borusan EnBW Enerji strives to reduce its environmental footprint in all its activities.

### **Innovative HR Strategy and Practices by Borusan EnBW Enerji**

Borusan EnBW Enerji's Human Resources Department channeled its efforts towards the fight against the coronavirus during 2020. In parallel with the confirmed cases around the world, the Department initiated communication plans as of January 2020 and geared up efforts to take measures related to hygiene in March, when the first positive COVID-19 case was confirmed in Turkey.

Work was re-arranged across the organization as per the COVID-19 conditions; a crisis team was established with the participation of all functions, and the process was managed effectively thanks to the measures taken and case algorithms developed. Committee activities and surveys with employee participation helped identify physical and psychological needs specific to this period. These needs were then

Committee activities and surveys with employee participation helped identify physical and psychological needs specific to this period. These needs were then addressed through a series of measures introduced collectively by HR, Administrative Affairs, BEE Academy, HSE, and Corporate Communications teams.

addressed through a series of measures introduced collectively by HR, Administrative Affairs, BEE Academy, HSE, and Corporate Communications teams. Ergonomics Kits, Hygiene Kits, and COVID-19 Get Well Soon packages were delivered to employees so as to protect their health and ensure business continuity. Company-wide exchange meetings were held regularly every week whereby employees were updated on the developments relating to the organization. 2020 was concluded with practices geared towards business continuity. These include Lunch Reminders and Wednesday Afternoon Reminders with No Phone Calls or Meetings; MS Teams Channels enabling employees to socialize digitally; and the creation of an Exchange Platform. Works on Hybrid Working Model continued through close monitoring of process management in line with new developments.





**Borusan EnBW Enerji complies with international institutions' rules on the protection of the natural and social environment in all investment projects.**

Corporate dynamics were taken into account in all HR processes when conducting employee-manager communications and introducing new practices in parallel with the Group's HR strategy. Accountability Workshops were held in February and March to encourage people to own critical targets so as to ensure effective performance management and clearer action plans. The Targets Council helped analyze corporate dynamics for a top-down distribution of targets; action plans were studied and communicated across the company transparently. Communication activities for a renewed career management process were performed.

#### **Operational Power Plants**

Waste resulting from operational processes remained at minimum levels, whilst water and energy consumption was low thanks to the measures taken.

Measures taken include:

- Rainwater was collected and used for irrigation.
- Plants requiring minimum water consumption were selected for landscaping.

#### **Employee-manager communications**

Employee-manager communications were conducted and new practices introduced by taking the dynamics at Borusan EnBW Enerji into account in all HR processes.

#### **Water consumption reduced**

Faucet aerators and sensors were used to minimize excess water consumption.

- Water consumption at all sites was monitored to locate leakage.
- Faucet aerators and sensors were used to minimize excess water consumption.
- Waste was sorted and disposed of according to environmental rules and regulations.
- The Company also complies with international financial institutions' rules on biodiversity, waste, and water management, as well as on the protection of the natural and social environment all of which are introduced at the start of the investment period of any power plant.

#### **Borusan EnBW Enerji HSE Practices in 2020**

HSE targets were monitored across the Company in a reactive and proactive manner under the following headings:

- Reactive HSE Target - LTIF (Lost Time Incident Frequency) < 1.53
- Reducing the LTIF score, which was 1.53 in 2019, by supporting and focusing on proactive actions.
- Proactive HSE Target - CIP (HSE Cultural Improvement Program) outcome > 62 Proactive

#### **Leadership and Ownership**

##### **HSE Target Catalog**

Improving proactive behavior with the use of the HSE Target catalog. Performing the HSE activities from among 35 different proposed actions as desired by employees so that a positive HSE culture is disseminated, HSE awareness is raised, and accidents prevented.

##### **Continuous HSE Development**

The aim is to improve technical and managerial HSE knowledge of all teams and ensure the continuous development of HSE competency through HSE coaching.

The pilot study initiated with the maintenance team helped prevent accidents and incidents during the year while developing the HSE competency of the team. Competency sets are now being created for all teams including the Head Office staff under this practice rolled out after the pilot.

##### **Operational and Maintenance Activities**

Operational costs are closely monitored on an annual basis for the purposes of safeguarding the financial health of the company. Efforts to gain more efficiency in the maintenance and operation of plants through digital competencies are ongoing at full speed.

Borusan EnBW Enerji examines potential developments in the Turkish market in parallel with the new developments in the global energy markets so as to explore new opportunities for hybrid plants combining wind and solar power, storage technologies, and other business models centered on green energy.

### Corporate Social Responsibility Activities

Borusan EnBW Enerji conducted corporate social responsibility projects to improve the common public spaces at all power plants. These include two great investment projects that the Company undertook.

The Company regularly communicated with the hospitals and public institutions within the close proximity of its power plants and construction sites during the COVID-19 pandemic. Accordingly, it carried out projects to create a social benefit and provided healthcare equipment in support.

### Borusan EnBW Enerji's HSE Courses in 2020

- Basic OHS Training - All locations
- BEE HSE Target Catalog Training
- Work Authorization System at Plants
- COVID-19 Health Measures Training
- Pandemic Awareness Raising Training
- Environmental Awareness and Waste Management Training
- Environmental Management System Updates
- BEE HSE Requirements for Subcontractors
- AKUT Earthquake Awareness Raising Training
- Automatic External Defibrillator Training
- First Aid Refresher Training
- ISO 45001 Internal Assessor Training
- Online Internal Assessor Training
- HSE Law Training
- Nutrition during the Pandemic
- Online Home Ergonomics Training
- COVID-19 Measures Training

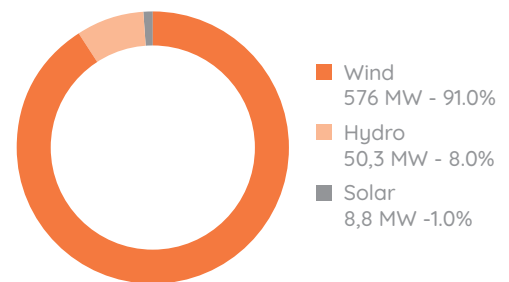
### A Look into the Future

- The Company closely monitors the developments on hybrid plants combining wind and solar power, storage technologies, and other business models based on green energy. It also taps into long-term collaboration opportunities through Green Energy Supply Contracts.

Borusan EnBW Enerji digitized all existing processes and enhanced them through online platforms while channeling efforts on the digitalization of services provided in light of customers' value propositions.

- Borusan EnBW Enerji will continue improving its operational and maintenance capabilities.
- Borusan EnBW Enerji digitized all existing processes and enhanced them through online platforms while channeling efforts on the digitalization of services provided in light of customers' value propositions.

### Installed Capacity (635 MW)



**ENİS AMASYALI**  
General Manager  
Borusan EnBW Enerji

**91%**  
share in wind  
power plants

Wind power plants make up 91% of the installed capacity with 576 MW.





## COMPANY PROFILE

### Borusan EnBW Enerji

#### Operational Information

- Installed Capacity: 635 MW
- Generation: 1,478 GWh
- Number of Households Powered per Annum: 650 thousand
- CO<sub>2</sub> Emissions Prevented per Annum: 783 thousand tons

#### Corporate Information

##### Field of Activity

- Generation, sales and trading of renewable energy

#### Products and Services

- Electricity energy generation and sales
- Carbon Certificates and I-REC certificates

#### Installed Capacity and Generation

- 635 MW installed capacity/ 1,478 GWh (2020 generation)

#### Sectors Served

- All electricity end users
- Carbon and Renewable Energy Certificate users

#### Partnership

- EnBW AG

#### Service Locations

- Istanbul Headquarters
- Ankara Office
- Bandırma Wind Power Plant
- Yedigöl Aksu Hydroelectric Power Plant
- Balabanlı Wind Power Plant
- Kuru Wind Power Plant
- Mut Wind Power Plant
- Harmanlık Wind Power Plant
- Fuat Wind Power Plant
- Dayıcık Solar Energy Plant
- Pamuklu Solar Energy Plant
- Kartaldağı Wind Power Plant
- Kiyıköy Wind Power Plant
- Saros Wind Power Plant





Borusan's focus is to incorporate sustainability in its business strategies.



A signatory to the United Nations Global Compact since 2006, Borusan embarked on its sustainability journey under the motto, "This Planet is our Home." Since 2008, the Holding has reported its sustainability performance regularly on an annual basis. Striving to generate benefits for the Earth through environmental, R&D, innovation, and digitalization investments, the Holding also performs activities towards Sustainable Development Goals with investments in employees and society. In the 2020 operating period, Borusan Holding has focused on the development of sustainability strategies at its companies so as to unite sustainability efforts under a single roof and manage them strategically. Priority issues for Borusan Holding companies that will be beneficial in the short- and medium-term have been consolidated and therefore contributed to the sustainability strategy of the Holding. In coordination with Borusan Holding, Group companies set sustainability targets by 2030 and carried out activities towards these targets.

**Short- and medium-term priorities for Borusan Holding were consolidated, thus contributing to the Holding's sustainability strategy.**

## Milestones in the Sustainability Journey

### 2006

United Nations Global Compact signed.

### 2008

Borusan Holding's first sustainability report released.

### 2009

Turkish Quality Association's Declaration, "Women Entitled to Management," signed.

### 2010

The Holding became one of the first three Turkish companies to sign the UN CO<sub>2</sub> Declaration to Combat Climate Change after the historical climate summit, COP15.

### 2011

Environmental sustainability strategies developed for the companies, with support from environmental sustainability consulting.

The World Business Council for Sustainable Development's Declaration on Energy Efficiency in Buildings signed.

### 2012

Ethics Declaration signed.

### 2013

United Nations Women's Empowerment Principles signed.

### 2014

Borusan became the first Turkish corporation to join the UN Women's Empowerment Principles Leadership Group.

### 2015

Equal Borusan established as a platform intended to raise awareness on gender equality.

### 2016

Borusan's Sustainability Report came first in the American Communication Professionals League.

### 2017

The Borusan Sustainability Report won the UNDP Special Award at the Golden Compass awards organized by TÜHİD (Public Relations Association of Turkey).

### 2020

Sustainability strategies of the Holding and the Group's companies were re-assessed, and a tactical and benefit-oriented perspective adopted.

# Borusan's Sustainability Journey

The Human, the Climate, and Innovation are the pillars of sustainability at Borusan Holding. All sustainability-related matters are built on the priorities of Group companies and provide an inclusive perspective on the path to designing business models fit for the future.

## SUSTAINABILITY APPROACH

Borusan Holding defines its sustainability approach from a holistic perspective based on the efforts of the Holding Sustainability Committee and Sustainability teams under Group companies and offers its companies opportunities to generate environmental and social benefit. In the 2020 operating period, Borusan companies carried out studies to formulate a sustainability strategy; as a result, the priority areas for each company were determined and long-term targets were set. This is how the Holding paves the way for progress, not only in terms of commitments or discourse but also of execution and performance. Therefore, Borusan Holding's sustainability approach involves fusing the priorities of Group companies within a broader framework in a manner that affects stakeholders, business partners, and society. Borusan Holding considers sustainability to be a process of creating lasting value rather than business continuity and sustainable profitability. Determining high-level indicators, the Holding plays a steering role for Group companies and paves the way for added-value business models. Sustainability teams of experts in their respective fields and representatives of relevant functions were formed at Borusan companies in order to run and monitor this process. The leader of each team is charged with communicating and informing the executive committees of the companies. Executive committees act as an approval body to make critical decisions on sustainability. Meanwhile, the Borusan Holding Sustainability Committee and the secretariat are responsible for communication and connection between the companies and the Holding, and stepping in to provide direction to the companies as necessary.

Sustainability teams of experts in their respective fields and representatives of relevant functions were formed at Borusan companies in order to tackle and monitor the sustainability process accurately.

Efforts are expended to prevent greenhouse gas emissions and decarbonize business models. Minimizing – or even eliminating – the environmental impact of operations, and achieving this together with the entire value chain, is among the key objectives.

The highest priority under Borusan Holding's human focus is to create a safe working environment and social benefit. Employees are the most valuable asset of the Holding, which considers them as indispensable actors in creating healthy and safe working environments. In addition to a healthy and safe working environment, the Holding addresses employees' well-being and competency development, and facilitates their adaptation to a changing business world under its focus on "the future of work." On its path to becoming a beneficial company, which is a core value for Borusan, the Holding strives to improve well-being through education, culture, and the arts, while running activities that demonstrate its sensitivity for gender equality via the Equal Borusan Platform. The aim is to create a world where gender equality is attained, and women and men stand together and are treated equally. Borusan Academy carries out development programs to ensure the sustainability of talents. In addition, the Holding's priorities include contributing to and creating benefits for local communities through social investments, and generating value for all stakeholders. In terms of innovation, the aim is to create added value through innovative products and services as well as business models for the future and innovation for sustainability. Tapping into the facilitating role of digitalization, making a difference for each and every stakeholder that Borusan touches, and assessing operations from this standpoint constitute the key elements of the sustainability approach.





The Human, the Climate, and Innovation are the pillars of sustainability at Borusan Holding. All sustainability-related matters are built on the priorities of Group companies and provide an inclusive perspective on the path to designing business models fit for the future.

In terms of climate change, efforts are expended to prevent greenhouse gas emissions in particular and decarbonize business models. Minimizing – or even eliminating – the environmental impact of operations, and achieving this together with the entire value chain, is among the key objectives. To create an environmental benefit, it is necessary to introduce circular solutions and move beyond the industry's established norms.

**Borusan Holding conducts all activities based on the transparency, fairness, responsibility, and accountability principles of corporate governance. The Holding has effective and transparent communications with internal and external stakeholders and considers their expectations in its actions.**

Since 2009, Borusan Group has released sustainability reports whereby it updates stakeholders on the economic, social, and environmental impact resulting from its services and operations, and how it tackles these impacts. While setting strategic sustainability priorities in alignment with the Holding's sustainability strategy, Borusan Yatırım takes GRI Principles and 2030 UN Sustainability Development Goals into account.

Borusan Holding conducts all activities based on the transparency, fairness, responsibility, and accountability principles of corporate governance. The Holding has effective and transparent communications with internal and external stakeholders and considers their expectations in its actions.



## Inclusive Economic Performance

Boasting over 77 years of experience and expertise, Borusan Holding has made it a core strategy to continue creating added value for Turkey. This strategy is predicated on an open-minded vision that seeks to develop innovative products and services in pursuit of global markets. Operating in seven sectors with 14 companies, Borusan Holding has robust partnerships with the leading brands of global markets including Arcelor Mittal, BMW, Jaguar, BMW Motorrad, CAT, EnBW, GIWA, Land Rover, Mini, and Salzgitter Mannesmann.

In the 2020 operating period, Borusan Holding maintained its business volume and high profitability in its focal sectors, while successfully continuing digital transformation and R&D investments. Borusan Holding achieved a turnover of USD 4 billion at a consolidated level in 2020 and strives to invest USD 680 million in the period 2021-2023. As of the end of 2020, the total assets of the Holding amounted to USD 4 billion. Driven by its advantageous position as a global player, Borusan Holding attained 31% of total sales from overseas sales. The Holding has an operating capital worth

**In the 2020 operating period, Borusan Holding maintained its business volume and high profitability in its focal sectors, while successfully continuing digital transformation and R&D investments.**

USD 1,201 million and reached an EBITDA of USD 375 million as of the end of 2020. The Holding has four R&D centers under its organizational layout and employs x R&D experts as of the year-end.

Borusan Holding achieved a total turnover of USD 1.6 billion as of the end of 2020 in the manufacturing business line where it has a presence through its brands Borusan Mannesmann, Borçelik, and Supsan. In the machinery and power systems business line represented by the Borusan Cat brand, the total turnover equaled USD 0.8 billion. In the logistics business line represented by Borusan Lojistik and Borusan Port, the total non-group turnover amounted to USD 0.4 billion, while the energy business line, represented by Borusan EnBW Enerji, attained a total turnover of USD 0.1 billion. Borusan Automotive Group and Borusan Araç İhale achieved a total turnover worth USD 0.9 billion.





## Responsible Environmental Approach

Borusan Holding believes that the global climate crisis and its effects represent the most urgent risks facing our world today and will have a devastating impact on the entire value chain unless managed properly. To prevent this climate crisis from affecting operational continuity, Borusan Holding has an effective corporate risk management process in place. Motivated by the fact that risks could turn into opportunities if managed well, the Holding executes investments and projects to boost its performance. In this context, Borusan Holding has gathered environmental sustainability matters under the heading of climate, which is one of the key elements of its strategic approach. The Holding has identified a series of responsibilities including preventing CO<sub>2</sub> emissions in the first place, committing to this issue through setting long-term goals, minimizing its environmental footprint, and providing an environmental benefit. The aim is to utilize facilitators such as digitalization and innovation and introduce circular models in achieving these goals.

The core strategic aspect of environmental sustainability is the adoption of net-zero business models for Borusan Holding.

The key indicator for progress here is the setting of long-term goals geared towards minimizing and eliminating the environmental impact. CO<sub>2</sub> emissions in the industries in which Borusan Holding operates typically remain at minimum levels. Borusan Holding will remain committed to its goal of minimizing carbon emissions that arise from its operations in the coming period. The core strategic aspect of environmental sustainability is the adoption of net-zero business models for the Holding. Within this scope, Borusan companies work on and invest in clean energy consumption and generation alongside their goals geared towards reducing emissions.



## Contribution to Community

**Borusan maintained its growth by creating a national value on the one hand, while it undertook the contribution to society as a duty on the other hand.**

**BORUSAN  
KOCABIYIK  
YAKFI**

### **BORUSAN KOCABIYIK FOUNDATION**

Standing as one of the leading industry organizations of Turkey, Borusan achieved progress by adopting the principle of sharing what is gained from the community back with the community. Focusing on education, culture, and arts under corporate social responsibility projects, Borusan maintained its growth by creating a national value on the one hand, while it undertook the contribution to society as a duty on the other hand.

Having contributed to the national educational and cultural life for years, Asim Kocabiyik, being the Founding and Honorary Chairperson of Borusan, founded the Asim Kocabiyik Culture and Education Foundation in 1992 as the first step taken towards executing these activities under a corporate structure.

Acting with the vision of "Contribution to Community," he brought the Asim Kocabiyik Culture and Education Foundation and Borusan Sanat, established in 1997, together under the roof of Borusan Kocabiyik Foundation in 2008 within the scope of social responsibility activities. In 2011, activities of the foundation were expanded with Borusan Contemporary, while social responsibility initiatives at national and regional scales continued in areas such as culture, education, and women's empowerment.

### **Education**

Borusan Holding firmly believes that Turkey's sustainable development and future is conditional on raising curious and eager generations who get quality education at modern standards and know how to access knowledge.

**Standing as one of the leading industry organizations of Turkey, Borusan achieved progress by adopting the principle of sharing what is gained from the community back with the community.**

**Borusan Holding firmly believes that Turkey's sustainable development and future is conditional on raising curious and eager generations who get quality education at modern standards and know how to access knowledge.**

With this in mind, support for education is a number one responsibility and a priority area for Borusan. Borusan Kocabiyik Foundation assumed the construction works of Borusan Otomotiv Zehra Nurhan Kocabiyik Primary School; Gemlik Borusan Primary School; Borusan Asim Kocabiyik Technical and Industrial Vocational High School; Kocaeli University Asim Kocabiyik Vocational College; and Uludağ University Asim Kocabiyik Vocational College. The Foundation also completed the renovation works of Uludağ University's Faculty of Law, Afyon University's Faculty of Law, Uludağ University's Gemlik Asim Kocabiyik Culture Center, Asim and Nurhan Kocabiyik Teachers' Lodge, Zehra Nurhan Kocabiyik Girls' Dormitory and Asim Kocabiyik Boys' Dormitory, as well as the Library of Istanbul University's Faculty of Economics. Activities aimed at supporting the educational institutions established so as to address their basic needs and improve their educational quality continued in 2020, like every year.

The Project for Sustainable Quality Improvement in Education was initiated in 2009 at Uludağ University Gemlik Asim Kocabiyik Vocational College, which was constructed by Borusan Kocabiyik Foundation. The initiative was awarded numerous accolades in recognition of its educational quality excellence. The Project for Sustainable Quality Improvement in Education received the EFQM Certificate of Determination in 2009; Quality in Education Jury Encouragement Award and Competency in Excellence 3-Star Certificate in 2012; Quality Success Award in 2013; and Grand Prize and Competency in Excellence 5-Star Certificate in 2014.

The project also won the Turkey Excellence Grand Prize in 2016, gaining the distinctive position of the first and only vocational high school to receive the award.

Under the same project, Kocaeli Hereke Asim Kocabiyik Vocational High School was granted the "EFQM Certificate of Determination" in 2009, and the "EFQM Competency in Excellence 3-Star Certificate" in 2016 and 2018. In 2019, it was merged with the Hereke Vocational High School and named Hereke Asim Kocabiyik Vocational High School during the restructuring efforts aimed at vocational high schools. Taking more determined steps and getting new accolades in 2020, Hereke Asim Kocabiyik Vocational High School was also presented



with an "EFQM Excellence in Competency-4 Star Certificate." Curriculums and educators, administrators, and students grew as a result of the merger. In this context, a new educational program, prepared and planned with KALDER, is underway to make sure new educators and administrators reach the desired level.

Borusan Kocabiylık Foundation examined inequality of opportunity in education and its potential impact during the pandemic. Consequently, the Foundation launched an assistance project named "Nobody Should Stay Distant to Distance Education." Under this project, accomplishing students at primary school, high school, and university levels from seven geographical regions of Turkey were provided with 3,850 tablets and computers through direct and indirect donations so as to ensure they continue their education with no interruption.

In the 2020 operating period, 94 schools across the country were donated over 12 thousand books to serve as a source of reference in their libraries. The number of books donated to public schools in need in all parts of Turkey reached 66 thousand over the course of five years. Such support was intended to help students improve

## 66 thousand books

For the past five years, 66 thousand books have been donated to public schools in need around Turkey.

## Scholarships to 202 students

Borusan Kocabiylık Foundation continued its scholarship program with no interruption even during the COVID-19 pandemic, and supported 202 students in total in the 2020 operating period.

their reading habits, dream and acquire new perspectives. Selected works sent to educational institutions consisted of children's books, world's classics, fairy tales, novels, stories, biographies, and poems by national and foreign authors. Schools will continue to receive such selections as part of a long-term support program.

Borusan Kocabiylık Foundation continued scholarship programs during the COVID-19 pandemic with no interruption. In 2020, 202 students were supported; while their conditions and health were followed during this period and some scholarship students received equipment support. Classical music grants for a master's degree overseas have been provided to 34 students to date. Educational scholarships of six gifted music students are ongoing under this program.

## Contribution to Community

**Borusan Istanbul Philharmonic Orchestra (BIPO) performed 11 concerts for music enthusiasts in its 21<sup>st</sup> year. Borusan Quartet gave eight concerts on both banks of the Bosphorus while hosting award-winning Turkish virtuosos and world-known musicians.**

### **BORUSAN SANAT**

Borusan Sanat is the driving force behind Borusan İstanbul Philharmonic Orchestra (BIPO), consisting of Turkey's best musicians and set to become one of the leading symphony orchestras in Europe, as well as Borusan Quartet, Borusan Children's Choir, Borusan Music House, and Borusan Klasik - a radio channel that plays classical music on the web.

Borusan Sanat also acts as the coordination center of Ertuğ & Kocabiyyik Publications, a prominent publishing house offering exquisite art volumes presenting the rich cultural heritage of mainly Anatolia and recent Europe. A performance venue and a new home, Borusan Sanat opened Borusan Music House in 2010 and has since organized classical, jazz, world, and new music concerts as well as dance performances and contemporary art exhibitions at this venue, to reach a wider audience.

Borusan Istanbul Philharmonic Orchestra (BIPO) performed 11 concerts for music enthusiasts in its 21<sup>st</sup> year. Borusan Quartet gave eight concerts on both banks of the Bosphorus while hosting award-winning Turkish virtuosos and world-known musicians. During the 2019-2020 season, Borusan Istanbul Philharmonic Orchestra shared the stage of Istanbul Lütfi Kırdar ICEC with Ray Chen, Yeol Eum Son, Miloš Karadaglić, Dorothea Röschmann, Angel Gheorghiu, Andreas Ottensamer, Yuri Bashmet, Pablo Ferrández, Harriet Krijgh, Ekaterina Siurina, Elena Maximova, Peter Sonn, and Bogdan Baciu.

**Borusan Sanat acts as the coordination center of Ertuğ & Kocabiyyik Publications, a prominent publishing house offering exquisite art volumes presenting the rich cultural heritage of mainly Anatolia and recent Europe.**

### **Measures taken during the pandemic**

**In 2020, Borusan Sanat suspended physical concerts as part of the measures to keep the pandemic under control.**

In 2019, Borusan Istanbul Philharmonic Orchestra (BIPO) hosted a violin virtuoso with a truly impeccable technique and skillful interpretation to match - Ray Chen. Chen is a talented musician who is praised worldwide and has won first place at the 2008 Yehudi Menuhin and 2009 Queen Elisabeth competitions and received the ECHO Klassik for his album released in 2017. Gürer Aykal conducted Borusan Istanbul Philharmonic Orchestra accompanying pianist Yeol Eum Son. The concert, where La Clemenza di Tito, KV 491 Piano Concerto, KV 165 "Exultate jubilate" and Symphony in C Major were performed, is a tribute to the grandmaster of classical music. This season, Borusan Istanbul Philharmonic Orchestra under the direction of Diego Matheuz, accompanied the eminent guitarist Miloš Karadaglić. The concerto for orchestra and guitar titled "Ink Dark Moon," by the young English composer Joby Talbot, commissioned by BIPO, and performed by BBC Symphony Orchestra, made its Turkish premiere at Lütfi Kırdar. One of the most unusual concerts of this season was without a doubt "A Golden Page In Music History." Historian Prof. Dr. İlber Ortaylı made a speech on the history of music simultaneously with the concert. Music devotees were familiar with the concert soloist, ECHO Klassik winner Dorothea Röschmann. Borusan Istanbul Philharmonic Orchestra welcomed the new year with Angela Gheorghiu, one of the greatest stars of the opera scene. The soprano has always received praise and admiration since she stepped onto the stage in 1992. She has enchanted music lovers at concerts and operas around the world ever since. Gheorghiu got together with the Borusan Istanbul Philharmonic Orchestra under the direction of Ludovic Morlot for the BIPO New Year's Concert.

In 2020, Borusan Sanat suspended physical concerts as part of the measures taken to keep the virus under control, and executed several projects to protect the health of artists, audiences and employees, and to maintain the artistic level attained by the orchestra. Prior to these projects, which were initiated in October after rigorous preparations, recorded concerts were released on the web page to boost the morale of music lovers and employees. These records were viewed by thousands of individual users.



Highlight projects initiated by Borusan Sanat from October 2020 include weekly live radio concerts on Borusan Klasik; a video platform named borusansanat.tv that meets an emerging need in terms of digitalization and offers recorded concerts and pre-concert interviews, all in high tech, to music lovers free of charge; and thematic radio programs such as "BIPO Marathon" and "Borusan Music House" on Borusan Klasik.

Borusan Sanat, normally organizing 12 to 14 concerts every season, increased the number of events to 28 to adapt to changing conditions and turn these conditions into a benefit for arts in 2020. It also provided as many opportunities as possible to the members of BIPO to practice in concerts. Once the number of concerts grew, BIPO members performed throughout the year and thus maintained their existing artistic levels, while its target audience expanded thanks to the live radio broadcasts of these concerts for listeners. Borusan Sanat gave prominence to the medium of radio and the power of hearing in a period where exposure to digital content is huge. This is how it acquired a growing number of audiences for Borusan Klasik. Live BIPO concerts on Borusan Klasik in 2020 were conducted, first and foremost, by honorary conductor Gürer Aykal, Sascha Goetzel, Nayden Todorov, and Patrick Hahn. In addition, these concerts featured successful soloists such as Midori, Bülent Yazıcı, Valentina Lisitsa, and Naz İrem Türkmen.

Another important project of Borusan Sanat is the platform of borusansanat.tv, which allows Borusan Sanat to reach audiences via visual means. Borusan Sanat developed this platform to reach out to broader target and age groups, make arts available to them, as well as to expand, diversify and differentiate its potential followers. Efforts to this end were finalized between October and December in 2020, and borusansanat.tv was launched for music lovers on the first days of January 2021. Records are made by an expert team "at the moment and place of" the live concerts broadcast on Borusan Klasik and thus "maintain" their spirit. These are then made available on the TV platform after a rigorous preparation period. Contrary to similar platforms, these records are completely free of charge and offered to music devotees at certain intervals. The video record of each concert can be viewed on the same platform for a period of a week. borusansanat.tv offers content with high audio and visual quality thanks to an audio



**Borusan Sanat, normally organizing 12 to 14 concerts every season, increased the number of events to 28 to adapt to changing conditions and turn these conditions into a benefit for arts in 2020.**

and recording team who makes the best of current conditions and high technologies. In addition, knowledge once in physical, printed materials is now moved to a digital environment via a user-friendly interface on this platform.

From October 2020, which is the start of the season, to December 2020, 10 live and playback BIPO concerts, as well as two live Borusan Quartet Concerts aired on Borusan Klasik. Video records of the concerts continue to be released on borusansanat.tv, which was launched on January 3, 2021, periodically.

Borusan Sanat has actively used its radio channel, Borusan Klasik, in parallel with the circumstances of the period. On Borusan Klasik, artists, artists' representatives, and groups who are unable to get together with their viewers physically at Borusan Music House reach out to audiences with alternative voices through special programs aired at 11:00 pm every Friday. In addition, the thematic program named "BIPO Marathon" offered the records of the most admired BIPO concerts every day at 7:00 pm from December 29 to January 3. The program featured conductor Diego Matheuz, violinist Leticia Moreno; conductor Ryan McAdams and soprano Corinne Winters; conductor Gürer Aykal, pianist Denis Kozhukhin, well-known piano duo Katia and Marielle Labèque; conductor Lorenzo Viotti, clarinet player Andreas Ottensamer; conductor Sascha Goetzel and soprano Ailyn Pérez. "BIPO Marathon" reached audiences with 6 recorded concerts on Borusan Klasik and made a huge hit among people.

Borusan Sanat plans to continue these projects in the 2021 operating period as well.

## Contribution to Community

In 2020, Borusan Contemporary exhibitions were visited by 6,266 people physically and 78,491 people digitally.

### BORUSAN CONTEMPORARY

Borusan Contemporary is an associated institution of Borusan Kocabiyyık Foundation, which is a subsidiary of Borusan Holding. Since September 2011, Borusan Contemporary contributes to society as an important actor of the cultural life in Istanbul. Offering a multi-platform program of exhibitions, events, educational activities, new commissions, and site-specific installations, Borusan Contemporary Art Collection spans 30 years of collecting. It is located in Perili Köşk (the Haunted Mansion), one of the iconic buildings of Istanbul, and is open to the public during weekends.

Borusan Contemporary has offered sustainable programs consisting of new media artworks, exhibitions of site-specific installations, events, and training courses for the past 10 years, and continued to do so in 2020 despite the COVID-19 pandemic, coming together with art lovers via digital platforms.

In 2007, Borusan Group rented and restored Yusuf Ziya Pasha Mansion, aka Perili Köşk (The Haunted Mansion), and positioned it as the Headquarters of the Group. As the building was designed as an office, exhibition areas and training rooms were integrated with the office infrastructure, offering viewers a different corporate arts center experience. Borusan Contemporary's core activity is preparing exhibitions that are curated from the Borusan Contemporary Art Collection and temporary exhibitions that focus on new media art, and organizing shows with guest curators and artists included in the collection. The institution also works to boost the international recognition of Turkey's natural and cultural heritage through regular commissions to artists; support practices

Borusan Contemporary has offered sustainable programs and organized events for the past 10 years and continued to do so despite the COVID-19 pandemic, coming together with art lovers via digital platforms.

The collection named *Düş Suda (Dream on the Water)*, slated for launch in March 2020 but then was postponed due to the quarantine measures, was digitized in a virtual tour format and presented to Borusan employees in a special screening session.

linked with art writing and contemporary art theories for the formation of art memory in Turkey; and release publications on this subject while organizing training programs for children.

Borusan Contemporary plans extensive education programs, and events designed for children aged between 5-12, and adults. Through these programs, Borusan Contemporary welcomes 14 thousand visitors on average each year. 3,266 people visited the Haunted Mansion from January to March 2020, prior to the suspension of physical gatherings due to the COVID-19 pandemic. Starting from March, efforts gained speed to present viewers exhibition programs via the use of new opportunities that are brought along by digital means. Within this scope, Bill Viola: Impermanence - the first temporary exhibition opened in September 2019 - was moved to Borusan Contemporary's account on Google Arts&Culture Platform and launched together with a supplementary digital exhibition guide specially designed for the exhibition. In the meantime, information on past exhibitions on the platform (Universal Everything: Fluid Bodies, Üvercinka, Mika Tajima: Æther and a special selection for the platform, curated from Borusan Contemporary Art Collection) was updated and presented to 66,491 art lovers from March to December 2020.

The collection named *Düş Suda (Dream on the Water)*, slated for launch in March 2020 but then was postponed due to the quarantine measures, was digitized in a virtual tour format and presented to Borusan employees in a special screening session.

Alternative spaces were considered since the Haunted Mansion was closed to physical visits. Therefore, a photo exhibition curated from Borusan Contemporary Art Collection was presented to viewers at the venue of the 212 Photography Istanbul Festival, held from October 8 to 18, in Akaretler Row Houses. 3 thousand people visited the venue. In addition, BITTER MEDICINE #02, an exhibition created by a duo, mentalKLINIK (Yasemin Baydar, Birol Demir), offering a "bitter medicine" to the art world forced to change under the COVID-19 pandemic conditions was broadcast live 24/7 at the exhibition venue within the Belgrade Contemporary Arts Museum in September 2020. After this first edition, the exhibition was moved to Borusan Contemporary Haunted Mansion in the same month. Live on Borusan Contemporary's website 24/7, the exhibition

was presented to viewers until January 31, 2021. The exhibition was viewed 12,600 times on phones, tablets, and PCs from September to December 2020.

Furthermore, "BITTER MEDICINE Online Conversations," organized in three sessions with the participation of international players of art scenes, was streamed on the YouTube channel of Borusan Contemporary as part of the BITTER MEDICINE #02 temporary exhibition. During the temporary exhibition, Executive Director of Sanatatak Platform, Ayşegül Sönmez had four live broadcasts on the Instagram account of Sanatatak where she hosted artists with artworks included in Borusan Contemporary Art Collection and tackled different approaches to color. This content reached hundreds of users on digital channels.

Children's Workshops, once held in person, were postponed for a certain time period since the institution was closed to physical visits. Preparations for an infrastructure to reach children via digital platforms were completed. In this period, a special digital workshop for the children of Borusan employees was organized on April 23 Children's Day, in coordination with the Corporate Communications team of Borusan Holding.

In July 2018, Borusan Contemporary launched Borusan Contemporary Blog to encourage the conception of new ways of thinking on New Media Art. Regularly enhanced with new content, the Blog continued to grow its readership and reached 100 thousand art readers as of August. Borusan Contemporary Blog features articles on collections and exhibitions, readings of artworks, and interviews with artists and curators on a monthly basis. Aiming to contribute to media art literacy, Borusan Contemporary Blog is designed in a manner to enhance artistic and curatorial perspectives.

In addition, Borusan Contemporary Art Collection offers many domestic and international artists invited the chance to create new artworks. Commissions under projects and artwork creations will help shed a light on Turkey's cultural heritage and current problems faced in the country. These will also serve as a means to document and encourage discussions on, these issues. Commissioned to the leading figures of contemporary arts, such works provide a chance for inter-cultural transitions



Photo: Özge Balkan

**Borusan Group is aware of the power and vital place culture and arts have in society. As a result, Borusan Contemporary has made it a mission to enhance interest in arts and expand the means for people to access culture in its customer activities.**

**100**  
thousand art  
readers

Borusan Contemporary Blog continued to grow in publications and reached 100 thousand art readers as of August.

and re-interpretations, while developing a contemporary perspective into cultural assets with historical value.

In 2020, Borusan Contemporary's exhibitions and the artworks included in Borusan Contemporary Art Collection were viewed by 6,266 people physically and 78,491 people via digital means. It is rare to see corporations willing to share their headquarters with the public. Borusan Contemporary opens to arts audience for weekend visits at the Haunted Mansion, which demonstrates the importance Borusan Group places on transparency.

Borusan Group is aware of the power and vital place culture and arts have in society and has made it a mission to raise interest in arts and expand the means to access culture in its activities through Borusan Contemporary.



## Gender Equality

As a signatory to the UN Women's Empowerment Principles (WEPs), Borusan Holding was invited to become a member of the UN WEPs Leadership Group in 2015 – the first Turkish company to receive this honor.

### BORUSAN EŞİTİR

#### Equal Borusan Platform

Borusan established its Equal Borusan – Social Equality platform in 2015, to adopt and internalize gender equality at both corporate and individual level. The platform aims to obtain results across a wide range of issues – from human resources policies to communication and awareness.

#### Gender Equality Seminars

The aim is to raise awareness of Borusan staff and their families on gender roles and equality through gender equality training organized in cooperation with the Mother Child Education Foundation (AÇEV). In-class and online seminars held in the period of 2019-2020 reached approximately 750 people. Borusan Mannesmann has raised employee awareness on caring fatherhood through the project "Önce Babayım (I Am A Father First)" executed for plant staff in collaboration with AÇEV.

Borusan Holding believes that every corporate policy and action, such as communication, hiring, promotion, performance, or remuneration, should be tackled from a new "lens" based on gender equality.

Borusan established its Equal Borusan – Social Equality platform in 2015, to adopt and internalize gender equality at both corporate and individual level.



#### Gender Lens

Borusan Holding believes that every corporate policy and action, such as communication, hiring, promotion, performance, or remuneration, should be tackled from a new "lens" based on gender equality. The Holding also believes that tangible steps should be taken after a mental and cultural transformation. In this respect, the Gender Lens of the Holding serves as a very relevant guide in this matter.

It is about assessing every action taken while analyzing, planning, and passing decisions in terms of gender equality findings, and scrutinizing the Holding's perspective thoroughly. Checklists for all employees within the Gender Lens document acts as a formula to combat gender inequality. Meanwhile, "Equal Borusan" commitment pertains to all General Managers and is a testimony to the Senior Management's determination in this matter.

The Gender Lens documents were drawn up through the intensive efforts and collaborations of the Holding's Corporate Communication and Human Resources teams in the light of the opinions of leading NGOs in this area, including the Mother Child Education Foundation (AÇEV) and UN Women. The Senior Management's ownership of this matter is the key driver behind the Gender Lens approach. In an attempt to bolster and further enhance this ownership, the Holding aims to carry out regular communications, establish policies focused on gender equality, and monitor the progress through setting challenging goals and metrics.

The Gender Lens Program significantly differs from the Equal Borusan platform and the steps taken under that platform to date in that Gender Lens moved beyond merely raising the awareness of employees and companies in this matter, and instead set tangible actions and goals towards the achievement of gender equality at Borusan. Ambitious targets have

been set to increase the number of women employees and women leaders in recruitment, participation in development programs, and promotion processes.

Within this scope, the following have been established as targets:

- Under the "Gender Lens Program," reaching 30% and 40% women at Senior Management and Middle Management levels in a period of three years; shortlisting at least one woman in the hiring and promotion processes for senior and middle manager levels, and encouraging the 50% women ratio in the Leadership Faculty.
- Reaching the 40% target for office staff; and reaching the 20% target for plant, field, and workshop staff in the recruitment of women from 2020 to 2023.
- Creating a development program aimed at developing women leaders that is specific to high potential women with designated successors
- Mentoring support from the senior management to women successors,
- The aim is to run the rotation process for women successors from the support functions to profit center functions as a development and skills management approach.

Another aim is to develop policies with a focus on gender equality, introduce inclusive solutions that make working life easier, and continue to work in these areas so as to provide better working conditions for everyone. The Holding strives to improve its existing practices, such as private health insurance with childbirth coverage for women and men; the provision of an uninterrupted five and a half month maternity leave for women; support programs at birth and after birth; leaves for the first day of school and report card days; in-person meetings with women employees; flexible working conditions; and widespread daycare centers. Also, it aims to take tangible steps towards designing and executing new practices. The Gender Lens Program is intended to serve as a clear indicator of a cultural and mental transformation.

Borusan Holding prepared the "Gender Equality and Domestic Violence Guide" in the 2020 operating period. The Guide includes the Equal Borusan Commitment and principles, in addition to information on gender equality. The main section of the Guide covers domestic violence and forms of violence. It describes all support mechanisms, from

Borusan Holding prepared the "Gender Equality and Domestic Violence Guide" in the 2020 operating period. The Guide includes the Equal Borusan Commitment and principles, in addition to information on gender equality.

**30%**  
target

The aim is to reach 30% women at executive levels of all companies in a period of three years under the Gender Lens program.

**40%**  
target

The aim is to reach 40% women at the middle management levels of all companies in a period of three years under the Gender Lens program.



leave and psychological support to safety measures and counseling centers. Information on violence against children is also provided.

Serving as a reference instrument, the Guide will lead the way for the steps to be taken by managers and employees in cases of violence; enable the staff to identify domestic violence in an easier manner, and provide support and assurance to the victims under the Borusan Group policies established to this end.

#### Domestic Violence Guide from Equal Borusan

Having conducted efforts to strengthen gender equality since 2015, the Equal Borusan Platform prepared the "Gender Equality and Domestic Violence Guide." A pioneering initiative in this area, the guide consists of an Equal Borusan Commitment, principles, and information on gender equality. The main section of the Guide covers domestic violence and forms of violence. In addition, it describes all support mechanisms, from leave and psychological support to safety measures and counseling centers. Information on violence against children is also provided in the guide.

Serving as a reference instrument, the Guide will lead the way for the steps to be taken by managers and employees in cases of violence; enable the staff to identify domestic violence in an easier manner, and provide support and assurance to the victims under the Borusan Group policies established to this end. Borusan has made gender equality a priority duty and introduced Group-wide policies to reinforce gender equality. The Holding will continue taking firm steps towards gender equality in the periods to come.

## Employee Volunteerism

Private Sector Volunteers Association (ÖSGD) named Ocean Volunteers Platform the most successful volunteering platform in 2019.



The Borusan Ocean Volunteers platform was founded in 2008 to enable Borusan staff members to channel their knowledge and skills to voluntary social responsibility projects in education, culture and arts, environment, and human rights. In 2020, over 1,000 volunteers took part in various projects, while Borusan staff volunteered for 16,500 hours in 40 projects in line with United Nations Sustainable Development Goals. The Borusan Ocean Volunteers platform often collaborates with non-governmental organizations on various volunteering initiatives. These include book donation campaigns, shoreline, and sea cleaning events, book reading for the visually impaired, and mentoring programs.

During the COVID-19 pandemic, Borusan Ocean Volunteers voluntarily shared their competencies online so as to show solidarity with employees. Events and workshops organized by volunteers included telling fairy tales, photography, and book reading gatherings. Participants donated books and online education packages to the project, #EducationOnTheHanger.

During the COVID-19 pandemic, Borusan Ocean Volunteers voluntarily shared their competencies online so as to show solidarity with employees.

**16,500**  
hours of  
volunteerism

Borusan employees also volunteered for 16,500 hours in 40 projects in line with United Nations Sustainable Development Goals.

## 12. GÖNÜLDEN ÖDÜLLER EN BAŞARILI GÖNÜLLÜLÜK PROGRAMI



Private Sector Volunteers Association (ÖSGD) named Ocean Volunteers Platform the most successful volunteering platform in 2019.

Borusan Ocean Volunteers collaborate with the Aegean Shared Ideas Association (EFODER) for the past two years to feed disabled animals, clean their shelters and undertake efforts to get them adopted. Volunteers have not forgotten little companions during the pandemic, either: A campaign was launched to send dry food to animals and hundreds of Borusan staff supported the campaign to make sure animals did not feel abandoned.

Volunteering Borusan staff donated the belongings they no longer used for sale at the "Auction for Benevolence." Belongings donated have been put on auction on Borusan Araç İhale's online auction system. Volunteers who purchased these belongings made the payment to the Lokman Hekim Health Foundation and to the charity accounts of the Koruncuk Foundation. This helped recover the items no longer used by Borusan staff in the hands of their new owners and raise new sources for "benevolence."



# BORUSAN HOLDİNG ANONİM ŐİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Borusan Holding Anonim Şirketi

### 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 December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter

The consolidated financial statements of the Group as of December 31, 2019 were audited by another audit firm whose independent auditor's report thereon dated March 9, 2020 expressed an unqualified opinion.





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working world**

## **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.

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.



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- 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.

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

Hatice Dilek Çilingir Köstem, SMMM  
Partner

March 5, 2021  
İstanbul, Turkey

**BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

**ASSETS**

	Notes	31 December 2020	31 December 2019
<b>Current assets</b>			
Cash and cash equivalents	6	612.043.831	742.408.033
Trade receivables	7	540.613.570	488.740.728
Inventories	8	660.579.178	658.927.979
Other receivables and assets	9	189.085.687	141.509.869
		<b>2.002.322.266</b>	<b>2.031.586.609</b>
Assets classified as held for sale and discontinued operations	22	14.110.319	21.643.118
<b>Total current assets</b>		<b>2.016.432.585</b>	<b>2.053.229.727</b>
<b>Non-current assets</b>			
Trade receivables	7	23.184.651	23.361.960
Investments in financial assets		3.540.361	3.540.361
Property, plant and equipment	11	1.647.850.490	1.609.336.747
Right of use assets	13	53.772.248	60.064.093
Advances given for property, plant and equipment		6.143.941	7.777.494
Intangible assets	12	53.396.482	58.938.216
Goodwill	10	57.662.281	57.662.281
Investments in a joint venture	30	116.064.813	130.864.831
Deferred tax assets	18	6.295.494	5.825.778
Other receivables and assets	9	48.682.513	54.107.936
<b>Total non-current assets</b>		<b>2.016.593.274</b>	<b>2.011.479.697</b>
<b>Total assets</b>		<b>4.033.025.859</b>	<b>4.064.709.424</b>

The accompanying policies and explanatory notes on pages 7 through 75 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 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

**LIABILITIES AND EQUITY**

	Notes	31 December 2020	31 December 2019
<b>Current liabilities</b>			
Trade payables	14	644.529.709	687.196.120
Short-term borrowings	15	1.258.865.901	1.189.484.063
Lease liabilities	15	18.231.708	20.551.775
Other payables and expense accruals	17	185.609.191	159.334.295
Income tax payable	18	37.385.380	20.650.021
		<b>2.144.621.889</b>	<b>2.077.216.274</b>
Liabilities directly associated with assets classified as held for sale		–	1.176.114
<b>Total current liabilities</b>		<b>2.144.621.889</b>	<b>2.078.392.388</b>
<b>Non-current liabilities</b>			
Trade payables	14	79.973.480	71.049.969
Long-term borrowings	16	329.504.363	529.056.428
Lease liabilities	16	33.137.175	37.833.619
Employee benefit obligations	19	20.815.979	20.117.267
Deferred tax liabilities	18	176.268.676	171.562.282
Other payables, provisions and expense accruals	17	2.810.329	3.113.786
<b>Total non-current liabilities</b>		<b>642.510.002</b>	<b>832.733.351</b>
<b>Total liabilities</b>		<b>2.787.131.891</b>	<b>2.911.125.739</b>
<b>Equity</b>			
Paid-in share capital	20	46.044.080	46.044.080
Currency translation reserves		12.530.073	2.171.160
Revaluation reserve, net		179.802.655	179.802.655
Cash flow hedge reserve		(4.743.812)	(226.525)
Actuarial loss from employee benefits	19	(3.152.943)	(2.999.939)
Legal reserves and retained earnings		423.802.700	387.455.922
<b>Equity attributable to equity holders of the parent</b>		<b>654.282.753</b>	<b>612.247.353</b>
<b>Non-controlling interests</b>		<b>591.611.215</b>	<b>541.336.332</b>
<b>Total equity</b>		<b>1.245.893.968</b>	<b>1.153.583.685</b>
<b>Total liabilities and equity</b>		<b>4.033.025.859</b>	<b>4.064.709.424</b>

The accompanying policies and explanatory notes on pages 7 through 75 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 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

	Notes	1 January- 31 December 2020	1 January- 31 December 2019
Net sales	23	3.724.290.044	4.015.718.837
Cost of goods sold and services provided	24	(3.259.601.278)	(3.538.312.874)
<b>Gross profit</b>		<b>464.688.766</b>	<b>477.405.963</b>
Selling, general and administrative expenses	25	(239.363.069)	(280.749.501)
Other operating (expense)/income, net	28	20.094.175	(6.965.601)
Financial income	29	34.246.196	34.580.007
Financial expense	29	(118.299.974)	(158.491.062)
Share of loss of a joint venture	30	(12.238.630)	(6.602.814)
Translation gain		9.412.134	7.448.946
<b>Profit before tax</b>		<b>158.539.598</b>	<b>66.625.938</b>
Taxation on income			
- Current (statutory)	18	(47.771.307)	(25.179.806)
- Deferred	18	(2.014.174)	6.620.345
<b>Profit for the year</b>		<b>108.754.117</b>	<b>48.066.477</b>
Loss for the year from discontinued operations		–	(1.284.242)
<b>Net profit for the year</b>		<b>108.754.117</b>	<b>46.782.235</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
- Actuarial loss net off tax		(313.171)	(510.572)
- Changes in revaluation fund		–	(55.705.325)
<i>Items that may be reclassified subsequently to profit or loss</i>			
- (Loss)/gain on cash flow hedge instruments net-off tax		(7.030.603)	(178.924)
- Currency translation reserve		21.902.569	(6.822.082)
<b>Total comprehensive income/(loss) for the year</b>		<b>123.312.912</b>	<b>(16.434.668)</b>
<b>Net profit for the year</b>			
Non-controlling interests		61.017.141	34.724.668
Equity holders of the parent		47.736.976	12.057.567
		<b>108.754.117</b>	<b>46.782.235</b>
<b>Total comprehensive income/(loss) for the year</b>			
Non-controlling interests		53.425.598	8.811.839
Equity holders of the parent		69.887.314	(25.246.507)
		<b>123.312.912</b>	<b>(16.434.668)</b>

The accompanying policies and explanatory notes on pages 7 through 75 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 2020**  
(Currency - US Dollars ("USD") unless otherwise indicated)

	Items that may not be reclassified subsequently to profit or loss					Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	Paid-in share capital	Actuarial gain / (loss)	Revaluation reserve	Currency translation reserve	Cash flow hedge reserve			
Balance at 31 December 2018 (Previously Reported)	46.044.080	(2.748.737)	215.477.513	6.288.031	774.774	384.124.278	560.025.553	1.209.985.492
Effect of change in accounting policy (Note 3.2)	-	-	-	-	-	(782.968)	(128.979)	(911.947)
Balance at 1 January 2019 - As restated	46.044.080	(2.748.737)	215.477.513	6.288.031	774.774	383.341.310	559.896.574	1.209.073.545
Total comprehensive income	-	(251.202)	(35.674.839)	(4.116.871)	(1.001.299)	15.797.704	8.811.839	(16.434.668)
Effect of acquisition of subsidiary shares	-	-	(19)	-	-	(496.401)	(73.486)	(569.906)
Dividends paid	-	-	-	-	-	(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	541.336.332	1.153.583.685
Balance at 1 January 2020	46.044.080	(2.999.939)	179.802.655	2.171.160	(226.525)	387.455.922	541.336.332	1.153.583.685
Total comprehensive income	-	(153.004)	-	10.358.913	(4.517.287)	47.736.976	69.887.314	123.312.912
Effect of change in control of subsidiary shares	-	-	-	-	-	(559.818)	559.818	-
Dividends paid	-	-	-	-	-	(10.830.380)	(20.172.249)	(31.002.629)
Balance at 31 December 2020	46.044.080	(3.152.943)	179.802.655	12.530.073	(4.743.812)	423.802.700	591.611.215	1.245.893.968

The accompanying policies and explanatory notes on pages 7 through 75 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 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

	Notes	1 January- 31 December 2020	1 January - 31 December 2019
<b>Cash flows provided from operating activities:</b>			
Profit before taxation on income, non-controlling interest		158.539.598	66.625.938
Loss before tax from discontinued operation		-	(1.284.242)
<b>Adjustments to reconcile profit before taxation to net cash provided by operating activities:</b>			
Depreciation	27	120.957.336	127.553.269
Amortization of intangible assets	27	22.098.193	21.429.840
Interest income	29	(21.526.140)	(12.258.830)
Due date income, net	29	(8.600.807)	(16.835.219)
Interest expense	29	88.300.535	135.600.887
Impairment on inventory recognised in profit or loss	8	3.018.768	1.590.648
Reversal of prior year impairment on inventory	8	(1.243.456)	(17.620.624)
Provision for reserve for employee benefit obligations	19	4.591.111	7.589.040
(Gain)/loss on sale of property,	28	72.690	(25.148)
Net change in currency translation reserve		(34.623.082)	(22.700.495)
Provision for doubtful receivables	7	2.315.889	18.371.475
Share of loss of a joint venture	30	12.238.630	6.602.814
<b>Operating profit before working capital changes</b>		<b>346.139.265</b>	<b>314.639.353</b>
<b>Working capital changes</b>			
Trade receivables		(55.378.019)	168.022.911
Inventories		(3.141.797)	249.464.567
Other current assets and liabilities – net		(2.874.965)	30.479.418
Trade payables		(33.742.900)	(212.420.633)
Other non-current assets and liabilities – net		(6.952.959)	3.196.155
Employee benefit obligations paid	19	(2.054.346)	(6.357.572)
Taxes paid	18	(26.977.500)	(22.029.287)
<b>Net cash provided by operating activities of continuing operations</b>		<b>215.016.779</b>	<b>524.994.912</b>

The accompanying policies and explanatory notes on pages 7 through 75 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 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

	Notes	1 January- 31 December 2020	1 January- 31 December 2019
<b>Investing activities:</b>			
Purchase of property, plant and equipment (*)	11	(167.035.242)	(113.671.458)
Purchase of intangible assets	12	(12.635.784)	(17.714.714)
Purchase of shares of subsidiaries		-	(569.906)
Proceeds from sale of property, plant and equipment and intangibles	11	73.878.615	165.021.818
Interest received		30.126.947	29.094.049
Net cash outflow on acquisition of subsidiary		-	(660.000)
Increase in share capital of joint venture	30	-	(17.890.415)
<b>Net cash used in investing activities</b>		<b>(75.665.464)</b>	<b>43.609.374</b>
<b>Financing activities:</b>			
Redemption of borrowings		(1.682.289.177)	(7.665.711.737)
Proceeds from borrowings		1.504.169.161	7.365.963.581
Change in financial receivables from non-consolidated related parties		(6.221.213)	(5.007.145)
Dividends paid (including dividends of non-controlling interests)		(31.002.629)	(38.485.286)
Interest paid		(37.101.203)	(115.399.535)
Payments for leasing contracts		(17.270.456)	(20.155.064)
<b>Net cash provided by / (used in) financing activities of continuing</b>		<b>(269.715.517)</b>	<b>(478.795.186)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(130.364.202)</b>	<b>89.809.100</b>
<b>Net cash inflow/(outflow) on acquisition of subsidiary</b>			<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>743.566.770</b>	<b>653.757.670</b>
<b>Cash and cash equivalents at the end of the year</b>	6	<b>613.202.568</b>	<b>743.566.770</b>

(\*) Decrease in “advances given for property, plant and equipment” amounting to USD 1.633.553 is net-off with “purchase of property, plant and equipment” for the year ended 31 December 2020 (31 December 2019: Decrease USD 8.468.140 is included).

The accompanying policies and explanatory notes on pages 7 through 75 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 2020**

(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 Kocacı Family (see Note 20). The registered address of the Holding is as follows:

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

##### **Approval of the consolidated financial statements**

This consolidated financial statements as of and for the year end 31 December 2020 has been approved for the issue by the management on 5 March 2021. This consolidated financial statements will be finalized following their approval in the general assembly.

##### **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.



# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### 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
Steel Pipe	Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi (“Borusan Mannesmann 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”) (1)	Gemlik – Turkey
	Borusan İstikbal Ticaret T.A.Ş. (“İstikbal”)	Istanbul – Turkey
Energy	Yedigöhl Hidroelektrik Üretim Ve Tic. A.Ş. (“Yedigöhl”)	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
	Çimili 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
	Neptünces Elektrik Üretim A.Ş.	Istanbul – Turkey
	Neptünces 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) Mühendislik merged with Borusan Mannesmann Boru at 30 November 2020.

# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### 1. CORPORATE INFORMATION (*continued*)

Business Segment	Subsidiary	Location/ Incorporated in
<b>Logistics</b>	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 Europe GmbH	Germany
	Borusan Logistics International Kazakhstan Limited Liability Partnership	Kazakhstan
	Bukoli Taşımacılık A.Ş. ("Bukoli")	Istanbul – Turkey
	Daybreak Global Logistics Company Limited	HongKong - China
	Eta Elektronik Taşımacılık Ağı Taşımacılık ve Tic A.Ş.	Istanbul – Turkey
<b>Distributorship</b>	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
	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 Kyrgyzstan LLP	Kyrgyzstan
	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
<b>Other</b>	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
	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

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(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**

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 16	<i>Covid-19 Rent Related Concessions</i>

#### **Definition of a Business (Amendments to IFRS 3)**

The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

The amendments:

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

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

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

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



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

## **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)**

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

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

##### **Amendments to IFRS 16 – Covid-19 Rent Related Concessions**

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

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

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

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 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRS 17	<i>The new Standard for insurance contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current and Non-Current Liabilities</i>
Amendments to IFRS 3 to IAS 16	<i>Reference to the Conceptual Framework Amendments Proceeds before intended use</i>
Amendments to IAS 37	<i>Onerous contracts – Costs of Fulfilling a Contract</i>
Interest Rate Benchmark Reform – Phase 2	<i>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</i>

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

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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)**

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

The effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

##### **IFRS 17 - The new Standard for insurance contracts**

IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided.

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

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

##### **Amendments to IFRS 3 – Reference to the Conceptual Framework**

The amendments are intended to replace to a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

##### **Amendments to IAS 16 – Proceeds before intended use**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss.

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

The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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)**

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

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

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

##### ***Relief from discontinuing hedging relationships***

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

##### ***Separately identifiable risk components***

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

##### ***Additional disclosures***

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



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

### **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.

#### **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 2020 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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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.

# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### 3.3 Basis of Consolidation (continued)

The following is a list of the operating subsidiaries as of 31 December 2020 and 2019 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		Effective Shareholding		Consolidation method	
	Borusan Holding		by Borusan Holding			
	2020 (%)	2019 (%)	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Borçelik (1)	22,92	22,92	39,89	39,89	line by line	line by line
Borusan Mannesmann 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
Borusan Mühendislik (2)	-	-	-	52,16	line by line	line by line
Borusan Mannesmann Pipe US Inc	-	-	53,81	53,81	line by line	line by line
BMGS (3)	73,04	81,11	93,70	94,17	line by line	line by line
Machinery Intertrade Limited ("UK")	-	-	93,70	94,17	line by line	line by line
MIT Machine International Trade Limited ("MIT Machine")	-	-	93,70	94,17	line by line	line by line
MIT Machine Holding Limited ("MIT Machine Holding")	-	-	93,70	94,17	line by line	line by line
Machinery International Trade B.V. ("Machinery International")	-	-	93,70	94,17	line by line	line by line
Borusan Makina Kazakhstan LLP ("Kazakhstan")	-	-	93,70	94,17	line by line	line by line
Sitech Eurasia Teknoloji Servis ve Tic. A.Ş. ("Sitech")	-	-	93,70	94,17	line by line	line by line
Borusan İş Makinaları Kiralama Sanayi ve Tic. A.Ş.	-	-	93,70	94,17	line by line	line by line
Sitech Dalnii Vostok	-	-	93,70	94,17	line by line	line by line
Limited Liability Company Amur Machinery and Services ("Amur")	-	-	93,70	94,17	line by line	line by line
Limited Liability Company Sakhalin Machinery ("Sakhalin")	-	-	93,70	94,17	line by line	line by line
Limited Liability Company Technica Dalnii Vostok ("TDV")	-	-	93,70	94,17	line by line	line by line
Borusan Kipaş İş Ortaklığı	-	-	93,70	94,17	line by line	line by line
Borusan Makina Kyrgyzstan LLP	-	-	93,70	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	0,03	49,97	49,97	equity pick up	equity pick up
Hidiv (4)	0,02	0,02	49,97	49,97	equity pick up	equity pick up
Borusan Enerji (4)	49,25	49,25	49,97	49,97	equity pick up	equity pick up
Kuzey Rüzgarı (4)	0,02	0,02	49,97	49,97	equity pick up	equity pick up
Alenka Enerji Üretim ve Yatırım A.Ş. (4)	0,01	0,01	49,97	49,97	equity pick up	equity pick up



# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

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

#### 3.3 Basis of Consolidation (continued)

	Direct Shareholding by		Effective Shareholding		Consolidation method	
	Borusan Holding		by Borusan Holding			
	2020 (%)	2019 (%)	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Baltalimanı (4)	0,02	0,02	49,97	49,97	equity pick up	equity pick up
Beylerbeyi (4)	0,25	0,25	49,97	49,97	equity pick up	equity pick up
Balabanlı (4)	0,01	0,01	49,97	49,97	equity pick up	equity pick up
Maray (4)	0,10	0,10	49,97	49,97	equity pick up	equity pick up
Bandırma (4)	0,01	0,01	49,97	49,97	equity pick up	equity pick up
Boylam (4)	0,20	0,20	49,97	49,97	equity pick up	equity pick up
Fuatres (4)	0,05	0,05	49,97	49,97	equity pick up	equity pick up
Birincil Yenilenebilir Enerji (4)	-	-	49,97	49,97	equity pick up	equity pick up
İkincil Yenilenebilir Enerji (4)	-	-	49,97	49,97	equity pick up	equity pick up
Baranges Elektrik Üretim A.Ş. (4)	1,00	1,00	49,97	49,97	equity pick up	equity pick up
Çinili Res Üretim San. Ve Tic. A.Ş. (4)	0,50	0,50	49,97	49,97	equity pick up	equity pick up
Efil Enerji Üretim Tic.ve San. A.Ş. (4)	0,05	0,05	49,97	49,97	equity pick up	equity pick up
Epsilon Elektrik Üretim A.Ş. (4)	-	-	49,97	49,97	equity pick up	equity pick up
Fotoelektron Güneş Enerjisi Yatırım A.Ş. (4)	0,20	0,20	49,97	49,97	equity pick up	equity pick up
Gem Wind Enerji San. Tic. A.Ş. (4)	0,50	0,50	49,97	49,97	equity pick up	equity pick up
Has Mutlu Güneş Enerjisi San. Ve Tic. Ltd. Şti. (4)	1,00	1,00	49,97	49,97	equity pick up	equity pick up
LS Güneş Enerji Üretim A.Ş. (4)	0,10	0,10	49,97	49,97	equity pick up	equity pick up
Neptünces Elektrik Üretim A.Ş. (4)	-	-	49,97	49,97	equity pick up	equity pick up
Neptünces Güneş Enerjisi Yatırımları A.Ş. (4)	0,20	0,20	49,97	49,97	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 (5)	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 (5)	-	-	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 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	-	-	82,70	82,70	line by line	line by line
Otomax	0,48	0,48	93,08	93,08	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 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	100,00	100,00	100,00	line by line	line by line
Birlik Yönetim Danışmanlığı ve Yatırım Ltd Şti.	100,00	100,00	100,00	100,00	line by line	line by line
Dijital Parça Platformu Satış ve Ticaret A.Ş.	46,57	33,33	93,95	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:

- power to govern the financial and operating policies of the entity under an agreement; or,
- power to appoint or remove the majority of the members of the board of the directors or equivalent governing body; or,
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

(2) Mühendislik merged with Borusan Mannesmann Boru at 30 November 2020.

(3) BMGS acquired some of its own shares in 2020.

(4) All energy investments are a joint-ventures of the group.

(5) Borusan Lojistik and Eta Elektronik partially demerged at 30 April 2020.

# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

### 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	Interest Ratios (PPI)
2019	5,9402	12,91	11,84
2020	7,3405	23,57	14,60

#### 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.

# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

### 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.



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

### **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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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.

# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

### 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.



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 assets with indefinite 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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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.



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

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### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### **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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

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### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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.



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

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### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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

##### **3.14 Leases**

###### **The Group as lessee**

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

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

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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

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

##### **3.14 Leases (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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

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

##### **3.14 Leases *(continued)***

##### **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.

##### **3.17 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.



# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

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

##### **3.17 Taxation and Deferred Income Taxes (continued)**

###### *Deferred tax (continued)*

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.

##### **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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

(Currency - US Dollars (“USD”) unless otherwise indicated)

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

##### **3.18 Employee Benefits (continued)**

###### **(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.

# **BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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.



# BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

#### 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 IFRS 9 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 IFRS 9. 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.

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### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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 of 31 December 2019 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.



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#### 4. CHANGES IN GROUP’S ORGANIZATION

The following transactions took place during 2020, which resulted in changes in Group’s organization:

Borusan Mühendislik merged with Borusan Mannesmann. This transaction have no effect on the consolidated financial statements.

BMGS acquired 8,07% of own shares (direct) decreasing Holding’s ownership from 81,11% to 73,04%.

Legal merge transactions have taken place for 22 companies under Birincil Yenilenebilir Enerji and 77 companies under İkincil Yenilenebilir Enerji, that are subsidiaries of Borusan Enerji.

Borusan Lojistik and Eta Elektronik partially demerged at 30 April 2020.

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

#### 5. DIVIDENDS

In 2020, a dividend of USD 1.932 (2019: USD 1.996) per thousand share (total USD 10.830.380) (2019: USD 11.186.691) was paid to shareholders.

#### 6. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Banks		
- Time deposits	446.657.568	558.367.044
- Demand deposits	161.575.147	184.921.575
Cash on hand	111.547	67.196
Other cash and cash equivalents	4.858.306	210.955
	<b>613.202.568</b>	<b>743.566.770</b>
Loss allowance (-)	<b>(1.158.737)</b>	<b>(1.158.737)</b>
<b>Total</b>	<b>612.043.831</b>	<b>742.408.033</b>

Effective interest rate of time deposits as of 31 December 2020 is between 8,50% - 17,50% (2019: 8,00% - 10,00%) per annum for TL deposits and between 0,20% - 9,00% (2019: 0,20% - 4,00%) per annum for the currencies other than TL deposits.

Maturities of these time deposits range from 4 days to 32 days (2019: 2 day to 10 days).

Currency breakdown of cash and cash equivalents is as follows:

Currency	31 December 2020		31 December 2019	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	336.341.310	336.341.310	361.057.212	361.057.212
EUR	164.850.611	202.304.670	275.022.013	307.906.418
TL	363.628.096	49.537.238	397.959.030	66.994.214
TENGE	6.227.548.987	14.810.219	796.273.459	2.091.219
ROUBLE	475.721.708	6.415.667	233.258.625	3.771.970
GBP	128.344	174.163	265.007	347.550
SFR	-	-	6.708	6.524
Other (*)		3.619.301		1.391.663
		<b>613.202.568</b>		<b>743.566.770</b>
Effect of IFRS 9		<b>(1.158.737)</b>		<b>(1.158.737)</b>
<b>Total</b>		<b>612.043.831</b>		<b>742.408.033</b>

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

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**7. TRADE RECEIVABLES, net**

	<b>31 December 2020</b>	31 December 2019
<b>Current trade receivables</b>		
Trade receivables	<b>586.872.739</b>	535.776.735
Trade receivables from related parties (Note 34)	<b>135.786</b>	73.311
Less : Allowance for doubtful receivables (-)	<b>(46.394.955)</b>	(47.109.318)
	<b>540.613.570</b>	488.740.728

As of 31 December 2020, trade receivables of USD 447.379.617 (2019: USD 411.194.185) were neither past due nor impaired. The average credit period on sales of goods and services provided is 36 days (2019: 41 days). Interest rates applied for amortized cost computation varies between 5% - 20% for TL (2019: 12% - 25%), 0,2% for EUR and 2,0% for USD (2019: 0,4% for EUR and 2,6% for USD) denominated receivables.

The Group has offset USD 119,931,987 (31 December 2019: USD 145,434,773) from its trade receivables that are collected from factoring companies as a part of irrevocable factoring agreements as of 31 December 2020.

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

	<b>31 December 2020</b>	31 December 2019
Guarantee through direct debiting system	<b>104.238.014</b>	94.020.880
Letter of guarantee	<b>83.045.562</b>	95.908.335
Insured receivables	<b>19.513.024</b>	15.846.549
Letter of credit related to export receivables	<b>7.852.276</b>	2.864.356
Mortgages	<b>255.611</b>	4.529.382
Other	<b>1.101.152</b>	3.345.149
	<b>216.005.639</b>	216.514.651

As of 31 December 2020, trade receivables of USD 78.061.094 (2019: USD 77.546.543) 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:

	<b>31 December 2020</b>	31 December 2019
Up to 30 days	<b>23.759.452</b>	27.003.406
30 to 90 days	<b>9.702.686</b>	12.671.692
90 to 180 days	<b>4.581.203</b>	12.134.670
Over 180 days	<b>40.017.753</b>	25.736.775
	<b>78.061.094</b>	77.546.543

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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:

	<b>31 December 2020</b>	31 December 2019
Insured receivables	<b>2.555.699</b>	2.342.495
Letter of guarantee	<b>3.280.620</b>	5.055.912
Mortgages	<b>28.282</b>	--
Guarantee through direct debiting system	<b>3.243</b>	131.738
Letter of credit related to export receivables		24.604
	<b>5.867.844</b>	7.554.749

As at 31 December 2020, there is no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated (2019: 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 2020, USD 46.394.956 (2019: USD 47.109.318) were impaired and provided for. The aging of these receivables is as follows:

	<b>31 December 2020</b>	31 December 2019
Up to 90 days	--	3.801
90 to 180 days	--	--
Over 180 days	<b>46.394.956</b>	47.105.517
	<b>46.394.956</b>	47.109.318

Movement of allowance of trade receivables is as follows:

	<b>31 December 2020</b>	31 December 2019
At the beginning of the year	<b>47.109.318</b>	35.214.225
Allowance provided during the year	<b>2.315.889</b>	18.371.475
Amounts recovered during the year	<b>(838.171)</b>	(1.723.498)
Amounts written-off as uncollectable during the year	<b>(825.483)</b>	(1.387.266)
Currency translation reserve	<b>(1.366.597)</b>	(3.365.618)
	<b>46.394.956</b>	47.109.318



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**7. TRADE RECEIVABLES, net (continued)**

	<b>31 December 2020</b>	31 December 2019
<b>Non - current trade receivable</b>		
Trade receivables (net off discount)	<b>23.184.651</b>	23.361.960
	<b>23.184.651</b>	23.361.960

As of 31 December 2020, non-current trade receivables were neither past due nor impaired (2019: None).

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

Currency	<b>31 December 2020</b>		31 December 2019	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	241.670.198	241.670.198	247.598.135	247.598.135
EUR	147.784.287	181.360.877	153.019.885	171.316.486
TL	679.387.117	92.553.248	318.149.758	53.558.762
TENGE	16.038.545.712	38.142.514	12.013.489.597	31.550.515
ROUBLE	723.481.476	9.756.999	493.738.599	7.984.130
GBP	231.676	314.385	72.178	94.660
		<b>563.798.221</b>		512.102.688

**8. INVENTORIES, net**

	<b>31 December 2020</b>	31 December 2019
Merchandise inventories (trade goods)	<b>257.299.802</b>	225.162.494
Finished goods	<b>131.493.018</b>	124.072.362
Raw materials	<b>114.261.057</b>	124.917.104
Goods in transit	<b>101.579.894</b>	96.856.372
Work in process (WIP)	<b>36.643.622</b>	68.646.275
Spare parts and operating supplies	<b>27.609.296</b>	25.520.857
Less : Allowance for NRV of trade goods	<b>(8.307.511)</b>	(6.247.485)
	<b>660.579.178</b>	658.927.979

Movement of allowance for NRV is as follows:

	<b>31 December 2020</b>	31 December 2019
At the beginning of the year	<b>6.247.485</b>	22.066.602
Charge for the year	<b>3.018.768</b>	1.590.648
Provision released	<b>(1.243.456)</b>	(17.620.624)
Currency translation reserve	<b>284.714</b>	210.859
	<b>8.307.511</b>	6.247.485

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 2020	31 December 2019
<b>Current assets</b>		
Other receivables from non-consolidated related companies (*) (Note 34)	61.747.028	43.450.890
Income accruals	33.411.980	32.603.302
Value added tax (VAT) receivable	27.248.528	19.574.043
Prepaid expenses	22.101.013	13.513.898
Prepaid taxes, funds and receivables	6.333.763	7.332.930
Advances given	628.045	1.196.696
Due from personnel (Note 34)	214.508	159.090
Derivative Instruments (Note 33)	497.641	134.071
Other	36.903.181	23.544.949
	<b>189.085.687</b>	<b>141.509.869</b>
<b>Non-current assets</b>		
Other receivables from non-consolidated related parties (Note 34)	33.426.175	45.501.100
Prepaid expenses	6.991.624	1.632.770
Other	8.264.714	6.974.066
	<b>48.682.513</b>	<b>54.107.936</b>

#### 10. GOODWILL

	31 December 2020	31 December 2019
Goodwill	57.662.281	57.662.281
	<b>57.662.281</b>	<b>57.662.281</b>

The recoverable amount of the logistic operations was assessed by reference to value in use. A discount factor of 10,9% 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 2020, 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% (2019: 1,8%) and a discount factor of 10,9% (2019: 10,7%) 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 2020 is as follows:

Cost	31 December 2019	Additions	Disposals	Transfers (*)	Revaluation fund	Accumulated depreciation net-off of valued fixed assets	Currency translation reserve	31 December 2020
Land and buildings	730.896.857	844.094	(134.441)	11.590.945	--	--	27.734.613	770.932.068
Machinery and equipment	592.242.262	40.594.779	(37.435.482)	45.766.828	--	--	10.870.003	652.038.390
Motor vehicles	265.719.418	84.883.861	(63.100.930)	283.857	--	--	22.080.357	309.866.563
Furniture and fixtures	170.295.521	6.281.801	(1.223.181)	3.271.100	--	--	5.825.267	184.450.508
Leasehold improvements	154.479.818	326.761	(885.444)	492.828	--	--	2.523.749	156.937.712
Other tangible assets	2.901.883	106.848	(49.000)	21.000	--	--	3.102	2.983.833
Construction in progress	57.414.842	35.630.651	(5.962.981)	(57.900.983)	--	--	670.906	29.852.435
	<b>1.973.950.601</b>	<b>168.668.795</b>	<b>(108.791.459)</b>	<b>3.525.575</b>	--	--	<b>69.707.997</b>	<b>2.107.061.509</b>
<b>Less: Accumulated depreciation</b>								
Buildings	(7.514.927)	(18.398.859)	70.508	--	--	--	(4.136.213)	(29.979.491)
Machinery and equipment	(61.827.585)	(50.736.386)	9.720.651	(229.922)	--	--	(6.330.555)	(109.403.797)
Motor vehicles	(97.839.873)	(20.134.751)	19.327.431	(212.231)	--	--	(4.141.146)	(103.000.570)
Furniture and fixtures	(127.195.880)	(8.167.398)	1.090.724	(1.776.071)	--	--	(4.977.559)	(141.026.184)
Leasehold improvements	(67.504.531)	(5.955.945)	640.753	(11.437)	--	--	(1.886.853)	(74.718.013)
Other tangible assets	(2.731.058)	(67.328)	1.722.104	--	--	--	(6.682)	(1.082.964)
	<b>(364.613.854)</b>	<b>(103.460.667)</b>	<b>32.572.171</b>	<b>(2.229.661)</b>	--	--	<b>(21.479.008)</b>	<b>(459.211.019)</b>
<b>Net book value</b>	<b>1.609.336.747</b>	<b>65.208.128</b>	<b>(76.219.288)</b>	<b>1.295.914</b>	--	--	<b>48.228.989</b>	<b>1.647.850.490</b>

(\*) As of 31 December 2020, USD 2.161.795 of transfer made from tangible assets to intangibles. The net book value amounting to USD 6.683.937 is transferred from discontinued operations to tangible assets.

There is borrowing cost capitalized amounting to USD 4.805.213 as of 31 December 2020 (2019: USD 4.022.358).

The net book value of machinery and equipment comprise of earth moving equipment amounting to USD 24.908.021 (31 December 2019: USD 23.471.966) and motor vehicles held for operating lease comprise of rental vehicles amounting to USD 157.859.907 (31 December 2019: USD 127.587.888).



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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 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
<b>Cost</b>								
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
	<b>2.420.874.642</b>	<b>122.139.598</b>	<b>(202.775.967)</b>	<b>(30.866.554)</b>	<b>(58.508.448)</b>	<b>(255.986.797)</b>	<b>(20.925.873)</b>	<b>1.973.950.601</b>
<b>Less: Accumulated depreciation</b>								
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)
	<b>(575.405.626)</b>	<b>(106.356.132)</b>	<b>38.941.608</b>	<b>2.229.661</b>	<b>--</b>	<b>255.986.797</b>	<b>19.989.838</b>	<b>(364.613.854)</b>
<b>Net book value</b>	<b>1.845.469.016</b>	<b>15.783.466</b>	<b>(163.834.359)</b>	<b>(28.636.893)</b>	<b>(58.508.448)</b>	<b>--</b>	<b>(936.035)</b>	<b>1.609.336.747</b>

(\*) As of 31 December 2019, USD 7.842.737 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.

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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 2020 and 2019 are as follows:

	Fair value as at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Land & Buildings	--	740.952.577	--	740.952.577
	Fair value as at 31 December 2019			Total
	Level 1	Level 2	Level 3	
Land & Buildings	--	723.381.930	--	723.381.930

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:2

	1 January - 31 December 2020	1 January - 31 December 2019
At the beginning of the year	388.081.308	447.526.772
Change in revaluation reserve	--	(55.705.325)
Transfer of depreciation difference (net of deferred tax) between revalued and original value of assets realized from revaluation reserve into retained earnings pursuant to IAS 16	--	(3.740.139)
<b>At the end of the year</b>	<b>388.081.308</b>	<b>388.081.308</b>
	31 December 2020	31 December 2019
Revaluation reserve attributable to equity holders of the parent	179.802.655	179.802.655
Revaluation reserve attributable to non-controlling interest	208.278.653	208.278.653
<b>At the end of the year</b>	<b>388.081.308</b>	<b>388.081.308</b>

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

##### Mortgages and Pledges on Assets

As of 31 December 2020, there is no mortgages on property, plant and equipment (2019: None).

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**12. INTANGIBLE ASSETS, net**

Movement of intangible assets during the year ended 31 December 2020 is as follows:

	Rights	Other Intangibles	Customer List	Total
Cost at 1 January 2020	103.591.536	86.557.642	32.285.000	222.434.178
Additions	2.881.874	9.753.910	--	12.635.784
Disposals	(263.187)	(1.623.575)	--	(1.886.762)
Transfers	1.176.890	984.905	--	2.161.795
Currency translation reserve	2.097.814	4.935.557	--	7.033.371
<b>Cost at 31 December 2020</b>	<b>109.484.927</b>	<b>100.608.439</b>	<b>32.285.000</b>	<b>242.378.366</b>
Accumulated amortization at 1 January 2020	(77.520.083)	(63.376.379)	(22.599.500)	(163.495.962)
Charge for the year	(7.658.016)	(11.211.677)	(3.228.500)	(22.098.193)
Disposals	205.437	491.599	--	697.036
Currency translation reserve	(1.494.123)	(2.590.642)	--	(4.084.765)
<b>Accumulated amortization at 31 December 2020</b>	<b>(86.466.785)</b>	<b>(76.687.099)</b>	<b>(25.828.000)</b>	<b>(188.981.884)</b>
<b>Net book value at 31 December 2020</b>	<b>23.018.142</b>	<b>23.921.340</b>	<b>6.457.000</b>	<b>53.396.482</b>

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)
<b>Cost at 31 December 2019</b>	<b>103.591.536</b>	<b>86.557.642</b>	<b>32.285.000</b>	<b>222.434.178</b>
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
<b>Accumulated amortization at 31 December 2019</b>	<b>(77.520.083)</b>	<b>(63.376.379)</b>	<b>(22.599.500)</b>	<b>(163.495.962)</b>
<b>Net book value at 31 December 2019</b>	<b>26.071.453</b>	<b>23.181.263</b>	<b>9.685.500</b>	<b>58.938.216</b>



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**13. RIGHT OF USE ASSETS**

	Right to use land, warehouse and office buildings	Vehicle	31 December 2020
Cost at 1 January 2020	70.340.789	28.656.897	98.997.686
Additions	2.841.791	10.471.703	13.313.494
Modifications	2.284.155	(533.064)	1.751.091
Disposals	(6.753.206)	(3.228.912)	(9.982.118)
Currency translation reserve	77.540	502.702	580.242
<b>Cost at 31 December 2020</b>	<b>68.791.069</b>	<b>35.869.326</b>	<b>104.660.395</b>
Depreciation at 1 January 2020	(22.534.773)	(16.398.820)	(38.933.593)
Charge for the year	(14.621.099)	(2.875.570)	(17.496.669)
Disposals	3.452.100	1.719.378	5.171.478
Currency translation reserve	748.764	(378.127)	370.637
<b>Depreciation at 31 December 2020</b>	<b>(32.955.008)</b>	<b>(17.933.139)</b>	<b>(50.888.147)</b>
<b>Net book value at 31 December 2020</b>	<b>35.836.061</b>	<b>17.936.187</b>	<b>53.772.248</b>

	Right to use land, warehouse and office buildings	Vehicle	31 December 2020
Cost at 1 January 2019	--	--	--
The effect of change in accounting policy	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)
<b>Cost at 31 December 2019</b>	<b>70.340.789</b>	<b>28.656.897</b>	<b>98.997.686</b>
Depreciation at 1 January 2019	--	--	--
The effect of change in accounting policy	(20.723.618)	(12.175.369)	(32.898.987)
Charge for the year	(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
<b>Depreciation at 31 December 2019</b>	<b>(22.534.773)</b>	<b>(16.398.820)</b>	<b>(38.933.593)</b>
<b>Net book value at 31 December 2019</b>	<b>47.806.016</b>	<b>12.258.077</b>	<b>60.064.093</b>

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

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#### 14. TRADE PAYABLES, net

The average maturity of the trade payables is 46 days and average interest rate applied for TL payables is 18,00% and for USD payables is 2,00% (2019: interest rate applied for TL is 13,00% and for USD is 3,33%, maturity 40 days).

	<b>31 December 2020</b>	31 December 2019
<b>Current trade payables</b>		
Trade payables (*)	<b>643.622.789</b>	686.728.370
Due to related parties (Note 34)	<b>906.920</b>	467.750
	<b>644.529.709</b>	687.196.120
<b>Non-current trade payables</b>		
Trade payables (*)	<b>79.973.480</b>	71.049.969
	<b>79.973.480</b>	71.049.969

(\*) Within trade payables, in 2020 BMGS has USD 48.254.994 (EUR 39.322.792) 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 3,70%. BMGS has USD 29.620.721 (EUR 24.137.801) 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 2,61 % at average. BMGS has obtained USD 49.078.981 (EUR 39.994.256) of vendor financing from Sumitomo Mitsui Corporation (“SMCB”). The maturity of financing agreement is 2022 and the interest rate is 0,70%.

BMB has obtained vendor financing amounting to USD 14.345.755 which 2,91% interest rate is applied to and 1.85% interest rate is applied to EUR 16.383.823 and the average maturity of mentioned payables is between 180-360 days (31 December 2019: USD 69.688.996 interest rate applied is 4,24% and EUR 5.356.338 interest rate applied 1,26% the average maturity is between 180-360 days).

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

Currency	31 December 2020		31 December 2019	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
EUR	<b>300.675.751</b>	<b>368.989.282</b>	290.808.413	325.580.400
USD	<b>296.456.104</b>	<b>296.456.104</b>	364.883.903	364.883.903
TL	<b>401.815.392</b>	<b>54.739.513</b>	280.823.430	47.275.080
ROUBLE	<b>189.558.676</b>	<b>2.556.422</b>	-	-
TENGE	<b>784.575.571</b>	<b>1.865.860</b>	5.756.774.053	15.118.770
GBP	<b>(236.449)</b>	<b>(320.862)</b>	30.171	39.568
Other		<b>216.870</b>	-	5.348.368
		<b>724.503.189</b>		758.246.089

(\*) Other currencies consist of CHF, SEK and DZD.

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#### 15. SHORT-TERM BORROWINGS

	<b>31 December 2020</b>	31 December 2019
Short term bank borrowings	<b>840.633.869</b>	833.394.912
Current portion of long term borrowings	<b>418.218.752</b>	352.864.066
Other financial liabilities	<b>13.280</b>	3.225.085
	<b>1.258.865.901</b>	1.189.484.063

The interest rates for TL borrowings are 12,50% (2019: 14,52%). Variable interest rates for EUR borrowings vary between Libor+0,45%-Libor+4,25% (2019: Libor+0,45%-Libor+4,00%) Fixed interest rates for EUR borrowings vary between 0,25%-5,40%. (2019: 1,85%-5,40%). For USD denominated borrowings, variable interest rates vary between Libor+0,30%-Libor+5,50% (2019: Libor+0,30%-Libor+4,15%). For USD denominated borrowings, fixed interest rates vary between 0%-5,90% (2019: 0%-6,10%).

There are no secured short-term borrowings as of 31 December 2020 and 2019.

Currency breakdown of short-term borrowings is as follows:

Currency	31 December 2020		31 December 2019	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	<b>878.258.335</b>	<b>878.258.335</b>	737.269.351	737.269.351
EURO	<b>257.777.688</b>	<b>316.344.779</b>	236.572.971	264.860.021
TRY	<b>392.324.357</b>	<b>53.446.544</b>	1.023.957.818	172.377.667
RUB	<b>300.000.000</b>	<b>4.045.853</b>	303.054.774	4.900.627
KZT	<b>1.533.429.601</b>	<b>3.646.768</b>	2.882.696.201	7.570.702
AZN	<b>4.538.311</b>	<b>2.680.474</b>	3.533.305	2.087.008
GEL	<b>1.449.538</b>	<b>443.148</b>	1.191.165	418.687
	<b>1.258.865.901</b>			1.189.484.063

The details of short-term lease liabilities as of 31 December 2020 is as follows:

Short-term lease	Effective Interest Rates							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
Land, warehouse and office buildings	24%	4%	5%	13%	8%	-	-	
Vehicles	16%	5%	5%	-	8%	8%	10%	
Short-term lease	Currency Breakdown							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
Land, warehouse and office buildings	10.257.772	1.169.830	856.054	117.954	60.138	-	-	12.461.748
Vehicles	2.612.044	422.417	1.965.262	-	606.834	143.249	20.154	5.769.960
	<b>12.869.816</b>	<b>1.592.247</b>	<b>2.821.316</b>	<b>117.954</b>	<b>666.972</b>	<b>143.249</b>	<b>20.154</b>	<b>18.231.708</b>

The details of short-term lease liabilities as of 31 December 2019 is as follows:

Short-term lease	Effective Interest Rates							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
Land, warehouse and office buildings	19%	-	5%	13%	8%	-	-	
Vehicles	24%	5%	5%	-	8%	-	10%	
Short-term lease	Currency Breakdown							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
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
	<b>13.161.795</b>	<b>4.227.402</b>	<b>2.330.574</b>	<b>174.272</b>	<b>616.578</b>	<b>-</b>	<b>41.154</b>	<b>20.551.775</b>



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**16. LONG-TERM BORROWINGS**

<b>31 December 2020</b>						
<b>Effective interest rates p.a. (%)</b>						
		<b>USD</b>			<b>EUR</b>	
		<b>Fixed / Variable</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>
Long-term borrowings	329.504.363	Variable	Libor+0,75%	Libor+3,50%	E+3%	E+3,85%
		Fixed	1,33%	5,00%	0,75%	5,10%
<b>Total Loans</b>	<b>329.504.363</b>					

<b>31 December 2019</b>						
<b>Effective interest rates p.a. (%)</b>						
		<b>USD</b>			<b>EUR</b>	
		<b>Fixed / Variable</b>	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>
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					
<b>Total Loans</b>	<b>529.056.428</b>					

There is no secured long term borrowing as of 31 December 2020 (2019: 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.

The redemption schedules of long-term borrowings and long-term financial lease obligations as at 31 December 2020 and 2019 are as follows:

	<b>31 December 2020</b>	31 December 2019
Between 1-2 years	<b>268.029.825</b>	439.493.429
Between 2-3 years	<b>47.488.679</b>	31.204.399
Between 3-4 years	<b>13.985.859</b>	25.812.596
Between 4-5 years	--	26.490.377
More than 5 years	--	6.055.627
	<b>329.504.363</b>	529.056.428

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

<b>Currency</b>	<b>31 December 2020</b>		31 December 2019	
	<b>Currency Amount</b>	<b>USD Equivalent</b>	Currency Amount	USD Equivalent
USD	<b>247.414.678</b>	<b>247.414.678</b>	389.929.981	389.929.981
EURO	<b>56.548.384</b>	<b>69.396.177</b>	90.632.982	101.469.975
KZT	<b>4.600.288.802</b>	<b>10.940.305</b>	6.136.592.509	16.116.271
RUB	<b>130.000.000</b>	<b>1.753.203</b>	-	-
TRY	-	-	127.953.102	21.540.201
		<b>329.504.363</b>		529.056.428

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#### 16. LONG-TERM BORROWINGS

The details of long term lease liabilities as of 31 December 2020 are as follows:

<i>Long-term lease</i>	Effective Interest Rates							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
Land, warehouse and office buildings	24%	4%	5%	13%	9%	-	-	
Vehicles	17%	5%	5%	-	9%	9%	10%	
<i>Long-term lease</i>	Currency Breakdown							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
Land, warehouse and office buildings	21.206.239	896.030	4.759.348	-	55.428	-	-	26.917.045
Vehicles	2.266.362	506.500	2.850.665	-	338.771	253.697	4.135	6.220.130
	<b>23.472.601</b>	<b>1.402.530</b>	<b>7.610.013</b>	<b>-</b>	<b>394.199</b>	<b>253.697</b>	<b>4.135</b>	<b>33.137.175</b>

The details of long term lease liabilities as of 31 December 2019 are as follows:

<i>Long-term lease</i>	Effective Interest Rates							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
Land, warehouse and office buildings	20%	-	5%	13%	-	-	-	
Vehicles	24%	5%	5%	-	10%	-	9%	
<i>Long-term lease</i>	Currency Breakdown							Total
	TL	EUR	USD	KZT	RUB	AZN	GEL	
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
	<b>27.307.442</b>	<b>3.538.369</b>	<b>6.178.236</b>	<b>113.415</b>	<b>23.628</b>	<b>-</b>	<b>672.529</b>	<b>37.833.619</b>

#### 17. OTHER PAYABLES, PROVISIONS AND EXPENSE ACCRUALS

	<b>31 December 2020</b>	31 December 2019
<b>Current payables and expenses accruals</b>		
Accrued expenses	<b>66.432.251</b>	60.925.375
Taxes and dues payable	<b>35.977.965</b>	39.789.709
Advances received	<b>30.463.397</b>	17.311.728
Accruals for personnel and Board of Directors (BOD) premiums	<b>20.701.210</b>	13.014.146
Deferred income	<b>10.233.366</b>	8.299.834
Provision for litigation	<b>5.387.582</b>	4.421.777
Derivative Financial Instruments (Note 33)	<b>6.719.750</b>	2.595.178
Due to personnel (Note 34)	<b>3.382.310</b>	3.482.909
Due to related parties (Note 34)	<b>57.586</b>	96.431
Other	<b>6.253.774</b>	9.397.208
	<b>185.609.191</b>	159.334.295
	<b>31 December 2020</b>	31 December 2019
<b>Non - current payables and expense accruals</b>		
Deferred income	<b>2.810.329</b>	3.113.786
	<b>2.810.329</b>	3.113.786

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#### 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 2020 is 22% (2019: 22%) for the Group.

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

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 2020 and 2019 are summarized as follows:

	<b>31 December 2020</b>	31 December 2019
Provision for current taxes as per statement of income		
- Turkey	<b>38.324.098</b>	14.845.307
- Malta	<b>14.143.314</b>	8.850.715
- Effect of recoverable (Malta) (*)	<b>(6.773.944)</b>	(7.586.327)
- Other tax charge	<b>2.077.839</b>	9.070.111
Total statutory income tax charge for the year	<b>47.771.307</b>	25.179.806
Prepaid taxes	<b>(5.816.531)</b>	(18.231.184)
Currency translation reserve	<b>(11.343.340)</b>	6.115.072
Tax receivable (Malta) (*)	<b>6.773.944</b>	7.586.327
<b>Income tax payable</b>	<b>37.385.380</b>	20.650.021

(\*) MIT Holding has a tax receivable amounting to USD 6.773.944 classified under current assets. (2019: USD 7.586.327).



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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:

	<b>31 December 2020</b>	31 December 2019
Deferred tax assets	<b>6.295.494</b>	5.825.778
Deferred tax liabilities	<b>(176.268.676)</b>	(171.562.282)
<b>Deferred tax assets/(liabilities), net</b>	<b>(169.973.182)</b>	(165.736.504)

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 %20 over temporary timing differences expected to be reversed in 2021 and the following years (2019: %22).

The breakdown of deferred tax assets/ (liabilities) as of 31 December 2020 and 2019 using the current effective tax rates, are as follows:

	<b>Balance Sheet</b>	
	<b>31 December 2020</b>	31 December 2019
Net difference between the tax base and the carrying value of inventories	<b>(11.608.490)</b>	(10.338.876)
Provision for employee benefit obligations	<b>3.673.201</b>	4.023.453
Tax losses carried forward	<b>28.340.847</b>	40.629.064
Other provisions and accruals	<b>5.260.094</b>	13.232.641
Net difference between the tax base and the carrying value of property, plant and equipment mainly arising from remeasurement pursuant to IAS 21	<b>(184.759.148)</b>	(188.003.341)
Other temporary difference	<b>14.344.954</b>	8.447.633
<b>Total</b>	<b>(144.748.542)</b>	(132.009.426)
Less: Valuation allowance for deferred taxes (*)	<b>(25.224.640)</b>	(33.727.078)
<b>Deferred tax assets/(liabilities), net</b>	<b>(169.973.182)</b>	(165.736.504)

(\*) 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 141.734.235 (2019: USD 201.457.937) available for offset against future profits. A deferred tax asset has been recognized in respect of USD 15.581.034 (2019: USD 40.629.064) of such losses. No deferred tax asset has been recognized in respect of the remaining USD 126.123.201 (2019: USD 167.000.298) 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:

	<b>31 December 2020</b>	31 December 2019
Expiring in 2020	--	16.350.933
Expiring in 2021	<b>13.109.009</b>	21.489.168
Expiring in 2022	<b>7.457.077</b>	10.986.231
Expiring in 2023	<b>68.886.686</b>	98.981.444
Expiring in 2024	<b>13.147.925</b>	19.192.524
Expiring in 2025	<b>23.522.504</b>	--
	<b>126.123.201</b>	167.000.300

Movements of deferred tax balances during the years ended 31 December 2020 and 2019 are as follows:

	<b>31 December 2020</b>	31 December 2019
Beginning balance	<b>(165.736.504)</b>	(177.603.328)
Tax charge recognized in the statement of income	<b>(2.014.174)</b>	6.620.345
Tax credited/(charged) to equity (*)	<b>1.835.943</b>	2.997.596
Currency translation reserve	<b>(4.058.447)</b>	2.248.883
	<b>(169.973.182)</b>	(165.736.504)

(\*) USD 1.713.109 (2019: USD 50.466) charge to equity is related to cash flow hedge, USD 78.293 (2019: USD 144.007) charge to equity is related to actuarial losses from Employee Benefits Obligation and there is not any (2019: USD 2.803.123) charge to equity which is related to revaluation of property, plant and equipment.

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 2020 and 2019 is as follows:

	<b>31 December 2020</b>	31 December 2019
Net income from ordinary activities before income tax	<b>158.539.598</b>	66.625.938
At statutory income tax rate (2019 - %22)	<b>(34.878.712)</b>	(14.657.706)
Effect of:		
Disallowable expenses	<b>(4.288.946)</b>	(8.415.757)
Tax exempt income	<b>5.431.242</b>	8.261.415
Non tax deductible translation gaining arising from remeasurement	<b>(9.909.896)</b>	(2.213.621)
Unusued tax losses and tax offsets not recognised as deferred tax assets and other items	<b>(6.139.169)</b>	(1.533.792)
	<b>(49.785.481)</b>	(18.559.461)

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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 2020 of TL 7.117,17 (USD 1.074,01) (2019: TL: 6.379,86 (USD 969,58)).

The maximum payment for retirement payment liability per year of employment is increased to TL 7.639,96 (USD: 1.040,80) (1 January 2020: TL 6.730,15 (USD: 1.132,98) 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 2020 and 2019, the following actuarial assumptions were used in the calculation of the liability:

	<b>31 December 2020</b>	31 December 2019
Interest rate	<b>13,60%</b>	12,00%
Expected inflation rate	<b>9,00%</b>	8,00%
Turnover rate	<b>2,00%</b>	2,00%

Movements of the provision for employee benefits obligation during the years ended 31 December 2020 and 2019 are as follows:

	<b>2020</b>	2019
Beginning of the year	<b>20.117.267</b>	19.336.468
Actuarial gain / loss	<b>391.464</b>	638.215
Interest expense	<b>609.776</b>	675.062
Current service cost	<b>3.981.335</b>	6.913.974
Payments	<b>(2.054.346)</b>	(6.357.572)
Currency translation reserve	<b>(2.229.517)</b>	(1.088.880)
	<b>20.815.979</b>	20.117.267

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

	<b>2020</b>	2019
Actuarial loss	<b>6.040.285</b>	5.648.821
Deferred tax	<b>(1.208.058)</b>	(1.129.765)
<b>Actuarial loss (net)</b>	<b>4.832.227</b>	4.519.056
Non controlling interest	<b>(1.679.284)</b>	(1.519.117)
<b>Actuarial loss attributable to equity holders' of the parent</b>	<b>3.152.943</b>	2.999.939

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#### 19. EMPLOYEE BENEFITS OBLIGATION *(continued)*

Of the total charge of provision for employee benefits obligations, USD 2.184.449 is charged to cost of sales, (2019: USD 4.416.411 is credited) and USD 2.280.845 (2019: USD 3.172.629) is charged to marketing and general administrative expenses.

Average number of personnel for the year ended 31 December 2020 was 8.682 (2019: 8.942). During the year ended 31 December 2020, the average number of personnel working abroad was 2.124 (2019: 2.180), of which 1.343 (2019: 1.296) are located in Central Asia, 84 (2019: 84) in Italy, 19 (2019: 21) in Cyprus, 219 (2019: 320) in USA, 459 (2019: 459) 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 2020 and 2019. The share groups and privileges assigned to each share group are as follows:

	Group	Voting Rights	2020		2019	
			TL	Share %	TL	Share %
Yeni Nesil Yönetim ve Danışmanlık A.Ş.	A	1,2,3	<b>16.815.998</b>	<b>30,00</b>	16.815.998	30,00
Ali Ahmet Kocabıyık	B	1,3	<b>10.650.122</b>	<b>19,00</b>	10.650.122	19,00
Ayşe Nükheth Özmen	B	1,3	<b>10.509.988</b>	<b>18,75</b>	10.509.988	18,75
Fatma Zeynep Hamedî	B	1,3	<b>10.509.988</b>	<b>18,75</b>	10.509.988	18,75
Zehra Nurhan Kocabıyık	B	1,3	<b>4.904.656</b>	<b>8,75</b>	4.904.656	8,75
İsmail Sefa Batıbayı	B	1,3	<b>2.634.506</b>	<b>4,70</b>	2.634.506	4,70
Cemil Bülent Demircioğlu	B	1,3	<b>28.027</b>	<b>0,05</b>	28.027	0,05
Borusan İstikbal Ticaret T.A.Ş.	B	1,3	<b>40</b>	<b>0,00</b>	40	0,00
			<b>56.053.325</b>	<b>100,00</b>	56.053.325	100,00
<b>USD Equivalent</b>			<b>46.044.080</b>		46.044.080	

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

Common shares	2020		2019	
	Shares (thousand)	Amount (TL)	Shares (thousand)	Amount (TL)
At 1 January	<b>5.605.333</b>	<b>56.053.325</b>	5.605.333	56.053.325
<b>31 December</b>	<b>5.605.333</b>	<b>56.053.325</b>	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 recognized. 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 2020 and 2019, general and legal reserves including inflation corrections (as per statutory financial statements of the Holding) are as follows (TL):

	<b>31 December 2020</b>	31 December 2019
Legal reserves	<b>84.383.780</b>	72.132.549
Revaluation fund from participations	<b>13.783.558</b>	13.783.558
Retained earnings	<b>(328.441.900)</b>	(369.013.812)
Special funds	<b>14.516.111</b>	14.516.111
Inflation adjustment on capital	<b>47.534.188</b>	47.534.188
Gain on sale of investment to be added onto capital	<b>16.237.255</b>	16.237.255
	<b>(151.987.008)</b>	(204.810.151)

#### 22. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2020 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 14.110.319 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.

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

	<b>31 December 2020</b>	31 December 2019
Assets classified as held for sale	<b>14.110.319</b>	14.573.953
Net assets arised from discontinued operations	-	7.069.165
<b>Assets classified as held for sale &amp; discontinued operations</b>	<b>14.110.319</b>	21.643.118

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

	<b>31 December 2020</b>	31 December 2019
Beginning balance of the year	<b>21.643.118</b>	463.734
Addition	--	385.228
Disposal	<b>(7.532.799)</b>	--
Transfer from tangible assets	--	20.794.156
<b>Balance at end of year</b>	<b>14.110.319</b>	<b>21.643.118</b>
	<b>31 December 2020</b>	31 December 2019
Liabilities arised from discontinued operations	--	1.176.114
<b>Liabilities classified as discontinued operations</b>	<b>--</b>	<b>1.176.114</b>
	<b>31 December 2020</b>	31 December 2019
Revenue	--	141.222
Cost of goods sold and services provided	--	(147.832)
Selling, general and administrative expenses	--	(557.134)
Finance expense, net	--	(106.851)
Other expense, net	--	(921.527)
<b>Loss before tax from discontinued operations</b>	<b>--</b>	<b>(1.592.122)</b>
- Current (statutory) tax	--	--
- Deferred tax	--	307.880
<b>Loss for the year from discontinued operations</b>	<b>--</b>	<b>(1.284.242)</b>

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**23. NET SALES**

<b>1 January - 31 December 2020</b>			
	<b>Domestic sales</b>	<b>Exports</b>	<b>Total</b>
<b>Steel segment</b>			
Galvanized sheets	500.966.219	134.946.535	635.912.754
Steel pipes	198.694.783	361.352.824	560.047.607
Cold rolled coils	271.819.557	57.483.075	329.302.632
Steel servicing	100.372.232	--	100.372.232
	<b>1.071.852.791</b>	<b>553.782.434</b>	<b>1.625.635.225</b>
<b>Distributorship segment</b>			
Motor vehicles	807.312.669	--	807.312.669
Earth moving equipments (EME)	80.408.012	272.841.122	353.249.134
EME and PS spare parts and services	91.601.378	235.461.024	327.062.402
Auto spare parts and services	109.517.272	--	109.517.272
Power systems (PS)	75.941.905	25.187.388	101.129.293
	<b>1.164.781.236</b>	<b>533.489.534</b>	<b>1.698.270.770</b>
<b>Other segment</b>			
Logistic services	312.901.350	64.246.088	377.147.438
Miscellaneous	13.553.332	18.062	13.571.394
Valves	4.739.576	4.925.641	9.665.217
	<b>331.194.258</b>	<b>69.189.791</b>	<b>400.384.049</b>
	<b>2.567.828.285</b>	<b>1.156.461.759</b>	<b>3.724.290.044</b>
<b>1 January - 31 December 2019</b>			
	<b>Domestic sales</b>	<b>Exports</b>	<b>Total</b>
<b>Steel segment</b>			
Steel pipes	233.614.761	603.219.164	836.833.925
Galvanized sheets	466.873.174	83.314.736	550.187.910
Cold rolled coils	443.483.081	57.286.931	500.770.012
Steel servicing	96.874.557	--	96.874.557
	<b>1.240.845.573</b>	<b>743.820.831</b>	<b>1.984.666.404</b>
<b>Distributorship segment</b>			
Motor vehicles	665.346.583	--	665.346.583
Earth moving equipments (EME)	87.063.131	313.376.928	400.440.059
EME and PS spare parts and services	97.087.658	244.213.667	341.301.325
Auto spare parts and services	121.363.975	--	121.363.975
Power systems (PS)	73.414.463	18.431.057	91.845.520
	<b>1.044.275.810</b>	<b>576.021.652</b>	<b>1.620.297.462</b>
<b>Other segment</b>			
Logistic services	302.577.097	82.905.890	385.482.987
Miscellaneous	12.328.590	31.387	12.359.977
Valves	4.033.052	8.878.955	12.912.007
	<b>318.938.739</b>	<b>91.816.232</b>	<b>410.754.971</b>
	<b>2.604.060.122</b>	<b>1.411.658.715</b>	<b>4.015.718.837</b>

Management expects that USD 25,620,858 allocated to the unsatisfied contracts for the year 2020 will be recognised as revenue during the next reporting period (2019: USD 29,704,394). The amount of USD 23,865,783 will be recognised over 1 year period (2019: USD 9,515,750).

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**24. COST OF GOODS SOLD AND SERVICES PROVIDED**

	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
Direct raw materials	<b>1.266.085.501</b>	1.633.162.650
Cost of merchandise inventories sold	<b>1.246.867.841</b>	1.183.906.364
Cost of services	<b>391.960.158</b>	391.416.423
Labor	<b>109.707.889</b>	119.642.176
Depreciation and amortization expenses	<b>101.361.563</b>	104.623.351
Net changes in finished goods	<b>(5.607.105)</b>	(6.003.492)
Net changes in WIP inventories	<b>31.864.429</b>	(12.725.583)
Other production overheads including utilities, repair, maintenance	<b>106.217.891</b>	119.337.823
Cost of other sales	<b>11.143.111</b>	4.953.162
	<b>3.259.601.278</b>	3.538.312.874

**25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
Personnel expenses	<b>108.686.095</b>	113.019.225
Depreciation and amortization expenses	<b>40.173.026</b>	44.359.758
Consulting, audit and legal fees	<b>29.682.141</b>	16.526.006
Outsourcing expenses	<b>7.134.175</b>	8.237.834
Advertising expenses	<b>6.672.207</b>	8.382.538
Donations sponsorship	<b>4.947.488</b>	7.433.575
Sales distribution expenses	<b>4.896.074</b>	6.056.190
Insurance	<b>4.300.931</b>	4.334.138
Car rentals and other car expense	<b>2.909.339</b>	1.323.071
Taxes	<b>2.571.836</b>	3.146.308
Representation and meeting	<b>2.384.915</b>	4.063.894
Repair and maintenance expenses	<b>2.030.038</b>	4.103.020
Travel expenses	<b>1.920.189</b>	6.250.920
Communication	<b>1.908.092</b>	2.412.280
Energy	<b>1.508.686</b>	2.178.628
Provision for doubtful receivable, net of recoveries	<b>1.359.274</b>	16.647.977
Rent expenses	<b>1.227.106</b>	4.063.563
Food expenses	<b>858.938</b>	1.297.995
Training	<b>819.229</b>	1.403.411
Stationary	<b>376.167</b>	544.895
Other	<b>12.997.123</b>	24.964.275
	<b>239.363.069</b>	280.749.501



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**26. PERSONNEL EXPENSES**

	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
Wages, salaries and other social expenses	<b>190.169.140</b>	210.439.065
Cost of defined contribution plan (employer's share of social security premiums)	<b>23.633.733</b>	14.633.296
Termination Benefits	<b>4.591.111</b>	7.589.040
	<b>218.393.984</b>	232.661.401
	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
Personnel expenses	<b>108.686.095</b>	113.019.225
Labor	<b>109.707.889</b>	119.642.176
	<b>218.393.984</b>	232.661.401

**27. DEPRECIATION AND AMORTIZATION EXPENSES**

	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
Cost of production	<b>79.722.900</b>	88.794.152
Selling, general and administrative expenses	<b>24.797.733</b>	20.411.731
Total depreciation charge	<b>104.520.633</b>	109.205.883
Currency translation reserve	<b>(1.059.966)</b>	(2.849.751)
<b>Total depreciation</b>	<b>103.460.667</b>	106.356.132
Cost of production	<b>7.155.467</b>	5.587.286
Selling, general and administrative expenses	<b>12.361.820</b>	15.842.554
Total amortization charge	<b>19.517.287</b>	21.429.840
Currency translation reserve	<b>2.580.906</b>	2.821.564
<b>Total amortization</b>	<b>22.098.193</b>	24.251.404
Operating lease amortization expense on cost of production	<b>14.483.196</b>	10.241.913
Operating lease amortization expense on selling, general and administrative expenses	<b>3.013.473</b>	8.105.473
<b>Total depreciation and amortization expenses</b>	<b>143.055.529</b>	148.954.922

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**28. OTHER OPERATING (EXPENSE)/ INCOME, net**

	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
Commission expense	<b>(8.183.632)</b>	(4.885.545)
Warranty expense	<b>(2.154.571)</b>	(1.730.234)
Lawsuit reversal income	<b>25.062.662</b>	--
Dividend income	<b>2.093.094</b>	--
Scrap sales	<b>1.216.201</b>	1.292.493
Rent income	<b>681.108</b>	536.915
Gain on sale of property, plant and equipment	<b>72.690</b>	25.148
Other, net	<b>1.306.623</b>	(2.204.378)
	<b>20.094.175</b>	<b>(6.965.601)</b>

**29. FINANCIAL (EXPENSE)/ INCOME, net**

	<b>1 January - 31 December 2020</b>	1 January - 31 December 2019
<b>Financial income</b>		
Interest income	<b>10.841.183</b>	12.258.830
Due date income, net	<b>18.148.607</b>	16.835.219
Other financial income	<b>5.256.406</b>	5.485.958
<b>Total financial income</b>	<b>34.246.196</b>	<b>34.580.007</b>
<b>Financial expense</b>		
Interest expense	<b>(84.330.492)</b>	(135.600.887)
Other financial expense (*)	<b>(33.969.482)</b>	(22.890.175)
<b>Total financial expense</b>	<b>(118.299.974)</b>	<b>(158.491.062)</b>
<b>Financial expense, net</b>	<b>(84.053.778)</b>	<b>(123.911.055)</b>

(\*) 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.

	<b>31 December 2020</b>	31 December 2019
	<b>Borusan Enerji</b>	Borusan Enerji
Current assets	<b>95.208.503</b>	80.300.619
Non-current assets	<b>889.229.121</b>	802.832.658
Current liabilities	<b>(273.571.438)</b>	(210.672.298)
Non-current liabilities	<b>(478.736.560)</b>	(410.731.318)
<b>Total</b>	<b>232.129.626</b>	261.729.661

The above amounts of assets and liabilities include the following

Cash and cash equivalents	<b>80.937.598</b>	71.290.297
Current financial liabilities (excluding trade and other payables and provision)	<b>(201.532.465)</b>	(165.598.899)
Non-current financial liabilities (excluding trade and other payables and provision)	<b>(428.207.624)</b>	(358.682.426)

	<b>31 December 2020</b>	31 December 2019
	<b>Borusan Enerji</b>	Borusan Enerji
Net assets of the joint venture	<b>232.129.626</b>	261.729.661
Proportion of the Group's ownership interest in the joint venture	<b>50%</b>	50%
Goodwill	<b>1.022.898</b>	1.022.898
Carrying amount of the Group's interest in the joint venture	<b>116.064.813</b>	130.864.831

	<b>1 Ocak - 31 December 2020</b>	1 Ocak - 31 December 2019
	<b>Borusan Enerji</b>	Borusan Enerji
Revenue	<b>92.724.296</b>	98.257.528
Net loss for the year	<b>(24.477.260)</b>	(13.205.628)
Selling, general and administrative expenses	<b>(17.991.765)</b>	(8.169.620)
Other operating income/(expense), net	<b>(5.213.885)</b>	132.236
Financial income/(expense), net	<b>36.821.728</b>	41.372.630

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**30. JOINT VENTURES (continued)**

The movement of Joint Ventures is as follows:

	<b>1 Ocak - 31 December 2020</b>	1 Ocak - 31 December 2019
	<b>Borusan Enerji</b>	Borusan Enerji
Beginning of the period - 1 January	<b>130.864.831</b>	119.577.230
Shares of profit/(loss)	<b>(12.238.630)</b>	(6.602.814)
Contribution to capital increase in Joint Ventures	--	17.890.415
Hedge reserve	<b>(2.561.388)</b>	--
<b>End of the period - 31 December</b>	<b>116.064.813</b>	130.864.831

	<b>1 Ocak - 31 December 2020</b>	1 Ocak - 31 December 2019
	<b>Borusan Enerji</b>	Borusan Enerji
Net profit for the year	<b>(24.477.260)</b>	(13.205.628)
Proportion of the Group's ownership interest in the joint venture	<b>50%</b>	50%
Share a loss of a joint venture	<b>(12.238.630)</b>	(6.602.814)

**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.



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**31. FINANCIAL RISK MANAGEMENT (continued)**

(c) Categories of financial instruments

**31 December 2020**

Balance Sheet	FVTOCI	Amortized cost	FVTOCI - designated	Total	Note
<b>Financial Assets</b>					
Cash and cash equivalents	--	612.043.831	--	612.043.831	6
Trade receivables	--	563.798.221	--	563.798.221	7
Other assets	--	140.555.606	--	140.555.606	9
Investments	3.540.361	--	--	3.540.361	
	<b>3.540.361</b>	<b>1.316.397.658</b>	--	<b>1.319.938.019</b>	
<b>Financial Liabilities</b>					
Borrowings	--	1.588.370.264	--	1.588.370.264	15, 16
Trade payables	--	724.503.189	--	724.503.189	14
Other payables	--	90.573.357	--	90.573.357	
Derivative financial liabilities	--	--	6.719.750	6.719.750	17
	--	<b>2.403.446.810</b>	<b>6.719.750</b>	<b>2.410.166.560</b>	

The carrying value of the financial instruments listed above approximates their fair values as of 31 December 2020.

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**31. FINANCIAL RISK MANAGEMENT (continued)**

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

**31 December 2019**

<b>Balance Sheet</b>	<b>FVTOCI</b>	<b>Amortized cost</b>	<b>FVTOCI - designated</b>	<b>Total</b>	<b>Note</b>
<b>Financial Assets</b>					
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	
	<b>3.540.361</b>	<b>1.374.140.816</b>	<b>--</b>	<b>1.377.681.177</b>	
<b>Financial Liabilities</b>					
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
	<b>--</b>	<b>2.554.305.441</b>	<b>2.595.178</b>	<b>2.556.900.619</b>	

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*)

##### (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 2020, the Group has long position in TL for a USD equivalent amount of USD 19.951.380 and long position in EUR for a USD equivalent amount of USD 20.386.472 (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).

If volatility in capital markets, interest rates and foreign exchange rates is increased by 10% against as of 31 December 2020 keeping all other variables constant, value-at risk amounting to USD 1.076.950 (2019: USD 1.768.371) as of 31 December 2020 would have been higher by USD 674.893 (2019: USD 1.973.936).

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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 2020, trade receivables amounting to USD 22.068.723 (2019: USD 18.189.044) 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 2020					Total	Carrying value
	Up to 1 Month	1 Month - 3 Month	3 Months - 1 Year	1 Year - 5 Years	More than 5 Years		
Borrowings	111.458.604	539.058.702	657.634.802	387.256.456	--	1.695.408.564	1.639.739.147
Trade payables	281.400.153	188.252.024	220.882.605	80.500.085	--	771.034.867	724.503.189
Due to related party	3.382.310	57.586	--	--	--	3.439.896	3.439.896
	<b>396.241.067</b>	<b>727.368.312</b>	<b>878.517.407</b>	<b>467.756.541</b>	<b>2.469.883.327</b>	<b>2.367.682.232</b>	
<hr/>							
	31 December 2019					Total	Carrying value
	Up to 1 Month	1 Month - 3 Month	3 Months - 1 Year	1 Year - 5 Years	More than 5 Years		
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
	<b>317.212.459</b>	<b>683.931.974</b>	<b>1.026.044.851</b>	<b>607.769.536</b>	<b>8.601.130</b>	<b>2.643.559.950</b>	<b>2.500.917.695</b>

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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 2020				
	Less than 1 month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	Total
Net settled:					
Foreign exchange forward contracts	(815.324)	(1.782.491)	(3.624.294)	--	(6.222.109)

	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)

#### 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:

#### Financial Assets - Fair Value Measurement

2020	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative transactions (net)	--	(6.222.109)	--	(6.222.109)

2019	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative transactions (net)	--	(2.461.107)	--	(2.461.107)

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#### 32. COMMITMENTS AND CONTINGENT LIABILITIES

##### Guarantee Letters

As at 31 December 2020, the Group is contingently liable for letters of guarantee given mainly to the Government offices, government bids and customers amounting to USD 216.353.121 (2019: USD 136.013.889).

##### Export Commitments

As at 31 December 2020, total amount of export commitments related to export incentives is USD 480.604.424 committed by the Group (2019: USD 509.025.029).

##### Legal Proceedings

As of 31 December 2020, The Group is defendants in certain cases against automobile and service customers whose monetary claims aggregate approximately to USD 20.846.447 (2019: USD 17.176.598). Against such claims, reserve amounting to USD 3.367.200 (2019: USD 4.421.777) has been provided in the accompanying consolidated financial statements as of 31 December 2020 in accordance with the advice taken by its legal counsel.

##### Other commitment and contingencies

As of 31 December 2020 there are no other commitments and contingencies (2019: None).

#### 33. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2020 and 2019, 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

<i>Purchase</i>	<i>Sell</i>	<i>Purchase Amount</i>		<i>Maturities Between</i>		<i>Fair Value</i>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<i>USD</i>	<i>EUR</i>	<b>104.056.321</b>	83.016.583	<b>5 January 2021 - 31 December</b>	2 January 2020 - 16 April 2021	<b>(4.280.213)</b>	(1.375.163)
<i>EUR</i>	<i>USD</i>	<b>25.463.928</b>	10.076.131	<b>29 January 2021 - 11 November</b>	5 November 2020	<b>(1.279.940)</b>	34.694
<i>USD</i>	<i>KZT</i>	--	102.068	-	28 February 2020	--	(3.319)
<i>USD</i>	<i>TL</i>	<b>12.000.000</b>	435.980	<b>14 January 2021 - 18 January 2021</b>	9 January 2020 - 26 February 2020	<b>497.641</b>	(7.799)
<i>EUR</i>	<i>TL</i>	--	14.616.778	-	13 February 2020 - 15 May 2020	--	99.377
<i>GBP</i>	<i>USD</i>	<b>1.760.000</b>	--	<b>25 February 2021</b>	-	<b>(66.659)</b>	--
<i>TRY</i>	<i>USD</i>	<b>22.381.792</b>	--	<b>4 January 2021 - 30 April 2021</b>	-	<b>(623.293)</b>	--
<i>USD</i>	<i>GBP</i>	<b>657.100</b>	--	<b>25 February 2021</b>	-	<b>(26.533)</b>	--
<b>Total</b>						<b>(5.778.997)</b>	<b>(1.252.210)</b>

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**33. DERIVATIVE FINANCIAL INSTRUMENTS(continued)**

**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.

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)	
	<u>2020</u> %	<u>2019</u> %	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Less than 1 year	<b>2,03</b>	-	<b>99.375.000</b>	--	<b>(443.112)</b>	--
2 to 5 years	-	2,03	--	127.500.000	--	(1.208.897)
			<b>99.375.000</b>	127.500.000	<b>(443.112)</b>	(1.208.897)



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**34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

**Balances with related parties**

	31 December 2020		Receivables		Non Current		Payables	
	Trade	Current	Non Trade	Trade	Non Trade	Trade	Current	
B&B havacılık	--	61.575.000	--	--	--	--	--	
Due from personnel / Due to personnel	--	214.508	--	--	--	--	3.382.312	
Other	135.786	172.028	--	--	33.426.175	906.920	57.584	
	135.786	61.961.536	--	--	33.426.175	906.920	3.439.896	

	31 December 2019		Receivables		Non Current		Payables	
	Trade	Current	Non Trade	Trade	Non Trade	Trade	Current	
B&B havacılık	--	38.450.000	--	--	10.000.000	--	--	
Due from personnel / 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	

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

## BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

##### Transactions with related parties

	Service obtained from related parties	Sales to related parties	Other expenses to related parties	Finance income from related parties
<b>1 January - 31 December 2020</b>				
Kültür ve Sanat İktisadi İşletmesi	112.024	127.143	--	--
Borusan Sigorta	153.510	251.478	--	--
Sales to Personnel	--	448.601	--	--
	<b>265.534</b>	<b>827.222</b>	<b>--</b>	<b>--</b>
<b>1 January - 31 December 2019</b>				
Kültür ve Sanat İktisadi İşletmesi	574.075	503.693	19.165	--
Borusan Sigorta	88.677	201.635	--	--
Sales to Personnel	--	519.379	--	--
	<b>662.752</b>	<b>1.224.707</b>	<b>19.165</b>	<b>--</b>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

(Currency - US Dollars (“USD”) unless otherwise indicated)

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

##### Compensation of Key Management Personnel

	<b>2020</b>	2019
Salaries and other short-term benefits	<b>11.103.786</b>	9.975.444
	<b>11.103.786</b>	9.975.444

Key management personnel consist 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.

	2020		2019	
	Automotive	Steel	Automotive	Steel
Current assets	254.776.324	1.019.911.899	220.059.580	1.096.996.733
Non-current assets	442.870.097	1.032.266.665	395.860.557	1.050.431.610
Current liabilities	350.609.711	828.327.113	336.472.502	955.753.618
Non-current liabilities	74.332.586	313.815.052	95.612.752	269.245.248
Revenue	918.588.824	1.582.723.327	788.597.387	1.942.080.240
Total comprehensive income for the year	81.617.672	22.662.816	31.990.795	27.739.304
Dividend paid during the year	13.709.073	19.326.142	--	19.302.843

#### 36. SUBSEQUENT EVENTS

The Group has renewed its current syndication loan of USD 400M received in 2016, before its maturity date. With the participation of 11 banks, in two branches, USD 155M and EUR 87M, a total of USD 260,4M syndication loan has been borrowed with a 5-year maturity and 18-month grace period.





