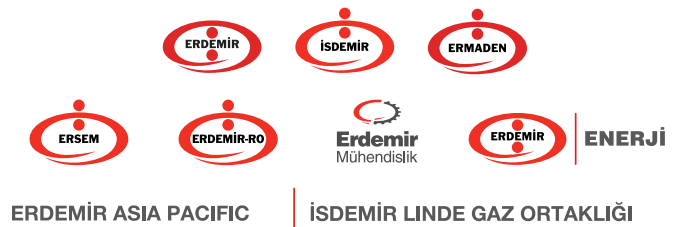




DEEP ROOTED AS A SYCAMORE, STRONG AS STEEL

2020 Integrated Annual Report



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ABOUT THE NAVIGATION ITEMS OF THE REPORT



FINANCIAL CAPITAL



HUMAN CAPITAL



SOCIAL CAPITAL



INTELLECTUAL CAPITAL



PRODUCED CAPITAL



NATURAL CAPITAL

ABOUT THE REPORT



Audit

The financial indicators included in the report constitute the data disclosed in the consolidated financial statements of the OYAK's Mining Metallurgy Companies, which have undergone independent audits. Other content other than financial data has not undergone any external audit or control process.

Feedback

The report can be reached from our official website at www.erdemir.com.tr, all opinions and suggestions can be conveyed to iletisim@erdemir.com.tr e-mail address.



This report, which is the second integrated annual report covering OYAK's Mining Metallurgy Companies includes the management approaches of the companies in the economic, social and environmental sphere and their performance data. This integrated annual report, which combines financial and non-financial data, shares assessments of the long-term value creation business strategy of Mining Metallurgy Companies, their corporate culture, stakeholder relations, and how the Companies manage opportunities and risks.

The Scope and Standards Used

The report reflects the management approach of OYAK's Mining Metallurgy Companies in priority issues, created with the participation of a wide range of stakeholders, in line with the sectoral and global trends, their future goals and their planned investments.

While the report predominantly focuses on the main production facilities, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) and İskenderun Demir ve Çelik A.Ş. (İsdemir), the report includes the data of the OYAK's Mining Metallurgy Companies. The companies covered by the data presented are specified in the relevant sections. The numerical data in the report covers the activity period between 1 January and 31 December 2020.

The report is prepared in accordance with the Integrated Reporting framework published by the International Integrated Reporting Council (IIRC) and the GRI Standards "Core" option published by the Global Reporting Initiative (GRI).

CHAIRMAN'S MESSAGE



Esteemed stakeholders, business partners and colleagues,

Leaving behind a year in which the pandemic dominated the global economic agenda

The world and our country have left behind what was an unprecedented year. The headlines of 2020 around the world were entirely dominated by the pandemic which started to affect our country from March, and the political and economic fallout of the pandemic. Economies ground to a standstill due to the measures taken to tackle the pandemic in many countries, especially developed countries, including Turkey. Central banks and financial authorities also had to launch comprehensive and large-scale financial support programs to mitigate the negative impact of this period.

The decline in the number of cases and the steps towards normalization taken in the third quarter of the year gave rise to some partial recovery in economic activity. As the number of cases rose again in the fourth quarter, progress in the development of vaccines helped calm mounting concerns in the global economy. The rapid progress achieved in vaccine development and subsequently the start of the vaccination rollout allowed us to enter 2021 with greater hope.

The global economy, which had grown by an average of 3.4% between 2016 and 2019, contracted by 3.5% in 2020 according to the International Monetary Fund (IMF). In its January 2021 World Economic Outlook Report, the IMF revised its estimate of the economic contraction for 2020, from its earlier estimate of a 4.4% contraction in its previous report, as the global economy gained stronger than expected momentum in the second half of the year. It also updated its growth forecast for 2021 from the 5.2% rate of growth which it had previously projected to a revised forecast of 5.5% growth.

Although the forecasts clearly reflect that the effects of the pandemic on world economies will continue in 2021, the experience gained in the fight against the pandemic and the ongoing vaccination developments will allow us to look positively towards the second half of 2021 in particular.

In order to contribute to our vision of becoming a global player and to propel our country, which ranks as the world's 7th largest steel producer, to ever higher levels, we pressed ahead unwaveringly with our investments in 2020.

The great potential of the Turkish economy

As giant economies shrank in 2020, which was dominated by the pandemic, Turkey was among the few countries to record a positive rate of growth. Thus, Turkey's economy once again proved both its resilience and its potential.

The policy of price stability implemented in November 2020 proved a highly astute a significant policy change in terms of maintaining fiscal discipline in our country and ensuring Turkey's sustainable growth. Economic activity is expected post a strong recovery when compared to last year, supported by the base impact and domestic demand.

OYAK's Mining Metallurgy Companies form one of the cornerstones of the economy

Consumption of steel increased by 13% in 2020 while production increased by 6% in the Turkish steel industry. Thus, Turkey's steel industry managed to diverge positively from the global steel industry during the pandemic. Focusing on sustainable growth and efficiency, OYAK's Mining Metallurgy companies once again demonstrated that they form one of the cornerstones of the Turkish economy. Our Mining Metallurgy Companies maintained and built on their healthy growth with the contribution of our employees, for whom we created a safe working environment, as well as the vast experience of our companies dating back more than half a century.

In 2020, we overcome a number of challenges in the market conditions, such as the pandemic, disruption to the supply chain, the contraction in global trade, the falls in prices due to trade restrictions and protectionism with an agile and efficient approach. In this process, we sold 7.5 million tons of flat final products and 1 million tons of long final products. In 2020, the market value of our Mining Metallurgy Companies increased by 34% compared to 2019, with an increase of USD 1.8 billion, to reach USD 7.1 billion.

We pressed ahead with our investments and upheld our national values

In order to contribute to our vision of becoming a global player and to propel our country, which ranks as the world's 7th largest steel producer, to ever higher levels,

we pressed ahead unwaveringly with our investments in 2020. With our investments, we aimed to increase the use of local resources, increase steel production capacity and efficiency in production, promote the use of state-of-the-art technology and complete the backward integration within our Mining Metallurgy Companies, and thus strengthening our competitiveness.

At Erdemir, which has just celebrated its 55th year of operation, and İsdemir, which will mark its 50th anniversary this year, we focused on the production of high value-added innovative products and efficiency, and maintained our investments in this direction. Likewise, with 83 years of experience, Erdemir Mining continued its activities with a focus on efficiency.

While we continued to contribute to the country's economy by doing away with the need to import of millions of dollars worth of products with the investments undertaken by our companies, we also upheld our national values. The acquisition of Kümaş Magnesite, in which negotiations got underway towards the end of 2020 and was announced on the Public Disclosure Platform on 4 January 2021, was at the forefront of our strategic investments. Major global players have also expressed interest in Kümaş Manyezit A.Ş. with its mines, which account for about 20% of the qualified magnetite ore produced in the world. By incorporating this value into our organization, which is of tremendous importance for our country in terms of national resources, we also brought integration into our activities in the iron, steel and cement industries.

In our capacity as mining metallurgy companies, we are aware that we also have a leading duty to the country's industry in terms of efficiency. We are one of the most assertive players in the global steel market in terms of resource utilization efficiency. At a time when states are disrupting the competitive environment, we will strengthen our position and open up the gap between ourselves and our competitors. We will maintain our investments with our robust balance sheet structure, strong product portfolio and the strength derived from our competent human resources. In addition, we will unrelentingly press forward in our mission of implementing new technologies and developing competent human resources.

GRI 102-14, 103-2, 103-3

Our human resource is our most valuable asset. With 11,538 people working in our Group, we are one of the biggest direct employers of any economic player in Turkey.

Perceiving risks accurately and managing them

The major areas in which we have demonstrated our identity as a pioneering and regional leader are the employment and added value which we provide to the country's economy, our production capacity, our share in the trade cycle, the contribution we provide through exports, our focus on innovation and our environmentally friendly approach in production.

Global warming is considered to be one of the most important challenges facing the future of humanity and our planet. According to modelling carried out by scientists, global average temperature, which is currently around 15°C, will increase by between 1.5°C and 5.0°C in the 21st century.

These clear results serve as a clear and strong reminder of the importance of sustainability as a concept. The need for the business world and governments to act and take decisive, rapid and collective actions without leaving it too late has never been seen so clearly.

Our Mining Metallurgy Companies carry out a wide range of activities and investments to ensure that both their production and trade cycles are more environmentally friendly. Our biggest advantage is that the steel we produce is a recyclable product. However, we are aware of the need to continuously improve our efficiency and achieve more in a range of areas, from the energy we use to the water we consume. To the extent that we achieve this, our contribution to humanity's efforts to tackle the climate crisis will be strengthened and at the same time, we will carry our identity as an economic player to a sustainable future.

We are working to achieve much more

We continue to work unstintingly to produce, share and contribute more. Our strengths are our ability to stand out from the competition, to exceed the standards and to constantly respond to the expectations of our customers and the market.

Our mining metallurgy companies will work hard to improve human resources and R&D competency and press ahead continuously with our investments. We maintained our R&D investments in 2020 in order to meet our industry's need for high quality steel. While our innovative product and improvement studies contribute to our industry, they also allow us to transform the industries where iron and steel is used as inputs.

Our human resources form our most valuable asset

With 11,538 people working in our Group, we are one of the biggest direct employers of any economic player in Turkey. With the addition of indirect employment in our areas of activity, we are delighted to have created approximately 285,000 jobs as of the end of 2020 and to provide such a strong social contribution. The health and safety of our employees, as well as their happiness, is our main priority.

Our strategy takes us into the future

As we continue to grow and improve our financial performance, we focus on creating value for all of our stakeholders. Our understanding of value creation rests on three pillars: sustainable growth, responsible production, and a people-centered approach. We will continue to move forward without deviating from these three key points, and continue our progress with our qualification of being a regional leader in the medium and long term as well as in the short term.

The strong and sustainable support of our shareholders and investors will remain our most valuable guiding light in our journey to increasingly transform our potential into performance.

On behalf of myself and our Board of Directors, I would like to thank our Army Relief Institution, which derives its strength from its valuable members, and our human resources, our domestic and foreign customers and all of our stakeholders, and wish the best of health, prosperity and peace to all humanity in 2021.

Süleyman Savaş ERDEM
The Chairman of the Board of Directors

BOARD OF DIRECTORS



Süleyman Savaş ERDEM

Chairman of the Board of Directors
(Representative of OYTAŞ İç ve Dış Ticaret A.Ş.)



Aslıhan DÖĞER

Deputy Chairman and Executive Director
(Representative of OMSAN Lojistik A.Ş.)



Gürtan DAMAR

Board Member and Executive Director
(Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş.)



Bekir Emre HAYKIR

Board Member
(Representative of Republic of Turkey
Ministry of Treasury and Finance Privatization
Administration)



Baran ÇELİK

Board Member
(Representative of OYKA Kağıt Ambalaj Sanayii
ve Ticaret A.Ş.)



Güliz KAYA

Board Member
(Representative of OYAK Denizcilik ve Liman
İşletmeleri A.Ş.)



Ali FİDAN

Independent Board Member



Kurtuluş Bedri VAROĞLU

Independent Board Member



Mahmut Cengiz AYDIN

Independent Board Member

SENIOR MANAGEMENT

İBRAHİM ÖZBUNAR

Erdemir Çelik Servis Merkezi
Sanayi ve Ticaret A.Ş.
General Manager (Acting)

CAN ÖRÜNG

Information
Technologies Group
Vice President

ERCAN KAYA

Corporate Architecture
and Human Resources
Group Vice President

**MUSTAFA SERDAR
BAŞOĞLU**

Financial Management
and Financial Affairs
Group Vice President

MESUT KEYFLİ

İskenderun Demir ve
Çelik A.Ş.
General Manager

**İSMAİL KÜRŞAD
KORKMAZ**

Procurement Group
Vice President



ASLIHAN DÖĞER
Deputy Chairman
and Executive
Director

**SÜLEYMAN SAVAŞ
ERDEM**
The Chairman of the
Board of Directors

GÜRTAN DAMAR
Board Member
and Executive
Director, Erdemir
Mühendislik Yönetim
ve Danışmanlık
Hizmetleri A.Ş.
General Manager

FATİH ÇITAK
Marketing and
Sales Group Vice
President

HALİL YILDIRIM
Erdemir Madencilik
Sanayi ve Ticaret A.Ş.
General Manager

SALİH CEM ORAL
Ereğli Demir ve Çelik
Fabrikaları T.A.Ş.
General Manager





**WITH OUR VALUES
AND EXPERIENCE**



1

CORPORATE PROFILE

1965

The foundations of our Mining Metallurgy Companies are based on Erdemir with a decision taken in the 1960's when Turkey's industrialization steps gained pace, and production started in 1965.

1975

İsdemir entered operation in 1975 in order to respond to Turkey's long product demand. The company is among the most important steel producers in the world with its production capacity.

2020

Our Mining Metallurgy Companies, which continue to provide added value to the Turkish economy with their activities, single-handedly accounted for 24% of Turkey's crude steel production in 2020.



Our Mining Metallurgy Companies have been among Turkey's largest industrial organizations for more than 55 years, contributing to the development of the country's industry and employment.



The fields of activity of our Mining Metallurgy Companies include flat and long steel production, steel service center services, mining, industrial gas production, engineering and project management.

The foundations of our Mining Metallurgy Companies are based on Erdemir, which was established with a decision taken in the 1960's when Turkey's industrialization steps gained pace, and production started in 1965. The integrated iron and steel plant, Erdemir, which first to be established to meet Turkey's flat product needs, followed by İsdemir, which entered operation in 1975 to respond to the demand for long products. Erdemir, which purchased İsdemir in 2002, joined OYAK after the privatization carried out in 2006.

Erdemir, our parent company and one of Turkey's most valuable industrial assets, is our country's leading flat steel producer. İsdemir, which produces flat and long steel, Erdemir

OYAK's Mining Metallurgy Companies, which continue to account for a significant share of exports, exported 1.48 million tons of products to 171 different customers in 45 countries in 2020.



Our Mining Metallurgy Companies are the main supplier of Turkish industry with their hot and cold rolled, galvanized, tin-chrome coated flat steels, plate, billet and coil products.

Maden, which has mining sites in Sivas and Malatya and Erdemir Romania, which produces siliceous steel in Romania, continue their activities consistently under the roof of Mining Metallurgy.

In addition to these facilities, Erdemir Engineering, which provides engineering management services to all subsidiaries, the Erdemir Çelik Servis Merkezi, which meets the sector's needs for cut-to-size flat steel, Erdemir Asia Pacific Pte. Ltd., which carries out procurement, marketing, sales and business development activities in the Asia-Pacific Region, the İsdemir Linde Gas Partnership established with the aim of meeting İsdemir's additional industrial gas needs and reducing the costs of the existing industrial gas system, and Erdemir Energy, which carries out renewable energy production activities, are our other companies.

Our Mining Metallurgy Companies are also home to the first Ministry approved R&D center in the steel sector and two ports, which are the largest of their regions, one operating in Ereğli and the other in İskenderun.

OYAK's Mining Metallurgy Companies are the main supplier of Turkish industry with their hot and cold rolled, galvanized, tin-chrome coated flat steels, plate, billet and coil products. Our companies add value with their products and services to many industries such as automotive, energy, construction, pipe, shipbuilding, household appliances, machinery, heat, heavy industry, packaging and renewable energy, to which they provide basic input materials.

Our Mining Metallurgy Companies, which are among the biggest job creators in Turkey, support working life and public finances with the social security rights they provide to 11,538 employees in accordance with the law, at the highest level and without interruption. Our Mining Metallurgy

Companies rank 4th among EU-based producers, 9th across Europe and 46th in the world in the raw steel production ranking prepared by The World Steel Association, which considers the 2019 data for the largest global raw steel producers.

Our companies continue their activities in national and international markets with their transparent, competitive, fast, flexible, sincere and customer-oriented service approach as well as their diverse and high-quality range of products.

Our Mining Metallurgy Companies continued to provide increasing added value to the Turkish economy with their activities in 2020. According to 2020 figures, our Mining Metallurgy Companies produced 8.5 million tons of raw steel, single-handedly accounting for 24% of the country's production. Our companies, which continue to account for a significant share of exports, exported 1.48 million tons of products to 171 different customers in 45 countries in 2020.

GRI 102-2, 102-4, 102-6

Shareholding Structure

Erdemir

Shareholders	Share (TL thousand)	%
ATAER Holding A.Ş.	1,724,982	49.29
Quoted in Stock Exchange	1,667,181	47.63
Shares Held by Erdemir	107,837	3.08
Grand Total	3,500,000	100.00

Shareholders	Share (TL thousand)	%
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	2,751,326	94.87
Quoted in Stock Exchange	148,674	5.13
Grand Total	2,900,000	100.00

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir)

Turkey's largest integrated flat steel producer, Erdemir produces hot and cold rolled flat steel, plate, tin, chrome and galvanized coated sheet to international quality standards at its facilities located in Karadeniz Ereğli.

Erdemir, which was one of the important investments of Turkey's industrial development initiative, started production on 15 May 1965 to meet the country's needs for flat steel. Celebrating the 55th anniversary of its commissioning in 2020, Erdemir is today one of the world's most important steel producers with its capacity to produce 4 million tons of crude steel and 5 million tons of final products under the roof of our Mining Metallurgy Companies.

Despite the contraction of global markets due to the Covid-19 pandemic in 2020, Erdemir continued to produce for Turkey without interruption throughout the year in order to fully meet the demands of its customers in the medium and long term and to respond to their needs at the highest level.

The products produced by the company provide basic inputs to many industries such as automotive, white goods, pipe profile, rolling mill, general manufacturing, electrical electronics, machinery, energy, heating equipment, shipbuilding, defence, packaging and renewable energy.

As the only plate producer in Turkey, Erdemir is also the owner of the first R&D Center in the Turkish steel industry, which is approved by the Ministry of Industry and Technology. Erdemir is also the owner of one of the largest ports in the Black Sea region of Turkey.

While continuing its capacity increase investments, Erdemir also establishes new companies in line with its organic growth strategies and carries out acquisitions in Turkey and abroad.

İskenderun Demir ve Çelik A.Ş. (İsdemir)

İsdemir, whose foundations were laid in İskenderun on 3 October 1970, celebrated its 50th anniversary in 2020. The company is among the most important steel producers in the world with final product production capacities of approximately 5.8 million tons of liquid steel, 3.5 million tons of flat products, 0.6 million tons of coil and 2.5 million tons of billet per year.

İsdemir is an integrated iron and steel facility with the largest liquid steel capacity in Turkey. İsdemir's iron and steel plant had Turkey's third highest steel production capacity as of its founding date. It was transferred to Erdemir in 2002 on the condition that it would produce flat products.

İsdemir, which is Turkey's only integrated steel plant capable of producing both long and flat products at the same time, has been maintaining its investments in line with the needs of the country's industry since its inception.

Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (Ersem)

Erdemir Çelik Servis Merkezi San. and Tic. A.Ş. (Ersem) was founded in Gebze in October 2001 and entered operation in 2002 with a capacity of 150,000 tons/ year of cold slitting line and a capacity of 100,000 tons/ year of cold size cutting line. In addition to the automotive and white goods industries, the company provides a high standard of services to companies operating in various branches of industry such as general machinery and manufacturing, the heat industry and electric electronics at its steel service providing centers.



Erdemir



GRI 102-2, 102-4, 102-6

İsdemir

CORPORATE PROFILE

Turkey's largest steel service center with a total slitting and cutting to length capacity of 1,950,000 tons, Ersem has four production plants in Gebze, Karadeniz Ereğli, İskenderun and Manisa.

Ersem's competencies allow it to quickly meet the instant demands of its customers, to ship products in the desired quality and sizes, on time and to the requested place, to manage stocks and to respond to various requirements such as production in narrow tolerances and deliveries in small batches.

Erdemir Madencilik San. ve Tic. A.Ş. (Erdemir Maden)

Erdemir Maden started ore production in Divriği township of Sivas in 1938 and has continued its activities as Demir Madenleri İşletmesi since 1940. Erdemir Maden, which joined Erdemir in 2004, has the only pellet plant which meets the needs of the Turkish iron and steel sector.

Erdemir Maden, as the largest iron mine producer in the country, provides domestic and national raw materials

to the Turkish steel industry with a production capacity of 1.5 million tons of pellets and 750,000 tons of lump ore.

Erdemir Maden is the largest iron mine and producer in Turkey with its 11 mining sites, including nine iron fields, one coal field and one manganese field, as well as the concentration and pellet plants in Sivas Divriği.

Completing its 82nd year of operation in 2020, the Company produces hematite lumps and fine ore as well as pellets. Erdemir Maden realizes 35% of Turkey's iron ore production and single-handedly meets 13% of Turkey's ferrous raw material needs.

Erdemir Romania S.R.L.

Erdemir Romania was founded in Targovishte, Romania, and became a part of our group of OYAK's Mining Metallurgy Companies in 2002. The company produces siliceous flat steel, which is one of the main inputs of the engine, transformer and generator industries. Erdemir Romania, which has commanded a key position in this field in Europe, directs 20% of its

production to the Romanian domestic market while 80% of its production is exported to various countries, especially in Europe.

Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş.

Erdemir Engineering provides a wide range of engineering and project management services ranging from planning to implementation, in order to enable our Mining Metallurgy Companies achieve profitability, product diversity, efficiency and quality goals in their investments.

İsdemir Linde Gaz Ortaklığı A.Ş.

İsdemir Linde Gaz Ortaklığı A.Ş. (Gas Partnership Joint Stock Company) was established in a 50-50 partnership with Linde Gas Turkey in order to meet İsdemir's additional needs for industrial gas and reduce the costs of the existing industrial gas system. The company has begun operations as of December 2016.

Erdemir Asia Pacific PTE. LTD.

Founded in Singapore in 2014 as a 100% subsidiary of Erdemir, the company conducts Erdemir's commercial activities in the Far East.

Erdemir Enerji Üretim A.Ş.

The company was established with 100% Erdemir capital for renewable energy production.

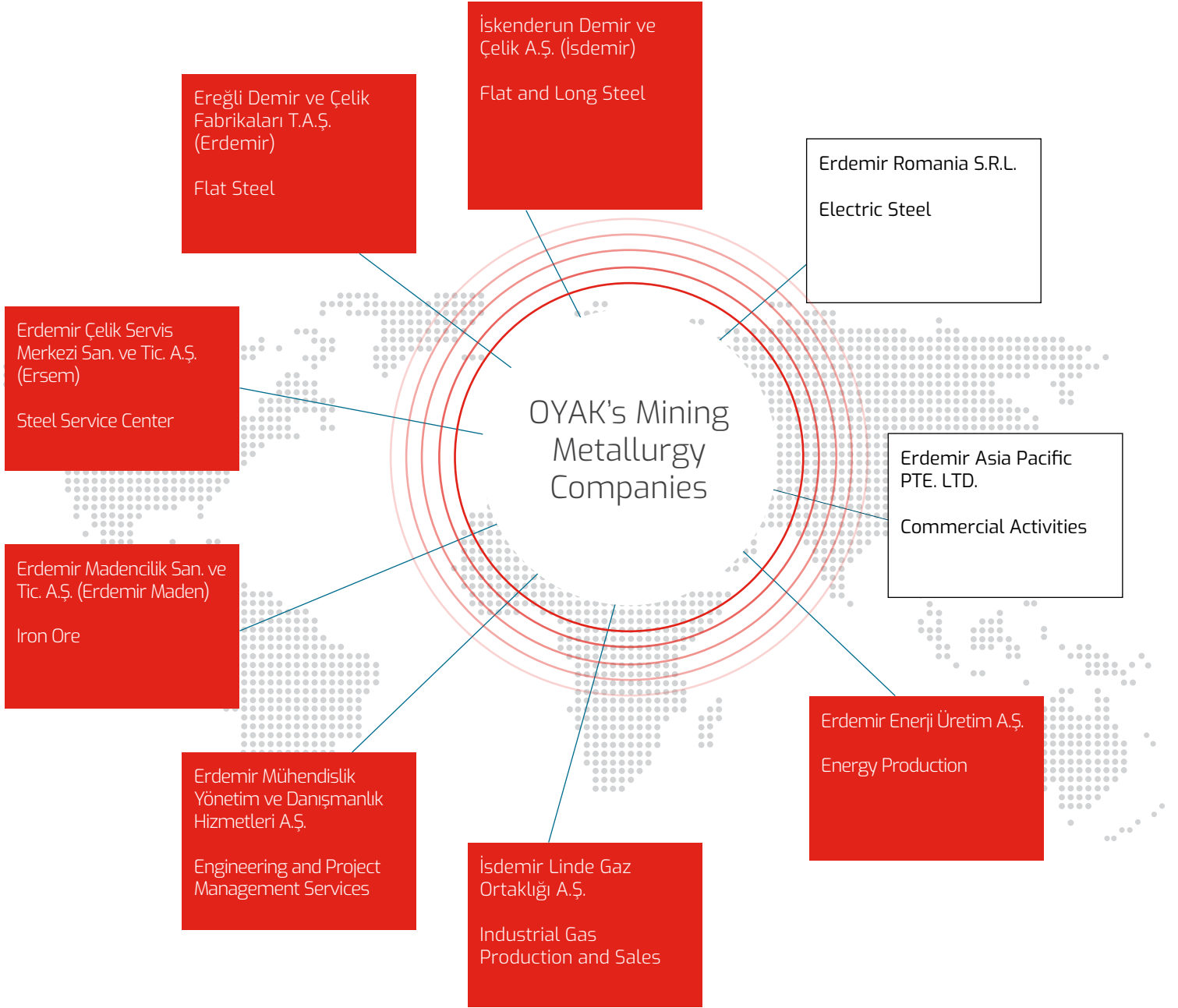
Our Mining Metallurgy Companies continued to provide increasing added value to the Turkish economy with their activities in 2020, exporting 1.48 million tons of products to 171 different customers in 45 countries in 2020.

Our Mining Metallurgy Companies are the main supplier of Turkish industry with their hot and cold rolled, galvanized, tin-chrome coated flat steels, plate, billet and coil products.



GRI 102-2, 102-4, 102-6

Erdemir Maden



OYAK'S MINING METALLURGY COMPANIES IN 2020



7,489,000 TONS of FLAT
FINAL PRODUCTS
1, 006,000 TONS
OF LONG FINAL PRODUCT
SALES

1.4 MILLION TONS
OF EXPORTS

2,031,000 TONS
OF IRON ORE SALES

MEETING **24%**
OF TURKEY'S RAW STEEL
NEEDS

NET SALES REVENUES
USD 4,575,000,000

EBITDA
USD 989,000,000

NET PROFIT FOR THE PERIOD
USD 472,000,000

ISO 500

İSDEMİR at 8th ranking

ERDEMİR at 10th ranking

ERSEM at 69th ranking

ERDEMİR MADEN at 168th ranking

CAPITAL 500

ERDEMİR RANKED 1st IN
THE LIST OF THE MOST
PROFITABLE COMPANIES AND
11th ON THE GENERAL LIST

IN THE RANKING OF THE MOST
VALUABLE COMPANIES TRADED
ON THE BORSA İSTANBUL
ACCORDING TO THE FIGURES
OF THE BORSA İSTANBUL
PERTAINING TO 11-15 DECEMBER
AND 30 DECEMBER,

**ERDEMİR WAS
RANKED 1st**

ERDEMİR RANKED **11th**
ON THE FORTUNE TURKEY LIST

ERDEMİR **WAS IN THE
SUSTAINABILITY INDEX
FOR THE 6th TIME THIS
YEAR**

İSDEMİR HAS BEEN ON THE
**SUSTAINABILITY INDEX
FOR THE LAST TWO
YEARS WHEN IT WAS
ASSESSED**

ERSEM MANİSA **WAS
AWARDED THE
SAFE WORKPLACE
CERTIFICATE.**



11,538
EMPLOYEES

ERDEMİR'S RATING FOR ITS COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES **ROSE TO 9.52.**

İSDEMİR'S CORPORATE GOVERNANCE RATING WAS ASSESSED AT **9.45** FOR THE FIRST TIME THIS YEAR.

ERDEMİR WAS AWARDED IN THE **OCCUPATIONAL HEALTH AND SAFETY** CATEGORY WITH THE "SAFE PRODUCTION IS POSSIBLE TOGETHER" PROJECT IN THE "COMMON FUTURE" PROGRAM ORGANIZED BY THE TİSK (CONFEDERATION OF EMPLOYER ASSOCIATIONS OF TURKEY).

ERDEMİR, İSDEMİR, ERSEM AND ERDEMİR MADEN WERE AWARDED **COVID-19 SAFE PRODUCTION CERTIFICATES.**

THE ERDEMİR, İSDEMİR, ERSEM AND ERDEMİR MADEN PLANTS RECEIVED **ZERO WASTE** CERTIFICATES.

IN 2020,
USD 306 MILLION OF INVESTMENT EXPENDITURES

WITH THE R&D EXPENDITURE IN 2019, ERDEMİR RANKS 56th **IN TERMS OF R&D EXPENDITURE**

A TOTAL OF **24 AWARDS** IN TWO DIFFERENT CATEGORIES AT THE LACP (LEAGUE OF AMERICAN COMMUNICATIONS PROFESSIONALS) VISION AWARDS FOR THE 2019 INTEGRATED ANNUAL REPORT

31 HOURS OF TRAINING PER EMPLOYEE

THREE AWARDS IN THREE DIFFERENT CATEGORIES IN THE ACADEMY AWARDS OF ANNUAL REPORTS (ARC) AWARD PROGRAM, WHICH IS ORGANIZED BY MERCOMM AND REFERRED TO AS THE "OSCARS OF THE ANNUAL REPORTS", FOR THE 2019 INTEGRATED ANNUAL REPORT

THE FIRST PRIZE FOR İSDEMİR WITH "THE REVERSE WASHING WITH SEA WATER IN STEAM TURBINE CONDENSERS" PROJECT IN THE **ENERGY EFFICIENCY IN INDUSTRY** PROJECT COMPETITION

USD 4.2 MILLION IN **R&D EXPENDITURE**

ERSEM WAS AWARDED IN **THE GOLD GLOVES CATEGORY** AND RECEIVED TWO PROJECT AWARDS IN **THE GOLD SUGGESTION CATEGORY** IN THE MESS (THE TURKISH METAL INDUSTRIALISTS' UNION) OHS COMPETITION

WINNER OF THE FIRST PRIZE IN THE LOCAL CURRENCY BOND DEAL OF THE YEAR CATEGORY AND SECOND PRIZE IN THE CORPORATE BOND DEAL OF THE YEAR CATEGORY THE BONDS&LOANS 2020 TURKEY AWARDS

ERDEMİR IS **IN 9th PLACE ON THE RANKING** OF THE GLOBAL 100 COMPANIES OF TURKEY, WHICH PLATINUM MAGAZINE COMPILED TOGETHER WITH THE IPSOS POLLING COMPANY

A STRATEGIC APPROACH

Continuing to grow and improve their financial performance, our Mining Metallurgy Companies are focused on creating value for all of their stakeholders.

The value creation approach of our Mining Metallurgy companies is shaped by the three basic concepts.

- sustainable growth
- responsible production
- a people-centered approach

Sustainable Growth

Our Mining Metallurgy Companies, which are among the largest industrial enterprises in Turkey, continue to record balanced growth in domestic and foreign markets by maintaining their strong financial performance with effective cost and capacity management.

Our Mining Metallurgy Companies help reduce imports and contribute to economic growth by meeting the needs of the domestic market with the supply of steel, which is one of the main raw materials of the Turkish industry.

The employment we create, our production volume, our share in the trade cycle and our exports, our contribution to the development of the domestic market and our contribution to keeping the wheels of the economy turning drive our sustainable growth strategy.

In the unprecedented pandemic conditions of 2020, our Mining Metallurgy Companies, which manage the governance and the cycle of added value generation with an astute, agile and efficient approach, maintained their growth and development.

Focus Areas

Contribution to industry and economic growth in Turkey as the leader of the industry

Competitive cost management

Maintaining market share in flat products in the domestic and foreign markets

Increasing high value-added grades in product groups

Increasing market share in long products

Being a reliable solution partner of the customer and zero error for the customer

Increasing company value and corporate brand reputation

Increasing resource and investment efficiency



Responsible Production

Our Mining Metallurgy Companies see responsible production as an unchanging necessity to ensure sustainable growth. The company focuses on reducing environmental impacts, particularly the effects of climate change, playing a role in the transition to a green circular economy, and implementing pioneering practices to achieve the best performance in the field of occupational health and safety.

OYAK's Mining Metallurgy Companies make R&D investments both to improve responsible production processes and for the products that meet the needs of customers.

Our Mining Metallurgy Companies carry out numerous studies and investments to bring environmentally friendly applications into operation. It strives to continuously improve efficiency and achieve better results in many areas, from the energy used in line with the responsible production strategy to the water consumed.

Focus Areas

Transparent and accountable management

R&D focus in production processes

Reducing environmental impacts and developing pioneering OHS practices

Developing products and services in line with current trends and technologies

End-to-end digital transformation that is integrated and responsive to requirements



People-Centered Approach

OYAK's Mining Metallurgy Companies adopt the concept of creating value for both their employees and the stakeholders, who they touch through their activities, by putting people at the center of its activities. The company works to contribute to the socio-economic development of local communities through the employment in the regions where it operates and support the development of the regions.

Our Mining Metallurgy Companies develop projects to improve the capabilities and competencies of their human resources, who are their most valuable assets, and to increase their satisfaction. Our Mining Metallurgical Companies, which prioritize the satisfaction of employees as well as their health and safety, have a responsibility to offer the best to their employees with their people-centered strategy.

With 11,538 employees, our Mining Metallurgy Companies, one of the biggest direct employers in Turkey, create indirect employment for approximately 285,000 people in the regions where they operate.

Focus Areas

Social contribution in the regions of operation

Becoming an employer brand

Strengthening the culture of high performance

Ensuring employees adopt corporate priorities and values and act together

Fostering an innovative, inspiring corporate culture



A STRATEGIC APPROACH

Strategic Approach		Focus	Indicator
1	Sustainable Growth	1.1 Contribution to industry and economic growth in Turkey as the leader of the industry	EBITDA
			Final Product Sales Tonnage
			Final Product Production Tonnage
			Liquid Crude Iron Production Tonnage
		1.2 Competitive cost management	Conversion Cost
		1.3 Maintaining market share in the domestic and foreign markets	Market share
		1.4 Increasing high value-added grades in product groups	The share of high value-added grades
		1.5 Being a reliable solution partner of the customer and zero error for the customer	Customer Satisfaction Survey Score
			Complaint Conclusion Time
			On Time Delivery Rate
		1.6 Increasing company value and corporate brand reputation	Corporate Reputation Survey Score
		1.7 Increasing operational efficiency	Total Equipment Effectiveness
			Asset Management Performance

Strategic Approach		Focus	Indicator
2	Responsible Production	2.1 Transparent and accountable management	Corporate Governance Principles Compliance Rating Grade
		2.2 R&D focus in production processes	Ratio of R&D Budget to Group Sales Revenue
			The Savings Contribution of R&D Projects in the Last 3 Years
		2.3 Reducing environmental impacts and developing pioneering OHS practices	Environmental Performance Index
			Accident Frequency Rate
			OHS Training Hours Per Employee
			OHS Systematics Application Ratio
		2.4 Developing products and services in line with current trends and technologies	New Products Sales Tonnage
			Ratio of the Turnover of New Steel Grades Developed in the Past 3 Years to the Last Year's Turnover
			Number of Grades Developed
			Sales Revenue of New Grades Developed / Supported in the Last 3 Years
		2.5 End-to-end digital transformation that is integrated and responsive to the needs	Compliance with the Digital Transformation Projects Time Schedule
3	People-Centered Approach	3.1 Social contribution in the activity regions	Corporate Social Responsibility Projects
		3.2 Becoming an employer brand	Employee Turnover Rate
		3.3 The employees who have adopted corporate priorities and values and who act together	Training Hours Per Employee
			Number of Suggestions Implemented Per Person
			Employee Satisfaction Survey

BUSINESS MODEL AND STRATEGY

TRENDS AFFECTING THE INDUSTRY

CHANGING REGULATIONS

ECONOMIC DEVELOPMENTS

CHANGING CONSUMER EXPECTATIONS

INPUTS



FINANCIAL CAPITAL

Effective cost management is carried out by increasing investment efficiency in order to provide the optimal return for investors.



SOCIAL CAPITAL

The continuation of two-way and open communication with stakeholders is of critical importance for operating in production regions.



PRODUCED CAPITAL

Investments undertaken in facilities and equipment are crucial in ensuring efficient and high-quality production.



HUMAN CAPITAL

Employees' competencies and leadership skills, which are the most important resources in achieving company goals, are developed and efforts are undertaken to provide a healthy and safe environment for all employees.



INTELLECTUAL CAPITAL

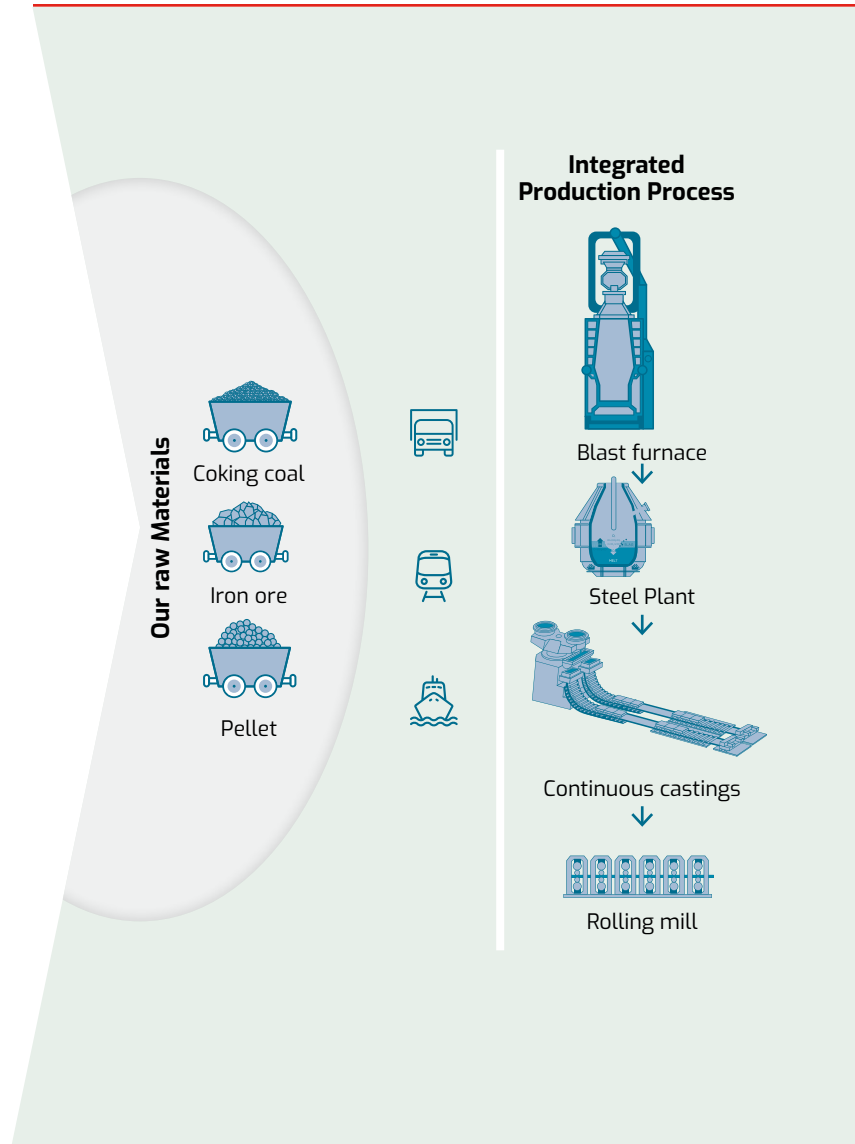
Industry know-how and regular R&D investments of our Mining Metallurgy Companies ensure that our companies maintain their competitive clout.



NATURAL CAPITAL

Steel is produced by using natural resources such as iron ore and coal, which are the main raw materials. Some of the iron ore used is extracted at the Erdemir Maden facilities.

VALUE CHAIN



STRATEGIC APPROACH

The strategic approach created in line with priority issues, risks and opportunities forms the basis of the value creation model of our Mining Metallurgy Companies.

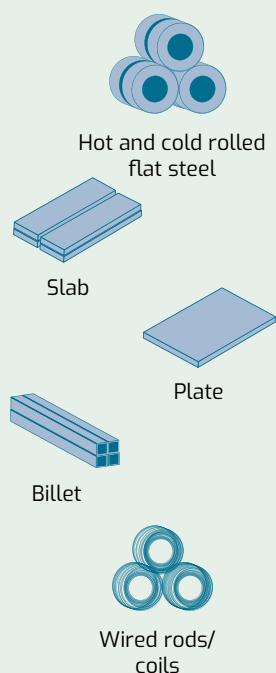
TRENDS AFFECTING THE INDUSTRY

DIGITALIZATION AND TECHNOLOGY

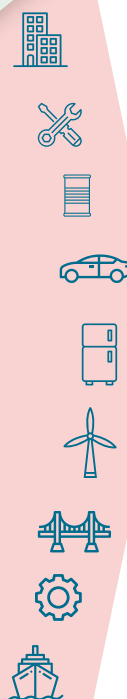
SOCIAL CHANGES

CLIMATE CHANGE

Products



Main Sectors Where Steel Is Used



OUTCOMES

FINANCIAL CAPITAL

Net sales revenue of USD 4.6 billion
EBITDA of USD 989 million
29% increase in the share price

SOCIAL CAPITAL

Stakeholder analysis
TL 19,270,000 social project expenditure

PRODUCED CAPITAL

7,266,000 tons of flat products
992,000 tons of long products
USD 306 million of investment expenditure in 2020

HUMAN CAPITAL

Training Hours per Employee (excluding OHS): 14.7
OHS Training Hours per Employee: 16.3

INTELLECTUAL CAPITAL

35 completed R&D projects
48 ongoing R&D projects
49 patent and utility model applications as of the end of 2020
24 new flat roll grades
7 new long product grades
USD 28 million return from the participation systems activities

NATURAL CAPITAL

1,079,000,000 m³ of reused water
455,300,952 kWh of energy savings this year with energy efficiency projects
214,620 tons of CO₂ emission reductions achieved with energy efficiency projects

Sustainable Growth,
Responsible Production
People-centered Approach

MATERIALITY ANALYSIS

Material issues constitute one of the important inputs of the strategy and business model of our Mining Metallurgy Companies. In addition to determining the changing expectations of stakeholders, the materiality analysis enables companies to guide their strategies by better

evaluating risks and trends. The scope of the analysis reaches a large sample of stakeholders and the data obtained is included in the analysis process, from external trends to impact assessment.

Creating the topic list

A long list of topics was created as a result of a far-reaching literature review covering financial and legal developments, innovation, risks and opportunities regarding competition and the environment.

Stakeholder and external trend analysis

With a comprehensive stakeholder analysis, priority issues were identified for different stakeholder groups through online surveys. In addition to the priorities of stakeholders, global and industry trends, priorities of companies from the industry and reports from international organizations were also included in the analysis.

Executive opinions and impact analysis

In determining the company priorities, the opinions of the senior management, business strategy and the four-stage impact analysis carried out by the SASB (Sustainability Accounting Standards Board) provided input. Within the scope of the impact analysis, risks and opportunities related to financial, legal, innovation and competition were evaluated.

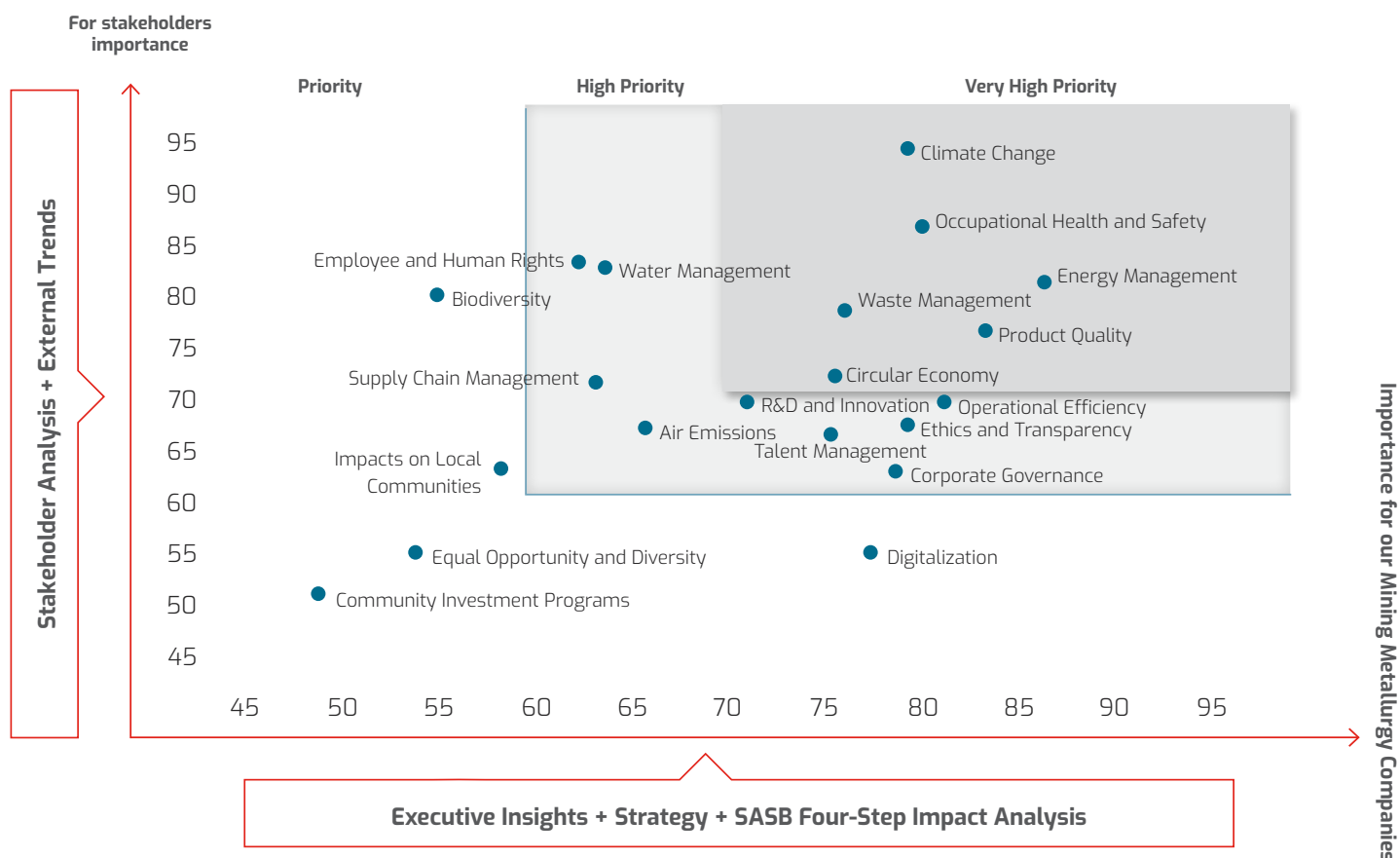
Determination of material issues

Among the stakeholder priorities determined in line with stakeholder and external trend analysis, and the company priorities determined in line with manager views and impact analysis, the six common issues deemed to have the highest importance were identified, and these issues were finalized with the approval of the senior management.

The topics identified as having the highest priority for both stakeholders and our Mining Metallurgy Companies were climate change, energy management, occupational health and safety, product quality, the circular economy, and waste management. For our companies, whose operations are carried out in sectors that are exposed to some of the severest health and safety risks, occupational health and safety is a high-priority issue while the fact

that steelmaking generates substantial CO₂ emissions increases the importance of climate-change and energy-management issues. Both waste management and circular economy are important topics not only because steel is a material that can be recovered and reused over and over again but also because some steelmaking by-products such as slag can be used for other applications.

GRI 102-42, 102-43, 102-44, 103-1



Priority	High Priority	Very High Priority
Biodiversity	Employee and Human Rights	Climate Change
Impacts on Local Communities	Water Management	Occupational Health and Safety
Digitalization	Supply Chain Management	Energy Management
Equal Opportunity and Diversity	Air Emissions	Circular Economy
Community Investment Programs	R&D and Innovation	Waste Management
	Operational Efficiency	Product Quality
	Ethics and Transparency	
	Talent Management	
	Corporate Governance	

MATERIALITY ANALYSIS

The results of the materiality analysis indicate that our stakeholders expect our Mining Metallurgy Companies to lead the sustainable transformation of the industry.



The Group aims to regularly continue the materiality analysis carried out in 2019 and to include stakeholder opinions in decision-making mechanisms. The results of the materiality analysis indicate that our stakeholders expect our Mining Metallurgy Companies to lead the sustainable transformation of the industry.

In 2020, the materiality analysis was reviewed with the senior management. During the discussions, an emphasis was placed on occupational health and safety and digitalization issues, which came to the forefront with the impact of the pandemic.

While the year 2020 was marked by the pandemic, which changed global trends and affected humanity in every field, deaths caused by the new variant of the coronavirus (Covid-19) and the economic effects of the pandemic were among the top five risks set out in the World Economic Forum's (WEF) 2021 Global Risks Report. Within the scope of our approach,

which puts people at the heart of its activities, priority was placed on the physiological and psychological health and safety of our employees.

Digitalization was one of the issues to be given increasing priority in 2020, a year in which remote communication gained importance with the impact of the pandemic.

Despite the damage left by the pandemic, the main trigger of change is the climate crisis. The climate crisis ranks first in the table of risks set out in the 2021 Global Risks Report prepared by the World Economic Forum. In order to minimize the impact of the emission-intensive iron and steel industry on climate change and to fulfil our responsibility to the world, the necessary investments are planned by addressing the issue of climate change with a scientific and realistic approach.







Energy management, which places priority on consuming the lowest possible level of energy resources and using what is consumed in the most

efficient manner, is handled with great importance at our Mining Metallurgy Companies. Our Erdemir, Isdemir and Erdemir Romania facilities hold ISO 50001 Energy Management System certification.

One of the factors which have been instrumental in building the trust of all stakeholders, especially customers, is the supply of flawless and complete products. In this context, many improvements have been achieved in delivering the products to the customers with high quality standards by operating multiple control mechanisms at the production points.

The fact that steel is a 100% recyclable material and that the wastes produced, such as slag, can be used as inputs in different industries means the circular economy is a very high priority.

Waste management is also among the top priority issues within the scope of preventing the generation of waste, reducing it at its source or reusing it.

Level of Importance	Material Issue	Relevant SDG	Its Importance for Us	The Framework It Affects	Relevant Section
Very High Priority	Climate Change		We consider combating the climate crisis is our responsibility to our planet and humanity. We plan our investments to minimize greenhouse gas emissions.	Internal and External Ecosystem	Page 74-75
	Occupational Health and Safety		Aware that the health of our employees comes first before anything else, we attach importance to OHS practices in order to ensure that our employees work in a safer ecosystem.	Internal Ecosystem	Page 66-72
	Energy Management		We work with the priority of keeping our consumption of energy resources to a minimum and using them efficiently.	Internal and External Ecosystem	Page 74-75
	Circular Economy		We contribute to the circular economy by managing our wastes.	Internal and External Ecosystem	Page 76
	Waste Management		In order to combat wastes with a zero-waste approach, we first of all seek to reduce wastes at the source to the greatest extent possible, then we apply recycling techniques and take the necessary care to dispose of wastes in a manner which does not harm the environment.	Internal and External Ecosystem	Page 76-77
	Product Quality		We always implement investments and improve our existing processes in order to provide safe, quality products and services to our customers.	External Ecosystem	Page 42-43, 60-61, 78-80

Stakeholder Relations

Stakeholders are at the heart of the business model of our Mining Metallurgy Companies. Accordingly, the establishment of partnerships and effective communication with stakeholders is believed to be important in creating long-term value. Our Mining Metallurgy Companies utilize various methods of communication to accurately understand stakeholder views, demands and expectations.

MATERIALITY ANALYSIS

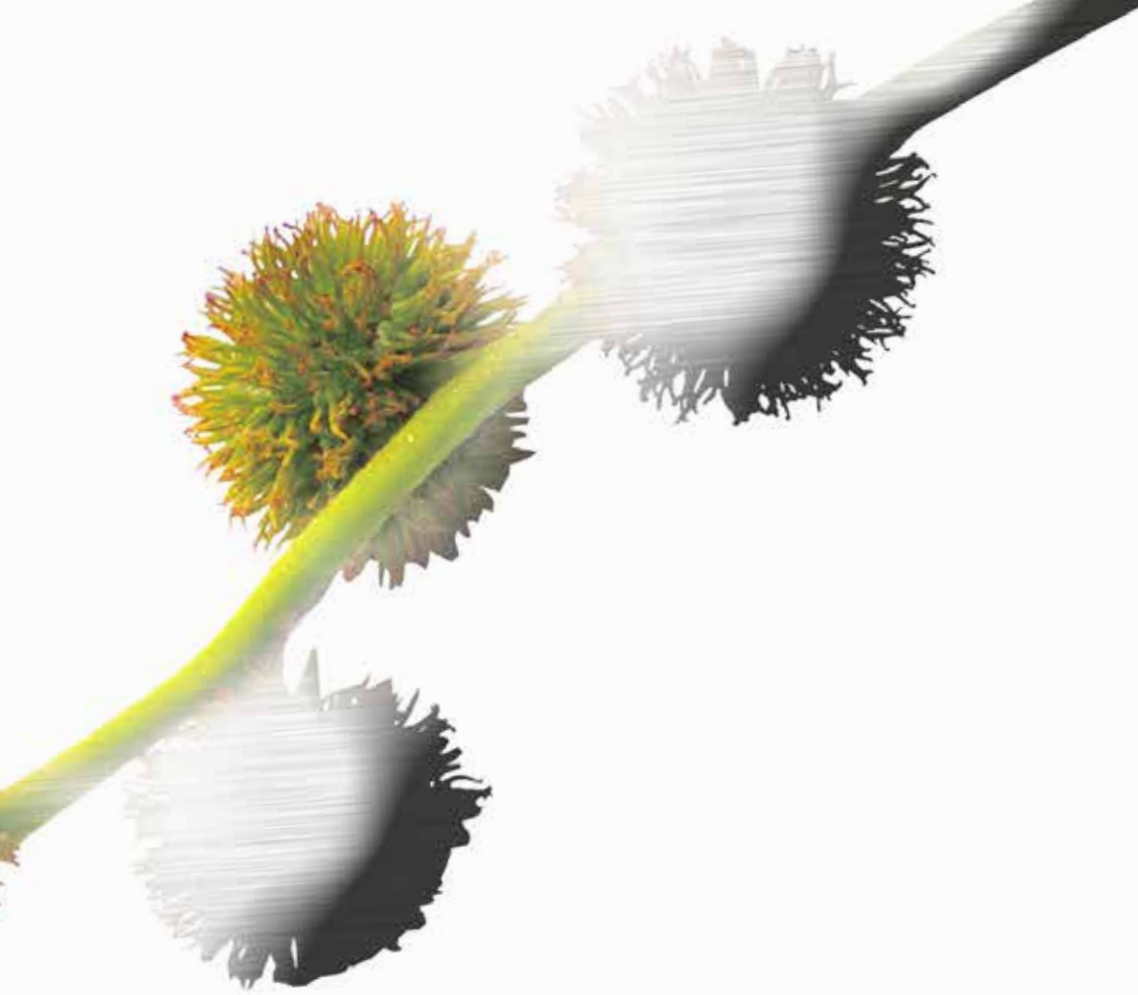
Communication Methods with Stakeholders

Stakeholder Group	Communication Method and Frequency
Employees	Intranet / Continuously in-Group TV / Continuously Integrated report / Annually Website / Continuously Stakeholder analysis / Every 2 years Social media / Continuously Employee loyalty survey Internal newspaper / Monthly Face-to-face meetings / Continuously Activities for the employees and their families / Continuously Suggestion system / Continuously
Suppliers	One-to-one meetings / Continuously Tenders / When needed Integrated annual report / Annually Website / Continuously Stakeholder analysis / Every 2 years Social media / Continuously
Public Institutions	One-to-one meetings / when needed Integrated annual report / Annually Website / Continuously Stakeholder analysis / Every 2 years
Local people	EIA public participation meetings / When required as part of Investments Integrated annual report / Annually Website / Continuously Local Press Relations / Continuously Press releases / When needed Stakeholder interviews Social media / Continuously
Customers	One-to-one meetings / Continuously Fairs / Special for fair periods Marketing activities Post-sales communication / Continuously Regular technical meetings / Continuously Integrated annual report / Annually Seminars and conferences Website / Continuously Stakeholder analysis / Every 2 years Social media / Continuously
Industry organizations, associations and the NGOs	Collaborations / Within the scope of joint projects and working groups Memberships / Annually Participation in working groups / Within the periods determined by the working groups themselves Integrated annual report / Annually Website / Continuously Stakeholder analysis / Every 2 years Social media / Continuously
Investors	Annual General Meeting / Annually One-to-one meetings and teleconferences / Continuously Integrated annual report / Annually Website / Continuously Stakeholder analysis / Every 2 years Social media / Continuously Material Event Disclosures / When Needed Interim Reports / Quarterly Investor presentations and teleconferences / Quarterly



2





**WITH THE
CONTRIBUTION WE
PROVIDE TO OUR
ECONOMY**

GENERAL OVERVIEW

ECONOMIC AND INDUSTRIAL ENVIRONMENT

The World Economy

The Covid-19 pandemic, which emerged last year in China and continues to have an impact globally today, maintains its influence and effect on public health as well as national economies. The drive towards localization in production and sales, which has been seen in global trade in recent years in a process which has been supported by countries through trade measures, has gained pace with the spread of the Covid-19 pandemic around the world. Localization in the supply chain, the desire of countries to build regional and local trade volumes, and the disruption to international trade through various measures will be among the issues which will come to the forefront in the coming years.

Although this trend presents many challenges for the steel industry, which has an important place in world trade, it has brought new opportunities. While all governments and central banks around the world have sought to curb the economic stagnation caused by the pandemic with both fiscal incentives and monetary policies, the acceleration of infrastructure investments has led to a faster than expected increase in demand for steel.

While the rapid recovery seen in China, in particular, reflected positively to global crude steel production, it could not prevent the overall contraction in production experienced all over the world. China succeeded in increasing its crude steel production by 6.3% compared to the same period last year, in contrast with a contraction of 8.9% for the rest of the world. With the expansionary monetary policies implemented by central banks and positive steps in the vaccine development and rollout, economies are expected to grow in 2021 with the steel industry, as with many industries, set to post a rapid recovery.

At the end of 2020, the following stood out as the leading risk factors for the coming year;



- The recovery failing to meet the desired pace, depending on the vaccine rollout,
- Global debt reaching record levels,
- Negative divergence between regions in global manufacturing and trade,
- Contraction in trade volumes with the rise in regionalization,
- Continued disruption to the supply chain,
- Slower-than-expected economic recovery,
- Developments regarding trade policies, especially the trade disputes between the USA and China,
- Geopolitical developments (Brexit, elections, sanctions),
- Economies not taking steady actions to alleviate the pandemic and implement reforms that enhance investments

Global trade and industrial production, which started to slow down at the end of 2019, contracted sharply in 2020 due to the pandemic. However, macroeconomic indicators suggest economies recovered as quickly in the third quarter as they had contracted in the second quarter on the back of the incentives put in place and the normalization steps taken. Having fallen to below 50 at the beginning of 2019, the manufacturing



In 2020, it was seen that the demand for steel in global trade and industrial production increased faster than expected with the effect of the pandemic.

With the effect of the incentives and normalization steps taken, the increase in macroeconomic indicators and improvements in the markets gained momentum as of the third quarter.

industry Purchasing Managers' Index (PMI), plunged to 39.6 in April, a level not seen since 2009, when economic growth worldwide had virtually ground to a standstill. Due to the recovery seen towards the end of 2020, the PMI rebounded to its June 2018 levels. The direction of the global manufacturing PMI in 2021 is expected to depend on the progress of the vaccine rollout.

With the total assets of the world's five largest central banks reaching a historic high of USD 30 trillion, there was an increase in loan volumes in all regions, especially in developed economies. The continuation of monetary expansion policy is expected to pave the way for a surge in global economic activity in the first half of 2021.

China, which was the starting point of the pandemic, posted 2% economic growth in 2020 with growth of 7.9% expected in 2021. The economic slowdown which had already been seen in the European Union, Turkey's largest export market, at the end of 2019 turned into a full blown recession with the pandemic in 2020 as economies across Europe suffered sharp contractions. The European Economic Forecast Autumn 2020 Report noted that the EU

The economic activity in Turkey, which had entered a recovery period as of the end of 2019, is expected to continue its expansionary trend again in 2021 after a slowdown due to the pandemic.

economy would not return to its pre-pandemic levels before 2022. The EU Commission estimates a contraction of 7.4% in 2020 with growth of 4.1% in 2021.

Manufacturing industry data from Europe recorded the steepest contraction for 10 years in April. The manufacturing industry PMI slumped to 33.4 due to the pandemic, before bouncing back strongly towards the end of the year, when it caught up with its 2018 levels at 55.5.

Strong data from the region's manufacturing industry suggests that 2021 will compensate the losses incurred in 2020. A deal with the UK provided clarity over the Brexit process, removing uncertainties over trade.

During the pandemic, the deterioration in the global economy also precipitated sharp declines in commodity prices. However, as the impact of the pandemic eased during the summer months with the first wave of infections left behind, as well as the rollout of incentive packages and the end of production halts led to a rapid recovery in commodity prices. Expectations for the commodity market for the coming period are bullish, although pricing disparities remain due to uncertainties regarding the vaccine rollout.

The crisis brought about by the pandemic in 2020 caused disruption on both the supply and demand side. Despite the ongoing risks, the global economy is expected to recover in 2021, especially after a surge in demand and the upturn in the manufacturing industry.

The Turkish Economy

The Turkish economy started to recover at the end of 2019 after entered a recession in the second half of 2018 with many economic indicators reaching a historic bottom. However, this upturn gave way to a sharp contraction as the pandemic started to spread throughout 2020. The Turkish economy entered the pandemic with weak macro-economic balances and contracted by 9.9% in the second quarter. Despite all of the risks, the economic indicators of the Turkish economy rapidly returned to their previous levels in a very short space of time. With this recovery, forecasts of a contraction which had been made for the Turkey economy at the beginning of the year were replaced with growth forecasts.

The World Bank, which had forecasted a 3.8% contraction for the Turkish economy in its forecast at the beginning of 2020, revised its forecast to a forecast of 0.5% growth towards the year-end, as a result of the financial incentives.

The Covid-19 pandemic adversely affected all economic activity from production to consumption all around the world, as in Turkey. Expansionary fiscal policies implemented in Turkey as well as many countries, including developed economies, combined with the increase in money supply played a significant role in overcoming the adverse effects of the pandemic. The rapid expansion in loans on the back of the historic low levels in interests seen in June 2020 was positively reflected to real sector. Industrial production started to climb on the back of the economic measures taken after the normalization and reached record levels. The low rates of interest on mortgage loans, which started to be implemented in the second half of the year, helped drive the construction industry to historic record highs after the contraction in the last eight quarters.



In our country, which is the 8th largest consumer in the world, steel consumption increased by 13% compared to the previous year and stood at 29 million tons in 2020.

Economic activity in Turkey, which entered a recovery process from the end of 2019, is expected to continue its expansionary trend again in 2021 after having stagnated for some time due to the pandemic. The real sector, particularly the white goods and automotive sectors, is predicted to record a surge in production thanks to support from global economic activity as well as the positive trajectory in domestic demand.

The Global Steel Industry

The deterioration in the global balances, which started to be felt intensely in the steel industry as of 2019, deepened further with the addition of adverse effects of the pandemic in 2020. The contraction in the global economy, decline in demand, the constraints on world steel trade amid increasing protectionist measures and the decreases in production across the board, except in China, triggered a rapid drop in steel prices. Against this backdrop, price levels slumped to their lowest levels seen since the crisis experienced in the steel industry in 2015. The World Steel Association estimates that the contraction in demand will be limited by 2.3% for 2020, with an increase of 8% in China. Thus, China's share in the global demand is predicted to reach a historic high of 57%.

In 2020, China positively diverged from the rest of the world despite the pandemic and rapidly recovered as of the second quarter following the economic contraction experienced in the first quarter. In order to meet demand for consumption, China

positively decoupled from the rest of the world in terms of production, reaching record production levels. It also switched from its position of being a net exporter, a position it had maintained for 16 years, to being a net importer. It is forecasted that there will be an increase in global steel production and consumption in the world during 2021, with the exception of China, where consumption is projected to remain constant.

Steel consumption, which started to decrease in the EU from 2018, is estimated to have slumped by 15% in 2020 due to the pandemic, with consumption sinking to the lowest levels seen since 2009.

The protectionist measures in the steel industry taken by a number of countries, especially the USA and in the EU, and have reached their highest point in history, continuing to impact the markets.

Expansionary monetary policies taken central banks provided took some of the pressure off the global economy and the steel industry during the ongoing pandemic. A rebound is occurring under the leadership of the world, except China, and the losses in the steel production and consumption will be recovered.

The Turkey Steel Industry

The contraction in domestic demand occurring in Turkey, which was caused by the construction industry, since the second half of 2018, continued until the end of the first half of 2020. The low level in loan interest rates reflected positively on the construction industry, so that the steel consumption

caused by this industry increased after a long hiatus. Total steel consumption decreased by 15% in 2019 and increased by 13% in 2020, mainly due to the increase in long product. The increase in flat steel consumption remained at 5%, while the increase in consumption of long steel stood at 30%. These results showed a return from the bottom of the last 10 years occurred in 2019, although the 2017 figures, which was the strongest period, have not yet been captured. In response to the increase in steel consumption, the increase in the Turkish steel production remained limited and stood at 6%. This is due to the fact that imports in Turkey maintain its high levels.

Turkey ranked 7th among the top 10 steel producing countries in the world and became the producer that increased steel production most after Iran in 2020.

Turkey's steel exports decreased by 6% in terms of quantity in 2020 compared to the previous year and decreased by 13% in value due to the contraction of global demand during the pandemic. The loss was mainly due to a contraction in demand in the EU zone. Exports of flat products, which were realized at a similar level, differed regionally. The tonnage, which could not be directed towards the EU, was combined with the MENA (the Middle East and North Africa) and Asian regions. 80% of the export reduction on a quantity basis occurred in long products. The NAFTA region was one of our traditional markets for long product exports before the additional 25% tax imposed by the United States on Turkey but reached the bottom levels in 2019. However, the NAFTA region became the market where Turkey increased the most tonnage in 2020.

The strong development of the iron and steel industry, which is one of the leading industries of strategic importance on the way to becoming a developed country and that creates



inputs for many industries, is an indispensable necessity in terms of moving the industry and economy forward. When the world's largest economies are examined, it is seen that the iron and steel industry of each of these economies have been at a strong level for many years. Thus, the value-added industry is carried forward.

Aware of the strategic importance of the iron and steel industry, all countries have been protecting their industries with very intensive measures for the last 3 years. Although it is the 7th largest producer in the world, the Turkish steel industry, which meets almost half of its consumption with imports, stands out as the single market that remains vulnerable to imports. Steel imports do not decrease in our country, which has become the focus of exporter countries with its open market position.

It is understood that the trade carried out specific to flat steel imports is non-reciprocal and this does not comply with the conditions of balanced trade. The imports, which are maintaining their weight, are causing the country's installed capacity to remain low, which appears to be limiting the potential of the Turkish economy.

Expectations for 2021

Due to the Covid-19 pandemic, it seems that in 2020, industrial production and trade around the world has almost come to a halt. It seems that it is a period, when high volume fiscal incentive policies have been implemented, protectionism measures have been implemented in many countries and regions comprehensively, and market conditions for the steel industry have been dominated by a downward trend. 2021 is expected to be the transition year to the stabilization process, although there are risks that will lead the global economy to a negative outlook.

It is predicted that the clarification of the US elections and the Brexit process will have a positive effect on predictability by removing uncertainty in economic policies.

It is estimated that many central banks will continue their expansionary policies during the pandemic period that continues its effect. It is estimated that this situation will positively reflect on global growth, demand and indirectly on manufacturing industry production.

As of the second half of 2020, the recovery experienced in the global economy also had an impact on the steel industry. Although a contraction of 2.3% was expected in global steel consumption in 2020. The expectation for 2021 was determined as 4% growth depending on the return of economic activities to normal. It is predicted that the growth will stem from the increase in the world, except China, and the Chinese consumption will remain at a similar level to 2020.

While the Turkish steel industry continues its fair trade activities by staying within the framework determined by the World Trade Organization in all difficult conditions. It is currently exposed to quotas and similar practices in many regions of the world, moreover, new obstacles are created with unfair methods on top of these practices. It is observed that this situation is disrupting the fair environment determined by the World Trade Organization.

DEVELOPMENTS IN SHARES

Included on the BIST 30 index, Erdemir is one of the largest publicly traded companies in Turkey with a ratio of 47.63%.

Erdemir

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) shares have been traded on the stock exchange under the "EREGL" ticker since the Borsa İstanbul was founded in 1986. Erdemir is one of Turkey's largest publicly traded companies with a free float of 47.63%, and also trades on the BIST 30 index. The majority of the shares in Erdemir traded on the Borsa İstanbul are held by corporate investors.

Shares in Erdemir, which started the first trading day of 2020 with an opening price of TL 9.04 ended the year with a price of TL 14.93, despite the volatilities in the markets due to the pandemic. The most valuable industrial company on the Borsa İstanbul in terms of market value, Erdemir ranked 2nd on the index at the end of the year.

Erdemir staged a positive decoupling with its financial and operational achievements, reaching a market value of TL 52,255 million at the end of 2020. In the same period, Erdemir's market value had increased by 29% by the end of 2020, taking the BIST 100 index on 31 December 2019 as a basis.

The Investor Relations Department of our Mining Metallurgy Companies provides continuous, effective and transparent communication by sharing all the necessary information with all stakeholders on an equal basis. In this context, four webcasts and one analyst meeting were held in 2020, in which the 2019 year-end financials and quarterly financial statements published in 2020 were disclosed. Erdemir is currently followed by 22 analysts.

İsdemir

Shares in İskenderun Demir ve Çelik A.Ş. (İsdemir) started to be traded on the Borsa İstanbul's Pre-Market Trading Platform under the "ISDMR" ticker on 28 March 2016. The float passed 5% following the sale by the main partner, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., on the Borsa İstanbul. As the conditions specified in the BİAŞ Quotation Directive were fulfilled, the company's shares started to be traded on the Star Market with effect from 19 April 2018.

Starting the first trading day of 2020 with an opening price of TL 8.01, İsdemir shares ended the year at a price of TL 10.11. At the end of 2020, İsdemir reached a market value of TL 29,319 million, becoming the 12th most valuable Borsa İstanbul-listed company in terms of market value in 2020.



İsdemir

In 2020, İsdemir's shares generated a 29% return for its investors and became the 12th most valuable company on the Borsa Istanbul in terms of market value. Erdemir's stock yielded a 69% return for its investors and ranked as the 2nd most valuable company.

Stock Ticker Symbol

Erdemir

Borsa İstanbul: EREGL
Bloomberg: EREGL TI
Reuters: EREGL.IS

İsdemir

Borsa İstanbul: ISDMR
Bloomberg: ISDMR TI
Reuters: ISDMR.IS

ERDEMİR* vs. İSDEMİR* vs. BIST 100 INDEX (31.12.2019=100)



* Share price readjusted after deducting dividends.

The 2020 Stock Performance

1 January-31 December 2020		Lowest	Highest	Average	31.12.2020
Erdemir	Share Price (TL)	7.14	15.21	9.21	14.93
	Market Value (USD, million)	3,828	7,217	4,656	7,033
İsdemir	Share Price (TL)	5.71	10.18	7.35	10.11
	Market Value (USD, million)	2,567	4,025	3,095	3,946

Source: Bloomberg and Matriks

INVESTMENTS

Our Mining Metallurgy Companies continue their investment activities at their facilities with a focus on low-cost, high efficiency and innovative solutions.

A total of 33 investments were ongoing at Erdemir and İsdemir in 2020. Work on five of these investments got underway in 2020, with four of them completed in 2020.

COMPLETED INVESTMENTS

Erdemir No. 2 Hot Rolling Mill Quality&Sustainability Investments Project

The Hot Rolling Mill Quality and Sustainability Investments were aimed at improving product quality and increasing internal / external customer satisfaction. The project, which is expected to stem production and efficiency losses in the 2nd Hot Rolling Mill and Cold Rolling Mill lines, and bring down production costs, was commissioned in 2020.

Erdemir New Slab Grinder Project

The New Slab Grinder equipment was aimed at eliminating capacity constraints of the existing Skarf Machine within the Hot Rolling Mill and meeting its needs in full, as well as improving production performance by responding to the quality defects in a short space of time and reducing efficiency losses. The equipment was commissioned in 2020.

The Erdemir Steel Production Facilities Level 1-2 Modernization Completion Investment Project

The project was aimed at carrying out procedures which are performed manually and which cannot be fulfilled due to a lack of systems in the Continuous Casting 3-4, which are the facilities where all grades can be produced, and connecting them to automation to prevent production losses in failures that may occur in the systems with outdated technology which have reached the end of their life, and to ensure process integrity and system integration throughout steel production facilities.

İsdemir Slab Cast Mold Level Control System Modernization Project

As a result of mold overflow in the old system, there was a high likelihood of liquid steel leakage into radioactive areas and subsequent radioactive contamination of slab casting machines. The electromagnetic mold level measurement and electrical stopper system used to eliminate risk allowed the replacement of the old riskier system upon completion of the project performance tests.

ONGOING INVESTMENTS

Erdemir 2nd Blast Furnace Renovation Project

The project, drawn up in view of the need for the relining of the 2nd blast furnace, is aimed at the renewal of the blast furnace with minimum production loss and cost. Detailed engineering studies, procurement processes within the scope of the project, supply, manufacturing and field works continue.

Erdemir 6th Steam Boiler Project

The project, whose equipment manufacturing, shipment and field applications are ongoing, is aimed at producing steam by maximizing the use of blast furnace gas and increasing efficiency.

Erdemir Steel Shop Converters Modernization Project

The project is aimed at achieving the sustainability of the steel production process through the modernization of equipment, which will ensure the elimination of wear and tear which could stop production.

Erdemir New Wide Inspection and Recoil Line Project

The main equipment shipment and construction work is continuing in the project, which envisages the inspection and recoiling processes of the production over 1,550 mm in the 2nd Galvanizing Line, which will produce with high surface quality to serve the automotive industry.

Erdemir R&D Simulation Center Project

The main purpose of establishing an R&D Simulation Center is to identify the R&D projects which will create value for our Mining Metallurgy Companies and to maintain these projects in a manner which achieves the targeted results. Raw material and product development studies will be carried out within the scope of the project.

The work in the area of raw materials is aimed at evaluating residues, determining alternative materials and technologies which reduce cost and developing processes. Product development studies have been carried out with the aim of developing new steel grades, determining production process parameters for the new grades, and developing technical suggestions to resolve problems which may arise during the production and use of new products.



For these purposes, in 2020, innovative coating technologies, improvement of coating properties, process optimization in steel grades, scaling studies with the cold rolling, annealing and coating process simulator were carried out in the industrial process. Commissioning of the Hot Rolling Simulator is planned to be completed in the first half of 2021.

Erdemir 4th Coke Battery Project

The project is aimed at ensuring a balance of coke within Erdemir itself and thus eliminating the need to purchase coke externally, compliance with environmental legislation and related regulations, and the renewal of By-Product Facilities which have come to the end of their economic life.

Erdemir New Sinter Project

The project aims to increase the sinter usage rate in blast furnaces, thus saving pellets and coke, as well as the establishment of a desulphurization facility.

Erdemir Steel Shop Secondary Dust Collection System Capacity Increase Project

The project envisages the installation of a new dust collection system in addition to the existing secondary dust collection system.

Erdemir 60 MW Turbo Generator Project

Under the 60 MW New Turbo Generator Purchase Project, a new generator will be commissioned to take the place of the 1st, 2nd and 3rd Turbo Generators. The new generator will offer greater efficiency than the existing generators and generate more electricity with the same steam input, while reducing the amount of electricity to be purchased.

Erdemir 1st Slab Furnace Modernization Project

The aim of the project is to eliminate furnace shell defects caused by the 1st slab furnace, to reduce the use of the fourth furnace due to the quality problems in the 4th furnace and to use the first furnace more effectively in the production of strips.

US\$ **306** MILLION

INVESTMENT EXPENDITURE

IN 2020 OUR MINING AND METALLURGY COMPANIES MADE US\$ 306 MILLION INVESTMENT EXPENDITURE.

R&D

QUALITY STEEL

IN ORDER TO MEET THE NEED FOR QUALITY STEEL, ERDEMİR R&D SIMULATION CENTER PROJECT WAS IMPLEMENTED.

INVESTMENTS

İsdemir New 1st Blast Furnace Project

The project aims to reduce the amount of electricity which needs to be purchased by converting blast furnace gas, the quantity of which will increase in parallel with final product quantities and liquid crude iron production due to the increase in furnace volume, into electricity production and preventing a loss in production during the relining in the 3rd Blast Furnace.

No.3 Coke Oven Battery Modernization Project

The project aims to modernize the İsdemir 3rd Coke Oven Battery to increase the sales volume of by-products and save energy by increasing electricity generation with the increasing amount of coke gas.

İsdemir New Coke Gas Gasometer

The New Coke Gas Gasometer aims to reduce energy costs by burning high-calorie coke gas produced in the Coke Batteries and which would have been released unused into the atmosphere, thus reducing energy costs, balancing the efficiency losses due to pressure fluctuations and preventing environmental pollution.

İsdemir Vacuum Degassing Plant Project

A Vacuum Degassing Facility will be established to enable the production of high-quality clean steel with a low hydrogen, low nitrogen and ultra low carbon ratio. The project aims to achieve carbon removal capability, shorter process times and "prevention of production losses" in the crucibles.

İsdemir Steel Mill A-B Hall Extension and New Cranes Supplying Project

This project is aimed at preventing production losses in the steel mill and ensuring production continuity in the event of a breakdown of cranes which manipulate the liquid crude iron filled charging crucibles in the event of a breakdown of the cranes which manipulate the liquid crude iron filled charging crucibles.

1. Blast Furnace Top Pressure Recovery Turbine (TRT)

The project is aimed at generating additional electricity from the pressure of the blast furnace gas to be produced in the new 1. Blast Furnace.

İsdemir New Sinter Plant

The New Sinter Plant is aimed at increasing the use of sinter and reducing the consumption of pellet and coke.



İsdemir, Blast Furnace

The İsdemir 1. Blast Furnace Top Pressure Recovery Turbine (TRT) is aimed at generating additional electricity from the pressure created by the blast furnace gas.



Erdemir, Blast Furnace

The Erdemir Structural Rehabilitation of Docks Project sets out necessary structural improvements and repair activities for other docks.



NEW INVESTMENTS

Erdemir New Turbo Blower Project

A New Turbo Blower is to be installed in order to ensure the safe continuity of liquid crude iron production in the Blast Furnaces.

Erdemir Structural Rehabilitation of Docks Project

The project is aimed at performing the necessary structural improvements in the 1st Cargo and 1st Unloading Docks to comply with the legal regulations and the necessary repair activities for the other docks.

İsdemir 3rd Steam Boiler Retubing (Partial Pipe Replacement) and Burner Modification

Under the project, the pipes of the 3rd Steam Boiler, which has carried out 240,000 hours of operation since its installation will be retubed and the burner system will be modified in order to ensure economical and safe steam production.

North Side Land Reclamation Project

The project is aimed at meeting the field needs which will arise in the new investment projects planned at İsdemir, and eliminate approximately 2.4 million tons of slag by using it in the port construction backfill.

İsdemir Port-1 New Grab Ship Unloader Cranes

The project is aimed at ensuring the sustainability of steel production and achieving more efficient working conditions with the continuity of port activities.

PRODUCT MANAGEMENT

Our Mining Metallurgy Companies continue to develop innovative products by carefully monitoring the technological and scientific developments in the industry and offering special solutions which meet the different needs of their customers.

Product Innovations and Value-Added Product Focus

Our Mining Metallurgy Companies fulfil their product responsibility by manufacturing to a high level of reliability and quality in accordance with local and international standards and in line with the sustainability approach and quality policy.

In 2020, our Mining Metallurgy Companies achieved one of their best performances by increasing the proportion of their value-added product sales to 28% of final product sales. Our Mining Metallurgy Companies, which increased the production of coated products with the investments carried out in recent years and offered 24 new flat product grades and 7 new long product grades to the use of their customers only this year, increased the sales of the products developed in the last 3 years to over 600,000 tons.

Continuous Collaboration, Sustainable Success

Our Mining Metallurgy Companies, which consistently increase the number of collaborations with their customers with each passing day, have become a key supplier of the main automotive industries which produce in our country and use galvanized steel with the completion of the approval work in 2020. In this way, we reached a position where we supply steel to all of the country's key automotive industries.

In addition, almost all wind turbines built in Turkey this year were produced using Erdemir plates, breaking records in sales made to the wind energy sector, a sector which has come under the spotlight in recent years.

With the work carried out with customers in the field of packaging steel, the thickness of the materials used was reduced. With new products, which have high forming and high hardness properties such as double-crushed tin and chrome-plated DR7, DR8, DR9, domestic production got underway for these materials, which had been imported.

Effective Cost Management Providing Profit for All Stakeholders

Our Mining Metallurgy Companies created a competitive advantage with their effective cost management practices in 2020. They also achieved significant success in the field of minimizing their carbon footprint. With the quality improvement studies carried out this year, additional heating procedures were removed in the majority of plate grades, which had been produced by offline normalization previously, saving over USD 2 million in energy costs annually. In addition, the delivery performance was improved by overcoming the bottlenecks created in the production by additional production processes, achieving a significant reduction in the carbon footprint.

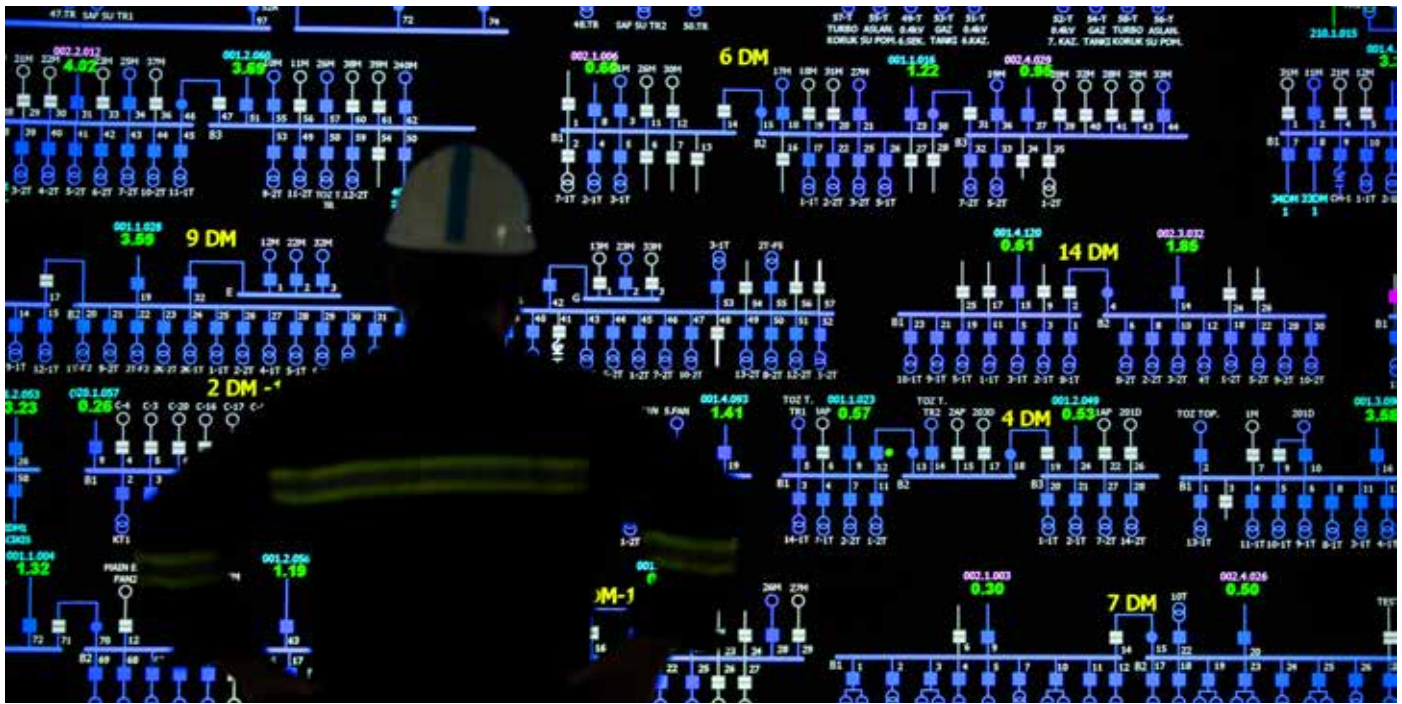
Customer Focused Process Innovations

Our Mining Metallurgy Companies continued their improvement efforts in line with the feedback they received from their customers with the Customer Satisfaction Index (CSI), which was commissioned in 2020 and which allows customer satisfaction to be monitored over a single index.

Providing continuity to the reduction of customer complaints is one of the goals of all factories operating under our Mining Metallurgy Companies and their senior management.

As a result of the Customer Satisfaction Index and the work taken towards index targets, a reduction of more than 50% was achieved in the amount of complaints received in 2020 throughout the companies, with a positive contribution made to customer satisfaction.

Our Mining Metallurgy Companies, which created a competitive advantage with their effective cost management practices carried out in 2020, saved over USD 2 million in energy costs annually with the quality improvement work carried out this year.



A Solution Partner

OYAK's Mining Metallurgical Companies After Sales Services Unit, which approaches complaints coming from customers as an opportunity and acts as a solution partner, monitors all complaints through online portals and conveys them to the customer site within 48 hours for on-site evaluation of the feedback. In September 2020, the İsdemir long product complaints procedure was integrated into online portals, thus aiming to provide permanent solutions by analyzing the reported problems more effectively and efficiently.

AVERAGE COMPLAINT RESOLVING TIME (DAYS)

YEAR	ERDEMİR	İSDEMİR
2019	7.8	7.1
2020	4.5	4.4

Digital Transformation

Within the scope of the Sales and Shipping Systems Modernization Project, a mobile platform was launched to ensure faster and more effective management of customer complaints. Under the program, customer complaints can be followed up more quickly and effectively by scanning barcodes over the mobile application to be downloaded to the user's smartphone.

Key activities carried out in the field of product and customer management in 2020

New Customers and New Markets

- The Ford Global approvals of 13 different grades were completed in order for Erdemir to become an approved supplier for the V710 / 711 vehicles, with 650,000 units of the model to be produced per year at the Gölcük facilities in a partnership between Ford and VW starting from 2023. The new model will replace the Transit model.
- Shipments to Toyota and Hyundai started in the galvanneal and cold product group with the homologation studies. With this development, the Group was supplying products to all major industrialists in the automotive sector.
- Improvements to existing grades paved the way for increased customer satisfaction and capturing of market share in new markets.

Customer Management

- In 2020, 450 on-site complaint reviews, 80 customer visits, over 500 meetings and more than 150 training and orientation activities were completed.
- A total of 1,830 Customer Complaint Review Reports were written through the Information Security Management System, the Erdemir Enterprise and Ersem SAP.
- In 2020, the acceptance rate and number of complaints at Erdemir decreased by up to 50% compared to 2019.
- The number of acceptances and complaints at İsdemir, which had been on an upward trend in the previous three years, more than halved in 2020.

PRODUCTION AND SALES

PRODUCTION

In 2020, crude steel production at the Ereğli facilities increased by 18.3% compared to the same period of the previous year to reach 3,633,000 tons. Crude steel production at the İskenderun facilities decreased by 11.6% compared to the previous year to 4,897,000 tons. In 2020, crude steel production totaled 8,530,000 tons.

PRODUCTION (x1,000 tons)	2017	2018	2019	2020
Liquid Steel	9,392	9,322	8,787	8,709
Ereğli	3,672	3,482	3,161	3,736
İskenderun	5,720	5,840	5,626	4,973
Crude Steel	9,203	9,145	8,608	8,530
Ereğli (Slab)	3,565	3,387	3,072	3,633
İskenderun (Slab)	4,300	4,746	4,511	3,875
İskenderun (Billet)	1,338	1,012	1,025	1,022
Flat Finished Product	7,713	7,743	7,257	7,266
Ereğli (Tin)	264	225	244	247
Ereğli (Galvanized)	329	334	401	539
Ereğli (Cold)	1,230	1,142	992	988
Ereğli (Hot)	2,293	2,216	2,101	1,969
Ereğli (Plate)	346	405	344	369
İskenderun (Hot)	3,127	3,399	3,164	3,154
İskenderun (Slab-non-group)	124	22	11	0
Long Finished Product	1,328	980	1,026	992
Billet	688	432	438	403
Coil	640	548	588	589
Iron ore	1,996	1,770	1,938	2,137
Pellet	1,501	1,513	1,547	1,524
Other	495	257	391	613

The capacity utilization ratios of our Mining Metallurgy Companies were as follows:

CAPACITY UTILIZATION RATIOS (%)	1 JANUARY- 31 DECEMBER 2020	1 JANUARY-31 DECEMBER 2019
Liquid Steel	90%	91%
Crude Steel	89%	91%

SALES

In 2020, total flat product sales reached 7.5 million tons. Domestic flat product sales increased by 7.2% compared to the previous year with 6.2 million tons. Total long product sales decreased by 4.9% to 1 million tons, while domestic long product sales increased by 11.8% compared to the previous year to 0.9 million tons.

Our Mining Metallurgy Companies exported 1.4 million tons of finished products in total, including 1,333,000 tons of flat products and 69,000 tons of long products. This amount constituted 16.5% of their total sales. Flat products were exported to 41 countries and long products were exported to 15 countries.

SALES (x1,000 tons)	2017	2018	2019	2020
Flat Finished Products	7,594	7,482	7,250	7,489
Ereğli (Tin)	267	221	246	260
Ereğli (Galvanized)	63	64	100	312
Ereğli (Cold)	919	880	734	756
Ereğli (Hot)	1,802	1,710	1,678	1,710
Ereğli (Plate)	343	370	327	341
İskenderun (Hot)	2,908	3,142	3,110	3,152
İskenderun (Slab)	123	19	12	0
Ersem (Galvanized)	289	259	273	281
Ersem (Cold)	370	327	343	343
Ersem (Hot)	510	490	427	334
Long Finished Products	1,364	919	1,057	1,006
Billet	717	395	456	412
Coil	647	524	601	594
Iron Ore	2,052	1,880	1,941	2,031
Pellet	1,485	1,510	1,544	1,507
Other	567	370	397	524

Despite the pandemic, our Mining Metallurgy Companies produced 8.53 million tons of crude steel in 2020, meeting about 24% of the country's crude steel production.

B





**WITH THE STRENGTH
WE DERIVE FROM OUR
STAKEHOLDERS**

CORPORATE GOVERNANCE

Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key components of corporate governance, in all of their activities.

Strong corporate governance enables to achieve long-term sustainable success and creates added value for shareholders and all stakeholders by accurately analyzing risks and opportunities. In addition to managerial uncertainties, environmental and social risks are now among the factors affecting the sustainability of companies. These risks can be effectively managed by adopting a holistic management approach.

Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key components of corporate governance, in all of their activities.

Our Mining Metallurgy Companies pay utmost attention and efforts in compliance with Capital Market Law and secondary regulations as well as the decisions taken by the Capital Market Board (CMB). Our companies share their performance in this field and their corporate governance compliance statement with the public on a regular basis.

Corporate Governance Rating

Erdemir

According to the Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Corporate Governance Principles Compliance Rating Report prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (International Credit Rating and Corporate Governance Services), dated 24 July 2020, the Company's Corporate Governance Rating increased from 9.49 (94.86%) to 9.52 (95.23%). Erdemir's rating demonstrates that it has largely complied with the Corporate Governance Principles published by the Capital Market Board, and that any risks which occurred were largely identified and kept under control.

İsdemir

The İskenderun Demir ve Çelik A.Ş. Corporate Governance Principles Compliance Rating Report prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. was completed on 25 August 2020. İsdemir's first Corporate Governance Rating was determined as 9.45 (94.55%).

The Borsa İstanbul Sustainability Index

The Borsa İstanbul (BIST) Sustainability Index includes BIST-listed companies which demonstrate a high corporate sustainability performance. Erdemir, which is one of our Mining Metallurgy Companies, was the first steel producer to be included in the index. Erdemir has been included in the Borsa İstanbul Sustainability Index since November 2015 and İsdemir since November 2019, when it was subjected to evaluation.

The Structure of the Board of Directors

The Board of Directors of our Mining Metallurgy Companies consists of a total of nine members. Three of the members of the Board of Directors are independent members. In accordance with the principle of separation of powers and authorities, the Chairman of the Board of Directors and the General Manager are different persons.

Erdemir's corporate governance compliance rating rose to 9.52. İsdemir's corporate governance compliance rating was determined as 9.45 for the first time this year.

For the Corporate Governance Compliance Rating Report please visit <https://www.erdemir.com.tr/investor-relations/corporate-governance/corporate-governance-compliance-rating-report/>

BOARD OF DIRECTORS

Board of Directors	Duty	Date of taking office
OYTAŞ İç ve Dış Ticaret A.Ş. (Representative: Süleyman Savaş ERDEM)	Chairman of the Board of Directors	27.05.2013 ^(*)
OMSAN Lojistik A.Ş. (Representative: Aslıhan DÖĞER)	Deputy Chairman and Executive Director	11.09.2012 ^(*) ^(**)
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: Gürtan DAMAR)	Board Member and Executive Director	13.09.2012 ^(*) ^(**)
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Representative: Bekir Emre HAYKIR)	Board Member	20.09.2012
OYKA Kağıt Ambalaj Sanayi ve Ticaret A.Ş. (Representative: Baran ÇELİK)	Board Member	12.09.2012 ^(*)
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Representative: Güliz KAYA)	Board Member	12.09.2012 ^(*)
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017
Mahmut Cengiz AYDIN	Independent Board Member	05.02.2021 ^(***)

^(*) The starting date of the Board Member as a legal person is taken as a basis.

^(**) The duty of Mr. Toker ÖZCAN who is the real person representative of OYAK Pazarlama Hizmet ve Turizm A.Ş. which is the legal person Vice Chairman of the Board of Directors and Managing Director of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ended on 23.02.2021. As of the same date, Ms. Aslıhan DÖĞER who is the real person representative of OMSAN Lojistik A.Ş., and the legal person Vice Chairman of the Board of Directors and Managing Director of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. took up her duty. Mr. Gürtan DAMAR who is the real person representative of OYAK Pazarlama Hizmet ve Turizm A.Ş. and the Board Member and Managing Director of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. as a legal person started.

^(***) The duty of Mr. Toker ÖZCAN who is the real person representative of Erdemir Madencilik Sanayi ve Ticaret A.Ş. which is the legal person Vice Chairman of Board of Directors and Managing Director of Iskenderun Demir ve Çelik A.Ş. ended with effect from 23.02.2021. On the same date, Ms. Aslıhan DÖĞER, who is the real person representative of Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. and the legal person Vice Chairman of Board of Directors and Managing Director of Iskenderun Demir ve Çelik A.Ş. took up her duty. Mr. Gürtan DAMAR who is the real person representative of Erdemir Madencilik Sanayi ve Ticaret A.Ş., and the legal person Board Member and Managing Director of Iskenderun Demir ve Çelik A.Ş. took up his duty.

^(***) Mr. Yunus ARINCI, an Independent Board Member of the Company, resigned from this position with effect from 17 July 2020. Mr. Mahmut Cengiz AYDIN, replaced Mr. Yunus ARINCI, started to serve as an Independent Board Member with effect from 5 February 2021.

SENIOR MANAGEMENT

Senior Management	Duty	The Date of Taking The Office	Education	Professional Experience
Aslıhan DÖĞER	Deputy Chairman and Executive Director	23.02.2021	Middle East Technical University - Industrial Engineering	23 Years
Gürtan DAMAR	Board Member and Executive Director, Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. General Manager	23.02.2021	Yıldız Technical University - Mechanical Engineering	26 Years
Mustafa Serdar BAŞOĞLU	Financial Management and Financial Affairs Group Vice President	24.09.2020	Karadeniz Technical University - Finance	17 Years
Fatih ÇITAK	Marketing and Sales Group Vice President	01.06.2020	İstanbul Technical University - Industrial Engineering	22 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University - Political science and public administration	25 Years
Ercan KAYA	Corporate Architecture and Human Resources Group Vice President	21.07.2020	National Defense University - Business Administration	34 Years
Can ÖRÜNG	Information Technologies Group Vice President	21.07.2020	İstanbul Technical University - Management engineering	20 Years
Salih Cem ORAL	Ereğli Demir ve Çelik Fabrikaları T.A.Ş. General Manager	06.06.2018	İstanbul Technical University - Metallurgical Engineering	27 Years
Mesut KEYFLİ	İskenderun Demir ve Çelik A.Ş. General Manager	12.10.2018	İstanbul Technical University - Electrical engineering	31 Years
Halil YILDIRIM	Erdemir Madencilik Sanayi ve Ticaret A.Ş. General Manager	04.09.2013	Cumhuriyet University - Geological Engineering	23 Years
İbrahim ÖZBUNAR	Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. General Manager (Deputy)	17.01.2020	Ege University - Agricultural Engineering	25 Years

COMMITTEES AND THEIR RESPONSIBILITIES

The Corporate Governance Committee, the Audit Committee and the Early Detection of Risk Committee operate to support the duties and responsibilities of the Board of Directors.¹ Due to the number of members on the Board of Directors, each Board member is assigned to more than one committee. Committees may invite experts to meetings to obtain their views. Reports on the results of the committee meetings are prepared and regularly presented to the Board members.

Sustainability management, which covers social, environmental and ethical issues, is under the responsibility of the Strategic Planning and Sustainability Directorate unit, which operates under the Operational Excellence Directorship. The strategies and targets are determined and their implementation is followed up by the specified unit.

COMPLIANCE WITH ETHICAL PRINCIPLES

OYAK Mining Metallurgy Code of Ethics and Business Conduct together with Anti-Corruption Policy attest to our ethical values, responsibilities, expectations, and execution standards integral to our business relationships and activities. Code of Ethics and Business Conduct applies to OYAK Mining Metallurgy companies, all third parties acting on behalf of our companies and their employees.

Employees, suppliers and all other stakeholders may submit reports on any issue which may be related to compliance with the Code of Ethics and Anti-Corruption Policy via the e-mail address at etik@erdemiretik.com or by calling 0 850 2113000.

The notifications sent through these channels can be accessed by the Senior Manager of Internal Audit department operating under the Vice Chairman of the Board of Directors and Managing Director. Any violations may be notified by name or anonymously, and the identity of the reporting persons is kept confidential and violations are examined within the framework of confidentiality rules. A policy is pursued which aims to prevent potential any retaliatory attitudes or behaviors against employees or individuals who report ethical violations.

Investigation and probing activities with respect to compliance with the Code of Ethics and Business Conduct and Anti-Corruption Policy are carried out by the Internal Audit Directorate. Ethics Committee is the responsible authority for assessing violations of Code of Ethics and Business Conduct and Anti-Corruption Policy and implementing disciplinary action when deemed necessary. Ethics Committee consists of the Chairman of the Board of Directors, top managers of Human Resources and Legal Departments. Head of Internal Audit acts as the secretary of the Ethics Committee. Through investigations, in addition to disciplinary actions where necessary, the directorate aims to act to strengthen the internal control environment in order to prevent the occurrence of compliance issues. Monthly salaried employees complete Code of Ethics And Business Conduct compliance acknowledgement form every year. The results are analyzed through the joint efforts of Human Resources and Internal Audit departments and actions are taken when necessary. In the event of a potential conflict of interest, measures such as changes in the area of responsibility and rotation are taken.

New employees at our companies are informed of the Code of Ethics. Training aimed at raising awareness of the codes of ethics and efforts to tackle corruption are organized for the employees. Monthly salaried employees receive online training on Code of Ethics and Business Conduct every year. Online training includes case studies and examples of the behavior expected in situations which could be encountered in working life. In 2020, a total of 3,592 employees participated in the online ethics training programs organized through the digital HR system.

Contracts with suppliers and customers include a condition of compliance with the Code of Ethics and Business Conduct and the Anti-Corruption Policy. Institutions which we are in a commercial business relationship with are expected to demonstrate compliance with these principles. We avoid entering into business relationships with companies that do not comply with ethical principles.

Ethical notifications (complaints or questions) are kept in central a database. Action plans are drawn up to improve the compliance process by performing performance review annually.

The Code of Ethics and Business Conduct can be accessed from the link at <https://www.erdemir.com.tr/corporate/code-of-ethics-and-business-conduct/>.

The Anti-Corruption Policy can be accessed from the link at <https://www.erdemir.com.tr/corporate/anticorruption-policy/>.

¹For detailed information on the committees regulations please visit Erdemir web site.
<https://www.erdemir.com.tr/investor-relations/corporate-governance/committees/>
<https://www.isdemir.com.tr/investor-relations/corporate-governance/committees/>

INTERNAL AUDIT SYSTEM

The effectiveness of risk management, control and governance processes in OYAK's Mining Metallurgy Companies is evaluated within the scope of risk-oriented audits carried out by the Internal Audit Directorate. The Internal Audit Directorate, whose objectives, authorities and responsibilities are determined by the Internal Audit Charter operates directly under the Vice Chairman of the Board of Directors and the Managing Director. The Internal Audit Directorate informs the Audit Committee of audit activities and the effectiveness of the internal control system when requested, at least once every year.

Auditing of the work processes of all OYAK's Mining Metallurgy Companies is carried out with a risk-oriented and value-added approach within the framework of the annual audit calendar approved by the Chairman of the Board of Directors and the Managing Director, taking international internal audit professional practice standards as a reference. Risks of fraud are also assessed during the auditing of the processes. During the audit activities, the control environment is maintained with a systemic approach

in the work processes and control recommendations are developed where necessary. The action plans set by management are followed up on and reported on.

RISK MANAGEMENT

Our Mining Metallurgy Companies proactively manage risks and opportunities for a value-focused sustainable business model. Our companies face a number of risks including volatility in the supply of raw materials, product demand and the prices of products caused by the pandemic, as well as external risks such as protectionism, cyber threats, climate change and internal risks arising from financial risks, commercial activities and production operations.

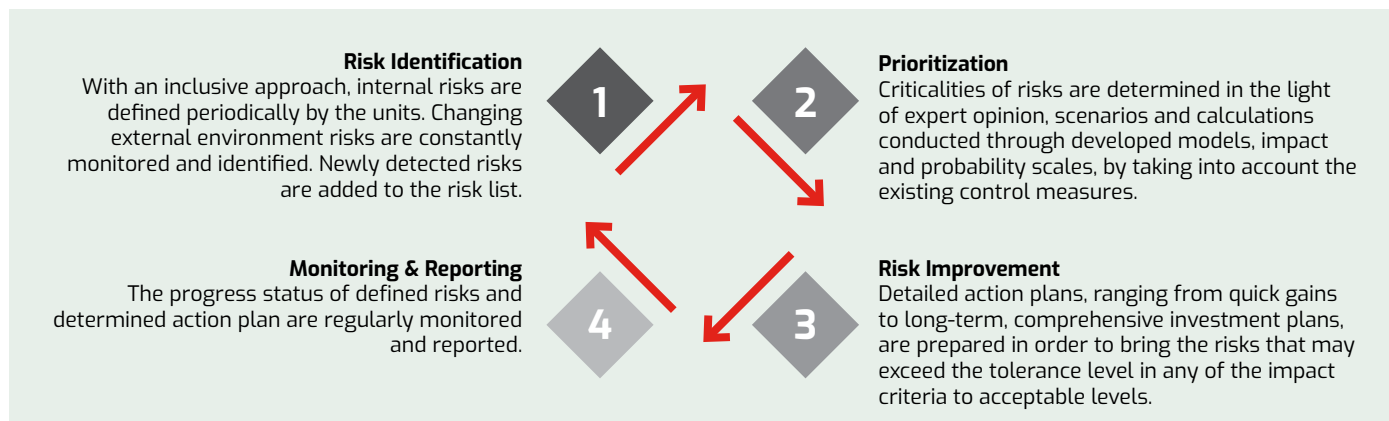
A central Enterprise Risk Management Directorate serves to identify potential events which may impact our Mining Metallurgy Companies, to manage existing risks, to identify risks which may occur early and to manage them appropriately. The Enterprise Risk Management Directorate reports to the Financial Management and Financial Affairs Group Vice President. It brings the risk issues to the Board of Directors every two months through the Early Detection of Risk Committee. Risk Management activities are audited

through internal audit, external audits and independent audit activities.

An Enterprise Risk Management Procedure is in place for systematic and comprehensive identification, evaluation, economic control and monitoring of threats and opportunities which may affect the assets, reputation and profitability of the companies.

In 2020, in addition to internal risks, external risks arising from the pandemic were closely monitored and their possible effects were evaluated. In addition, scenarios were developed for risk issues deemed to be important, and the impacts that could result from risks were evaluated in detail.

Enterprise Risk Management is a framework and set of rules which enables the systematic and comprehensive definition, evaluation, economic control and monitoring of risks (both threats and opportunities) which may affect the assets, reputation or earnings capacity of the Company, and the implementation of integrated risk solutions. The framework in question was created on the basis of international standards and good practices, especially in reference to ISO 31000:2018-Risk Management.



RISK MANAGEMENT

The Risk Management Framework consists of various interrelated components. These components can be expressed as a management process consisting of risk identification, prioritization, improvement, reporting, monitoring / surveillance and routine and immediate communication stages regarding risk. The process of Risk Management was established in order to define potential events which may affect our Mining Metallurgy Companies, to manage the risks in accordance with the corporate risk taking profile of the Company and to provide a reasonable level of assurance regarding the achievement of the Company's goals. It is a systematic process adopted by the Board of Directors, Senior Management and all other employees of the company and used in determining the strategies and implemented throughout the organization.

Financial Risks	
RISK	HOW DO WE MANAGE?
Exchange Rate Risk	<p>The basic approach of our Mining Metallurgy Companies in the management of currency risk is to assure the exchange rate risk arising from the related transactions through derivative transactions in the transactions which are not performed in the functional currency.</p> <p>In line with the Financial Risk Management Policy, transaction-based currency risks are evaluated under three main headings: sales-sourced, payments-sourced, and non-sales collections based. They are managed with the help of appropriate financial instruments.</p> <p>The transactions performed are audited and reported within the scope of compliance audit processes.</p>
Interest Risk	<p>The basic approach in interest risk management in line with the Financial Risk Management Policy consists of a financial asset-liability portfolio with a balanced interest structure. In addition to providing natural "hedge" positions, the interest risk arising from interest types which may be present in the financial asset and liabilities portfolio due to cost advantages, maturity advantages and other similar reasons is also managed through derivative transactions.</p>
Price Risk	<p>Our Mining Metallurgy Companies are affected by volatility in prices such as coal, iron ore and steel due to the industry in which they operate. Models are developed and results are reported to predict the impact of these risks on key financial indicators such as profitability. In line with the Financial Risk Management Policy, the main approach to price risk management is to ensure sales profitability in contracted sales or sales with maturity. In order to protect the accepted sales profit by clearing fluctuations in the prices of products, raw materials and auxiliary materials, our Mining Metallurgy Companies use their sales profitability in their contracted sales to keep the risk level of derivative transactions for "hedge" purposes within acceptable limits for product and commodity prices.</p>
Liquidity Risk	<p>In line with the Financial Risk Management Policy, the basic approach in liquidity risk management is to ensure that ready resources are available to fulfill financial obligations at an adequate level and on time.</p> <p>Appropriate liquidity risk management was created for short, medium and long term funding and liquidity requirements. Liquidity risk is managed by regularly monitoring estimated and actual cash flows and by ensuring the continuation of sufficient funds and borrowing reserves by matching the maturities of financial assets and liabilities.</p>
Counterparty Risk	<p>In line with the Financial Risk Management Policy, the main approach to counter-risk management is to distribute the value exposed to the counterparty risk at a balanced and measurable level. The companies work under full bank guarantee to manage the counterparty risk to which the companies may be exposed to due to the customer. In order to manage the counterparty risk associated with financial institutions, limits are assigned to financial institutions in accordance with the Financial Organization Model created and the risk status is monitored in accordance with these limits.</p>

Non- Financial Risks

RISK	HOW DO WE MANAGE?
Environmental Risks	<p>In order to support the carbon reduction initiative within the scope of climate change, countries are starting to implement carbon pricing systems. Some countries choose a direct method of taxing carbon while others choose the Emissions Trading System (ETS).</p> <p>Revisions to taxation policies are also expected following the implementation of the European Green Deal. This European movement and the signing of a presidential decree for the USA to be included again in the Paris Climate Agreement have been driving the international agenda towards this issue. The European Union has not compromised on its goal of becoming the first carbon-neutral continent, and announced that it would introduce a Carbon Regulation at the Border. This poses risks and opportunities, especially for the countries exporting to the EU. Our Mining Metallurgy Companies are closely monitoring the risks which national and international regulations could bring and are developing actions accordingly.</p> <p>In addition to these developments, our Mining Metallurgy Companies closely follow up and implement new technologies which increase operational efficiency and aim to reduce the environmental impact in all facilities. Our companies are committed to using the limited natural resources effectively and maintaining biodiversity in the areas where they are active. The Companies follow international standards and certifications to determine the principles of environmental management. Water supply is guaranteed by the water supplied from the reservoir within our Mining Metallurgy Companies. In addition, electricity production is planned to be generated through the hydroelectric power plant being established here.</p> <p>Water management and water risk are another of the issues that our Mining Metallurgy Companies care about. Due to phenomena such as decreasing water resources depending on climate change, rapidly increasing population and urbanization, action plans are implemented to <u>reduce water footprint and wastewater discharges</u>.</p>
Occupational Health and Safety Risk	<p>Our Mining Metallurgy companies are operating in industries with very dangerous working environments. Our Mining Metallurgy Companies carry out all of their operations by taking into account employee health and safety in order to continue to be the well established companies which provide the highest level of employment in the industry. Separate organizational teams which focus specifically on the management of these risks to ensure the effective management of <u>occupational health and safety risks are in place</u>.</p>
Supply Risk	<p>Disruption which may occur in the supply chain may affect the continuity of production operations and input costs.</p> <p>Accordingly, in order to reduce foreign dependency and increase the use of local resources (raw materials), investments are carried out to extend the life of the mine production and the enrichment facility, and to increase its capacity.</p>

OYAK's Mining Metallurgy Companies proactively manage risks and opportunities for a value-focused sustainable business model.

RISK MANAGEMENT PROJECTS

Ongoing Projects

The Kızılcapınar Hydroelectric Power Plant Project

The Kızılcapınar Dam was taken over and operated by Erdemir by fulfilling all financial obligations in 1995. A hydroelectric power plant is being established to generate electricity from the water that is discharged from the bottom sluice of the Kızılcapınar Dam without taken its energy and wasted. For this purpose, the relocation of the drinking water transmission line, the extension of the penstock, the construction of the powerhouse and the tail water line are about to be completed.

With the realization of the project, electricity will be produced from the water flowing through the bottom sluice of the dam. When the project is completed, approximately 18 GWh of electricity will be provided annually with an installed power of 5.35 MWe. Thus, it is aimed to provide energy resources for both our Mining Metallurgy Companies and our country in terms of the use of natural resources. The provisional acceptance of the project will be made until 31 May 2021, and the facility is planned to be commissioned.

With the renewable energy project;

- The energy of water will be transformed into electrical energy
- Contribution will be made to emission reduction.

The project will support the quality of electrical energy in the distribution system at the dam's junction. The project, which was implemented with an investment of USD 4.75 million and the dam cost was covered by Erdemir, is being established to generate renewable energy.

Ore Production and Enrichment at the Hasançelebi Iron Mine Field and Delivery to the Blending Field of Divriği Pellet Plant

The project includes the following;

- Production of iron ore at the Hasançelebi iron ore field,
- Transporting the produced ore to the crushing-screening and pre-enrichment plant,
- Enrichment and pre-concentrate production at this plant,
- Transporting the pre-concentrate produced to the Hasançelebi wagon loading ramp,
- Construction and maintenance of transport routes,
- Loading the pre-concentrate into the wagons,
- Unloading the wagons loaded with pre-concentrate at the Demirdağ station and transporting them with the belt conveyor system and delivering them at the blending site,
- Maintenance and repair of the Hasançelebi crushing-screening enrichment plant,
- Maintenance and repair of the Demirdağ discharge plant conveyor systems

The project, which was implemented in order to contribute to the country's economy by making use of domestic resources to replace the imported product and to secure the supply chain, started on 9 March 2018. The project is aimed to be completed by the end of 2024.

With the project, which is the first in terms of utilizing low grade iron ore, 1,757,874 tons of ore was produced in 2020 and delivered to the Divriği Pellet facility, and approximately 800,000 tons of pellets were produced from this ore.

The Kızılcapınar Dam was taken over and operated by Erdemir by meeting all financial obligations in 1995. A hydroelectric power plant is being established to generate electricity from the water that is discharged from the lower sluice of the Kızılcapınar Dam, whose hydro-electric potential had been wasted.



4



**WITH OUR PASSION
FOR THE FUTURE**



SUSTAINABLE GROWTH

Our Mining Metallurgy Companies, which contribute to the growth of the Turkish economy, aim to achieve sustainable growth by maintaining a balance between capacity and cost.



Despite the conditions of the pandemic, Turkey increased its annual steel production by 6% during 2020. According to crude steel production data for 2020 published by the World Steel Association, Turkey ranked 7th in the world in terms of production.

Our Mining Metallurgy Companies, which combined form Turkey's largest steel producer, rank 46th among the world's largest steel producers. Standing among the main suppliers of Turkish industry, our Mining Metallurgy Companies have reduced the dependence on imports while meeting domestic market demand with the steel they provide to all areas of the industry. Contributing to the growth of the Turkish economy since the day they were founded, they aim to achieve sustainable growth by maintaining a balance between capacity and cost.

Our Mining Metallurgy Companies meet the needs and expectations of their customers with their high-quality products and services. In order to increase the value they create for their stakeholders, they implement operational excellence practices with the goal of spreading efficiency to every link of the value chain. They support the efforts of the companies they work with to raise their standards within the scope of supply chain management.



Our Mining Metallurgy Companies posted TL 32,048 million in total revenue, and achieved an EBITDA margin of 21.6% and a net profit margin of 11%.

FINANCIAL PERFORMANCE

The iron and steel industry acts as a driving force for the country's economy. Turkey is one of the leading countries in the world in terms of both production and consumption in this sector, as the world's 7th largest steel producer and steel consumer. Steel consumption in Turkey increased by 13% compared to the previous year to reach 29.4 million tons in 2020. Despite the coronavirus pandemic, Turkey's steel production amounted to 35.8 million tons, marking an increase of 6% compared to the previous year.

In 2020, the steel industry experienced one of its most difficult periods in the world economy since the financial crisis, with the effect of accelerating trade wars, globally declining trade and investments, with growth at its lowest in the last 10 years. Despite the sudden changes in steel prices due to global pandemic, our Mining Metallurgy Companies succeeded in generating a 21.6% EBITDA margin and an 11% net profit margin, while the total revenue increased to TL 32,048 million.

Operating with a high equity multiplier of 1.41, the Company continues to maintain its strong high cash generating capability and robust equity structure, inspiring confidence to all its stakeholders.

In the Annual General Meeting held on 14 July 2020, the proposal to distribute TL 805,000,000 (21 March 2019:



TL 4,830,000,000) as a cash dividend from the 2019 net profit, representing a gross dividend of TL 0.23 per share (2019: TL 1.38) was approved unanimously. The distribution of the dividend started on 17 July 2020. The Company

distributed a dividend of TL 35,761,000 (2019: TL 209,118,000) to non-controlling shares over which it does not have effective partnership ratios at İsdemir and Erdemir Maden, which are the subsidiaries of the Group.

	Currency Unit	2018	2019	2020
Revenue	(TL million)	27,015	27,465	32,048
	(USD million)	5,598	4,844	4,575
Operating Profit Before Financing Income (Expense)	(TL million)	7,682	4,457	5,646
	(USD million)	1,592	786	806
EBITDA	(TL million)	8,302	5,521	6,930
	(USD million)	1,720	974	989
Profit for the Period of the Parent Company Stocks	(TL million)	5,598	3,317	3,309
	(USD million)	1,160	585	472
Current Assets	(TL million)	22,512	24,137	28,507
	(USD million)	4,279	4,063	3,884
Fixed Assets	(TL million)	19,270	22,536	29,487
	(USD million)	3,663	3,794	4,017
Total Assets	(TL million)	41,782	46,673	57,994
	(USD million)	7,942	7,857	7,901
Short Term Liabilities	(TL million)	7,887	9,450	9,434
	(USD million)	1,499	1,591	1,285
Long Term Liabilities	(TL million)	4,640	5,975	7,438
	(USD million)	882	1,006	1,013
Equity Belonging to the Parent Company	(TL million)	28,367	30,299	39,809
	(USD million)	5,392	5,099	5,421

CUSTOMER'S SOLUTION PARTNER

Providing high quality, long lasting products is one of the important factors behind the success of our Mining Metallurgy Companies, which produce flat and long steel.

Our Mining Metallurgy Companies enhance customer satisfaction and provide a competitive advantage by focusing on ensuring that all products in their portfolios are of high quality. The companies invest in the field of operational excellence in order to increase efficiency throughout the entire value chain and provide an advantage in terms of quality and price in their products.

Providing quality and long-lasting products is one of the important factors in the success of our Mining Metallurgy Companies, which produce flat and long steel within the framework of national and international standards.

A product range which includes 525 flat and 312 long steel grades

Our Mining Metallurgy Companies, which continuously widen their product diversity in order to respond to the changing needs of their customers, added 24 new products in flat steels and 7 new products in long steels to their portfolio in 2020.

The products of our Mining Metallurgy Companies attracted 44 new customers when compared to the previous year, taking the total number of customers to 1,144 in 2020

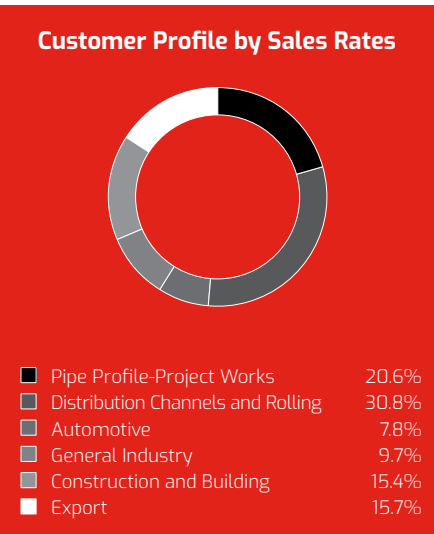
In terms of their weighting in sales, the largest customer groups consist of distribution channels and rolling

project work with pipe profile and export customers.

Listening to our customers and understanding their expectations plays an important role in improving existing products and developing new products to meet their requirements.



Our customers can submit all kinds of feedback online through customer-specific portals.

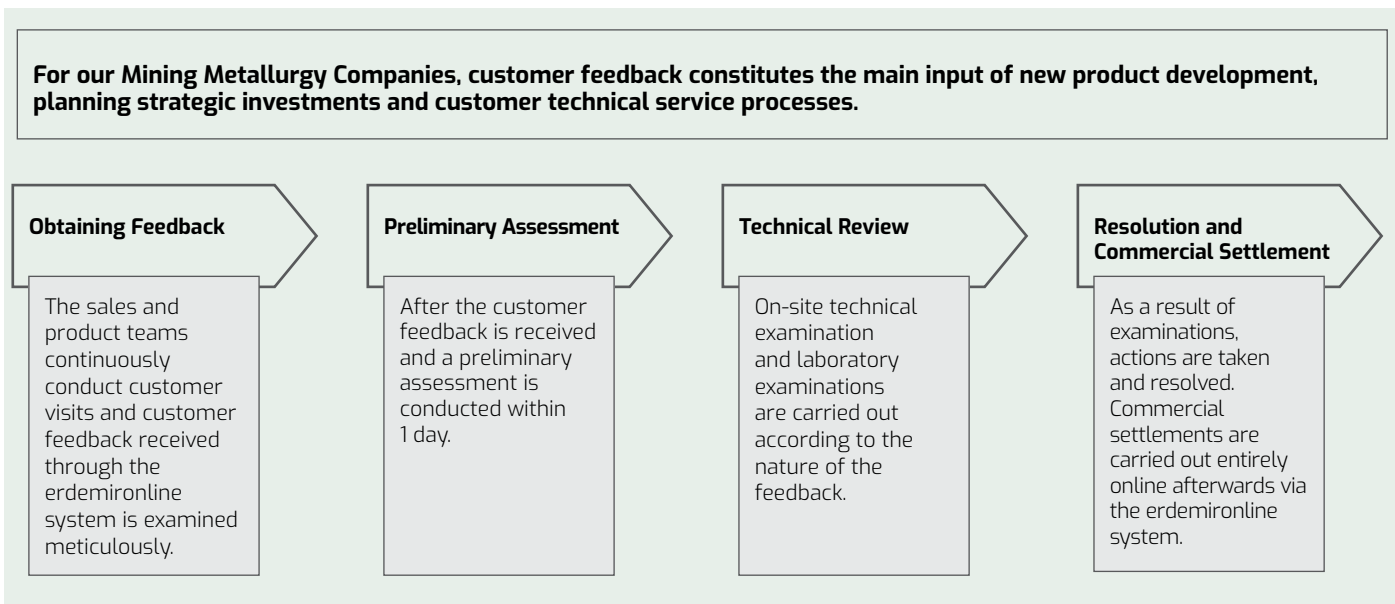


Our Mining Metallurgy Companies added 24 new products in flat steels and 7 new products in long steels to their portfolio in 2020.



Customer satisfaction with our products and services is monitored through customer satisfaction surveys conducted on an annual basis. Participation in the last survey exceeded the target. In this survey, conducted before the pandemic struck, the customer satisfaction score (ranging between -65 and +135 points) reached +90 points, exceeding both the previous year's level and the industry average.

Customer Feedback Process



At the end of 2020, all 5,012 items of feedback were received by Ersem, Erdemir and İsdemir.

Product and process improvement activities are carried out simultaneously in response to the feedback provided by customers. Each notification which customers enter on the portal reaches the production, quality and warehousing / shipping units of the relevant factory via the system. In addition, the After Sales Services Department transmits customer feedback assessment reports to all relevant units every month.

The Product Management Directorate regularly holds quality meetings with the factory operation and quality teams. In addition, customer satisfaction meetings are held, action

plans are created to resolve problems and relevant improvement processes are monitored.

When there are developments requiring new investment, the information and data obtained from the meetings provide input in drawing up the investment feasibility reports. In addition, critical feedback provided by customers is followed up by the senior management during weekly meetings. Product perception surveys are regularly conducted in order to understand the expectations of customers, especially their production, quality and technical teams. The aim is to increase the awareness of the units in the factory by sharing the survey results at all factories.

As a result of the improvements carried out in response to the notifications received by both Erdemir and İsdemir, when 2020 is considered, the amount of complaints decreased by up to 50% compared to 2019.

Thanks to our Erdemir Online and Corporate screens renewed with the Sales and Shipment Systems Modernization Project, and our newly added customer mobile app, our complaint response times came down and our process efficiency increased.

With the development of the Customer Satisfaction Index (CSI) systematic, which is spread across all factories, our performance started to be monitored with a single indicator. The CSI average of our factories improved when compared to the average of the previous three years.

PROCESS DEVELOPMENT ACTIVITIES

The participation and contribution of employees at our Mining Metallurgy Companies continues to be the driving force behind continuous improvement.

Operational Excellence

The participation and contribution of employees at our Mining Metallurgy Companies continues to be the driving force behind continuous improvement. The employees' experiences and innovative ideas are turned into value by kaizens, suggestion systems and operational excellence (OPEX) projects which are carried out by using statistical analysis and design of experiment studies. Employees provide improvements in occupational health and safety, environment, customer satisfaction, quality, the emission reduction and operational activities through these systems and projects.

Our Mining Metallurgy Companies continued to carry out OPEX Projects in 2020, which were implemented with the aim of lower cost production, extending equipment life, saving energy, optimization of raw material usage and improvement of product quality.

One of the OPEX projects completed at İsdemir during the year, earned a return of USD 0.8 million. Within the scope of the projects in question, a return of USD 2 million is expected to be obtained from Erdemir.

Employees at Erdemir and İsdemir implemented a wide range of improvements in areas ranging from occupational health and safety, environmental performance and customer satisfaction to simplifying business processes and saving energy in 2020.

In 2020, a total of 26,740 suggestions were provided at Erdemir, of which 17,230 were put into practice. In 2020, a return of USD 2.3 million was earned from the 151 suggestions submitted to the suggestion systems and whose returns were calculated. A total of 2,600 kaizen project teams were established at Erdemir with 2,457 kaizen projects completed, generating a return of USD 13.9 million.

A total of 19,771 suggestions were implemented at İsdemir against 41,530 suggestions tabled in 2020. A return of USD 0.4 million was obtained from the 64 suggestions submitted to the İsdemir Suggestion Systems for which the returns were calculated. A total of 1,783 kaizens were established at İsdemir with the 1,692 kaizen projects completed generating a return of USD 8.6 million.

The İsdemir Excellence Model (IEM)








Our Mining Metallurgy Companies continue to implement operational excellence practices which will encompass the entire value chain. In this context, the İsdemir Excellence Model (IEM) was put into practice at İsdemir in 2017 and at Erdemir in 2018 under the banner of "Maximizing Financial Value by Protecting People and the Environment". The compatibility of the projects realized within this framework with the model is checked through the created IEM software, and improvement and development activities are closely monitored at every step.

The implementation of the İsdemir Excellence Model (IEM) approach continued in 2020 as a project-based working model which helps all employees contribute to the performance and success of the company. The IEM creates a corporate culture which always seeks the best with the participation of all employees, thereby aiming to be a company which stays one step ahead of the competition.

The İsdemir Excellence Model consists of 9 function groups. The project-based and timed teams consisting of employees at all levels in order to achieve the performance criteria and targets in line with the objectives of each function are dispersed once they complete their tasks. Thus, employees are given the opportunity to increase their depth of expertise by working in projects outside their own department in their field of expertise, thereby creating added value for the organization.

During 2020, the "Emission Reducing Sustainability KPIs" of the IEM functions were determined and matched with the "Sustainable Development Goals" as accepted by the member countries of the United Nations in activities carried out with the participation of the Operational Excellence Directorate, the Strategic Planning and the Sustainability Directorate. In parallel with this, IEM projects were integrated with the symbols of sustainable development goals. This allowed the contribution of each project to the sustainability development goals to be determined.

A total of 5,876 projects, including 3,575 at Isdemir and 2,301 at Erdemir, were carried out.

Sustainability Development Goals	IEM Number of Projects	Sustainability Development Goals	İMM Number of Projects
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	684	13 CLIMATE ACTION 	489
7 AFFORDABLE AND CLEAN ENERGY 	288	8 DECENT WORK AND ECONOMIC GROWTH 	4,241
6 CLEAN WATER AND SANITATION 	115	3 GOOD HEALTH AND WELL-BEING 	3
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	56		
Total Number of Projects	5,876		



PROCESS DEVELOPMENT ACTIVITIES

At İsdemir, 3,703 teams were established in 2020 and 2,168 teams completed their work. In 2020, there were a total of 4,606 IEM net members in the İsdemir location, and a net of 4,039 members of the IEM emission reduction teams. The IEM participation rate at İsdemir was 96%.

At Erdemir, where the Excellence Model activities continued throughout the year, 2,873 teams were established in 2020, of which 2,140 completed their work. In the Erdemir location, there was a net of 4,424 IEM members and a net of 4,114 members of the IEM emission reduction. The Erdemir IEM participation rate stood at 82.8%.

Work was carried out to roll out the IEM at Ersem and Ermaden during 2020. Six functions were established at Ermaden and team work started. Work continues to set up functions at Ersem.

In addition, work was carried out with the Software Development Directorate and the Joint Services Human Resources Directorate on the integration of the IEM with the Feedback System. The system was commissioned at the end of November 2020 and the first evaluations were carried out.

IEM Project Examples

İsdemir

Work was carried out to reduce internal electricity consumption through the Replacement of the Burner Coke Gas Nozzles and Regenerative Air Heater (RHI) Cells of the No 6 and 7 Steam Boilers, which was carried out within the scope of the IEM İsdemir Efficient Energy Management Function emission reduction projects. The project yielded USD 5.4 million and 64,000 MWh / year in savings, and the blast furnace gas burning capacity was increased by reducing natural gas consumption.

Erdemir

The project of "Reducing High Vibration of Turbine Rotor with the Development and Implementation of Balance Method in the Blast Furnace Top Gas Pressure Recovery Turbine (TRT) Plant", which was carried out within the scope of the IEM Erdemir Efficient Energy Management Function yielded savings worth of USD 0.5 million.



SUPPLY CHAIN

During 2020, commodity markets fluctuated due to the Covid-19 pandemic. The importance of strategy and fast planning in purchasing operations was felt to increase so as to be able to manage the ever-changing market conditions. This year, medium-long term plans had to be updated in a very short time period. Unlike the other periods, in 2020, procurement processes had to be carried out within tighter periods. Our Mining Metallurgy Companies increased the effectiveness of their strategy by ensuring the close and uninterrupted communication of their sales and production units.

During the pandemic, communication in purchasing activities was mostly achieved through remote connections, and all staff gained expertise in this area. Since travel was restricted around the world and site visits and inspections to suppliers have failed, all necessary processes and procedures were conducted remotely. In order

to maintain communication with the suppliers, web-based technical and commercial negotiations were conducted. In addition to that, the vocational training of all the purchasing staff was completed by means of using web-based practices.

There were disruptions in many suppliers' production and supply chains due to the pandemic. Purchase items that fell into a risky position were substituted with the introduction of alternative suppliers and resources.

In the challenging conditions brought by 2020, our Mining Metallurgy Companies paid particular attention to the procurement of raw material purchases such as iron ore, coal and limestone, as well as steel scrap, ferro-alloys, refractory products, manufacturing machinery, spare parts and special production equipment, from domestic suppliers. The number of suppliers reached 3,835.

Despite all the challenges encountered, our Mining Metallurgy Companies managed to purchase at the desired quality levels and the best commercial conditions. Our companies did not encounter any disruption in their operations and they have succeeded in keeping production level same as in the previous years.

3,835

Our Mining Metallurgy Companies managed to purchase worth \$3 billion in 2020 by working with 3,835 suppliers.

DURING THE PANDEMIC

Despite all the difficulties encountered, our Mining Metallurgy Companies which have managed their purchases at the required quality and in the best commercial conditions,

RESPONSIBLE PRODUCTION

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety is at the heart of the responsible production approach of our Mining Metallurgy Companies, which deem their employees as their most important asset and which are aware of the importance of environmental safety in the facilities.

Focusing on the responsible production approach, our Mining Metallurgy Companies prioritize occupational health and safety, offer their employees a safe and healthy work environment, adopt pioneering practices to reduce environmental impacts and play a role in the transition to a circular economy.

Occupational Health and Safety (OHS)

Our Mining Metallurgy Companies operate in the fields characterized as industries with a very dangerous working environment.

Occupational Health and Safety is at the heart of the responsible production approach adopted by our companies, which deem their employees as their most important asset and are aware of the importance of the safety of the facilities in terms of environmental safety.

Our Mining Metallurgy Companies, which work with an approach that considers all accidents as being preventable, carry out their activities with a goal of accident-free steel. The companies, which are working to reduce the frequency of accident and accident weight ratios to zero, are working to spread a behavior-based safety culture and manage OHS risks by using the latest technologies and approaches. With all practices implemented in the field of OHS, it is aimed to keep working environments and processes safe, to prevent work accidents and work-related diseases,

and to protect the employees and the environment.

Our Mining Metallurgy Companies identify areas that are open to improvement in terms of Occupational Health and Safety and Process Safety through the OHS Systematics. They eliminate the deficiencies they identify and thus, eliminate unsafe conditions and behaviors.

In order to prevent the spread of the Covid-19 pandemic, which was the main issue of 2020, among the employees, measures were taken in all areas, entry / exit points, dining halls, transport waiting areas, distribution, working and resting areas within the scope of Occupational Health and Safety. The compliance with these measures was checked daily and reported to the management throughout the year. In addition, collective activities were postponed.



At our Mining Metallurgy Companies, the OHS is managed by senior leadership. The OHS Board is chaired by the Deputy General Manager of Operations at Erdemir and Isdemir, and by the General Manager at Erdemir Maden. Therefore, the OHS managers at all companies are two reporting levels away from the CEO.



The OHS Risk Assessment Activities

Our Mining Metallurgy Companies carefully evaluate the risks they may encounter during their activities within the scope of OHS activities, take the necessary precautions and thus aim to prevent work accidents and occupational illnesses.

The OHS risk assessment work is aimed at identifying areas which are open to improvement in terms of process safety, eliminating deficiencies, eliminating unsafe conditions and behaviors and ensuring the continuity of OHS awareness by transforming it into a culture.

The "OHS Day" practice was implemented to strengthen awareness of the five most common causes of occupational accidents in the steel industry. The "OHS Day" practice is applied through the questionnaire forms which are prepared by İsdemir, by auditors who are selected from outside the company, to all work areas. The status of the remediation of the improvement items detected during the audits is regularly monitored and necessary measures are put in place by providing regular updates of their realization status in the OHS Board meetings.

In addition, details of occupational accidents and near-miss incidents are provided in accident sharing presentations held throughout the year, which aim to provide an opportunity to learn from the same types of work accidents and near-miss incidents, and to prevent similar accidents from occurring again.

The OHS performance at our Mining Metallurgy Companies improved through a number of practices, which included the following.

- Announced and Unannounced Safety Tours,
- The OHS Field Tours,
- Emergency Response Drills,
- The OHS Board Meetings,
- Buddy (Can Kardeş) Application,
- The İsdemir Excellence Model-Total Safe Production Function,
- Behavior Based Safety Management,
- Legislation Checks,
- Company Compliance Checks,
- Accident Sharing Presentations,
- Near-Miss Systematic,
- Risk Assessment Activities,
- 5S Systematics,
- The World Steel Association OHS Safety Day Practice,
- OHS Training



Covid-19

In order to prevent the spread of Covid-19 between employees, strict measures were taken in all areas, at entry / exit points, dining halls, transportation waiting points and in distribution, working and resting areas within the scope of Occupational Health and Safety practices.



OCCUPATIONAL HEALTH AND SAFETY

The Culture of Occupational Health and Safety

The Behavior Based Safety Management (BBSM) System is one of the OHS practices implemented by our Mining Metallurgy Companies to promote safe behavior. This system implemented at Erdemir and Isdemir is aimed at ensuring that all employees perceive OHS risks, take on an OHS culture and develop safe behavior instead of the frequently encountered risky behaviors.

With the BBSM system, training is given which focuses on people's behavior in order to ensure that employees speak the same language in terms of OHS and share the same level of sensitivity. Moreover, under the BBSM system, observations are carried out to identify risky behavior.

In order to eliminate risky behavior of employees in terms of the OHS and to reinforce their safe behavioral practices, information is provided with the training modules which are suitable for the learning by experience model. Observations carried out in the field are aimed at ensuring that the employee learns safe behavior by providing them with instant feedback when risky behavior has been identified.

Within the scope of this systematic, training is provided on a variety of

topics which concern all production processes and on topics which are critical in upholding occupational safety. The main training programs in this area were as follows:

- Protection from the Harmful Effects of Dust
- Heat and Protection from Heat
- Protection from Hazardous Gases
- Lifting Load and Protecting the Back
- Protection from Work Accidents
- Health and Safety Measures in Working with Chemical Substances
- Personal Protective Equipment
- Power Cut Off/Power On and Safe Working at Height

BBSM observers also evaluate the application of the knowledge gained in training by carrying out observations after the training programs. In addition, emergency management system has been established. Contingency plans are ready. Emergency drills are conducted.

The Prevention of Major Industrial Accidents and Mitigation Their Effects (SEVESO II Directive) activities conducted at Erdemir and Isdemir are aimed at preventing accidents and mitigating their effects. In this context, the chemicals were classified in the units and hazardous equipment was determined in line with the hazardous chemicals detected. Qualitative (HazOP) and quantitative risk (Bow-Tie) analyses were performed on the equipment and probable accident scenarios were drawn up in line with the relevant regulations. The root causes regarding these

scenarios were revealed and measures to be taken were identified with training provided to the employees.

Documents on Protection from Explosions were prepared in the areas where there was a risk of explosion, in line with the "Regulation on the Protection of Employees from the Dangers of Explosive Atmospheres" and the "Regulation on Equipment and Protective Systems Used in Possible Explosive Atmospheres", which are a part of the SEVESO activities. With this work, areas deemed to have a risk of explosion were classified, and the explosive-resistant properties of equipment used in these regions and their compliance with the regional classifications were determined. Efforts to improve the equipment in question are ongoing.

In order to ensure Process Safety at our Mining Metallurgy Companies, a committee consisting of 9 elements was formed under the chairmanship of the Deputy General Manager of Operations. In these activities carried out within the scope of the Safety Management System, element leaders were determined and necessary procedures were prepared. Within the framework of the Safety Management System activities, documents such as policies, procedures and instructions were created for the prevention of major industrial accidents, and the organization and responsibilities were defined.

Safety Tours

Announced and unannounced Safety Tours (HGT) are carried out in order to identify areas open to improvement in terms of OHS in companies, to eliminate any deficiencies which have been identified, eliminate unsafe conditions and to spread an OHS culture to all employees. The findings of these tours are entered into the OHS Systematic Tracking Application and the latest status of the improvements is monitored in a digital environment. In 2020, 51 inside units, three general security tours in Isdemir, 69 inside units and 54 general safety tours in Erdemir. In 2020, 20,419 incidents of non-conformity were detected in Erdemir and remedial action was taken in 98% of these, while 18,402 incidents of non-conformity were detected in Isdemir and remedial action was taken in 99% of them.

177

A total of 177 Safety Tours were realized at Erdemir and Isdemir, and remedial action was taken to address 99% of the non-conformities.



Occupational Health and Safety Training

Considering that education is one of the most important tools in bringing about the cultural transformation, our Mining Metallurgy Companies conduct training and awareness-raising activities on occupational health and safety in order to reduce risks, provide positive behavioral change and raise awareness.

To meet the requirements of the field of activity, OHS training continued to be provided on a wide variety of areas throughout 2020. Some of the training activities are listed below.

- Basic Occupational Safety Training
- Training Under the Behavior Based Safety Management System
- Remote Safe Working Training
- Awareness Training for Covid-19
- Handling and Sling Training
- Certified First Aid Trainings and Certified First Aid Refreshing Training
- Prevention of Fire and Protection Against Fire Training
- Atex Information Training
- Training on Gas Safety and on the Use of Gas Equipment
- Working at Height Training
- Training on Use of Protective Equipment
- Training for Workplace Specific Risks
- Emergency Response Team Renewal Training
- Training on Special Topics Related to Process Safety
- Training on Nutrition and Exercise
- Training for the OHS Systematics
- Applied Bow Tie Analysis Training

OHS

The most basic and strategic approach of our Mining Metallurgy Companies to OHS is the goal of Producing Accident-Free Steel.

OCCUPATIONAL HEALTH AND SAFETY



Awards

Erdemir

The TISK Covid-19 "Safe Production Is Possible Together" Award Within the scope of the "A Common Future is Possible Together" award program organized by TISK (Turkish Confederation of Employer Associations) to raise awareness in the field of corporate social responsibility and to provide encouragement to institutions in this regard, Erdemir received an award for its "Safe Production Is Possible Together" project in the Occupational Health and Safety category in the competition, which focuses on the efforts to tackle Covid-19.

Focusing on the three main measures of the pandemic, which are described as "mask, distance and hygiene" with the "Safe Production Is Possible Together" project, Erdemir structured the project under four main headings.

The following work in the projects, which involve the employees, their families and suppliers, was awarded in the competition.

- Observation Application within the scope of Covid-19
- Sub-Contractor Management within the scope of Covid-19
- Medical Mask Breathability Test Device
- Artificial Intelligence Based Mask Recognition

Ersem

The Erdemir Çelik Servis Merkezi (Ersem) received three awards as a result of voting and technical jury evaluations in the Golden Glove and Golden Suggestion categories of the MESS (Turkish Employers Associations of Metal Industries) OHS Competitions organized by the Turkish Employers Associations of Metal Industries.

The projects awarded at the competition were as follows:

- The OHS Roof Model
- Automatic circle cutting machine
- Ergonomic packaging by installing a packaging system



In 2020, an average of 16.3 hours of OHS training was provided per employee.

	2018	2019	2020
OHS Training Hours Per Person	23.1	23.4	16.3

In addition to the employees, subcontractors also receive training, mainly on OHS topics. In 2020, an average of 4.7 hours of OHS training was provided per subcontractor employee.

	2018	2019	2020
OHS Training Hours Per Person (Subcontractor Employees)	11.7	10.4	4.7

Our Mining Metallurgy Companies attach importance to ensuring that visitors as well as their employees are informed regarding occupational health and safety. In order to ensure the safety of visitors and to protect company employees from external dangers which may arise due to rule violations by visiting outsiders, information is provided with video displays. Visitors are informed of what to do in the event of an emergency, with brochures distributed to visitors and records kept, with visitors required to sign the Visitor OHS Information Form regarding the provision of necessary information.

Erdemir and İsdemir participate in the World Steel Association's (worldsteel) Steel Safety Day activities. In this context, the findings obtained with regard to the most common causes of work accidents in the steel industry and good practices developed are shared with the World Steel Association. The aim is to resolve incidents of non-conformity, which are revealed as a result of the announced safety tours, which are carried out in accordance with a format created by the Association according to certain criteria as part of Steel Safety Day, which takes place on April 28.

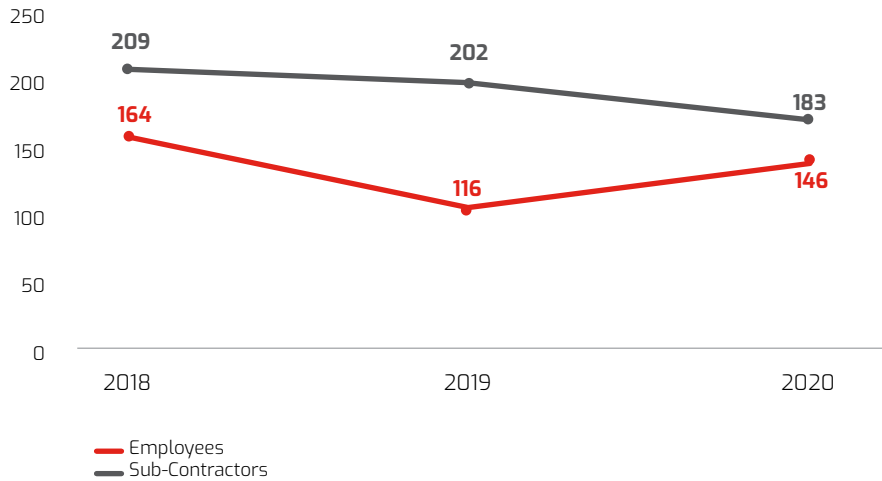
⁽¹⁾ Includes Erdemir, İsdemir, Ersem, Ermaden and Erdemir Romania data.

Occupational Health and Safety Performance

Since the risk of accidents and occupational diseases is high in our Mining Metallurgy Companies, proactive measures are taken to prevent occupational accidents. Work is carried out to reduce the incidence of diseases such as chronic lung disease, hearing loss and musculoskeletal system diseases, back and waist discomfort and neck pain.

2020	Accident Frequency Rate	Accident Severity Rate
Erdemir	5.39	0.155
İsdemir	0.97	0.092
Ersem	8.11	0.646
Erdemir Maden	3.5	0.029

Total Number of Accidents*



*The total number of work-related accidents whether or not they resulted in "lost working days". Subcontractors' performance results reflect only those of Class A subcontractors. The graph is composed based on data provided by Erdemir, İsdemir, Ersem and Erdemir Maden.

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety Projects

Daily Field Inspections during the Covid-19 Pandemic

Daily field inspections were carried out to prevent the spread of Covid-19 within our Mining Metallurgy Companies and to raise awareness among all employees.

The inspections were carried out with the aim of preventing the pandemic from spreading within the company and affecting the normal life of employees, and to prevent employees from contracting illnesses which could cause death or lasting damage. In this context, 5,528 employees received warnings regarding their unsafe behavior, were informed of the importance of the issue and were subject to enforcement to comply with the rules.

In addition, as a result of the work carried out at our Mining Metallurgy Companies, the Erdemir, İsdemir, Erdemir Maden and Ersem Manisa plants fulfilled the requirements of the TSE Covid-19 Hygiene, Infection Prevention and Control Certification Program and received the "TSE Covid-19 Safe Production Certificate".

In our Mining Metallurgy Companies, steps were taken to ensure that employees were informed of the rules applied and measures taken at the plants and offices in order to prevent the spread of pandemic, to behave correctly and to ensure that such behavior became habitual in their work and social lives.

The Erdemir Life Line Project

Lifelines in accordance with the EN795: 2012 and EN353-1 standards were installed in order to ensure safety during the work to be carried out at height such as roof cleaning, sheet metal replacement, maintenance

and cleaning of the crane road, and exit from the deck ladders set up for maintenance by considering the demands of each unit.

At the end of the life lines project, in which continuous safety belt connections are carried out, 21,000 meters of life lines were installed in areas such as roof tops, the crane road and vertical ladders. The project has become Turkey's longest-running life line project as of the year it was established. The project ensures that personnel working at height work are able to work safely by being connected to life lines from their safety harnesses.

Production in the steel industry, which includes our Mining Metallurgy Companies, involves energy-intensive processes which depend on natural resources such as iron ore and water. Carbon dioxide emissions generated by industry directly affect global climate change. A combination of climate



GRI 403-1, 403-2, 403-3, 403-4, 403-6, 403-7, 403-8

ENVIRONMENTAL PERFORMANCES

change, limited natural resources and rapidly decreasing biodiversity pose serious risks to the steel industry, which has a high environmental impact.

In order to fulfil their environmental responsibility, our Mining Metallurgy Companies have resolved to focus on the effective, efficient and correct use of existing resources, benefiting from communication channels for the development and awareness of all stakeholders and continuously improving the environmental performance in order to leave behind a cleaner and livable world to future generations.

The environmental policy of our Mining Metallurgy Companies, which pursue a proactive approach in environmental management, consists of the following elements:

- To apply environmentally friendly technologies as a result of technical, economic and commercial evaluations with the perspective of life cycle and sustainable development, to use natural resources effectively and efficiently, and to protect biodiversity.

- To reduce waste at its source, to develop recovery methods and to encourage recycling.
- To inform and raise awareness among all stakeholders, including employees, customers, suppliers, society and the state, by establishing open communication setting out the environmental perspective and practices of our Mining Metallurgy Companies, and the results they generate.

In line with the environmental policy, our Mining Metallurgy Companies, while continuing their activities in their production facilities, identify potential environmental risks in advance and take measures to tackle these risks. They monitor and control their environmental impacts with continuous measurements and implement improvement and investment projects which will minimize their environmental impact.

The technologies utilized in these projects contribute to the development of the economy with the efficient use of vital reserves.

The policies and processes designed by our Mining Metallurgy Companies

aim to reduce the environmental footprint and energy use in the entire value chain in order to use resources effectively, reduce waste, act in accordance with recycling, especially at every stage of the activity cycle, and to protect and develop human capital.

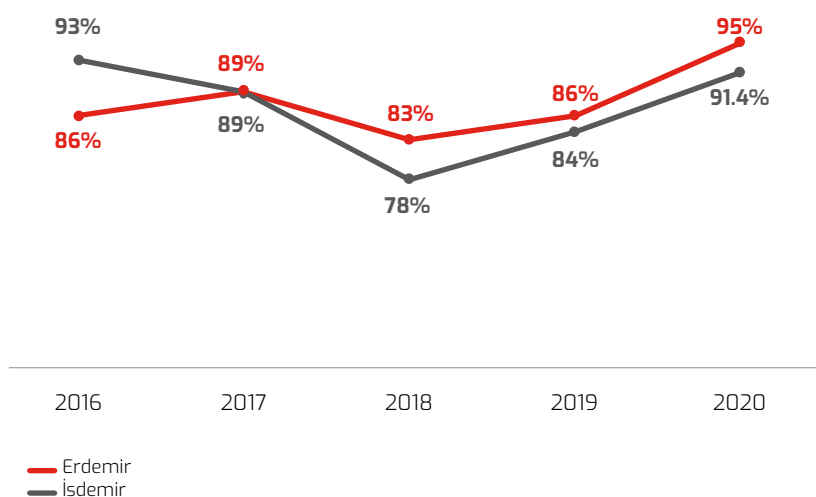
International standards and certifications are applied in the environmental management. Erdemir, İsdemir and Erdemir Romania hold the ISO 14001: 2015 (Environmental Management System Standard) and ISO 50001 (Energy Management System Standard) certifications.

Our Mining Metallurgy Companies follow up the process of monitoring the environmental performance and targets as well as national standards and certifications with the Environmental Performance Index (EPE), which is a unique model developed by them. The Environmental Performance Index defines the environmental impacts of production, products and services, and monitors the sustainability of environmental management systems and evaluates the impacts of the plants in the regions where they are located. It is prepared by observing data on local, national and international levels.

The index is calculated with the rate of realization of the targets gathered under three parameters; permits and license certificates, compliance with the legislation, and success criteria. After the evaluations, environmental performance is reported to the senior management. Following the review by the senior management, the environmental factors which are prioritized by the industry are included in the management strategies of our Mining Metallurgy Companies by taking into account the legislation and international developments.

In addition, our Mining Metallurgy Companies include the environmental criteria that provide data for the Environmental Performance Index in the individual target scorecards

Environmental Performance Index



GRI 103-2, 103-3

ENVIRONMENTAL PERFORMANCES

for many units and employees. They thereby allow the environmental targets to be adopted, internalized and seen as a target by the employees.

The number of criteria controlled in the EPE calculation has increased since 2018. Our Mining Metallurgy Companies aim to bring EPE to better levels every year through the work done and planned.

Training on the topics of the environment and sustainability at our Mining Metallurgy Companies are given to ensure that sustainability is internalized by employees. Training within this scope was ported over to the Digital HR platform during 2020.

At Erdemir, which prepares Environmental Awareness Training Modules, a total of 2,311 contractor personnel completed the Environmental Awareness Raising Training in 2020, with 1,990 of them receiving their training through the Digital HR. The remaining 321 personnel had received face-to-face training before the pandemic.

In 2020, a total of 5,158 Erdemir personnel completed the Environmental Awareness Training and 521 Erdemir personnel completed the ADR (European Agreement concerning the International Carriage of Dangerous Goods by Road) General Awareness Training through the Digital HR portal.

At İsdemir, a total of 4,158 man-hours of training on environmental topics was provided to 4,946 employees. A total of 79 İsdemir personnel received training within the scope of the IMDG (International Maritime Dangerous Goods) Code Mission Specific Training. In addition, 70 OYAK SGS (Defence and Security Systems) personnel were provided with ADR training.

Climate Change

Climate change and global warming are deemed to be one of the most important problems of our century. Almost all scientific circles are in agreement that the world is getting warmer, estimating that the global average temperature, currently around 15°C, will increase by between 1.5°C and 5.0°C in the 21st century.

In its Emissions Gap Report 2020 published on 9 December 2020, the United Nations Environment Program (UNEP) emphasized that more needed

to be done to combat global warming. In the report in question, UNEP predicts that global warming would exceed 3°C by the end of the century, despite the reduction in greenhouse gas emissions due to the Covid-19 pandemic and the pledges set out by the international community.

The UNEP report stated that in order to keep global warming to within 2°C by 2030 would require the international community to turn to environmentally friendly energies and afforestation, as well as taking other ecological measures while reviving the economy after the pandemic restrictions are lifted. The report pointed out that if such action was taken, greenhouse gas emissions which harm the climate could be reduced by 25% by 2030, and that the target of limiting global warming to 1.5°C could be achieved.

In order to achieve this reduction in the steel industry, which is one of the industries affected by climate change, the development and implementation of new technologies and establishment of effective cooperation both within and between industries is vital. Recent technological developments such as the use of hydrogen instead of carbon in production, carbon capture, use and storage present important opportunities in combating climate change.



723,626,203 kwh

The amount of energy recovered from waste heat reached 723,626,203 kWh



1,078,966,210 m³

Total amount of water recovered at our Mining Metallurgy Companies is 1,078,966,210 m³



TL 170,885,256

Thanks to energy efficiency projects, financial savings worth TL 170,885,256 were achieved.

GRI 103-2, 103-3, 305-5, 302-4

Our Mining Metallurgy Companies have drawn up a carbon footprint reduction action plan by calculating that the extreme weather events which may occur as a result of climate change could cause disruption to operations and the supply chain, while the new regulations could have impacts such as carbon costs.

Our Mining Metallurgy Companies follow up the latest efficiency-related projects all over the world in order to reduce carbon emissions, invest in renewable energy with Erdemir Enerji Üretim A.Ş. and develop multi-stakeholder partnerships, especially the public sector.

Our Mining Metallurgy Companies closely monitor carbon markets and new regulations in order to combat climate change. They are actively involved in compliance with legislation and in shaping such regulations in the Turkey leg of the Partnership for Market Readiness for Carbon Markets (PMR), which works on carbon pricing mechanisms such as the emission trading system and carbon tax and which progresses with the financing of the World Bank and under the coordination of the Ministry of Environment and Urbanization.

Adopting a circular economy approach in combating climate change, our Mining Metallurgy Companies aim to ensure energy and material efficiency, and to reduce their carbon footprint by constantly improving their facilities with new technologies.

Our Mining Metallurgy Companies take all fuels they use and raw materials with carbon content into account when calculating their carbon emissions, and monitor the carbon dioxide density performance per ton of crude steel through regular calculations.

Each year, carbon emissions are calculated and transferred to the Ministry's database after the Greenhouse Gas Emission verification is obtained. The training on Greenhouse Gas Emissions was prepared in order to raise awareness of greenhouse gas emissions, which are one of the main causes of climate change, and to share what can be done to reduce emissions, and thus, contribute to raising awareness of all employees regarding these issues. In addition, employees are encouraged to submit project proposals for emissions and waste reduction.

Under the leadership of the R&D Center, the Emission and Solid Waste Research Platform (ESWRP-EMKAR) was established, and efforts are effectively ongoing to examine and implement innovations for emission reduction. The ESWRP platform continues its activities with more than thirty participants from related units.

Efforts are under way to use biomass in iron production processes to reduce consumption of fossil fuels (coal), while activities are also carried out to reduce the consumption of primary raw materials and, indirectly, reduce emissions by recycling ferrous and carbonaceous wastes.

The energy savings achieved as a result of systematic efforts on energy efficiency prevent carbon emissions. The Erdemir, İsdemir and Erdemir Romania plants, which hold the international ISO 50001 Energy Management System certificate, have the capacity to save money by generating their own electricity. The companies successfully completed the transition audit to the ISO 50001: 2018 revision in 2020, and received their certification.

The energy efficiency projects achieved energy savings amounting to 455,300,952 kWh, preventing 214,620 tons of CO₂ emissions during the year. The energy efficiency projects yielded financial savings worth TL 170,885,256.

Air Emissions

Transportation, storage, heating and processing of raw materials used during steel production causes air emissions. Legal regulations created for developing technology and air quality have led to a significant decrease in gas emissions in the last 20 years.

Our Mining Metallurgy Companies are aware of the effects that emissions have on people and the environment. The companies undertake investments to reduce emissions and increase efficiency in order to improve air quality in all plants and the surrounding areas. Air emissions are maintained within legal limits with the improvement investments made.

The Ministry of Environment and Urbanization approved the EIA (Environmental Impact Assessment) regarding the Reinstallation and Modernization of the 2nd Blast Furnace and the 4th Coke Battery as well as the Secondary Products Plant Capacity Increase projects. Our Mining Metallurgy Companies will present the developments regarding the start-up, construction and post-operation to the Ministry with a project progress report prepared every 3 months from the date of the decision.

The Project of Disposal of Persistent Organic Pollutant (POPs) Stocks and Reduction of Coke Emissions is carried out with the large-scale support provided by the Global Environment Fund, in cooperation with the United Nations Industrial and Development Organization (UNIDO) and the Ministry of Environment and Urbanization.

ENVIRONMENTAL PERFORMANCES

Environmental Incentive

Erdemir applied to carry out work performed in cooperation with the Ministry of Environment and Urbanization, the United Nations Industrial Development Organization (UNIDO) and the United Nations Development Program (UNDP) with its 5 environmental projects successfully implemented in industrial-scale resource categories within the scope of preventing persistent organic pollutant (POPs) releases, and submitted the necessary documents. The gains of these projects, which are aimed at reducing dust and emissions, were also examined and verified by international impartial specialist observers from the United Nations Industrial Development Organization. Following the examinations, we were informed that we were eligible for USD 190,000 in incentives.

Water Management

Pressure on water resources is expected increase significantly in the coming years due to the disruption to the balance of rainfall caused by climate change. In the iron and steel industry, which uses water as one of the inputs in the production process, the sound and effective management of water and the use of waste water is vital in respect to water efficiency. The reusability of water during production, thanks to today's new technologies, reduces the pressure on water resources.

Our Mining Metallurgy Companies are working to maximize the recirculation rate of water to be used in production processes and to reduce waste water discharge. Most of the total water use is provided from reservoir water. After some of the water drawn is directed to potable water plants, the remaining water is used in the plants to be transferred to the production processes.

Our Mining Metallurgy Companies' plants have closed circuit circulation systems established to reduce water use in the production processes.

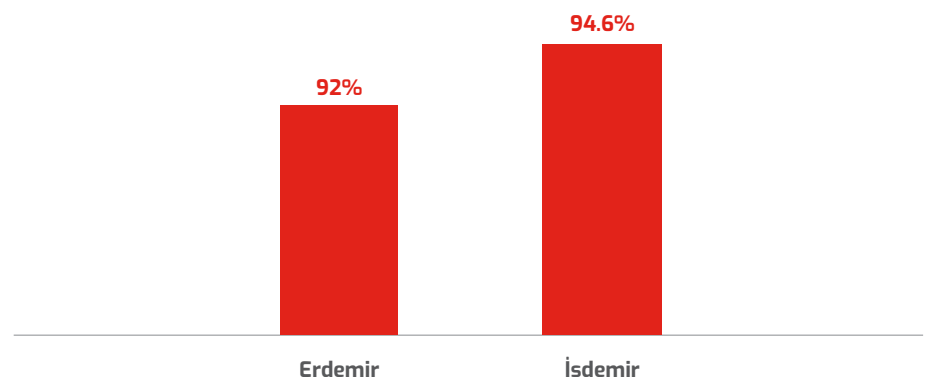
GRI 103-2, 103-3, 306-2, 301-2, 303-1, 303-3

Although the amount of water used in production increases every year, these systems ensure that the amount of water drawn is kept to a minimum. A 92% rate of the water used in Erdemir plants was recirculated in 2020, while this rate stood at 94.6% for İsdemir. The two plants reused a total of 1,078,966,208 m³ of water.

Closed cycle reports were prepared at Erdemir in 2020. Water recovery work to be carried out in the processes is aimed at reducing the water drawn from natural sources.

The water used in all plants is discharged in accordance with legal regulations. The wastewater and cooling water released from the processes is sampled from the discharge points. This water is analyzed under the parameters such as dissolved oxygen, pH, temperature, suspended waste matter, chemical oxygen pH, temperature, suspended solid matter, chemical oxygen requirement, conductivity and flow by using the Continuous Wastewater Monitoring Systems (CWMS), which are located within the plants of our Mining Metallurgy Companies. Measures against pollution are periodically taken with integrated comparison tests every three months and frequent analysis conducted every fifteen days within the scope of internal monitoring by the Ministry authorized accredited laboratories.

Rate of Recirculation



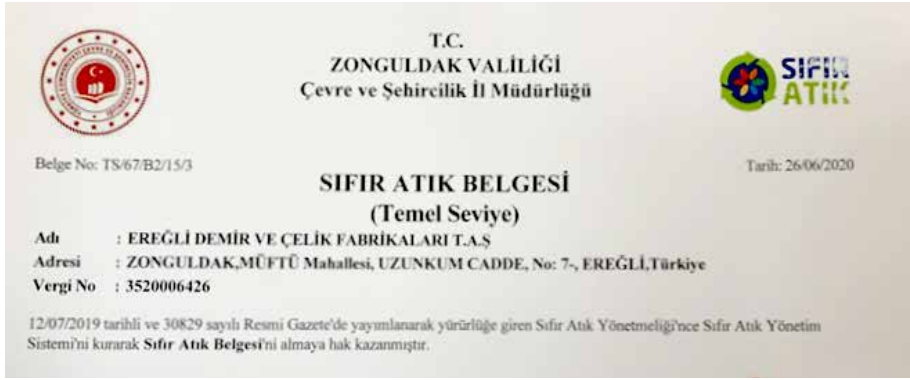
The Circular Economy and Waste Management

The more efficient use of raw materials in production, the increased rate of re-incorporating by-products into production and the fact that steel can be recycled countless times presents opportunities for the iron and steel industry in terms of circulatory and waste management. Effective management of wastes which pose both risks and opportunities for the industry and the transition to a circular economy provide companies with advantages such as compliance with legal regulations and reductions in operational expenditures.

Our Mining Metallurgy Companies prioritize efforts to reduce wastes originating from production at their source, and increasing their recovery and reuse. This approach reduces greenhouse gas emissions and the use of iron ore, while conserving limited natural resources. The use of by-products such as slag and tar, which result from production, as an input in other industries contributes to the circular economy.

At Erdemir, 100% of the blast furnace slag was sold, generating a profit of TL 2,734,934, with a gain of TL 4,966,633 from the sale of 25,554 tons of steel mill slag. 100% of the steel mill and blast furnace granulated slag were sold at İsdemir.

At Erdemir, in addition to the by-product certification obtained for the



Crude Tar, Crude Benzol, Steel Mill Slag and Iron Oxide by-products, by-product certification was obtained for Zinc dross from the TSE.

Hazardous Wastes

Hazardous wastes generated as a result of production are disposed of, stored or sold as inputs to other industries for energy recovery. While hazardous wastes are stored in accordance with the regulations, 1st and 2nd category waste oil, bilge and sludge shipping wastes are sold. In 2020, 40% of the 1,298.82 tons of hazardous waste generated by Erdemir was returned to the economy.

At İsdemir, approximately 27% of 3,000 tons of hazardous waste is sold for energy recovery in cement production.

Waste Recovery

Solid wastes and by-products generated as a result of production at the plants are used in different ways such as in raw materials, recycling or fuel production. In 2020, solid wastes were separated by type and sent to the relevant companies, with 68.3% of all solid wastes recycled at Erdemir and 93% at İsdemir.

Erdemir generated TL 5,140,508 of income from 1,024,850 kg of waste sold to licensed companies in accordance with the regulation in 2020. A total of TL 216,358 was saved from the 745,010 kg of waste which would have otherwise have been sent for disposal.

Approximately TL 10.4 million was earned from 9,485 tons of waste sold at İsdemir. In addition, our

Mining Metallurgy Companies both contributed to the circular economy and achieved substantial financial savings by supplying some of the raw materials used in sinter plants from waste materials. İsdemir achieved financial savings of approximately TL 101.5 million in total by using 277,605 tons of waste material as an input.

Erdemir and İsdemir entered their waste information over the Integrated Environmental Information system of the Ministry of Environment and Urbanization within the scope of the Zero Waste Regulation.

Accordingly, at Erdemir;

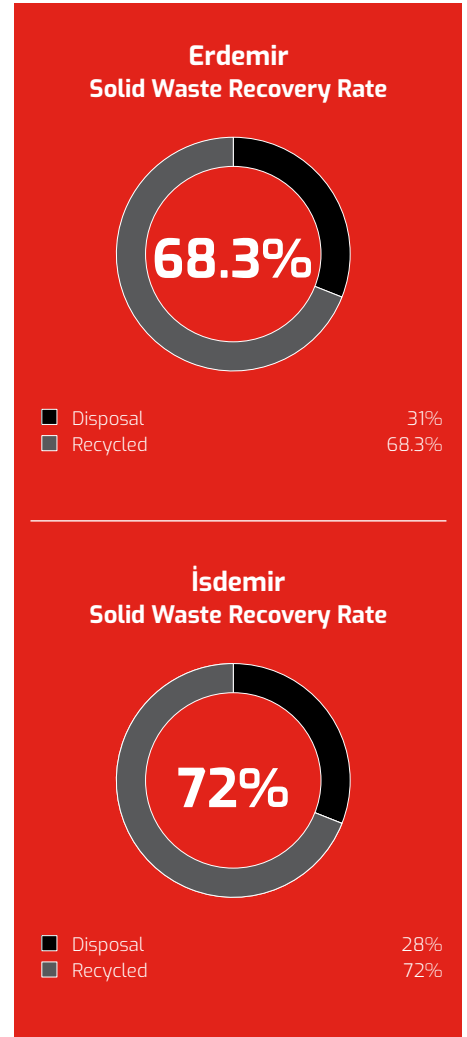
- 108 tons of waste paper was collected, preventing the felling of 1,840 trees.
- 168 tons of waste plastic was collected, preventing the need for 437,466 liters of oil.
- 23 tons of glass and 76 tons of non-ferrous metal were collected, saving 126.72 tons of raw materials.
- 3,030 m³ of water was saved.
- 1,462,204 kWh of energy was saved.

At İsdemir;

- 242 tons of waste paper, 242 tons of waste plastic and 7 tons of glass were collected, preventing the felling of 4,117.74 trees.
- 6,782.16 m³ of water was saved.
- 2,391,153.3 kWh of energy was saved.

Zero Waste Policy

The Erdemir, İsdemir, Ersem and Erdemir Maden plants were found eligible for the Zero Waste Certificate by establishing the Zero Waste Management System in accordance with the Zero Waste Regulation. In order to change waste engine oil in



R&D AND INNOVATION

accordance with the requirements of environment and human health, Erdemir obtained the Engine Oil Change Point Permit Document numbered 2020-001 on 27 October 2020 and İsdemir received the Engine Oil Change Point Permit Document numbered 2020-21 on 22 October 2020 from the Provincial Directorate of Environment and Urbanization, to be valid for a period of 5 years. Erdemir became the first company in the Zonguldak province to receive this certificate.

Our Mining Metallurgy Companies develop innovative, high value-added new products in line with the increasing needs and expectations of their customers, in addition to their strategic goals. In this context, activities aimed at improving processes, reducing costs, determining alternative raw materials, materials and technologies, recycling and recovery of wastes and more efficient use of raw materials and energy resources have been successfully carried out.

Our Mining Metallurgy Companies, which also produce for the automotive and energy sectors - which have an important bearing on climate change - improve the environmental performance of their customers and offer products which will reduce carbon emissions thanks to R&D and innovation.

The level of expertise achieved by our Mining Metallurgy Companies in the industry, their R&D studies, and the feedback they receive from their customers and other stakeholders constitute their intellectual capital. Using this capital in R&D and innovation processes, our Mining Metallurgy Companies respond to the changing expectations of their customers, and provide a competitive advantage with value-added products by reducing costs. They develop and expand their business with innovative the products and processes which they create with a focus on technology, the environment and efficiency.

The R&D Center, which is equipped to carry out advanced steel research that Turkey needs, performs R&D activities in a manner to support raw material, product and process development strategies in line with its vision of increasing its competitive clout and shaping the future.

By the end of 2020, 35 projects had been completed at the R&D Center, which gathers its activities under four main groups: The Hot Products and Process, Cold Product and Process, Steel Production and Casting Technologies, Raw Materials and Iron Production R&D. Work continues on 48 projects.

The R&D Center employs 58 people, including 33 researchers, 19 technicians and a support team of six people. Our Mining Metallurgy Companies, which place importance on the development of their employees, provide training activities in the light of current technological developments. In 2020, 22 separate training programs on technical subjects were given to R&D employees, while employees are encouraged to pursue enrolment on doctorate and master's courses. The R&D team has contributed to the intellectual capital of our Mining Metallurgy Companies with a total of 69 articles, papers and posters to date. Our R&D expenditures stood at USD 4.2 million in 2020.

With 13 patent and utility model applications tabled this year, the total number of applications increased to 49, and the registration process of 40 of these applications is ongoing. As of the end of 2020, our Mining Metallurgy Companies had 9 registered patent and utility model applications.

Seven of the projects submitted within the scope of TÜBİTAK "TEYDEB 1501 Industrial R&D Projects Support Program" since 2014 have been successfully completed while the work of two projects, for which a decision had been taken to extend support, continues.

Our Mining Metallurgy Companies develop innovative, high value-added new products in line with the increasing needs and expectations of their customers, as well as the strategic goals they determine.

525

Our Mining Metallurgy Companies produce 525 flat steel product grades.

With the offer of 7 steel grades of long products for sales, we offer a total of 312 long product grades.

Within the scope of new product development studies being carried out to increase competitive clout and market share, a total of 24 new steel grades, including 17 hot steel grades, 2 cold steel grades, four tin grades and one galvanized steel grade were developed with the joint efforts of the R&D Center and Quality Metallurgy units. The new steel grades offered for sale took the number of flat steel product grades of our Mining Metallurgy Companies to 525. With the offering of seven steel grades of long products for sale, the total number of long product grades reached 312. As a result of new product development efforts, four new product types were added to the catalogue, increasing the number of product types to 94.

In 2020, our Mining Metallurgy Companies continued their flat and long product development efforts in a wide range of areas including automotive, construction, automotive steel, steel bridge and heat treatment steels. Cost cutting projects were implemented in High Strength Low Alloy (HSLA) and Oil Pipe steel grades. In addition, various material inspection work and process optimization studies was carried out in all companies at the request of internal and external customers within the scope of efforts to promote customer satisfaction.

The search for a new generation of steel which will meet the expectations of the automotive industry has been the main target of iron and steel producers since the turn of the century. R&D projects have been carried out, especially in the automotive industry, by focusing on the development of high-strength materials in the body design of automobiles in order to increase fuel savings and reduce carbon emissions by using new generation steel grades without compromising safety. These studies are aimed at providing high durability and facilitating the shaping properties of complex parts.

Taking account of the expectations of the automotive industry, efforts are continuing for the development of new generation steel grades specific to Erdemir. With the aim of taking the projects carried out so far one step further, studies on new generation steel grades and coating types with high added value will continue in 2021.

Development of Tin Materials

In the packaging industry, the development of double reduced (DR) tinsplate material with flexible shaping properties is carried out, especially for use in the production of easy-open lids (EOE), aerosol bodies, aerosol bottom and tops, deep drawn containers and food packaging body materials. Erdemir's special double reduced tin products, which offer superior shaping properties with innovative and original designs, have been protected through the submission of a patent application. The brand value is increased by submitting a brand application in line with company policy.

Our Mining Metallurgy Companies participate in the Tinsplate Group work. The Group includes some of the world's leading companies operating in the tinsplate industry, while our companies also take part in the "CRFREE" project conducted under the same roof, where tin passivation technologies which present an alternative to chrome are examined. These projects allow an exchange of information regarding technological developments, innovations and trends in the industry, with this information transferred to the processes.

New Generation Steels

Our Mining Metallurgy Companies aim to gain competence in the production of high performance and value-added new generation alloys in line with the pilot scale production of new generation steels and increasing levels of efficiency in the production processes.

The work carried out in process improvement during 2021 is aimed at reducing production costs, developing low density steels, developing the product range by providing prototype production of special steels such as new generation advanced high strength steels and increasing customer satisfaction by further improving the quality of liquid steel and final products.

Our Mining Metallurgy Companies provide technical support to the "Steel E-Motive" project, which is carried out under the roof of World Auto Steel (WAS), which is the joint meeting point of automotive and iron and steel producers, in the steel selection and manufacturing processes.

Coating Technologies

In the automotive sector, in addition to galvanized products, coatings containing zinc-iron alloys, which are a derivative of zinc coating, are also widely used. On this axis, the focus is on providing superior performance properties in galvalloy (zinc-iron alloy) coatings in line with trends and expectations in 2020.

Efficiency in Coke Batteries and Making Use of Solid Waste

Our Mining Metallurgy Companies, which use about 4.5 million tons of coking coal annually, aim to increase efficiency by using non-coking and semi-coking coals in the blend in order to reduce the cost of coal blending. Successful results have been obtained by conducting semi-industrial studies to increase production efficiency in coke batteries.

Our companies aim to increase the bulk density of the blend by adding the coal used in coke batteries to the blend by briquetting, thus increasing the efficiency. The successful results achieved in semi-industrial studies conducted in this area have helped achieve the goal of industrial use of the application.

Our Mining Metallurgy Companies work to an R&D culture where all employees contribute with their ideas, drawing benefit from the knowledge of their suppliers.

In the iron production processes of our Mining Metallurgy Companies, studies are carried out to reduce the use of coal by adding biomass to the coal blend. In this context, agglomeration methods and methods to remove impurities are studied to recover iron and carbon containing residues.

Reducing Carbon Emissions

Within the scope of efforts to combat climate change, research is carried out to reduce carbon emissions and apply appropriate technologies within our Mining Metallurgy Companies. Studies are carried out with a common and holistic approach with the ESWRP platform.

Product Life Cycle Analysis

Within the scope of Lifecycle Assessment (LCA) completed in 2020, in addition to determining the carbon dioxide emissions generated during the production of each ton of coke, sinter, liquid crude iron, steel, hot products or cold products, the consumption of energy and natural resources has also been analyzed.

The work in this area is aimed at the creation of an Environmental Product Declaration (EPD) by carrying out additional studies specific to product groups and thus playing a role in green markets.

R&D Investments

Our Mining Metallurgy Companies undertake investments to improve their R&D capacity. The vacuum induction furnace, the commissioning of which is planned to be completed in the first quarter of 2021, aims to produce new generation steels, which cannot be produced in the processes, on a pilot scale.

The commissioning work of the hot rolling simulator, which was installed in line with the goal of developing advanced high strength new generation steel grades on a pilot scale, is planned to be completed in the first half of 2021.

The Cold Rolling Simulator and Annealing and Coating Process Simulator are actively used in R&D projects to develop new generation advanced high strength steel grades and improve existing products.

The laboratory infrastructure set up to study the electrochemical behavior of products, especially their corrosive, dissolution and coating properties, has been effectively used in the projects.

The coke testing furnace, in place to identify alternative raw materials which will be added to the coal blend in the coking process, thus reducing carbon emissions and costs, and the CRI / CSR device, which will analyse the cokes to be produced, were added to the laboratory infrastructure, thus increasing the R&D device / hardware competency.

The particle size analyzer for characterizing powder materials and the RDI testing device for determining the hot strength of sinter, pellet and lump ore at international standards were added to the R&D infrastructure.

In 2021, our Mining Metallurgy Companies plan to develop projects which will be able to achieve results in focal points such as optimization studies which increase efficiency in processes, maximum use of use of residues, and life cycle analysis, as well as work on the adaptation to digital

transformation applications and carry out studies into value added products such as automotive steels, heat treatment steels and packaging steels.

Our Mining Metallurgy Companies focus on reducing the use of primary raw materials by recycling residues into production, increasing the efficiency of coal use through the use of alternative carbon sources (such as biomass) and bulk density increasing methods. Our Mining Metallurgy Companies aim to expand their operations with the commissioning of simulators.

A spreading and growing R&D and Innovation Ecosystem

Our Mining Metallurgy Companies have an R&D culture where all employees contribute with their ideas and where benefit is obtained from the knowledge of suppliers. Employees' project ideas are evaluated on the basis of their innovation, budget and resources, the partnerships which the projects will create on the basis of their financial return and their collaborations. Progress in approved projects is monitored and reported on at regular intervals. The intellectual and industrial property competence of employees expands and develops accordingly. Project outcomes are protected by patent or utility model applications. Employees closely follow up technological advances through literature research.

Regular meetings and seminars are held and joint projects are carried out in order to benefit from suppliers' expertise and knowledge.

DIGITAL TRANSFORMATION AND TECHNOLOGY



Digital Transformation

All industries around the world are transforming the way they do business with the impact of digitalization. Keeping up with this transformation and adapting ways of doing business creates a competitive advantage. While the digitalization of processes and production offers benefits such as efficiency and cost cutting, all work processes are becoming more manageable with the provision of agility.

Our Mining Metallurgy Companies initiated digital transformation activities in 2019 with the vision of creating maximum value for all stakeholders in the value chain. In line with the goals of achieving excellence in the stakeholder experience, operational excellence and digital revenue generation, the Companies focus on the integrated supply chain, production and quality, maintenance

and reliability, energy and resource management, occupational health and safety, as well as the human and cultural dimensions.

The digital transformation journey of our companies covers more than 100 projects, which are supported by the most up-to-date digital technologies from the Internet of Things and cloud technology, to big data, Artificial Intelligence, image processing and digital twins.

In 2020, our Mining Metallurgy Companies mainly focused on the renewal of the technological infrastructure and system installation, which are the preconditions for a successful digital transformation. The primary aim in this context was to democratize the data and access the correct data reliably and rapidly by all stakeholders.

In order to ensure that data can be used effectively at every level of our companies, especially analytical studies, work was initiated on a data warehouse and enterprise reporting system in the first stage, and policies and standards for data governance were determined.

Data lake work for fast and accurate collection and storage of structural and non-structural data from different source systems and the processing of big data with advanced analytical methods is currently underway. The data lake platform and advanced

DIGITAL TRANSFORMATION AND TECHNOLOGY

Our Mining Metallurgy Companies plan to continue their digital transformation efforts and step up the pace of these efforts in 2021.

The following stand out as critical projects in the digital transformation roadmap.

- Modernization of production systems,
- Establishment of a data lake platform,
- Positioning advanced analytical solutions on the data lake,
- Artificial intelligence modelling work,
- Advanced optimization studies in production lines,
- Asset performance management,
- Digitalization of quality management systems

Software Development Activities

Sales, Shipping and Quality Process and System Modernization Project

One of the important milestones in the digital transformation journey of OYAK's Mining Metallurgy Companies has been the project to improve sales, shipping and quality processes on different applications and move them onto a flexible and integrated application supported by the most up-to-date technologies. The project, which was successfully completed in 2020, applies current software trends such as the Agile method and DevOps, allowing users and customers of our Mining Metallurgy Companies to access products and services on a single platform.

The new application, which also includes a mobile solution, offers an uninterrupted and multi-channel experience which allows customers to easily query their orders, carry out payments and receive support from all channels when needed. In addition, the applications running behind the systems were made compatible with the Cobit / ITIL processes. Integration between systems could be managed through the API Gateway, which is a more secure infrastructure, while the hardware and access infrastructure, on which the applications will run, were also improved.

Integrated Audit System Project

The integrated audit system project, applied in our companies, ensured that audit activities are carried out over the system and that a continuous audit and control mechanism is established. The Risk Management, Process Control and Audit Management modules were put into use within the scope of the project.

With the project, the examination of routine risks and control points was automated by the Internal Audit Unit, and the resources of the audit unit were directed to strategic risks and high value-added consultancy work.

Digitalization of the Human Resources Processes and Systems (Dijitalik) Project

The digital human resources project, which was initiated to manage human resources processes at our companies in a more user-friendly, personalized, agile and leaner manner, was completed in 2020.

With the new application which integrates the selection and placement, personal information management, performance management, pay and benefits, talent management and training and development processes on an end-to-end basis, and which is offered to both web-based and mobile users, manual HR processes were completely digitalized, leading to a significant improvement in the employee experience.

Information Security

The opportunities offered by digitalization also place issues related to information security as one of the most important risks. Our Mining Metallurgy Companies secure all IT assets, including processes and technology, at the highest level in order to continue their activities without any interruptions to production or service caused by security issues, and install the most up-to-date security applications on existing systems.

Our Mining Metallurgy Companies, which conduct regular penetration tests to identify security risks, meticulously comply with COBIT, internal security policies and the ISO 27001 standards. In addition, information security training is organized at all levels and regular phishing activities are carried out in order to increase the awareness of employees in regard to information security.

Aware of the increased cyber security risks presented by Covid-19, our Mining Metallurgy Companies have also increased levels of internet security, e-mail security and network access security in 2020 in order to ensure safer and faster remote access for users. The Companies also created the infrastructure of the "Always on VPN" technology.



5





**WITH OUR EMPLOYEES
WHO LOVE THEIR
WORK**



THE APPROACH THAT PUTS PEOPLE AT THE HEART OF WHAT WE DO

THE EMPLOYEES

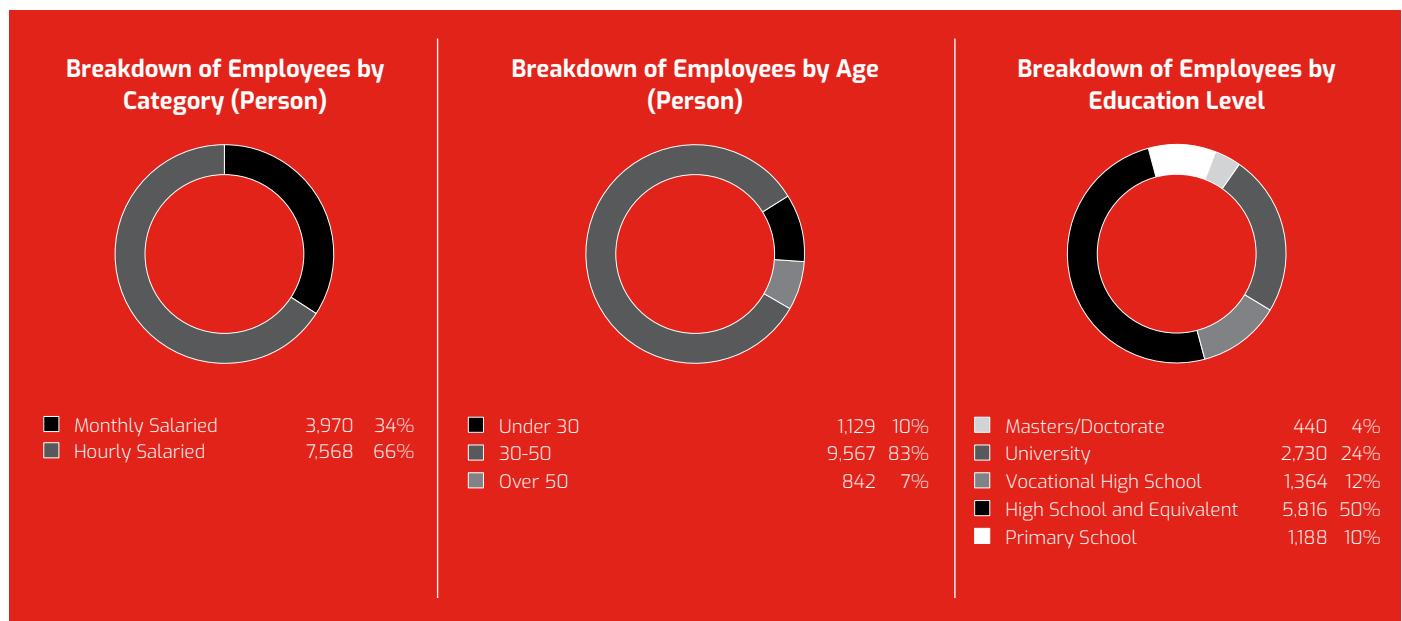
Acting with the belief that its employees are its most important asset, our Mining Metallurgy Companies have adopted an approach focused on creating, establishing and maintaining a common human resources culture.

People are at the center of the business model and all activities of our Mining Metallurgy Companies.

Our Mining Metallurgy Companies design projects which will improve the competencies and working conditions of their employees by taking into account the needs and expectations of their employees with the human resources practices they create.

On the other hand, our companies contribute to socio-economic development by creating employment, supporting development of the regions in which they operate and implementing projects aimed at creating social value.

As the preferred employer brand, our Human Resources teams are focused on providing a corporate social contribution to the activity regions and gathering employees who have adopted the corporate priorities and values.



The employees of our Mining Metallurgy Companies move in line with common goals as being part of a large family.

As one of the largest employers Turkey, our Mining Metallurgy Companies were providing direct employment to a total of 11,538 people as of the end of 2020.

In our Mining Metallurgy Companies, a holistic approach is pursued in the management of different human resources processes such as recruitment, terminations or leaving the job, performance management, promotions, transfers and remuneration.

66% of the workforce consists of the employees who earn an hourly wage and 34% the employees draw a salary.

THE EMPLOYEES

Our Mining Metallurgy Companies Offer a Working Environment Which Does Not Allow Discrimination

At our Mining Metallurgy Companies, in all human resources processes, especially recruitment, objective evaluations are carried out according to the individual's competencies and personality inventory without discrimination on the basis of gender, language, race, ethnic origin, political opinion, belief, religion, sect, age, physical disability and similar reasons. At the same time, gender equality is observed.

Flexible and Scalable Human Resources Processes

Our Mining Metallurgy Companies implemented the Human Resources Transformation Project in order to manage human resources processes to a certain standard, more effectively and in a flexible and scalable manner. In 2020, the Performance Management, Selection, Recruitment and Organization Management, Talent Management, Pay and Benefits Management and Employee Development systems were commissioned in the application, where employee personal information is available. This has allowed the management of human resources has been enabled to be carried out in a comprehensive manner.

Performance Management

Within the scope of performance management, which is one of the key steps in talent management, our Mining Metallurgy Companies carry out a target-based individual performance evaluation process once a year for employees drawing a salary.

Individual Performance Management is the process which evaluates the extent to which employees have realized the performance targets agreed with them. The employee's strengths and areas requiring development are determined during this process, with effective feedback given to the employee to support their

performance, and developmental activities are planned and monitored.

Individual performance results, which are obtained to achieve the corporate goals on an annual basis, are evaluated in determining variable wages and career management.

Our Mining Metallurgy Companies ensure that all of those employees drawing a salary receive feedback from their managers on a weekly basis in order to develop a culture of high performance.

With the Feedback System, the 1st Manager may follow up the weekly performance of the employee through the Mining Metallurgy Competencies on a weekly, bi-weekly or monthly basis, and provide constructive feedback which will contribute to the development of the employee.

Employees may share their Career Target requests with their senior managers on an annual basis through the Digital HR system. They can plan the Individual Development Plans, which they have structured in this context and follow them up on an annual basis.

Through the Performance System, in which Annual Individual Targets are monitored, employees and their managers can come together within the scope of the annual performance meeting and evaluate the performance of the year in question. Where the employee does not agree with the results, they may enter a note of objection in the Reconciliation field defined in order to present their opinion on the system and send it to their senior manager.

Remuneration and Benefits

Remuneration is carried out under a systematic approach depending on the job levels determined for the positions. While the pay and benefits of employees being paid an hourly wage are determined through collective

bargaining agreements, a methodology based on an internationally recognized and defined systematic is applied to determine the pay of employees drawing a salary.

While employees drawing a salary are provided with private health insurance, variable wages based on performance and a private pension with employer contributions. Hourly wage employees are provided with fringe benefits such as bonuses and fuel allowances within the scope of the collective bargaining agreement. Employees are also given benefits such as lodging, nursery care, social facilities and health services.

Talent Management

OYAK's Mining Metallurgical Companies create pay and benefit policies by considering the structure of the industry in which they operate and competitive conditions. The Companies support policies with various applications in the light of analyses aimed at increasing employee loyalty and motivation.

Ensuring that employees work in the right job in accordance with their abilities and increase their personal and professional competencies is at the heart of the talent management approach taken by our Mining Metallurgy Companies.

Within the scope of talent management, internal candidates are prioritized for career openings at our Mining Metallurgy Companies. By placing priority on internal candidates, whose competencies and experiences overlap with open positions, a career path is opened for the employees. In the relevant process, Selection and Placement tools are used to support the process for the placement of the right candidates, such as the ITEP English Examination, the Evaluation and Development Center Process and 16 PF Personality Inventory.

Our Mining Metallurgy Companies, which are some of Turkey's largest employers, provide direct employment to 11,538 people.

Training Activities

Training activities at our Mining Metallurgy Companies include all learning-development activities carried out by the Company in order to improve the existing and needed competencies of employees. In this vein, training activities which support the professional and basic competencies of employees are carried out in line with the Company's training objectives.

Short and long term training programs for employees drawing a salary as well as those earning an hourly wage are carried out within our Mining Metallurgy Companies. Training programs such as leadership development programs, programs conducted with technical faculties, internal trainer programs and catalog trainings, which are spread throughout the year, are planned for salaried earners.

At OYAK's Mining Metallurgy Companies, various training methods suitable for adult education are applied, in which a range of learning opportunities such as on-the-job, classroom, distance learning, domestic / foreign conferences and online seminars are offered. With the "Dijitalik" Learning and Development platform, which was commissioned at the beginning of 2020, distance learning methods also started to be applied. Due to the pandemic, informative notifications and many training programs were redesigned and implemented so they could be given remotely.

In 2020, a number of online training programs were given to employees:

- Personal Data Protection Law (PDPL-KVKK),
- Zero Defects in Cold Rolled Products,
- Code of Ethics and Business Conduct,
- Greenhouse Gas Emissions,
- E-Orientation.

Energy Management System.

In 2020, a 2-day refresher training course was provided to 27 corporate guides who participated in the Corporate Guidance Program (Internal Mentoring Program) in recent years. After this training, corporate guides (mentors) were assigned employees who they would guide. In this training, corporate guides started to meet those who they would be mentoring within the scope of the training resources and road maps conveyed to them. In addition, a one-day course on Coaching Fundamentals, which includes basic coaching skills, was held within the scope of the Managerial Development Program of Those who Transform Iron designed for the managerial level.

Talent management at our Mining Metallurgy Companies is handled with a holistic talent management approach. The backup system of the companies is designed in a manner which allows both inter-functional and inter-company transitions. Employees are supported in their career paths with both technical and managerial skills.

The measurement of our Mining Metallurgy Companies Development Programs is carried out at two levels.

The following personal development and technical training titles are provided for different employee categories in order to increase the personal and professional skills of employees.

Management Development Program for Those who Transform Iron (Managerial level)

An 8-day Management Development Program for Those who Transform Iron was held to improve team management and business conduct skills of the management level employees, and to increase the effective communication and cooperation which will support business results.

Faculty of Marketing and Sales (Specialist and Managerial level)

The Marketing and Sales Faculty course, which lasts for 15 days, was provided with the aim of strengthening the professional and technical competencies of the specialists and managers under the Marketing and Sales Group Vice Presidency with the marketing and sales consultant approach.

Purchasing Faculty (Specialist and Managerial level)

The Purchasing Faculty course, which lasts for 15 days, was held in order to strengthen the professional and technical competencies of the specialists and managers under the Purchasing Group Vice Presidency with the purchasing approach.

THE EMPLOYEES

Corporate Guidance (Internal Mentoring Program) Refresher Training (Managerial and Director Level)

In the two-day Corporate Counselling training program, corporate guides convey important information, thoughts and work experiences to those being mentored, support them in line with their goals, strengthen their personal awareness and sense of belonging, and guide them about the development of their careers.

Catalogue Training (Specialist and Managerial level)

Specialist and management level employees choose the appropriate training together with their managers according to their development needs from the catalogue training programs published once a year. The training programs they choose are planned and assigned to employees during the year.



Annual Average Hours of Training: 31

Hours on OHS Training: 16.3
Hours on Non-OHS Training: 14.7

Due to the pandemic, training was carried out online in 2020.

Competency Based Interview Techniques Training (HR Specialists and HR Managers)

Competency based interviews are conducted in order to determine the right candidates in the recruitment processes. In order to strengthen the technical skills of the employees conducting these interviews, a two-day Competency Based Interview Techniques Training program was provided.

Training Areas within the Scope of Rolling out Operational Excellence Projects:

Statistical Data Analysis Training (SDA)

The four-day long SDA course, which is supported by workshops is open to two classes during the year, and employees with the status of engineer or specialist and chief engineer or manager explain statistical data analysis techniques and their conceptual infrastructure with applied examples by using the minitab software. At the end of the course, participants who pass the exam which includes the subjects covered in the SDA training are added to the Design of Experiments Training participant pool. Successful participants are awarded a certificate of achievement.

Subjects covered during the training:

1- Introduction to Statistics, 2- Graphical Analysis, 3- Measurement System Analysis, 4- Process Capability Analysis, 5- Correlation Analysis, 6- Introduction to Hypothesis Tests, 7- Mean and Variability Hypotheses, 8- Ratio Hypotheses, 9- Regression Models, 10- Statistical Process Control

Design of Experiments Training (DOE)

This training was given to participants in one class and for 3 days a year. The DOE training involves the classroom training, which includes the participants who have successfully passed the Statistical Data Analysis Training examination as a continuation of the SDA training. The DOE training covers advanced statistical analysis techniques and concepts through applied

examples and workshops by using the minitab software. The participants sit an examination, which includes DOE subjects, at the end of the training and the successful candidates receive a certificate of achievement.

Topics covered during the training:

1- SDA General Review, 2- ANOVA (Analysis of variance), 3- Introduction to Design of Experiments, 4- Full Factorial Experiments, 5- Fractional Factorial Experiments, 6- Multiple Output Optimization

Measurement System Analysis Training (MSA)

This training is given to participants in one class and for 3 days a year. The training helps participants complete their analysis successfully in their work related to measurement. The training supports the analysis of both measurement tools and systems by using minitab supported statistical methods. Participants who perform successfully in the examination at the end of the training receive a certificate of achievement.

Topics covered during the training:

1- Measurement System Analysis: Introduction, 2- Type-I Study, 3- Gauge Linearity & Bias Study, 4- Gauge R&R Crossed, 5- Gauge R&R Nested, 6- Gauge R&R Expanded, 7- Attribute Gauge Study (Analytical Method), 8- Attribute Agreement Study

Statistical Modeling Training for Managers (SMM)

The training program is offered to participants in one class and for 2 days a year. It provides a summary of the SDA training for managers and above. The training is completed with sample applications, workshops and statistical analysis by using the minitab software.

Topics covered during the training:

1- Introduction to Statistics with Minitab®, 2- Minitab® Graphics, 3- Measurement System Analysis, 4- Introduction to Hypothesis Tests, 5- Regression Models

Training activities at our Mining Metallurgy Companies include all learning and developmental activities carried out by the companies in order to improve the existing and required competencies of the employees. In this vein, training activities which support the professional and basic competencies of employees are carried out in line with the companies' training objectives.

Leadership Faculty

Those who Transform Iron - The Management Development Program	The Managerial Development Program of Those who Transform Iron was carried out for 8 days for each group in order to increase the effective communication and cooperation which will support business results by improving the team management and the business conduct skills of the managers. Following the completion of the program on 6 October 2020, which was opened in for new managers on 18 November 2019, four new groups opened in 2020 for former managers, who have participated in the previous Sabancı Program. The training of four new groups, which started on 2 November 2020, was completed on 12 February 2021. A total of 71 participants were in the first 4 groups with 65 participants in the new 4 groups.
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Technical Faculties

Faculty of Iron and Steel	The Iron and Steel Faculty was designed in parallel with the technical, career and professional development stages to improve the competencies of engineers and chief engineers. In the design phase, literature research was conducted and studies to analyses the requirements were carried out according to the results. These studies included an online questionnaire which was sent to employees at different stages of their careers. Focus group meetings were then held with managers at different levels, and a training model draft was prepared according to the results. The faculty aims to be a pioneer in the iron and steel industry with the training activities to be structured in 2021, after the final form of the training content is determined in cooperation with the Istanbul Technical University.
Faculty of Marketing and Sales	The Marketing and Sales Faculty was established in order to support the marketing and sales consultant approach specific to our Mining Metallurgy Companies and to strengthen the professional and personal competencies of specialists and managers in the marketing and sales teams. The program, which consists of four modules with the themes of "A Changing World", "Our Changing selves", "Management with Data" and "From the Product to the Customer", started on 1 October 2019 and was completed on 11 November 2020. A total of 60 participants have graduated from the program.
Purchasing Faculty	The Purchasing Faculty was designed for the development of specialists and managers in the purchasing function. The program, which started on 4 February 2020 and ended on 8 December 2020, was aimed at strengthening the professional and technical competencies of the participants. A total of 27 participants graduated from the faculty which covered subjects such as strategic purchasing and category management, supplier performance and relationship management, contract management and risk management in the supply chain.

THE EMPLOYEES

Measures Taken Against the Covid-19 Pandemic

In 2020, combating the effects of the Covid-19 pandemic on employee health and working life and adapting to new conditions became the most basic topic of human resources for our Mining Metallurgy Companies as well as all over the world. In this vein, the digitalization of all processes and applications came to the forefront as the key focal point of our efforts.

The following precautions were taken by our Mining Metallurgy Companies to ensure the continuity of business in the current process:

- The Covid-19 desk was created. Incidences of any employee suspected of having contracted Covid-19 were reported to the relevant Covid team, and the relevant actions were taken quickly.
- A system of remote working was implemented to reduce physical contact and prevent contamination.
- Thermal imaging devices were installed at the company entrance to check for fever symptoms of employees coming to work to the office.
- In the office, social distancing points were determined with borders and warning boards.
- Employees in a high-risk group (over 60 years of age, with chronic diseases, pregnant or on breastfeeding leave), were given administrative leave.
- Information was provided to employees on the subject of hygiene and to subcontractors where applicable, through training, corporate communication awareness efforts, etc.
- No visitors were accepted to the facility or offices, or the operation and building areas, with visitors only accepted in a restricted and controlled manner in necessary situations.
- Suitable equipment and materials were provided to protect employee hygiene such as masks, hand sanitizer, etc.

- Offices and work areas were sterilized on a daily basis, with all equipment used, including equipment with screens, and the related parts such as keyboards and mouse devices, common phones, intercoms, microphones, etc. frequently disinfected, with deep cleaning performed on a weekly basis.
- Taking the Coronavirus pandemic into account, risk assessment and emergency response plans were updated within the scope of the OHS.
- Common areas and dining halls in the operation building were closed and planned events were postponed or cancelled during the pandemic.
- The number of staff on the lunch break was divided into sittings in accordance with the capacity of the dining hall with appropriate time adjustments.
- If there is a suspected case of Covid-19, any employees who came into contact with the individual thought to be infected are determined using the contact information of those who came into contact with the employee, and necessary actions taken in accordance with the guidelines spelt out by the Provincial / District Health Directorate.
- The health unit regularly administered Covid-19 tests to employees coming to work in office.
- Within the scope of the remote working measures, work was carried out over zoom meetings for the continuity of business processes.
- Through the Digital HR Learning and Development Module, distance learning assignments were carried out to help employees and their families get through the period in a psychologically and physiologically healthy manner.
- The health procedures to be carried out for the Covid-19 processes within the scope of fringe benefits were included in the scope of Private Health Insurance.

In 2021, the pandemic is expected to continue affect our lives. Until new guidelines are published in 2021, our Mining Metallurgy Companies plan to continue the implementations stipulated in the Normalization Process Guidelines under the OYAK Covid-19 Management Procedure published in 2020.





SOCIAL CONTRIBUTION

Our Mining Metallurgy Companies aim to support development in the regions where they operate and increase the quality of life of the local community with projects carried out in a number of different areas such as contribution to education, support to culture and the arts and protection of biodiversity.

Our Mining Metallurgy Companies carry out their activities with an understanding of creating value for all stakeholders in the value chain. Our companies contribute to the social and economic development of the regions and respond to their social needs with the employment they create in Ereğli, Iskenderun and Sivas, which are the main production and mining regions, and the social projects they implement.

Our Mining Metallurgy Companies aim to support development in the regions which they operate in, and increase the quality of life of the local community with projects carried out in many different areas such as contribution to education, support to culture and the arts and protection of biodiversity. Collaborations are entered into with public institutions and non-governmental organizations and support is provided to local NGOs with the aim of reaching a wider audience with the activities within this scope and increasing the effects of the projects. Accordingly, our companies contributed a total of TL 19,270,000 to social projects in 2020.



Erdemir, Let the Fields be Ploughed, Let Tradition Continue Project

Support for Education, Social Life, Culture and the Arts

Our Mining Metallurgy Companies focus on education and projects in the area of culture and the arts as part of their approach towards supporting the development of society. They carry out projects to improve conditions in education, support access for educational opportunities for more people and to spread culture and arts activities.

Our Mining Metallurgy Companies have so far donated nine schools to the Ministry of National Education within the scope of their support for education. They meet the electricity, water, heating and cleaning needs of the schools which are in the lodging zones in Ereğli and Iskenderun. They support the participation of educational institutions in the area of operations to attend events and competitions in the fields of science, culture and the arts and sport. They contribute to the improvement of their physical conditions and provide support to the schools with supplies and technical equipment.

Erdemir provided high flow oxygen devices to the Zonguldak Bülent Ecevit University Hospital and the Karadeniz Ereğli State Hospital. Erdemir supported the campaign organized by the Karadeniz Ereğli District Governorship for disadvantaged students, who are unable to access distance education in Ereğli, by supplying tablets for a total of 1,245 students since the beginning of the project. In addition, Erdemir contributed to eliminate the shortcomings of 20 village schools in Ereğli so they could receive the "TSE My School is Clean" certificates.

Our Mining Metallurgy Companies donate materials and equipment to support the academic studies of higher education institutions. The Companies have continued to support the activities of the Zonguldak Bülent Ecevit University Space Team Grizu-263 since 2018. Grizu-263, which is an independent student team operating under the roof of the Bülent Ecevit University Faculty of Engineering, bears this name in memory of the 263 miners who lost their lives in a firedamp explosion which took place in the Kozlu district of Zonguldak in 1992. With this project, Erdemir helps university students develop new projects and ideas, and also aims to ensure permanent and continuous collaboration between industry and academia in the region where its facilities are located. Erdemir also continues to support Turkey's first pocket-sized satellite project carried out by Grizu-263. The Grizu-263 Space Team's pocket-sized satellite is planned to be launched in June 2021.

Various cultural and art projects are carried out in order to support the development of culture and art and to promote cultural and artistic activities, especially among young people. Competitions and unpaid events are organized in this field.

The Erdemir Steel and Life Sculpture Competition, which was launched by Erdemir in 2005 and which has been held every two years since 2013, aims to support the young talented individuals who will play a role in the development of sculpting, contribute to the education of art in Turkey and draw attention to various uses of steel through art. Within the scope of the competition, steel sent by Erdemir and İsdemir is also used in the production of sculptures. Erdemir decided to

Our Mining Metallurgy Companies successfully manage their impact on biodiversity in their operations and contribute to the protection of biodiversity by collaborating with public institutions and NGOs.

organize the competition every year starting from 2020.

Free children's plays launched by Erdemir in 2009 have continued to expand in the other regions where our Mining Metallurgy Companies operate since 2015. In 2020, the project was suspended due to the pandemic.

Our Mining Metallurgy Companies also carry out contribution activities for people with disabilities. At Ereğli, support was provided to the work of the Association for the Physically Handicapped and a battery-powered wheelchair was donated.

"Let the Fields Be Ploughed and the Tradition Continue" Project

The protection of biodiversity is crucial for environmental sustainability and also significantly affects economic and social development. Our Mining Metallurgy Companies successfully manage their impact on biodiversity in their operations and contribute to the protection of biodiversity by cooperating with public institutions and the NGOs.

Erdemir, which is one of our Mining Metallurgy Companies, initiated the "Let the Fields Be Ploughed and the Tradition Continue" Project in partnership with the Karadeniz Ereğli District Directorate of Food, Agriculture and Livestock, the Zonguldak-Ereğli District Directorate of National Education and the Association for Spreading the Ottoman Strawberry and Protecting Its Producers. The project is aimed at increasing the production of the Ottoman Strawberry, which is identified with the Karadeniz Ereğli region which we operate in, but the production of which has come to a

halt over the years, to encourage its cultivation and to contribute to the protection of biodiversity and species in the region.

New Ottoman Strawberry seedlings were germinated from local strawberry seedlings within the scope of the Let the Fields be Ploughed, Let Tradition Continue project, which was launched in 2016. The land obtained as a production area was made suitable for cultivation by soil enrichment, and an irrigation system was established, with the reproduction of the seedlings, which were grown in a laboratory, getting underway.



Berke Uysal
Mimar Sinan Fine Arts University
2019 The Erdemir Steel and Life Sculpture Competition First Prize

SOCIAL CONTRIBUTION

The primary school building, which had been abandoned in the land, was transformed into a training hall and a cold air room was set up to protect the seedlings. Some of the reproduced seedlings were separated to be distributed to the volunteer farmers in the region. Some of the seedlings were planted on the land and studies were carried out on achieving more efficient strawberry production. In 2018, farmers interested in taking part in the project were trained in breeding, and seedlings were distributed to 20 families to be planted on their own land. Communication and training activities were carried out in order to draw attention to this product, which attracts high demand but for which supply has gradually diminished, to encourage breeders and to ensure that the work was carried out with the right production techniques. The first harvest of the fruit in the project was realized in the project area with the

participation of the local government, local press and local public in 2018, as well as a ceremony to mark the distribution of the seedlings. Production activities continue in the project area, with Erdemir continuing to offer support today.

Measures Taken Against the Pandemic

Erdemir, which has implemented a raft of measures at the highest level since the first day of the Covid-19 pandemic, which has affected our country and the world, continued its activities throughout the year in line with the measures taken by the Ministry of Health during the pandemic. Erdemir employees composed a rap song entitled "Let's Mask, Distance First, You are the Remedy, Pay Attention to Hygiene (Haydi Önce Maske Mesafe, Çare Sende Dikkat Et Hijyene)" in order to maintain awareness of the three basic rules, which everyone should apply. The song set out the

importance of the correct use of the mask, respecting the rules on social distancing, avoiding crowded places and observing good hygiene.

Erdemir and Erdemir Maden supported the "We Are Enough for Each Other, my Turkey (Biz Bize Yeteriz Türkiye)" campaign launched by the Presidency of the Republic of Turkey to support the fight against the coronavirus pandemic. A total of TL 8 million in support, including TL 5.5 million from Erdemir and TL 2.5 million from Erdemir Maden, was allocated to the "We Are Enough for Each Other, my Turkey" campaign. In addition to its contributions to the fight against Covid-19, Erdemir continued to support the development of educational institutions in the region. Erdemir continued to support the realization of the activities of public institutions and non-governmental organizations.

Erdemir maintains its support for the Grizu-263 A Project, which is Turkey's first pocket-sized satellite.



Erdemir aims to spread the practice of “Elpek Cloth” (Elpek Bezi) weaving, a product specific to the region in Karadeniz Ereğli, and to support women's participation in economic life.

Projects in the Planning Phase

Project to Protect Elpek Cloth and Preservation of Cultural Heritage (Elpek Bezleri Dokunsun, Kültürel Mirasımız Korunsun)

The history of linen weaving, which became widespread in the Western Black Sea region with the influence of the Phrygians, one of the important civilizations in antiquity, is quite old. As Katip Çelebi states in his famous work “Cihannüma”, the real reputation of the region in this area stems from the sailcloth weaving produced for the Ottoman navy. The Elpek cloth, a linen fabric, has been produced for thousands of years from the fibers of flax, which was once an agricultural product in the Western Black Sea region.

The Elpek cloth, which had nearly vanished between 1940 and 1950, was revived after 50 years with various attempts to bring back the practice. Within the scope of the project, first of all, women from the Pınarcık Village are provided with Elpek weaving skills. Supporting this project, Erdemir aims to spread the practice of “Elpek Cloth” weaving, a product unique to the region in Karadeniz Ereğli, and to support the participation of women in economic life.

Traffic Education Park for the Children of Hatay

In order to provide students in Hatay the opportunity to apply the theoretical traffic knowledge which they had learned in driving lessons, Traffic Education Park Project activities started in 2020. İsdemir, working together with the General Directorate of Provincial Administration under the Ministry of the Interior, extended

its support to the “Traffic Education Park Project for the Children of Hatay” within the framework of its social responsibility approach. Within the scope of the project, İsdemir built an educational traffic track for children in the area behind the Courthouse in the Antakya district. The Project is planned to be brought into use during 2021, depending on the course of the pandemic.

Observation Terrace Project

Erdemir Maden plans to support the construction of the Observation Terrace and Recreation Area within the borders of Ulucami Neighborhood, which is also on the UNESCO heritage list, in order to contribute to the region. The project, which is planned to be carried out jointly with the Divriği District Governorship, is expected to provide a significant contribution to both the economy of the district and tourism in the district.



MANAGEMENT SYSTEMS

Our Mining Metallurgy Companies carry out their activities based on internationally recognized management systems, with the "Total Quality Management Culture" and a customer-oriented approach, which are adopted by all employees.

At Erdemir and İsdemir, company strategies, national and international laws and regulations, customer orientation, the needs and expectations of stakeholders and the experience and knowledge of employees are taken as a basis, with new and modern management systems designed to achieve success with optimal use of resources, and the process is carried out with continuous improvement. The PDCA (Plan-Do-Check-Act) cycle is adopted as the basic philosophy in the implementation of management systems.

Approximately 20,000 documents were prepared at Erdemir and İsdemir to ensure the effective execution and continuity of the management systems, which were published in the IMS Document Management Module after all controls were carried out.

Due to the pandemic in 2020, the sustainability of management systems practices was evaluated, risk analyses were carried out and actions were taken to adapt to the new normal.

In this context, internal audits are performed at least once a year at Erdemir and İsdemir to evaluate the effectiveness and efficiency of management systems. In 2020, internal audits were carried out through remote connections (such as Zoom and Skype), in contrast with previous years, and the effectiveness of the new approach was evaluated after the examination.

A total of 48 departments and 32 processes were audited in the internal audits carried out at Erdemir, with 171 people taking part. As a result of the audits, 794 "Positive Observations", 605 "Opportunities for Improvement" and 100 "Nonconformity" were determined. In the internal audits at İsdemir, 37 departments and 29 processes were audited and 145 people took part; the audits found 952 "Positive Observations", 271 "Opportunities For Improvement" and 71 "Nonconformity". Actions taken in response to the findings were followed up through

the IMS Corrective-Preventive Actions Module. Within the scope of the auditor rewarding systematic, 21 internal auditors who have worked for 5 years or more, and 14 internal auditors who have worked for 10 years or more, were rewarded.

Management Review Meetings, which are held at least once a year within the scope of management systems, were also held in 2020 via remote connections (such as on Zoom or Skype). As a result of these meetings, 19 decisions were reached at Erdemir and 32 decisions at İsdemir. The activities carried out for the implementation of these decisions were monitored at 3-month intervals and reported to the senior management.

The training programs carried out in order to increase the effectiveness of management systems and to ensure their continuous improvement were also provided in 2020 through the virtual classroom application, Digital HR, and through remote connections on platforms such as Zoom and Skype.

Management Systems

Management Standard	Erdemir	İsdemir	Ersem	Erdemir Romania	Erdemir Maden
ISO 9001:2015 Quality Management System	✓	✓	✓	✓	-
ISO 14001:2015 Environmental Management System	✓	✓	✓	✓	-
ISO 45001:2018 Occupational Health and Safety Management System	✓	✓	✓	✓	✓**
IATF 16949: 2016 Quality Management System for Automotive Sector	✓	✓	✓	-	-
ISO 50001 Energy Management System	✓	✓	-	✓	-
ISO 17025:2017 Testing and Calibration Laboratory Accreditation Certificate	✓	-	-	-	-
ISO 17025:2017 Test Laboratory Approval Certificate	-	✓	-	-	-
ISO 27001:2017 Information Security Management System	✓	✓	✓	-	-

* The 14001 certificate was obtained.

** The transition was made to 45001.

In this context;

- The following training programs were provided with the use of internal resources.
- Energy Management System Basic Training to 9,178 personnel
- Change Management Training to 3,164 personnel
- Information Security Management System Awareness Training to 3,043 personnel
- Management Systems Orientation Training to 244 personnel
- Internal Auditor Refresher Training to 213 internal auditors
- Energy Management System

Awareness Training to 51 personnel

- The following training programs were given with the use of outsourcing
- Failure Modes and Effects Analysis (FMEA) to 278 personnel
- Energy Management System Basic Training to 79 personnel
- Laboratory Management System Basic and Internal Auditor Training to 25 personnel

In 2020, 20 processes were reviewed and revised in order to manage processes effectively and efficiently at Erdemir and İsdemir. In 45 processes,

process risks were determined with the "Process FMEA Method" and planned actions started to be implemented.

In 2020, external audits carried out by certification bodies within the scope of management systems at Erdemir and İsdemir were successfully concluded.

The management systems implemented and certified in the organizations operating within our Mining Metallurgy Companies are listed below.



APPENDIX

SOCIAL PERFORMANCE INDICATORS*

Number of Employees as per Gender and Category	2018		2019		2020	
	Woman	Man	Woman	Man	Woman	Man
Monthly-salaried	546	3,339	569	3,338	579	3,391
Hourly-salaried	69	7,657	64	7,457	62	7,506

Number of Employees Within the Scope of Collective Agreement	2018		2019		2020	
	Woman	Man	Woman	Man	Woman	Man
	61	7,439	51	7,236	43	7,128

Number of Employees as per Age	2018		2019		2020	
	Woman	Man	Woman	Man	Woman	Man
Below 30	95	740	85	727	93	1,036
Between 30-50	490	9,710	516	9,435	512	9,055
Over 50	30	546	32	633	34	808

Number of Employees as per Education Level	2018		2019		2020	
	Woman	Man	Woman	Man	Woman	Man
Primary school	14	1,487	10	1,340	16	1,172
High school and equivalent	104	5,647	98	5,569	104	5,712
Vocational high school	49	1,262	55	1,281	39	1,325
University	364	2,314	386	2,305	379	2,351
Masters/Doctorate	150	220	84	300	103	337

Parental Leave	2018		2019		2020	
	Woman	Man	Woman	Man	Woman	Man
Number of employees left for parental leave	14	513	18	455	25	370
Number of employees returned from parental leave	7	513	15	455	20	370

Number of Employees Left as per Gender and Age - Employee Turnover	2018		2019		2020	
	Woman	Man	Woman	Man	Woman	Man
Below 30	13	73	11	33	25	473
Between 30-50	42	364	41	318	24	85
Over 50	8	179	10	186	0	1

Trainings	2018		2019		2020	
Training hours (excluding OHS training)	345,757		312,158		164,637	
Average number of training hours	29,8		27,3		14,7	

* OYAK's Mining Metallurgy Companies consolidated indicators.

GRI 102-7, 102-8, 404-1, 405-1, 102-41, 306-2, 401-1, 401-3

ENVIRONMENTAL PERFORMANCE INDICATORS*

Amount of Electrical Energy Production from Waste Heat (kwh)	2018	2019	2020
Total	1,234,169,374	651,332,954	723,626,203
Total Non-Hazardous Wastes (ton)	2018	2019	2020
Total	1,057,022	1,350,256	1,547,589
Total Hazardous Wastes (ton)	2018	2019	2020
Total	11,884	11,404	11,588
Product Amount for which By-Product Certificate Received (ton)	2018	2019	2020
Total	128,896.10	338,893.23	1,046,930
Financial Savings (TL)	2018	2019	2020
Financial savings arising from by-products	292,406,722	458,697,741	428,861,803
Financial savings arising from non-hazardous waste recycling	21,192,158	30,717,593	37,643,868
Water Consumption (m³)	2018	2019	2020
Amount of recovered/recirculated water	1,088,970,320	1,085,977,402	1,078,966,208



* Erdemir and İsdemir consolidated indicators.

GRI 303-3

CORPORATE MEMBERSHIPS

COMPANY	NAME OF THE ASSOCIATION/CORPORATION	
Erdemir	Packaging Manufacturers' Association (ASD)	
Erdemir	R&D Centers Communication and Cooperation Platform (ARGEMİP)	
Erdemir	Association of Fastener Industrialists and Businessmen (BESİAD)	
Erdemir	Steel Exporters' Association (ÇİB)	
Erdemir	Foreign Economic Relations Board (DEİK)	Business Councils: Egypt - USA - Brazil - Canada - China - Australia - UK - Singapore - Spain - Italy - Romania
Erdemir	World Energy Council Turkish National Committee	
Erdemir	Ecovadis	
Erdemir	Education and Development Platform Association (TEGEP)	
Erdemir	Ethics and Reputation Association (TEİD)	
Erdemir	Chamber of Maritime Trade (İMEAK)	
Erdemir	Economic Development Foundation (İKV)	
Erdemir	İstanbul Ferrous and Non-Ferrous Metals Exporters' Association (İDMMİB)	
Erdemir	İstanbul Chamber of Industry (İSO)	
Erdemir	İstanbul Chamber of Commerce (İTO)	
Erdemir	Karadeniz Ereğli Education Foundation	
Erdemir	Karadeniz Ereğli Chamber of Commerce and Industry	
Erdemir	Association of Turkish Machine Manufacturers (MİB)	
Erdemir	Corporate Governance Association of Turkey (KRYD)	
Erdemir	Metal Packaging Manufacturers Association (MASD)	
Erdemir	International Chamber of Commerce Turkish National Committee (ICC)	
Erdemir	Business Council for Sustainable Development (SKD Turkey)	
Erdemir	International Tin Association (ITA)	
Erdemir	Integrated Reporting Türkiye (ERTA)	
Erdemir	Corporate Communicators Association (KİD)	
Erdemir	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
Erdemir	Environment and Climate Change Standing Committee (TOBB)	
Erdemir	Turkish Lloyd	
Erdemir	Turkish Constructional Steelwork Association (TUCSA)	
Erdemir	The Institute of Internal Auditing - Turkey (TİDE)	
Erdemir	Turkish Cogeneration Association	
Erdemir	Corporate Governance Association of Turkey (TKYD)	
Erdemir	Turkish Employers Association of Metal Industries (MESS)	
Erdemir	Turkish Investor Relations Society (TÜYİD)	
Erdemir	Transparency International	
Erdemir+İsdemir	Turkish Association of People Management (PERYÖN)	

COMPANY	NAME OF THE ASSOCIATION/CORPORATION	
Erdemir+İsdemir	World Steel Association	Committees: Committee on Economic Studies (ECON), Committee on Education&Training (ETCO), Committee on Environment (ECO), Committee on Raw Materials (RAMCO), Committee on Technology (TECO), Committee on Safety & Health (SHCO), Life Cycle Assessment (LCA) Expert Group, Sustainability Reporting Expert Group (SREG), World Auto Steel
Erdemir+İsdemir	Turkish Quality Association (KalDer)	
Erdemir+İsdemir	Port Operators Association of Turkey (TÜRKLİM)	
Erdemir+İsdemir	Turkish Steel Producers Association (TÇÜD)	Committees: Quality Committee, Energy Committee, OHS Committee, Environmental Committee, Raw Material Committee
Erdemir-Ro	Dambovita County Chamber of Commerce	
Erdemir-Ro	Romania Steel Producers Association (UNIROMSIDER)	
Erdemir Maden	Ankara Chamber of Commerce (ATO)	
Erdemir Maden	Sivas Chamber of Industry	
Erdemir Maden	Chamber Of Mining Engineers Of Ankara	
Erdemir Maden	Ankara Chamber of Industry (ASO)	
Erdemir Maden	Malatya Chamber of Commerce and Industry	
Erdemir Maden	Karadeniz Ereğli Chamber of Commerce and Industry	
Ersem	White Goods Suppliers Association (BEYSAD)	
Ersem	Steel Exporters' Association (ÇİB)	
Ersem	Eastern Anatolian Exporters Association (DAİB)	
Ersem	Gebze Chamber of Commerce	
Ersem	İstanbul Ferrous and Non-Ferrous Metals Exporters' Association (İMMİB)	
Ersem	Kocaeli Chamber of Industry	
Ersem	Manisa Chamber of Commerce and Industry	
Ersem	Automotive Suppliers Association of Turkey (TAYSAD)	
İsdemir	Mediterranean Exporters' Association	
İsdemir	Steel Exporters' Association (ÇİB)	
İsdemir	Dörtöyl Chamber of Commerce and Industry	
İsdemir	İMEAK Chamber of Maritime Trade	
İsdemir	İskenderun Chamber of Commerce and Industry	
İsdemir	Middle Anatolian Exporters Association -Machinery and Accessories	
İsdemir	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
Erdemir Asia Pacific	ITA	

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE^{*}

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Company"), one of the public companies in Turkey with the broadest base, enjoys a leading position in its field in the Turkish industry, and is well aware of its responsibilities towards its stakeholders. In this context, the Company has adopted the concepts of "equality", "transparency", "accountability" and "responsibility", which form the basis of corporate governance in its activities, and has taken maximum care and effort to comply with the Capital Markets Law and the secondary regulations and decisions of the Capital Markets Board (CMB).

In line with the corporate governance efforts, the Company has started to operate corporate governance mechanisms in accordance with the principles since 26.06.2012. Our Company, which is included in the BIST Corporate Governance Index ("XKURY") as of 29.07.2015 and also is subject to corporate governance rating every year by the rating agency KOBİRATE Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., which is authorized to perform activities in Turkey in accordance with the rating methodology approved by the CMB. Corporate Governance Rating Reports are available on our Corporate Website (www.erdemir.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. believes in the importance of ensuring full compliance with the Principles of the Corporate Governance. In the activity period ended on 31 December 2020, the Company has continued to adopt the mandatory corporate governance principles that are included in the Corporate Governance Communiqué annexed to the relevant legislation.

The Company pays utmost attention to compliance with voluntary principles that are not fully complied yet with in the relevant legislation and there is no conflict of interest between the stakeholders so far.

For the period ended at 31 December 2020, compliance with the corporate governance principles included in the Corporate Governance Communiqué and the explanations of those who have not yet achieved compliance are included in the annual report; Corporate Governance Compliance Report, Corporate Governance Information Form, Sustainability Principles Compliance Report and other related sections of the report.

In the future, corporate governance practices of the Company, efforts to improve our corporate governance practices, including non-mandatory principles that have not been put into practice in a limited number, will be continued.

In case of a significant change in the Sustainability Principles Compliance Report during the period, the relevant change will be published in the interim activity reports. When there is a change in the Corporate Governance Compliance Report or Corporate Governance Information Form, there will be a material event disclosure and it will be published in the interim activity reports as well.

^{*}It is the statement published on the Public Disclosure Platform on February 11, 2021.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT^{*}

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Sustainability Principles Compliance Report 2020 - Annual Notification

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
A. GENERAL PRINCIPLES						
A1. Strategy, Policy and Goals						
Environmental, Social and Corporate Governance (ESG) priority issues, risks and opportunities have been identified by the Board.	x					
ESG policy has been established by the Board.	x					
Documents such as in-partnership guidelines, business procedures, etc. for the effective implementation of ESG policies have been prepared.	x					
A decision for the ESG policies have been taken by the board and policies have been disclosed to the public.	x					
Partnership Strategy has been determined in accordance with ESG policies, risks and opportunities.	x					
In line with the partnership strategy and ESG policies, short and long term targets have been set and disclosed to the public.	x					
A2. Implementation / Monitoring						
Committees and / or units responsible for the implementation of ESG policies have been determined and disclosed to the public.		x				Relevant committees and working groups have been determined and their job descriptions have also been created. The organizational structure is in the approval stage.
The designated committees and / or units reported their activities within the scope of ESG policies to the Board at least once a year, and in any case within the maximum periods specified in the relevant regulations of the Board for the disclosure of the annual reports to the public.		x				Relevant committees and working groups have been determined and their job descriptions have also been created. The organizational structure is in the approval stage.
Implementation and action plans have been prepared in line with the short and long-term targets and announced to the public.		x				The important investments and activities planned in line with the targets are mentioned in the integrated annual report

^{*}It is the report published on the Public Disclosure Platform on February 11, 2021.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
ESG Key Performance Indicators (KPIs) have been determined and the indicators are disclosed on a yearly basis.		x				Key performance indicators have been determined and detailed follow-up is carried out within the company on a daily, monthly and annual basis. Particularly prominent indicators are mentioned in our integrated annual report.
KPIs are presented together with local and international sector comparisons (in case of verifiable data).		x				Comparative data are studied especially in World Steel Association studies. This information is not included in our annual reports.
Innovation activities for business processes or products and services that improve sustainability performance are explained.	x					
A3. Reporting						
Sustainability performance, goals and actions have been reported at least once a year and disclosed to the public. Information on sustainability activities have been disclosed in the annual report.	x					
In order for the stakeholders to understand the position, performance and development of the partnership, important information have been shared in a direct and concise manner (Detailed information and data can also be explained on the corporate website, and separate reports that directly meet the needs of different stakeholders can be prepared.).	x					
Maximum care has been taken in terms of transparency and reliability in disclosures and reporting. Within the scope of the balanced approach, all kinds of developments about material issues in disclosure and reporting have been objectively explained.	x					
Information was provided on which of the United Nations Sustainable Development Goals the activities are related to.	x					
Disclosures have been made regarding the lawsuits filed and / or concluded against ESG issues.		x				Lawsuits brought against and / or concluded to our company, those that are deemed necessary / important are disclosed on the Public Disclosure Platform (PDP)

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
A4. Verification						
Sustainability performance measurements have been disclosed to the public, if verified by independent third parties (independent sustainability assurance providers).		x				Some of the sustainability-related parameters are approved by the independent verifying body and shared with the Ministry. Planning will be made within the scope of the verification and public disclosure of all measurements.
B. ENVIRONMENTAL PRINCIPLES						
Policies and practices, action plans, environmental management systems (ISO 14001) and programs created within the scope of environmental management have been explained.	x					
Compliance with the environment and related laws and other relevant regulations has been achieved and the work done has been explained.	x					
In the report prepared within the scope of Sustainability Principles, the limitations regarding the limit of the environmental report included, reporting period, reporting date, data collection process and reporting conditions have been included.	x					
The highest level responsible regarding environment and climate change, relevant committees and duties of them have been explained.		x				Related issues are coordinated by the Strategic Planning and Sustainability Department. The sustainability committee, working groups and tasks have been defined and they are in the process of approval.
Incentives offered to employees for the management of environmental issues, including the achievement of goals, are explained.	x					
How environmental problems are integrated into business goals and strategies is explained.	x					
Sustainability performances for business processes or products and services and activities to improve these performances are explained.	x					
It is explained not only in terms of direct operations, but also how environmental issues are managed throughout the partnership value chain and how suppliers and customers are integrated into strategies.	x					

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
Whether or not to participate in policy-making processes on environmental issues (sectoral, regional, national and international); Cooperation with affiliated associations, related organizations and non-governmental organizations in the field of environment, duties and activities supported, if any, are explained.	x					
In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, waste management, biodiversity impacts), information on environmental impacts has been reported periodically in a comparable manner.		x				Environmental indicators are explained in our integrated annual report. Relevant information is shared with the Ministry of Environment and Urbanization.
The standard, protocol, methodology and base year details used to collect and calculate the data are explained.		x				The standard and methodology used are generally mentioned in the Integrated Annual Report. Not much is given to the details of the methodology.
The status of environmental indicators (increase or decrease) for the reporting year in comparison with previous years has been disclosed.	x					
Short and long-term goals have been determined to reduce environmental impacts and these goals (It is recommended that the targets be determined based on scientific methods as suggested by the United Nations Conference of the Parties on Climate Change). It provided information on the issue, if there are any progress achieved in the reporting year in line with the previously set targets		x				Although the targets are followed within the company, numerical targets are not included in the integrated annual report.
The strategy and actions to combat the climate crisis have been explained.		x				Activities carried out in the context of combating the climate crisis are mentioned in our integrated annual report, but the ongoing road map studies are not included in the report
The program or procedures established to prevent or minimize the potential negative impact of the products and / or services offered are explained; The actions of third parties to reduce greenhouse gas emissions have been explained.		x				The "Emission Report" has been approved by the independent verifying body and submitted to the Ministry of Environment and Urbanization through the online environmental system. These issues were addressed in the integrated annual report

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
The actions taken to reduce environmental impacts, the total number of projects and initiatives carried out, and the environmental benefits / benefits and cost savings provided by them are explained.		x				Important projects and actions are included in our integrated annual report, especially energy savings in the context of energy efficiency are explained.
Total energy consumption data (excluding raw materials) are reported and energy consumption is given in the report as Scope-1 and Scope-2.		x				Within the scope of the "Energy Efficiency Law" numbered 5627, the energy production and consumption data of the previous year are entered annually as data in the "Energy Efficiency Portal" according to the criteria determined by the Department of Energy Efficiency and Environment of the Ministry of Energy and Natural Resources. Our integrated annual report contains information on the amount and cost of energy savings achieved through energy efficiency projects
Information was given on electricity, heat, steam and cooling data generated and consumed in the reporting year.		x				Within the scope of the "Energy Efficiency Law" numbered 5627, the energy production and consumption data of the previous year are entered annually as data in the "Energy Efficiency Portal" according to the criteria determined by the Department of Energy Efficiency and Environment of the Ministry of Energy and Natural Resources
Studies on increasing the use of renewable energy, transition to zero or low carbon electricity have been carried out and these studies have been announced.		x				Feasibility studies are carried out on increasing the use of renewable energy, transition to zero or low carbon electricity. They are evaluated by the management.
Renewable energy production and usage data were announced.				x		There is no explanation as there is no data yet.
Energy efficiency projects have been carried out and the amount of energy consumption and emission reduction achieved through these studies has been announced.	x					

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
The amount of water withdrawn, used, recycled and discharged from underground or aboveground, its sources and procedures (Total water withdrawal by source, water sources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.) have been reported.	x					
It is explained whether the operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).					x	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report.
Information and details regarding the carbon credits accumulated or purchased during the reporting period have been announced.					x	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report.
If carbon pricing is applied within the partnership, the details of this application have been announced.					x	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report.
All mandatory and voluntary platforms where environmental information is disclosed have been announced.		x				The platforms such as EIA public participation meetings, website, social media, one-to-one meetings with suppliers, sectoral organizations, associations and NGOs, collaborations, memberships, participation in working groups are described in the integrated report

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
SOCIAL PRINCIPLES						
C1. Human Rights and Employee Rights						
Corporate Human Rights and Employee Rights Policy has been established, in which full compliance with the Universal Declaration of Human Rights, ILO Conventions that are confirmed by Turkey and legal framework and legislation regulating human rights and working life in Turkey has been established. The policy and the roles and responsibilities related to its implementation have been disclosed to the public.	x					
Equality of opportunity is ensured in recruitment processes.	x					
Considering also the supply and value chain effects, fair labor, improvement of labor standards, women's employment and inclusion issues (such as women, men, religious belief, language, race, ethnic origin, age, disability, refugee, etc.) have been included in the policies.	x					
Measures taken throughout the value chain to protect the rights of certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights / equality of opportunity are explained.	x					
Progress in preventing and corrective practices against discrimination, inequality, human rights violations, forced labor has been reported.		x				Although there are internal reports, the reporting of developments will be evaluated.
Regulations for not employing child labor have been explained.	x					
Policies regarding investment in employees (training, development policies), compensation, vested benefits, right to unionize, work / life balance solutions and talent management are explained.	x					
Mechanisms for employee complaints and dispute resolution have been established and dispute resolution processes have been determined.	x					
Activities carried out to ensure employee satisfaction are announced regularly.	x					
Occupational health and safety policies have been created and shared with the public.	x					
The precautions taken in order to prevent occupational accidents and to protect health and accident statistics are explained.	x					

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
Protection of personal data and data security policies have been created and shared with the public.	x					
Ethical policy (including work, work ethics, compliance processes, advertising and marketing ethics, open disclosure, etc.) has been created and disclosed to the public.	x					
Studies within the scope of social investment, social responsibility, financial inclusion and access to finance have been explained.	x					
Informative meetings and training programs regarding ESG policies and practices have been held for employees.	x					
C2. Stakeholders, International Standards and Initiatives						
Activities in the field of sustainability are carried out by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).	x					
The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.	x					
Stakeholder communication is carried out continuously and transparently.	x					
Developments in sustainability activities were explained. The developments in sustainability activities and which stakeholders were communicated with for what purpose, on what subject and how often have been explained.	x					
The adopted international reporting standards (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD) etc.) have been disclosed to the public.	x					
Signatory or member international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.), international principles adopted (International Capital Market Association (ICMA) Green / Sustainable Bond Principles etc.) has been disclosed to the public.	x					

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
Concrete efforts are made to be included in the Borsa Istanbul Sustainability Index and international sustainability indexes (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indexes, etc.).	x					
D. CORPORATE GOVERNANCE PRINCIPLES						
Maximum effort is made to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Corporate Governance Communiqué No. II-17.1.	x					
While determining the corporate management strategy, the issue of sustainability, the environmental impacts of the activities and the principles on this issue are taken into consideration.	x					
As stated in the Corporate Governance Principles, necessary measures are taken to comply with the principles regarding stakeholders and to strengthen communication with stakeholders.	x					
Opinions of stakeholders are sought in determining measures and strategies in the field of sustainability.	x					
Studies are carried out to raise awareness on the issue of sustainability and the importance of sustainability through social responsibility projects, awareness activities and trainings.	x					
Efforts are being made to become a member of international standards and initiatives on sustainability and to contribute to studies.	x					
Policies and programs regarding the fight against bribery and corruption and the principle of tax integrity are explained.	x					

CORPORATE GOVERNANCE COMPLIANCE REPORT*

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	X					
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.					X	In 2020 fiscal year, there was no participation demand from the media.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.		X				Company's capital is divided into shares Group A and Group B. 1 (one) share of certificate, issued to the bearer amounting to 1 Kr (one Kuruş) is A group. The right of usufruct shall be established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization.

*11 Şubat 2021 tarihinde Kamuyu Aydınlatma Platformu'nda yayınlanan rapordur.

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	No cross-shareholding relations exist in the capital of the Company.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Even though minority rights are not determined less than one in twenty by the Articles of Association, paralel with the general practices, in accordance with Article 38 of the Articles of Association, provisions of Turkish Commercial Code and Capital Market Law shall be applied to the issues that are not written in the Articles of Association in regard to minority rights. On the other hand, the Company recognizes equal rights to each shareholder and complies with relevant regulations regarding the exercise of shareholder rights. There is no plan to regulate and expand minority rights in the Articles of Association.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Although there is no provision in the articles of association, employees are encouraged to participate in management through internal practices.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				The Company's paid-in capital is TL 3.5 billion; and it has an executive liability insurance for the damages caused by the board members during their duties however the total insurance does not exceed 25% of the capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			Although there is no policy regarding the target of minimum 25% for the ratio of female members in the board of directors, there are two female members in the current board of directors structure.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					

	Company Compliance Status					Explanation
Corporate Governance Compliance Report	Yes	Partial	No	Exempted	Not Applicable	
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Due to the Board Member's work and industry experience and contribution to the board of directors, there is no restriction for the Board Members to assume any other duties outside the company. The duties undertaken by the members of the board of directors outside the company were presented to the shareholders at the general assembly meeting. Since this current practice does not create any negative situation in terms of corporate governance, no change is expected in 2021.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			The company's board of directors consists of 9 members and operates with 3 committees. 3 of our 9 members take part in committees as independent board members. Due to the number of Board members, each board member is assigned to more than one committee.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	In 2020, any committee did not receive consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			The performance of the Board of Directors was not evaluated.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				Parallel with the general practices, salaries, bonuses and other benefits of the key management are shared in the annual report as total. Remuneration for the members of the board on an individual basis are shared with the public in the minutes of the general assembly.

CORPORATE GOVERNANCE INFORMATION FORM^{*}

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	45
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/852134
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There was no such transaction during the year.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There is no such transaction under Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	https://www.kap.org.tr/en/Bildirim/818462
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Corporate Governance / Policies and Regulations / Donations and Contribution Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/194744
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	There was no participation in the General Assembly meeting regarding 2019 activities except for the shareholders. However, there is no restriction on participation of stakeholders in the General Assembly.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	Yes
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	Privatization Administration / 0.0% / One share of certificate, issued to the bearer amounting to one kurus.
The percentage of ownership of the largest shareholder	49.29%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance / Policies and Regulations / Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	-
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

^{*}This form was published on the Public Disclosure Platform (PDP) on February 11, 2021.

CORPORATE GOVERNANCE INFORMATION FORM

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
14.07.2020	0	63%	0,005%	63%	Investor Relations / General Assembly / Minutes of General Assembly	Investor Relations / General Assembly / The questions asked on General Assembly Meetings	-	169	https://www.kap.org.tr/en/Bildirim/859984

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations / Corporate Governance, Reports and Presentations, Annual Reports, Disclosures and Announcements, General Assembly, FAQ
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Corporate Governance / Ownership Structure
List of languages for which the website is available	Turkish, English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Investor Relations / Reports and Presentations / Interim Financial Reports / Declarations of Independent Board Members
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Investor Relations / Annual Reports / Board of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Investor Relations / Reports and Presentations / Interim Financial Reports / Number of Meetings of the Board of Directors and Attendance of the Board Members
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Investor Relations / Reports and Presentations / Interim Financial Reports / Information about Amendments in Legislation That May Significantly Affect the Company's Activities
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Provision for Lawsuits
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Investor Relations / Annual Reports / Other Issues
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	No cross ownership subsidiaries that the direct contribution to the Company's capital exceeds 5%.

g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Investor Relations / Annual Reports / A People-Centered Approach
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3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations / Corporate Governance / Policies and Regulations / Staff Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	254
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ethics Committee
The contact detail of the company alert mechanism	Mail: etik@erdemiretik.com, Phone : 0 850 211 30 00

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	Union

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Short, long and medium term succession plans are prepared for key positions within the scope of talent management studies carried out within our Company. Succession plans and assignments to key roles are submitted for the approval of the Board of Directors, when necessary, in line with defined procedures.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	OYAK Mining Metallurgy / Career / HR Practices
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct / Responsibilities to Our Employees
The number of definitive convictions the company is subject to in relation to health and safety measures	13

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Sustainability / CSR Policy
Any measures combating any kind of corruption including embezzlement and bribery	Board members and employees of OYAK Mining Metallurgy Companies and all third parties acting on behalf of OYAK Mining Metallurgy Companies should avoid any act or behaviour that may bring OYAK Mining Metallurgy under suspicion of corruption. Regardless of being in public or private sector, accepting or giving any cash/ non-cash benefit that may be in the scope of corruption is forbidden.

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Süleyman Savaş ERDEM - Chairman (Representative of OYTAŞ İç ve Dış Ticaret A.Ş), Toker ÖZCAN - Deputy Chairman and Managing Director (Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş.)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	2
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Investor Relations / Annual Reports / Internal Audit System
Name of the Chairman	Süleyman Savaş ERDEM - Chairman (Representative of OYTAŞ İç ve Dış Ticaret A.Ş)
Name of the CEO	Salih Cem Oral
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	CEO and Chairman are not the same person.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	There is an executive liability insurance for the damages caused by the board members during their duties but the total insurance does not exceed 25% of the capital.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	2, 22%

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	Non-executive	Not independent director	27.05.2013		Not considered	No	Yes
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Toker ÖZCAN)	Executive	Not independent director	13.09.2012		Not considered	No	Yes
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Bekir Emre HAYKIR)	Non-executive	Not independent director	20.09.2012		Not considered	No	Yes
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)	Non-executive	Not independent director	12.09.2012		Not considered	No	Yes
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	Non-executive	Not independent director	12.09.2012		Not considered	No	Yes
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	Non-executive	Not independent director	11.09.2012		Not considered	No	Yes
Ali FİDAN	Non-executive	Independent director	31.03.2017	https://www.kap.org.tr/tr/Bildirim/818458	Considered	No	Yes
Kurtuluş Bedri VAROĞLU	Non-executive	Independent director	31.03.2017	https://www.kap.org.tr/tr/Bildirim/818458	Considered	No	Yes
Mahmut Cengiz AYDIN	Non-executive	Independent director	05.02.2021		Considered	No	Yes

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	98%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3-5 Days
The name of the section on the corporate website that demonstrates information about the board charter	There are internal regulations in which the working principles of the Board of Directors meetings are determined, but they are not published on the corporate website.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Link(s) to the PDP announcement(s) with the board committee charters	The working principles of the Committee are available on our corporate website. (Investor Relations / Corporate Governance / Policies and Regulations)

Composition of Board Committees-I

Names of The Board Committees	Name of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Corporate Governance Committee	-	Kurtuluş Bedri Varoğlu	Yes	Board member
Corporate Governance Committee	-	Ali Fidan	No	Board member
Corporate Governance Committee	-	İdil Önay Ergin	No	Not board member
Audit Committee	-	Kurtuluş Bedri Varoğlu	Yes	Board member
Audit Committee	-	Ali Fidan	No	Board member
Committee of Early Detection of Risk	-	Ali Fidan	Yes	Board member
Committee of Early Detection of Risk	-	Kurtuluş Bedri Varoğlu	No	Board member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Investor Relations / Annual Reports / Other Issues
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Policies and Regulations / Compensation Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Related Party Disclosures / Salaries, bonuses and other benefits of the key management

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	4	4
Corporate Governance Committee	-	100%	67%	6	3
Committee of Early Detection of Risk	-	100%	100%	6	6

BOARD OF DIRECTORS COMMITTEES OPERATING PRINCIPLES AND AN ASSESSMENT OF SUCH COMMITTEES' EFFECTIVENESS

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Following the resignation of Yunus ARINCI, Independent Board Member who was serving on our Company's Board of Directors, from his seat as an Independent Board Member and his roles as a member of several committees effective 17 July 2020, under the Company's Board of Directors resolution, it was resolved to make the following appointments to the below mentioned committees that were set up pursuant to the provisions of the Capital Markets Board of Turkey's (CMB) Corporate Governance Communiqué no. II-17.1:

- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN to serve as the Audit Committee and Kurtuluş Bedri VAROĞLU to be the committee's chairman;
- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN and Investor Relations Manager İdil ÖNAY ERGİN to serve as the Corporate Governance Committee and Kurtuluş Bedri VAROĞLU to be committee's chairman;
- To appoint Independent Board Members Ali FİDAN and Kurtuluş Bedri VAROĞLU to serve as the Early Detection of Risk Committee and Ali FİDAN to be the committee's chairman.

Taking the structure of the Company's Board of Directors into account, the Board decided under resolution 9148 dated 29 June 2012 to delegate the authorities, duties, and responsibilities of both a Nomination Committee and a Remuneration Committee to the Corporate Governance Committee instead.

Committees' meeting schedules and their activities, and operational procedures are specified in sets of regulations that are published on our corporate website www.erdemir.com.tr. The decisions that such committees take are of an advisory nature and they are submitted as such to the Board of Directors, which has the final say.

During 2020, the Board of Directors' committees fulfilled their duties and responsibilities as required by corporate governance principles and their own regulations and they convened in accordance with their annual meeting schedules as indicated below.

- The Audit Committee convened four times; 11 February 2020, 29 April 2020, 6 August 2020 and 22 October 2020.
- The Corporate Governance Committee convened six times; 11 February 2020, 29 April 2020, 18 June 2020, 6 August 2020, 22 October 2020 and 26 November 2020.
- Early Detection of Risk Committee convened six times; 11 February 2020, 29 April 2020, 18 June 2020, 6 August 2020, 22 October 2020 and 26 November 2020.

Reports containing information about these committees' activities and the results of the committees' meetings were submitted to the Board of Directors.

As part of their areas of responsibility;

- The Audit Committee oversaw the operation and effectiveness of the Company's accounting system, public disclosure of financial information, independent auditing, and internal control and internal auditing system.
- The Corporate Governance Committee's activities consisted of:
 - Contributing to the determination and implementation processes of the Company's corporate governance principles and making solution-oriented suggestions to the Board of Directors on such matters; ascertaining whether or not corporate governance principles are being complied with at the Company and, if they are not, identifying both the reasons for and any conflicts of interest that may arise on account of such less than full compliance; making recommendations to the Board of Directors on ways to improve corporate governance practices.
 - Overseeing the activities of the Investor Relations Department.
 - Working on a transparent system for identifying, evaluating, and training candidates for seats on the Board of Directors and for executives with administrative responsibilities identifying policies and strategies for such a system.
 - Regularly assessing the structure and effectiveness of the Board of Directors; making recommendations to the Board of Directors concerning possible changes in such matters.
 - Determining and overseeing approaches, principles, and practices applicable to performance evaluations and career-planning processes of Board Members and managers under executive responsibilities.
 - Making suggestions pertaining to principles governing the remuneration of Board Members and managers under executive responsibilities taking the Company's long-term objectives into account.
- Early Detection of Risk Committee's activities consisted, as required by laws and regulations, of identifying risks with the potential to threaten the Company's existence, development, and/or continuity, ensuring that due precautions are taken with respect to risks that are identified and dealing with risk management issues.

İskenderun Demir ve Çelik A.Ş.

Following the resignation of Yunus ARINCI, Independent Board Member who was serving on our Company's Board of Directors, from his seat as an Independent Board Member and his roles as a member of several committees effective 17 July 2020, under the Company's Board of Directors resolution, it was resolved to make the following appointments to the below mentioned committees that were set up pursuant to the provisions of the Capital Markets Board of Turkey's (CMB) Corporate Governance Communiqué no. II-17.1:

- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN to serve as the Audit Committee and Kurtuluş Bedri VAROĞLU to be the committee's chairman;
- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN and Erdemir Investor Relations Manager İdil ÖNAY ERGİN to serve as the Corporate Governance Committee and Kurtuluş Bedri VAROĞLU to be committee's chairman;
- To appoint Independent Board Members Ali FİDAN and Kurtuluş Bedri VAROĞLU to serve as the Early Detection of Risk Committee and Ali FİDAN to be the committee's chairman.

Taking the structure of the Company's Board of Directors into account, the Board decided under resolution 523 dated 22 March 2019 to delegate the authorities, duties, and responsibilities of both a Nomination Committee and a Remuneration Committee to the Corporate Governance Committee instead.

Committees' meeting schedules and their activities, and operational procedures are specified in sets of regulations that are published on our corporate website www.isdemir.com.tr. The decisions that such committees take are of an advisory nature and they are submitted as such to the Board of Directors, which has the final say.

During 2020, the Board of Directors' committees fulfilled their duties and responsibilities as required by corporate governance principles and their own regulations and they convened in accordance with their annual meeting schedules as indicated below.

- The Audit Committee convened four times; 11 February 2020, 29 April 2020, 6 August 2020 and 22 October 2020.
- The Corporate Governance Committee convened six times; 11 February 2020, 29 April 2020, 18 June 2020, 6 August 2020, 22 October 2020 and 26 November 2020.
- Early Detection of Risk Committee convened six times; 11 February 2020, 29 April 2020, 18 June 2020, 6 August 2020, 22 October 2020 and 26 November 2020.

Reports containing information about these committees' activities and the results of the committees' meetings were submitted to the Board of Directors.

As part of their areas of responsibility;

- The Audit Committee oversaw the operation and effectiveness of the Company's accounting system, public disclosure of financial information, independent auditing, and internal control and internal auditing system.
- The Corporate Governance Committee's activities consisted of:
 - Contributing to the determination and implementation processes of the Company's corporate governance principles and making solution-oriented suggestions to the Board of Directors on such matters; ascertaining whether or not corporate governance principles are being complied with at the Company and, if they are not, identifying both the reasons for and any conflicts of interest that may arise on account of such less than full compliance; making recommendations to the Board of Directors on ways to improve corporate governance practices.
 - Overseeing the activities of the Investor Relations Department.
 - Working on a transparent system for identifying, evaluating, and training candidates for seats on the Board of Directors and for executives with administrative responsibilities identifying policies and strategies for such a system.
 - Regularly assessing the structure and effectiveness of the Board of Directors; making recommendations to the Board of Directors concerning possible changes in such matters.
 - Determining and overseeing approaches, principles, and practices applicable to performance evaluations and career-planning processes of Board Members and managers under executive responsibilities.
 - Making suggestions pertaining to principles governing the remuneration of Board Members and managers under executive responsibilities taking the Company's long-term objectives into account.
- Early Detection of Risk Committee's activities consisted, as required by laws and regulations, of identifying risks with the potential to threaten the Company's existence, development, and/or continuity, ensuring that due precautions are taken with respect to risks that are identified and dealing with risk management issues.

OTHER ISSUES

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

- Necessary arrangements are made in "Code of Ethics and Business Conduct" document in order to prevent conflicts of interest between the Company, its employees and institutions that provide services to the Company. The prevention of potential conflicts of interest between the Company and institutions providing investment advisory and rating services is assured through signed contracts. During 2020, no conflicts of interest occurred with these institutions.
- Our Company publicly discloses its forward-looking projections and also discloses the actual developments on a quarterly basis. These disclosures can be reached on the Public Disclosure Platform and our Company's website at the address www.erdemir.com.tr There were no targets that the Company failed to achieve during the reporting period.
- In 2020, our Company had no significant buying or selling activity of assets, except those indicated on note 13 and note 14 of consolidated financial statements for the year ended 31 December 2020.

Besides the developments mentioned above, the event that took place after 31 December 2020 is as follows:

It was disclosed on 4 January 2021 on the Public Disclosure Platform that, under the Company's Board of Directors resolution dated 4 January 2021, a Share Transfer Agreement was executed by and between the Company and Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. for the acquisition of the entirety of the shares in Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) ("the Transaction") and that the transfer of the shares in Kümaş Manyezit Sanayi A.Ş. would take place at the share price to be calculated in view of the net debt amount and the net working capital on the transfer date upon obtaining the related regulatory permissions.

Transfer of the shares representing 100% of the total capital of Kümaş Manyezit Sanayi A.Ş. took place on 3 February 2021 at the share price of USD 296,979,916 (equivalent of TL 2,119,605,056) on the basis of an enterprise value of USD 340,000,000, taking into consideration the net debt amount and the net working capital.

İskenderun Demir ve Çelik A.Ş.

- Necessary arrangements are made in "Code of Ethics and Business Conduct" document in order to prevent conflicts of interest between the Company, its employees and institutions that provide services to the Company. The prevention of potential conflicts of interest between the Company and institutions providing investment advisory and rating services is assured through signed contracts. During 2020, no conflicts of interest occurred with these institutions.
- Our Company did not disclose any future expectations in 2020.
- In 2020, our Company had no significant buying or selling activity of assets, except those indicated on note 13 of financial statements for the year ended 31 December 2020.
- Apart from the developments mentioned above, there has been no significant development since 31 December 2020.

AFFILIATED COMPANY REPORT

"During 2020, our Company was not-at the instigation either of its majority shareholder, the Turkish Armed Forces Pension Fund (OYAK), or of any OYAK affiliate- a party to any legal transaction that would have benefited either OYAK or an OYAK affiliate; neither did our Company take or avoid taking any action on the grounds that doing so would have been beneficial either to OYAK or to an OYAK affiliate. Based on Board of Directors Resolution number 9742 dated 11 February 2021, decision was taken to confirm that all of the business dealings between our Company and our majority shareholder and our majority shareholder's affiliates during 2020 took place under conditions that were consistent with market conditions and this report was prepared in accordance with true and honest accountability principles.

Within the frame of CMB's II-17.1 Corporate Governance Communiqué, common and continuous commercial trading and slab purchase transactions executed between our company and our subsidiary İskenderun Demir ve Çelik A.Ş. exceed 10% of the total cost of each sales and common and continuous commercial transaction executed between our company and our subsidiary Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. exceed 10% of the total sales revenue in 2020 and it is expected that these transactions will continue under the determined circumstances in 2021. Relevant transactions are consistent with the previous years and reasonable when compared to the market conditions."

STATEMENT OF RESPONSIBILITY

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT
RESOLUTION DATE: 11/02/2021
RESOLUTION NUMBER: 9742

We have reviewed the consolidated financial statements for the period 1 January - 31 December 2020, which are prepared by our Company and are subject to independent auditing, in accordance with Capital Market Board's (CMB) Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards/ Turkish Financial Reporting Standards (TMS/TFRS) in a CMB approved format and annual report prepared in accordance with Turkish Commercial Code and CMB Communiqué.

We hereby present to your information and declare that we are responsible for the following disclosures:

- We have reviewed the consolidated financial statements and annual report,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the consolidated financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the consolidated financial statements prepared in accordance with the financial reporting standards in effect provide an honest view of the assets, liabilities, financial position and profit and loss of the Company; The annual report prepared in accordance with the Turkish Commercial Code and CMB Communiqué provides an accurate view of the development and performance of the business and the consolidated financial position of the Company along with the principal risks and uncertainties the Company is exposed to.

Sincerely



Mustafa Serdar BAŞOĞLU
Financial Management and
Financial Affairs Group Vice
President

Ali FİDAN
Member of the Audit
Committee

Kurtuluş Bedri VAROĞLU
Chairman of the Audit
Committee

İskenderun Demir ve Çelik Fabrikaları A.Ş.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT

RESOLUTION DATE: 11/02/2021

RESOLUTION NUMBER: 624

We have reviewed the financial statements for the period 1 January - 31 December 2020, which are prepared by our Company and are subject to independent auditing, in accordance with Capital Market Board's (CMB) Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards/ Turkish Financial Reporting Standards (TMS/TFRS) in a CMB approved format and annual report prepared in accordance with Turkish Commercial Code and CMB Communiqué.

We hereby present to your information and declare that we are responsible for the following disclosures:

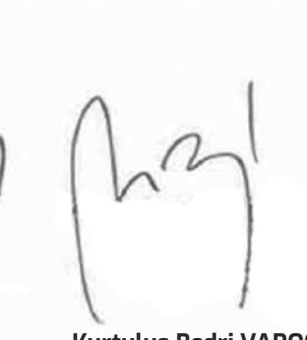

- We have reviewed the financial statements and annual report,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements prepared in accordance with the financial reporting standards in effect provide an honest view of the assets, liabilities, financial position and profit and loss of the Company; The annual report prepared in accordance with the Turkish Commercial Code and CMB Communiqué provides an accurate view of the development and performance of the business and the financial position of the Company along with the principal risks and uncertainties the Company is exposed to.

Sincerely



Mehmet PEHLİVAN

Executive Vice President Financial Affairs



Ali FİDAN

Member of the Audit Committee

Kurtuluş Bedri VAROĞLU

Chairman of the Audit Committee

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT

(Convenience translation of consolidated financial statements originally issued in Turkish - see note 37)

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Ticari Sicil No: 304099

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH) INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

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

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

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer.</p> <p>The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales. In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management.</p> <p>Please refer to notes 2.8.1 and 24 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the revenue recognition:</p> <ul style="list-style-type: none"> • The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed. • Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed. • For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested. <p>In addition, we assessed the adequacy of the disclosures in Note 24 under TFRS.</p>

3) Emphasis of Matter

Without qualifying our opinion, we draw attention to the matter in Note 19 to the accompanying consolidated financial statements. The court cases related to Capital Market Board's ("CMB") claim that the Company had prepared its 31 December 2005 financial statements in accordance with International Financial Reporting Standards instead of Communiqué Serial XI, No: 25 on "Accounting Standards in Capital Markets" without taking the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions declared to the Company via notifications sent in July 2012. On 1 August 2012, the Company applied to the Administrative Court to remove the conflicting decisions of this court, but the Administrative Court decided to reject the application by the notification made on 17 February 2014. For the lawsuit filed by the Republic of Turkey Prime Ministry Privatization Administration ("PA") decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017. The decision of reversal has been notified to the Company on 2 August 2017. The Company has applied for rectification. With the decision of the 11th Civil Chamber of the Supreme Court dated 27 June 2019, which was notified to the Company on 28 August 2019, it was reported that the Company's application for rectification of the decision has been rejected. The case still pending before the 3rd Commercial Court of First Instance of Ankara. Next trial will be held on 1 April 2021. Legal process is ongoing as of the date of audit report and our opinion is not qualified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, 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.

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

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

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 the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 11 February 2021.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2020 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



**Volkan Becerik, SMMM
Partner**

İstanbul, 11 February 2021

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

ASSETS	Note	(Audited) Current Period 31 December 2020 USD'000	(Audited) Current Period 31 December 2020 TRY'000	(Audited) Previous Period 31 December 2019 USD'000	(Audited) Previous Period 31 December 2019 TRY'000
CURRENT ASSETS		3.883.556	28.507.242	4.063.282	24.136.704
Cash and Cash Equivalents	4	1.844.858	13.542.177	1.782.772	10.590.024
Financial Investments	5	5.320	39.048	17.054	101.304
Trade Receivables		521.467	3.827.829	562.973	3.344.177
<i>Due From Related Parties</i>	33	35.282	258.985	29.173	173.296
<i>Other Trade Receivables from Third Parties</i>	8	486.185	3.568.844	533.800	3.170.881
Other Receivables		6.338	46.520	990	5.881
<i>Due From Related Parties</i>	33	1.484	10.892	643	3.817
<i>Other Receivables from Third Parties</i>	9	4.854	35.628	347	2.064
Financial Derivative Instruments	6	5.110	37.510	8.087	48.040
Inventories	10	1.376.838	10.106.678	1.570.513	9.329.163
Prepaid Expenses		18.117	132.990	16.874	100.233
<i>Prepaid Expenses to Related Parties</i>	33	38	280	1.062	6.308
<i>Other Prepaid Expenses to Third Parties</i>	11	18.079	132.710	15.812	93.925
Other Current Assets	21	105.508	774.490	104.019	617.882
NON CURRENT ASSETS		4.016.984	29.486.670	3.793.798	22.535.921
Financial Investments	5	27	199	27	161
Other Receivables		5.357	39.325	6.244	37.087
<i>Due From Related Parties</i>	33	3.877	28.458	4.232	25.136
<i>Other Receivables from Third Parties</i>	9	1.480	10.867	2.012	11.951
Financial Derivative Instruments	6	-	-	344	2.044
Investments Accounted for Using Equity Method	12	31.327	229.956	33.807	200.820
Investment Properties	13	50.156	368.168	51.044	303.214
Property, Plant and Equipment	14	3.550.417	26.061.836	3.476.984	20.653.981
Right of Use Assets	16	43.273	317.644	41.236	244.950
Intangible Assets	15	55.952	410.715	52.613	312.534
Prepaid Expenses		241.956	1.776.075	86.499	513.820
<i>Prepaid Expenses to Related Parties</i>	33	87.646	643.367	4.313	25.620
<i>Other Prepaid Expenses to Third Parties</i>	11	154.310	1.132.708	82.186	488.200
Deferred Tax Assets	31	9.851	72.311	7.055	41.911
Other Non Current Assets	21	28.668	210.441	37.945	225.399
TOTAL ASSETS		7.900.540	57.993.912	7.857.080	46.672.625

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

LIABILITIES	Note	(Audited) Current Period 31 December 2020 USD'000	(Audited) Current Period 31 December 2020 TRY'000	(Audited) Previous Period 31 December 2019 USD'000	(Audited) Previous Period 31 December 2019 TRY'000
CURRENT LIABILITIES		1.285.214	9.434.112	1.590.932	9.450.454
Short Term Borrowings	7	162.591	1.193.496	703.600	4.179.522
Short Term Portion of Long Term Borrowings	7	353.114	2.592.032	232.285	1.379.822
Trade Payables		513.173	3.766.949	494.364	2.936.622
<i>Due to Related Parties</i>	33	17.892	131.336	14.432	85.731
<i>Other Trade Payables to Third Parties</i>	8	495.281	3.635.613	479.932	2.850.891
Payables for Employee Benefits	18	26.878	197.296	25.817	153.358
Other Payables	9	17.967	131.885	11.673	69.341
Financial Derivative Instruments	6	8.117	59.582	3.905	23.199
Deferred Revenue	22	73.863	542.194	42.227	250.833
Current Tax Liabilities	31	73.117	536.715	34.606	205.569
Short Term Provisions	19	34.551	253.624	40.724	241.909
Other Current Liabilities	21	21.843	160.339	1.731	10.279
		-	-	-	-
NON CURRENT LIABILITIES		1.013.313	7.438.224	1.005.807	5.974.696
		-	-	-	-
Long Term Borrowings	7	383.181	2.812.743	360.532	2.141.633
Financial Derivative Instruments	6	-	-	13.387	79.524
Long Term Provisions		131.890	968.136	135.909	807.324
<i>Long term provisions for employee benefits</i>	18	131.890	968.136	135.909	807.324
Deferred Tax Liabilities	31	497.989	3.655.488	495.663	2.944.337
Other Non Current Liabilities	21	253	1.857	316	1.878
EQUITY		5.602.013	41.121.576	5.260.341	31.247.475
Equity Attributable to Equity Holders of the Parent		5.421.241	39.809.427	5.099.305	30.299.298
Share Capital	23	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	23	81.366	156.613	81.366	156.613
Treasury Shares (-)	23	(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)	23	55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(55.530)	17.160.511	(53.206)	12.322.040
<i>Revaluation Reserve of Tangible Assets</i>		10.844	77.866	10.628	58.952
<i>Actuarial (Loss) Gain funds</i>		(50.689)	(115.606)	(48.149)	(102.008)
<i>Foreign Currency Translation Reserves</i>		(15.685)	17.198.251	(15.685)	12.365.096
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(103.971)	7.612.999	(69.727)	5.470.236
<i>Foreign Currency Translation Reserves</i>		(101.862)	7.628.480	(70.817)	5.463.762
<i>Cash Flow Hedging Gain (Loss)</i>		(2.109)	(15.481)	1.090	6.474
Restricted Reserves Assorted from Profit	23	1.041.255	3.597.448	1.024.835	3.485.761
Retained Earnings	23	2.172.478	4.482.548	1.717.773	2.057.906
Net Profit for the Period		472.356	3.309.093	584.977	3.316.527
Non-Controlling Interests		180.772	1.312.149	161.036	948.177
TOTAL LIABILITIES AND EQUITY		7.900.540	57.993.912	7.857.080	46.672.625

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

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

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

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

		(Audited) Current Period 1 January - 31 December 2020 USD'000	(Audited) Current Period 1 January - 31 December 2020 TRY'000	(Audited) Previous Period 1 January - 31 December 2019 USD'000	(Audited) Previous Period 1 January - 31 December 2019 TRY'000
	Note				
Revenue	24	4.574.696	32.048.029	4.844.375	27.465.185
Cost of Sales	24	(3.728.989)	(26.123.431)	(3.960.495)	(22.454.025)
GROSS PROFIT		845.707	5.924.598	883.880	5.011.160
Marketing Expenses	26	(36.801)	(257.809)	(40.990)	(232.394)
General Administrative Expenses	26	(71.030)	(497.600)	(78.455)	(444.799)
Research and Development Expenses	26	(4.196)	(29.397)	(4.409)	(24.999)
Other Operating Income	27	84.686	593.266	41.264	233.949
Other Operating Expenses	27	(22.819)	(159.858)	(29.036)	(164.627)
OPERATING PROFIT		795.547	5.573.200	772.254	4.378.290
Income from Investing Activities	28	23.670	165.822	12.549	71.145
Expenses from Investing Activities	28	(14.343)	(100.479)	(5.460)	(30.956)
Share of Investments' Profit Accounted by Using The Equity Method	12	1.097	7.685	6.794	38.517
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		805.971	5.646.228	786.137	4.456.996
Finance Income	29	65.115	554.376	186.285	1.124.097
Finance Expense	30	(77.522)	(543.079)	(90.609)	(513.709)
PROFIT BEFORE TAX		793.564	5.657.525	881.813	5.067.384
Tax (Expense) Income	31	(292.559)	(2.147.735)	(265.496)	(1.573.177)
Current Corporate Tax (Expense) Income		(293.168)	(2.151.998)	(251.026)	(1.491.142)
Deferred Tax (Expense) Income		609	4.263	(14.470)	(82.035)
NET PROFIT FOR THE PERIOD		501.005	3.509.790	616.317	3.494.207
Non-Controlling Interests		28.649	200.697	31.340	177.680
Equity Holders of the Parent		472.356	3.309.093	584.977	3.316.527
EARNINGS PER SHARE (TRY 1 Nominal value per share)	32		0,9455		0,9476

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

		(Audited) Current Period 1 January - 31 December 2020 USD'000	(Audited) Current Period 1 January - 31 December 2020 TRY'000	(Audited) Previous Period 1 January - 31 December 2019 USD'000	(Audited) Previous Period 1 January - 31 December 2019 TRY'000
	Note				
PROFIT FOR THE PERIOD		501.005	3.509.790	616.317	3.494.207
OTHER COMPREHENSIVE INCOME					
Not to be reclassified subsequently to profit or loss					
Increase (Decrease) in Revaluation Reserve of Tangible Assets		206	18.914	(139)	7.713
Actuarial Gain (Loss) of Defined Benefit Plans	18	(3.247)	(17.367)	(6.689)	(39.363)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	31	649	3.473	1.472	8.660
Foreign Currency Translation Gain (Loss)		-	4.833.155	-	2.211.371
To be reclassified subsequently to profit or loss					
Gain (Loss) in Cash Flow Hedging Reserves		(3.999)	(27.444)	(1.796)	(8.499)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	31	800	5.489	395	1.870
Foreign Currency Translation Gain (Loss)		(34.586)	2.364.050	(12.957)	1.207.194
OTHER COMPREHENSIVE INCOME (LOSS)		(40.177)	7.180.270	(19.714)	3.388.946
TOTAL COMPREHENSIVE INCOME		460.828	10.690.060	596.603	6.883.153
Distribution of Total Comprehensive Income					
Non-controlling Interests		25.040	399.733	30.230	269.431
Equity Holders of the Parent		435.788	10.290.327	566.373	6.613.722

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(Audited)	Note	Other comprehensive income (expense) not to be reclassified subsequently to profit or loss						
		Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds
1 January 2020		3.500.000	156.613	(116.232)	106.447	58.952	12.365.096	(102.008)
Net profit for the period		-	-	-	-	-	-	-
Other comprehensive income (loss)		-	-	-	-	18.914	4.833.155	(13.598)
Total comprehensive income (loss)		-	-	-	-	18.914	4.833.155	(13.598)
Dividends ^(*)		-	-	-	-	-	-	-
Transfers	23	-	-	-	-	-	-	-
31 December 2020		3.500.000	156.613	(116.232)	106.447	77.866	17.198.251	(115.606)
(Audited)								
1 January 2019		3.500.000	156.613	(116.232)	106.447	51.239	10.153.725	(72.105)
Net profit for the period		-	-	-	-	-	-	-
Other comprehensive income (loss)		-	-	-	-	7.713	2.211.371	(29.903)
Total comprehensive income (loss)		-	-	-	-	7.713	2.211.371	(29.903)
Dividends ^(*)		-	-	-	-	-	-	-
Transfers	23	-	-	-	-	-	-	-
31 December 2019		3.500.000	156.613	(116.232)	106.447	58.952	12.365.096	(102.008)

^(*) During the Annual General Assembly dated 14 July 2020, dividend distribution (gross dividend per share: TRY 0,23 (2019: TRY 1,38) amounting to TRY 805.000 thousand (21 March 2019: TRY 4.830.000 thousand) from 2019 net profit was approved. As of 14 July 2020, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3,08% of its own shares with a nominal value of 1 TL, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 17 July 2020. The Group paid TRY 35.761 thousand (2019: TRY 209.118 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden of subsidiaries of the Group in current year.

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

Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings					
Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	Equity Attributable to the Parent	Non- controlling Interests	Total Shareholders' Equity	
6.474	5.463.762	3.485.761	2.057.906	3.316.527	30.299.298	948.177	31.247.475	
-	-	-	-	3.309.093	3.309.093	200.697	3.509.790	
(21.955)	2.164.718	-	-	-	6.981.234	199.036	7.180.270	
(21.955)	2.164.718	-	-	3.309.093	10.290.327	399.733	10.690.060	
-	-	-	(780.198)	-	(780.198)	(35.761)	(815.959)	
-	-	111.687	3.204.840	(3.316.527)	-	-	-	
(15.481)	7.628.480	3.597.448	4.482.548	3.309.093	39.809.427	1.312.149	41.121.576	
13.103	4.349.119	2.287.528	2.339.334	5.597.990	28.366.761	887.864	29.254.625	
-	-	-	-	3.316.527	3.316.527	177.680	3.494.207	
(6.629)	1.114.643	-	-	-	3.297.195	91.751	3.388.946	
(6.629)	1.114.643	-	-	3.316.527	6.613.722	269.431	6.883.153	
-	-	-	(4.681.185)	-	(4.681.185)	(209.118)	(4.890.303)	
-	-	1.198.233	4.399.757	(5.597.990)	-	-	-	
6.474	5.463.762	3.485.761	2.057.906	3.316.527	30.299.298	948.177	31.247.475	

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

		(Audited) Current Period 1 January- 31 December 2020 USD'000	(Audited) Current Period 1 January- 31 December 2020 TRY'000	(Audited) Previous Period 1 January- 31 December 2019 USD'000	(Audited) Previous Period 1 January- 31 December 2019 TRY'000
	Note				
CASH FLOWS FROM OPERATING ACTIVITIES		1.021.655	7.315.515	1.146.929	7.243.107
Profit (Loss) for The Period		501.005	3.509.790	616.317	3.494.207
Adjustments to Reconcile Profit (Loss)		492.681	3.547.273	374.537	2.750.735
Adjustments for Depreciation and Amortisation Expenses	24/26/27	217.755	1.525.473	202.753	1.149.507
Adjustments for Impairment Loss (Reversal of Impairment Loss)		10.165	71.213	(3.162)	(17.919)
Adjustments for Provision (Reversal of Provision) for Receivables	8/9	42	293	495	2.811
Adjustments for Provision (Reversal of Provision) for Inventories	10	4.519	31.659	3.984	22.588
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	14	5.604	39.261	(7.641)	(43.318)
Adjustments for Provisions		39.810	283.381	35.289	201.538
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	18	29.715	208.169	29.548	167.527
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	19	10.095	75.212	15.227	87.794
Adjustments for Other Provisions (Reversals)	29	-	-	(9.486)	(53.783)
Adjustments for Interest (Income) and Expenses		(25.365)	(177.687)	(12.155)	(68.913)
Adjustments for Interest Income	29	(75.731)	(530.533)	(78.986)	(447.813)
Adjustments for Interest Expense	30	52.685	369.083	66.291	375.838
Deferred Financial Expense from Credit Purchases	27	1.052	7.378	3.231	18.318
Unearned Financial Income from Credit Sales		(3.371)	(23.615)	(2.691)	(15.256)
Adjustments for Unrealised Foreign Exchange Differences		(25.401)	(185.093)	(7.537)	(45.394)
Adjustments for Fair Value (Gains) Losses		(2.649)	(18.555)	(2.638)	(14.957)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	29	(2.649)	(18.555)	(2.638)	(14.957)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	(1.097)	(7.685)	(6.794)	(38.517)
Adjustments for Tax (Income) Expenses	31	292.559	2.147.735	265.496	1.573.177
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(13.062)	(91.509)	2.155	12.213
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	28	(13.062)	(91.509)	2.155	12.213
Adjustments for Reconciliation of Profit (Loss)		(34)	-	(98.870)	-
Changes in Working Capital		305.192	2.237.389	490.151	2.911.593
Adjustments for Decrease (Increase) in Trade Receivables		50.131	367.986	288.085	1.711.282
Decrease (Increase) in Trade Receivables from Related Parties		(6.109)	(44.843)	(16.136)	(95.851)
Decrease (Increase) in Trade Receivables from Third Parties		56.240	412.829	304.221	1.807.133
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(3.484)	(25.573)	420	2.495
Decrease (Increase) in Other Receivables from Operations from Third Parties		(3.484)	(25.573)	420	2.495
Decrease (Increase) in Derivative Financial Instruments		3.321	24.377	2.859	16.984
Adjustments for Decrease (Increase) in Inventories		188.214	1.381.585	118.949	706.581
Decrease (Increase) in Prepaid Expenses		(9.377)	(68.833)	5.010	29.761
Adjustments for Increase (Decrease) in Trade Payables		18.809	138.068	126.381	750.727
Increase (Decrease) in Trade Payable to Related Parties		3.460	25.398	(13.657)	(81.126)
Increase (Decrease) in Trade Payable to Third Parties		15.349	112.670	140.038	831.853
Adjustments for Increase (Decrease) in Other Payables Related from Operations		7.355	53.990	(6.659)	(39.556)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		7.355	53.990	(6.659)	(39.556)

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Note	(Audited) Current Period 1 January- 31 December 2020 USD'000	(Audited) Current Period 1 January- 31 December 2020 TRY'000	(Audited) Previous Period 1 January- 31 December 2019 USD'000	(Audited) Previous Period 1 January- 31 December 2019 TRY'000
Increase (Decrease) in Derivative Liabilities		(10.525)	(77.260)	17.273	102.604
Adjustments for Other Increase (Decrease) in Working Capital		60.748	443.049	(62.167)	(369.285)
Decrease (Increase) in Other Assets Related from Operations		9.063	63.656	(50.798)	(301.751)
Increase (Decrease) in Other Payables Related from Operations		51.685	379.393	(11.369)	(67.534)
Cash Flows Provided by Operating Activities		1.298.878	9.294.452	1.481.005	9.156.535
Payments Related to Provisions for Employee Termination Benefits	18	(9.454)	(66.234)	(12.155)	(68.916)
Payments Related to Other Provisions	19	(13.111)	(91.851)	(9.564)	(54.223)
Income Taxes Refund (Paid)	31	(254.658)	(1.820.852)	(312.357)	(1.790.289)
CASH FLOWS FROM INVESTING ACTIVITIES		(419.574)	(3.119.368)	(277.981)	(1.622.352)
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures	12	1.981	13.333	-	-
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		24.260	165.249	-	-
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(16.537)	(120.860)	(1.533)	(8.691)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		22.985	161.022	4.256	24.134
Cash Inflow from Sales of Property, Plant and Equipment	14/15/28	22.985	161.022	4.256	24.134
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(306.152)	(2.144.742)	(250.962)	(1.422.829)
Cash Outflow from Purchase of Property, Plant and Equipment	14	(303.246)	(2.124.384)	(248.376)	(1.408.170)
Cash Outflow from Purchase of Intangible Assets	15	(2.906)	(20.358)	(2.586)	(14.659)
Cash Advances and Debts Given		(146.432)	(1.195.533)	(30.345)	(218.171)
Other Cash Advances and Debts Given to Related Parties	33	(83.334)	(650.728)	(8.663)	(42.646)
Other Cash Advances and Debts Given		(63.098)	(544.805)	(21.682)	(175.525)
Dividends Received	12	321	2.163	603	3.205
CASH FLOWS FROM FINANCING ACTIVITIES		(482.077)	(1.743.044)	(704.296)	(3.568.048)
Cash Inflow from Borrowings		932.928	6.292.079	1.260.449	7.219.324
Cash Inflow from Loans	7	932.928	6.292.079	1.167.598	6.669.324
Cash Inflow from Issued Debt Instruments	7	-	-	92.851	550.000
Cash Outflow from Repayments of Borrowings		(1.318.402)	(7.367.260)	(1.172.737)	(5.908.300)
Cash Outflow from Loan Repayments	7	(1.318.402)	(7.367.260)	(1.172.737)	(5.908.300)
Cash Outflow from Debt Payments for Leasing Contracts	7	(6.633)	(46.470)	(7.055)	(40.069)
Dividends Paid		(118.825)	(815.724)	(793.679)	(4.888.779)
Interest Paid	7	(41.548)	(291.063)	(55.333)	(313.709)
Interest Received		66.836	463.565	67.626	384.679
Other Cash Inflow (Outflow)		3.567	21.829	(3.567)	(21.194)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		120.004	2.453.103	164.652	2.052.707
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(60.132)	479.959	(34.370)	(157.657)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		59.872	2.933.062	130.282	1.895.050
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1.780.737	10.577.931	1.650.455	8.682.881
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	1.840.609	13.510.993	1.780.737	10.577.931

- As of 31 December 2020, the Group's total amount of time deposit interest accrual is TRY 31.184 thousand (USD 4.249 thousand) (31 December 2019: TRY 12.093 thousand (USD 2.035 thousand)).
- Bank deposits with maturities of more than 3 months in financial investments are reported in consolidated statement of cash flow under "Other Cash Inflow (Outflows)".
- Since the functional currency is US Dollars, the exchange rate differences between the accrual and payment dates of the dividend payables to the shareholders, whose original currency is followed as Turkish Lira in the consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the consolidated cash flow statements.

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

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

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Group ("Group"), is composed of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir" or "the Company"), and its subsidiaries which it owns the majority of their shares or has a significant influence on their management structure.

The main parent and ultimate controlling party of the Group are ATAER Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

Ordu Yardımlaşma Kurumu (OYAK) was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an "aid and retirement fund" for Turkish Armed Forces' members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, cast and pressed steel, coke and their by-products.

The Company's shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Name of the Company	Country of Operation	Operation	2020 Share (%)	2019 Share (%)
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47

The joint venture of the Group, İsdemir Linde Gaz Ortaklığı A.Ş., is accounted for using the equity method in the accompanying consolidated financial statements.

The registered address of the Company is Barbaros Mahallesi Ardiç Sokak No:6 Ataşehir/İstanbul.

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

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (cont'd)

The number of the personnel employed by the Group as of reporting date are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2020 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.001	1.739	5.740
İskenderun Demir ve Çelik A.Ş.	2.988	1.714	4.702
Erdemir Madencilik San. ve Tic. A.Ş.	156	154	310
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	231	74	305
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	249	249
Erdemir Romania S.R.L.	192	39	231
Erdemir Asia Pacific Private Limited	-	1	1
	7.568	3.970	11.538
	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2019 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.055	1.699	5.754
İskenderun Demir ve Çelik A.Ş.	2.886	1.725	4.611
Erdemir Madencilik San. ve Tic. A.Ş.	158	138	296
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	217	77	294
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	228	228
Erdemir Romania S.R.L.	205	39	244
Erdemir Asia Pacific Private Limited	-	1	1
	7.521	3.907	11.428

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Group's subsidiaries incorporated in Turkey maintain their legal books of account and prepare their statutory financial statements in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the consolidated financial statements are presented in accordance with "Announcement regarding with TFRS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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

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

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

2.1 Basis of Presentation (cont'd)

The financial statements are prepared on the basis of historical cost, with the exception of derivative financial instruments carried at fair value and revaluation of iron ore and fixed assets used in the production of silicon flat steel at the fair value determined at the date of purchase. In determining the historical cost, generally the fair value of the amount paid for the assets is taken as basis.

Functional and reporting presentation currency

Although the currency of the country in which the Company is domiciled is Turkish Lira (TRY), the Company's functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the functional currency.

The financial statements of each entity of the Group are presented in the currency (functional currency) valid in the basic economic environment in which they operate. The functional currency of the Company and its subsidiaries' İskenderun Demir ve Çelik A.Ş. "İsdemir" and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. "Ersem" are US Dollars while the functional currency of Erdemir Madencilik San. ve Tic. A.Ş. "Ermaden", Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. and Erdemir Enerji Üretim A.Ş. are Turkish Lira.

The accompanying financial statements are prepared in Turkish Lira (TRY) in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013.

Functional currency for the foreign subsidiaries

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited "EAPPL" is US Dollars; Erdemir Romania S.R.L is EURO.

Functional currency of the joint venture

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

Presentation currency translation

Presentation currency of the consolidated financial statements is Turkish Lira. According to TMS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in USD Dollars for the Company, İsdemir, Ersem and EAPPL; in EURO for Erdemir Romania, have been translated in Turkish Lira as the with following method:

- The assets and liabilities on financial position as of 31 December 2020 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 7,3405=US \$ 1 and TRY 9,0079=EUR 1 on the balance sheet date (31 December 2019: TRY 5,9402= US \$ 1, TRY 6,6506=EUR 1).
- For the year ended 31 December 2020, statements of profit or loss are translated from the 12 months average TRY 7,0055 = US \$ 1 and TRY 8,0141=EUR 1 rates of 2020 January - December period (31 December 2019: TRY 5,6695 = US \$ 1 TRY 6,3469 = 1 EUR).

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

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

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

2.1 Basis of Presentation (cont'd)

Presentation currency translation (cont'd)

- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- d) All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements. The differences between presentation of statutory and historical figures are recognised as translation differences under other comprehensive income.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying consolidated financial statements comprising the statements of financial position as of 31 December 2020 and 31 December 2019, consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2020 represent the consolidated financial statements within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 11 February 2021 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standards is made either retrospectively or prospectively in accordance with the transition requirements of the standards. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

2.3 Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/IFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

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

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

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

2.3 Consolidation Principles (cont'd)

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are included in the scope of consolidation from the date on which control over their activities is transferred to the Group, and are excluded from the scope of consolidation on the date when control disappears.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company;

(i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee; (iii) 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.

The statement of financial position and statements profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its subsidiaries are eliminated on consolidation. The carrying value of, and the dividends arising from, shares held by Erdemir in its subsidiaries are eliminated from shareholders' equity and income for the year, respectively. The table below sets out all subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, (%) and their functional currencies as of reporting date.

	31 December 2020			31 December 2019		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	94.87	94.87	US Dollars	94.87	94.87
Ersem	US Dollars	100	100	US Dollars	100	100
Ermaden	Turkish Lira	90	90	Turkish Lira	90	90
Erdemir Mühendislik	Turkish Lira	100	100	Turkish Lira	100	100
Erdemir Romania S.R.L.	Euro	100	100	Euro	100	100
Erdemir Asia Pasific	US Dollars	100	100	US Dollars	100	100
Erdemir Enerji	Turkish Lira	100	100	Turkish Lira	100	100
İsdemir Linde Gaz	US Dollars	50	47	US Dollars	50	47

2.4 Comparative Information and Restatement of Consolidated Financial Statements with Prior Periods

The Group's consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period consolidated financial statements.

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

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

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

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies

The Group, according to TFRS makes estimates and assumptions prospectively while preparing its consolidated financial statements. These accounting estimates are rarely identical to the actual results. The estimates and assumptions that may cause significant adjustments to the carrying values of assets and liabilities in the following reporting periods are listed below.

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

The Group calculates depreciation for the property, plant and equipment by taking into account their production amounts on the basis of cash flow unit set by independent valuation firm and useful lives that are stated in Note 2.8.3 and 2.8.4 (Note 14, Note 15).

2.5.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. During the evaluation, the expiry dates of future profit projections, financial losses in the current period, unused carried forward financial losses and other tax assets are taken into consideration (Note 31).

2.5.3 Fair values of derivative financial instruments

The Group evaluates its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the reporting date (Note 6).

2.5.4 Provision for doubtful receivables

Provision for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credibility in the current market, their performance after the reporting date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. As of reporting date the provision for doubtful receivables is presented in Note 8 and Note 9.

2.5.5 Provision for impairment of inventories

During the assessment of the provision for impairment of inventories the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to provision for inventories accounting policy of the Company. Sales prices listed and related data by sales prices of realized sales after reporting date, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of these studies, provision is made for inventories whose net realizable value is below the cost value and for slow moving inventories are presented in Note 10.

2.5.6 Provisions for employee benefits

The Group makes various actuarial assumptions such as the discount rate, inflation rate, real salary increase rate, and the voluntarily leave the job in the calculation of its liabilities regarding benefits provided to employees. The details related to employee benefits plans are stated in Note 18.

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

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

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

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.7 Provision for lawsuits

The Group reliably determines the probability of losing the lawsuits and the liabilities that will arise in case of loss, based on the possible cash outflows based on the best estimation of the Management, taking into account the opinions of the Group Legal Consultancy and external expert lawyers for ongoing lawsuits. As of reporting date, provision for lawsuits is stated in Note 19.

2.5.8 Impairments on assets

The Group, performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment tests performed by the Group, additional impairment is estimated in the accompanying financial statements for the non-financial assets recognized in expenses from investment activities (Note 28). The Group recognized the amount of provisions released in income from investment activities (Note 28).

2.5.9 Impairment on financial assets

The impairment 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.

2.5.10 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.

2.6 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the financial position statement where either there is a legally enforceable right to offset the recognized amounts or there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2020 summarized below.

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

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

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

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

Effects of these standards and interpretations on Group's financial position and performance summarized following paragraphs.

Amendments that are mandatorily effective from 2020

Amendments to TFRS 3:	Definition of a Business
Amendments to TAS 1 and TAS 8:	Definition of Material
Amendments to TFRS 9, TAS 39 and TFRS 7:	Interest Rate Benchmark Reform
Amendments to TFRS 16:	COVID-19 Related Rent Concessions
Amendments to Conceptual Framework:	Amendments to References to the Conceptual Framework in TFRSs

Amendments to TFRS 3 Definition of a Business

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

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

Amendments to TAS 1 and TAS 8 Definition of Material

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

Amendments to TFRS 9, TAS 39 and TFRS 7 Interest Rate Benchmark Reform

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 COVID-19 Related Rent Concessions

The changes brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there are no substantive changes to other terms and conditions of the lease.

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

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

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

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

Amendments that are mandatorily effective from 2020 (cont'd)

Amendments to TFRS 16 COVID-19 Related Rent Concessions (cont'd)

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

The Group have no COVID-19-related rent concessions.

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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

New and revised TFRSs in issue but not yet effective

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

TFRS 17 :	Insurance Contracts
Amendments to TAS 1:	Classification of Liabilities as Current or Non-Current
Amendments to TFRS 3:	Reference to the Conceptual Framework
Amendments to TAS 16:	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to TAS 37:	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to TFRS Standards :	Amendments to TFRS 1, TFRS 9 and TAS 41 2018-2020
Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16:	Interest Rate Benchmark Reform - Phase 2

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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

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

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

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

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

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references published together with the updated Conceptual Framework at the same time or earlier.

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendments are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform - Phase 2

The amendments in Interest Rate Benchmark Reform - Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

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

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

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

2.8 Valuation Principles/Significant Accounting Policies Applied

Accounting policies implemented during preparation of financial statements as follows:

2.8.1 Revenue recognition

Group recognizes revenue when the goods or services are transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to the customer. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, steel and pig iron castings, cast and pressed products and their by-products.

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

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 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.

Interest income is accrued in the relevant period in proportion to the remaining principal balance and the effective interest rate that reduces the estimated cash inflows to be obtained from the relevant financial asset to the book value of the asset. Interest income from the Group's time deposit investments are recognized under finance income, maturities sales interest income from trade receivables are recognized in revenue.

2.8.2 Inventories

Inventories are valued at the lower of cost or net realizable value. The costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority valued by using the monthly weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.8.3 Property, plant and equipment

Property, plant and equipment stated through the value of determined by using the historical cost approach that reflects the cost of the assets in purchase date adjusted for impairment and accumulated depreciation. Lands are not subject to depreciation and are shown over the amount after accumulated impairment is deducted from their cost values.

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

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

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

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

2.8.3 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Provision for impairment are recognized in the consolidated statement of profit or loss.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives or production amount, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The rates that are used to depreciate the property, plant and equipment are as follows:

	Rates
Buildings	2-16%
Land improvements	2-33% and units of production level
Machinery and equipment	3-50% and units of production level
Vehicles	5-25% and units of production level
Furniture and fixtures	5-33%
Exploration costs and other fixed assets with special useful lives	5-10% and units of production level
Other tangible fixed assets	5-25%

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Property, plant and equipment are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment (cash-generating unit).

Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the consolidated statement of profit or loss of the related period. The Group omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to depreciation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under construction in progress.

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

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

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

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

2.8.4 Intangible assets

Out of the purchased intangible fixed assets, those with a finite life are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized principally on a straight-line basis over their estimated useful lives and production amounts. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate are accounted for on a prospective basis.

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%
Other intangible fixed assets	20-33%

2.8.5 Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation are measured initially at cost less any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss under income (expense) from investment activities.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.8.6 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.

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

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

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

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

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

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 include the initial measurement of the corresponding lease liability, lease payments incurred on or before the lease actually commences, and other direct initial costs. These assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, Plant and Equipment" policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in "Other expenses" in profit or loss.

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.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. (Note 16).

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

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.

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

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

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

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

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

If the Group is in the position of sub-lease, the main lease and sub-lease are recognized as two separate contracts. Sub-lease is classified as financial lease or operating lease regarding the right to use arising from the main lease.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

2.8.7 Impairment on assets

Assets subject to depreciation and amortization are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. Recoverable amounts are estimated at the lowest level for individual assets (for the cash-generating unit). Non-financial assets that are impaired are evaluated for reversal of impairment amount at each reporting date.

2.8.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Investment revenues arising from the temporary utilization of the unused portion of facility loans are netted off from the costs eligible for capitalization.

All other borrowing costs are recognized directly in the consolidated statement of profit or loss of the period in which they are incurred.

2.8.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a part of 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.

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

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets

Financial assets 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.

Financial assets 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.

(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.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item (Note 29).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

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

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

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

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. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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 recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

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

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. 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.

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For all other financial instruments, the Group recognizes 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 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.

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:

- Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- 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.
- A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

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

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

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

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

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

The Entity does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognizes 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 derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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. Further details of derivative financial instruments are disclosed in Note 6.

Derivatives are recognized 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 recognized 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 recognized as a financial asset whereas a derivative with a negative fair value is recognized 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 realized 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.

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

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

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

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

2.8.9 Financial instruments (cont'd)

Hedge accounting (cont'd)

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).

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.

Note 6 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in Note 6.

2.8.10 The effects of foreign exchange rate changes

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

The Group records foreign currency (currencies other than the functional currency of the related company) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in consolidated statement of profit or loss. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to consolidated statement of profit or loss.

Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

2.8.11 Earnings per share

Earnings/loss per share, disclosed in the consolidated statement of profit or loss, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares.

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

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

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

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

2.8.12 Subsequent events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date. Post period end events that are not adjusting events are disclosed in the notes when material.

2.8.13 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past legal or subtle event, where it is probable that the Group will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

When the Group's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Group discloses this fact in the notes.

2.8.14 Related parties

A related party is a person or entity that is related to (reporting entity), the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

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

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

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

2.8.15 Taxation and deferred income taxes

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 consolidated financial statements, have been calculated on a separate-entity basis.

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

Current tax

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

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates.

Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

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

2.8.15 Taxation and deferred income taxes (cont'd)

Current and deferred tax for the period

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

2.8.16 Employee benefits

According to the Turkish and Romanian law and union agreements, employee termination payments are made to employees in the case of retiring or involuntarily leaving. Such payments are considered as a part of defined retirement benefit plan in accordance with TAS 19 (revised) *Employee Benefits* ("TAS 19").

The termination indemnities accounted in the balance sheet and seniority incentive premium in accordance with the union agreements in force represent the present value of the residual obligation. Actuarial gains and losses, on the other hand, are recognized in the statement of other comprehensive income.

The Group makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of profit or loss. The details related with the defined benefit plans are stated in Note 18.

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

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

2.8.17 Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Group has met all conditions required. Government grants and incentives related to costs are recognized as revenue during the periods they are matched with the costs they will cover.

2.8.18 Statement of cash flows

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

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

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Group.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

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

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

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

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

2.8.18 Statement of cash flows (cont'd)

Cash and cash equivalents comprises of the cash on hand, the demand deposits and highly liquid other short-term investments which their maturities are three months or less from the date of acquisition, are readily convertible to cash and are not subject to a significant risk of changes in value.

The translation difference that occurs due to translation from functional currency to presentation currency is shown as translation difference on cash flow statement.

2.8.19 Share capital and dividends

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

2.8.20 Repurchased shares (Erdemir shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings or accumulated losses.

2.8.21 Significant changes in current period

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

In the preparations of the consolidated financial statements as at 31 December 2020, the Group assessed the possible impacts of COVID-19 pandemic on the financial statements and reviewed the critical estimates and assumptions used in the preparation of the consolidated financial statements. Within this scope, the Group evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated financial statements as at 31 December 2020 for any possible impairment but no impairment were identified.

NOTE 3 - SEGMENTAL REPORTING

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

As of reporting date the detail of cash and cash equivalents as follows:

	31 December 2020	31 December 2019
Cash	16	21
Banks - demand deposits	181.762	246.738
Banks - time deposits	13.360.399	10.343.265
	13.542.177	10.590.024
Time deposit interest accruals (-)	(31.184)	(12.093)
Cash and cash equivalents excluding interest accruals	13.510.993	10.577.931

The details of demand deposits are presented below:

	31 December 2020	31 December 2019
US Dollars	38.085	116.886
Turkish Lira	56.334	48.845
EURO	64.944	56.402
Romanian Lei	21.689	24.410
Other	710	195
	181.762	246.738

The details of time deposits in banks as follows:

	31 December 2020	31 December 2019
US Dollars	9.919.441	8.914.765
Turkish Lira	3.382.449	659.338
EURO	58.109	768.868
Romanian Lei	400	294
	13.360.399	10.343.265

Group's bank deposits consist of deposits with maturity from 1 day to 3 months depending on immediate cash needs. Interest is received based on current short-term rates on the market.

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

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

NOTE 5 - FINANCIAL INVESTMENTS

As of reporting date the detail of financial investments as follows:

Financial assets shown at amortized value:

	31 December 2020	31 December 2019
Tresuary bonds	39.048	80.110
Bank deposits	-	21.194
	<u>39.048</u>	<u>101.304</u>

Group, has made securities investment in order to obtain the return fixed income issued by banks and the private sector in Turkey. These fixed income securities held by the Group under the business model for collection of contractual cash flows that includes principal and interest payments related with principal amount.

As of reporting period long term financial investments as follows:

	31 December 2020	31 December 2019
Fair value differences reflected in profit/(loss) statement	199	161
	<u>199</u>	<u>161</u>

As of reporting date, ratios, shares of subsidiaries and amounts and subsidiaries recognized as financial investments as follows:

Company	Ratio %	31 December 2020	Ratio %	31 December 2019
<i>Financial investments without an active market</i>				
Teknopark Hatay A.Ş.	5	199	5	161
		<u>199</u>		<u>161</u>

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

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

As of reporting date the detail of financial derivative instruments as follows:

	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
<i>Fair value hedging derivative financial assets</i>				
Forward contracts for fair value hedges of currency risk of sales	-	11.166	2.996	3.668
Forward contracts	-	-	490	5.276
Cross currency swap contracts	-	-	30.945	7.374
Interest rate swap contracts	-	15.247	1.069	79.352
	-	26.413	35.500	95.670
<i>Cash flow hedging derivative financial assets</i>				
Forward contracts for cash flow hedges of currency risk of sales	-	33.045	2.297	4.632
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowings	-	-	60	-
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	37.510	124	12.227	2.421
	37.510	33.169	14.584	7.053
	37.510	59.582	50.084	102.723

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

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge

As of reporting date, the details of forward, swap and cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
		Nominal value	Fair Value	Nominal value	Fair Value
31 December 2020					
<u>Forward contracts for fair value hedges of currency risk of sales</u>					
Buy USD/Sell EUR	Less than 3 months	-	-	185.048	11.111
Buy USD/Sell EUR	Between 3 - 6 months	-	-	855	55
Interest rate swap contracts		-	-	185.903	11.166
USD floating interest collection/ Fixed interest payment	Between 3 - 6 months	-	-	67.288	308
TRY floating interest collection/Fixed interest payment	Between 3 - 6 months	-	-	550.000	14.794
USD basis floating interest collection/ Basis floating interest payment	Between 3 - 6 months	-	-	67.288	145
		-	-	684.576	15.247
		-	-	870.479	26.413

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

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge (cont'd)

		Assets		Liabilities	
		Nominal value	Fair Value	Nominal value	Fair Value
31 December 2019					
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	202.744	2.978	57.301	3.668
Buy USD/Sell EUR	Between 3 - 6 months	420	18	-	-
		203.164	2.996	57.301	3.668
Forward contracts					
Buy USD/Sell EUR	Less than 3 months	-	-	304.603	1.726
Buy TRY/Sell EUR	Less than 3 months	-	-	82.101	3.410
Buy TRY/Sell USD	Less than 3 months	25.831	490	-	-
Buy USD/Sell EUR	Between 6 - 12 months	-	-	21.546	140
		25.831	490	408.250	5.276
Interest rate swap contracts					
USD floating interest collection/Fixed interest payment	Between 1 - 5 years	163.356	1.069	-	-
TRY floating interest collection/Fixed interest payment	Between 1 - 5 years	-	-	550.000	78.186
USD basis floating interest collection/Basis floating interest payment	Between 3 - 6 months	-	-	80.367	500
USD basis floating interest collection/Basis floating interest payment	Between 1 - 5 years	-	-	163.356	666
		163.356	1.069	793.723	79.352
Basis interest swap contracts					
TRY Collection/EUR Payment	Less than 3 months	-	-	175.000	7.374
TRY Collection/USD Payment	Less than 3 months	300.000	7.143	-	-
TRY Collection/USD Payment	Between 3 - 6 months	137.500	23.666	-	-
TRY Collection/USD Payment	Between 6 - 12 months	20.000	136	-	-
		457.500	30.945	175.000	7.374
		849.851	35.500	1.434.274	95.670

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

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for cash flow hedge

Forward contracts for cash flow hedges of currency risk of sales:

Buy USD - Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2021 and November 2021.

In respect of these contracts which has a nominal value of TRY 1.196.116 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY (31.342) thousand was included in consolidated other comprehensive income (31 December 2019: TRY (15.821) thousand).

In the current period, TRY (30.336) thousand resulting from the sales related forward contracts was accounted under the revenue account of the profit or loss table (31 December 2019: TRY 62.563 thousand).

Cross currency and interest rate swap contracts for cash flow hedges of interest rate and currency risk of borrowings:

The derivative contracts made in order to fix the principal and interest rates of the Group's bank loans with floating interest and foreign currency in the future periods of (60) thousand TRY except from the deferred tax effect recognized in the consolidated other comprehensive income. (31 December 2019: TRY (654) thousand).

Commodity swap contracts for hedges of price risk of raw material purchases:

The Group purchases iron ore on an ongoing basis as its operating activities. The Group has concluded iron ore swap contracts in order to be protected from price risk of iron ore which shall be supplied in future and shall be used in the production of related sales in line with its contracted sales. Group's iron ore forward contracts measured at fair value through other comprehensive income/expense match iron ore price risk associated with future long term sales contracts. The terms and conditions of the iron ore swap contracts made for these sales transactions match the terms and conditions of the sales transactions. Therefore, it is not possible to record any income or expense arising from the ineffectiveness of the protection process.

The maturities' varies until June 2021 contracts of 79 thousands tons of iron ore has a nominal value of TRY 42.544 thousand and fair value of TRY 1.735 thousand except from deferred tax effect recognized on consolidated other comprehensive income (31 December 2019: TRY 11.208 thousand).

The maturities' varies until February 2021 contracts of 885 thousands tons of coal, has a nominal value of TRY 916 thousand and fair value of TRY 2.223 thousand except from deferred tax effect recognized in consolidated other comprehensive income (31 December 2019: TRY (3.232) thousand).

As of 31 December 2020, reflected TRY 23.622 thousand from consolidated other comprehensive income to inventory cost thousand (31 December 2019: None).

The terms and conditions of the forward contracts match the terms and conditions of the expected highly probable forecast sales in EUR. As a result, no hedge ineffectiveness arises requiring recognition and is tracked under other comprehensive income accounts since the aforementioned derivative transaction is a cash flow hedge derivative transaction until the sales is realized in accordance with hedge accounting. After the revenue is recognized, those derivative transactions are recognised in the profit or loss table as fair value hedges until the receivable amounts are collected.

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

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

NOTE 7 - BORROWINGS

As of reporting date details of borrowings disclosed at amortized are as follows:

	31 December 2020	31 December 2019
Short term bank borrowings	1.193.496	4.179.522
Current portion of long term bank borrowings	1.988.924	1.332.364
Long term bank borrowings	2.574.623	1.380.494
Total bank borrowings	5.757.043	6.892.380
Current portion of long term corporate bonds issued	562.693	11.947
Long term corporate bonds issued	-	550.000
Total corporate bonds issued	562.693	561.947
Current portion of long term lease payables	42.661	42.656
Cost of current portion of long term lease payables (-)	(2.246)	(7.145)
Long term lease payables	1.012.559	909.906
Cost of long term lease payables (-)	(774.439)	(698.767)
Total lease payables	278.535	246.650
Total borrowings	6.598.271	7.700.977

As of 31 May 2019; bond issue with maturity 28 May 2021 term, quarterly TRLibor + 0,50 spread coupon interest, principal and coupon interest payment at the end of maturity TRY 550.000 thousand was performed.

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

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 December 2020
Fixed	TRY	8,74	868.200	-	868.200
Fixed	US Dollars	2,02	477.043	644.140	1.121.183
Fixed	EURO	2,70	14.714	20.613	35.327
Floating	TRY	TRLibor+0,5	562.693	-	562.693
Floating	US Dollars	Libor+1,79	1.656.958	985.855	2.642.813
Floating	EURO	Euribor+0,5	165.505	924.015	1.089.520
			3.745.113	2.574.623	6.319.736

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

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

NOTE 7 - BORROWINGS (cont'd)

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

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2019
No interest	TRY	-	39.103	-	39.103
Fixed	TRY	13,85	867.556	-	867.556
Fixed	US Dollars	3,02	2.582.283	49.075	2.631.358
Fixed	EURO	2,70	11.145	25.346	36.491
Floating	TRY	TRLibor+0,5	11.947	550.000	561.947
Floating	US Dollars	Libor+1,87	1.904.563	922.264	2.826.827
Floating	EURO	Euribor+1,62	107.236	383.809	491.045
			<u>5.523.833</u>	<u>1.930.494</u>	<u>7.454.327</u>

Maturity distribution of financial borrowings is as follows:

	31 December 2020				31 December 2019			
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings
Within 1 year	3.182.420	562.693	40.415	3.785.528	5.511.886	11.947	35.511	5.559.344
Between 1-2 years	1.544.579	-	31.924	1.576.503	295.397	550.000	29.986	875.383
Between 2-3 years	251.807	-	28.534	280.341	710.738	-	22.349	733.087
Between 3-4 years	133.639	-	23.913	157.552	143.974	-	18.724	162.698
Between 4-5 years	121.253	-	20.784	142.037	53.637	-	15.575	69.212
Five years or more	523.345	-	132.965	656.310	176.748	-	124.505	301.253
	<u>5.757.043</u>	<u>562.693</u>	<u>278.535</u>	<u>6.598.271</u>	<u>6.892.380</u>	<u>561.947</u>	<u>246.650</u>	<u>7.700.977</u>

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

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

NOTE 7 - BORROWINGS (cont'd)

Movement of net financial borrowings of bank loans and issued bonds as follows:

	31 December 2020	31 December 2019
Opening balance	7,454.327	6,120.960
Interest expenses	330.905	342.029
Interest paid	(291.063)	(313.709)
Unrealised foreign exchange differences	(128.034)	(22.666)
Capatalized financing expense	28.782	16.689
Cash inflow from loans	6,292.079	6,669.324
Bonds issued	-	550.000
Cash outflow from loan repayments	(7,367.260)	(5,908.300)
Closing balance	<u>6,319.736</u>	<u>7,454.327</u>

Reconciliation of net financial borrowings of financial leases as follows:

	31 December 2020	31 December 2019
Opening balance	246.650	-
Opening effect of change in accounting principle	-	198.794
The effect of the increase in the lease contract liability	38.807	53.490
Cash outflow effect	(46.470)	(40.069)
Increase in interest expenses	38.178	33.809
Foreign exchange effect	1.370	626
Closing balance	<u>278.535</u>	<u>246.650</u>

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's trade receivables are as follows:

Short term trade receivables	31 December 2020	31 December 2019
Trade receivables	3.748.555	3.316.241
Due from related parties (Note 33)	258.985	173.296
Provision for doubtful trade receivables (-)	(179.711)	(145.360)
	<u>3.827.829</u>	<u>3.344.177</u>

As of the reporting date, the details of the Group's trade receivables are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	145.360	136.377
Provision for the period	439	4.769
Doubtful receivables collected (-)	(1.999)	(1.540)
Provision released (-)	(1.267)	(6.536)
Translation difference	37.178	12.290
Closing balance	<u>179.711</u>	<u>145.360</u>

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 45-50 days and therefore are all classified as current. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

According to the market conditions and product types, a certain interest charge is applied for deferred trade receivables and overdue interest is applied for overdue trade receivables.

As the 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. The detail of overdue receivables included in trade receivables as of the reporting date is disclosed in the management of credit risk management. Other disclosures as to the Group's credit risk are given in Note 34. The Group provides provision according to the balances of all unsecured receivables under legal follow up.

Group's past due but not impaired receivable amount is TRY 45.110 thousand and the maturities of them are between 0 and 60 days (31 December 2019: TRY 9.761 thousand) (Note 34).

In accordance with TFRS 9 "Financial Instruments" standart, expected credit loss measured regarding trade receivables and no significant effect ascertained on financial statements.

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (cont'd)

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

	31 December 2020	31 December 2019
Short term trade payables		
Trade payables	3.633.204	2.849.408
Due to related parties (Note 33)	131.336	85.731
Expense accruals	2.409	1.483
	<u>3.766.949</u>	<u>2.936.622</u>

Trade payables consist of payables to sellers for products or services purchased in the ordinary course of business. The average credit period on purchases of certain goods is between 40-45 days.

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's other receivables are as follows:

	31 December 2020	31 December 2019
Short term other receivables		
Due From Related Parties (Note 33)	10.892	3.817
Receivables from water system construction	1.471	1.560
Deposits and guarantees given	790	504
Receivables from Privatization Authority	33.367	-
	<u>46.520</u>	<u>5.881</u>
Long term other receivables		
Due From Related Parties (Note 33)	28.458	25.136
Receivables from Privatization Authority	-	81.221
Receivables from water system construction	10.193	11.306
Deposits and guarantees given	674	645
Provision for receivables from Privatization Authority (-)	-	(81.221)
	<u>39.325</u>	<u>37.087</u>

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

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES (cont'd)

The movement of the provision for other long-term doubtful receivables are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	81.221	75.142
Provision for the period	3.120	6.118
Provision released (-)	(32.049)	-
Other doubtful receivables collected (-)	(54.106)	-
Translation difference	1.814	(39)
Closing balance	-	81.221

The Company filed a lawsuit against the Privatization Administration on 26 January 2012 in order to obtain the receivables arising from employee rights before the share transfer agreement made in 2002 within the scope of the provisions of the Labor Law and due to the fact that the amount of the receivable related to the case is considered as doubtful, a provision has been made in the consolidated statement of financial position as of the reporting periods, including the principal receivable amount determined by the court and the receivables accrued in the following periods.

With the decision of the 11th Civil Chamber of the Supreme Court of Appeals dated 11 June 2020, the case was finalized in favor of the Company and the principal and interest of the case was collected on 21 July 2020.

After the decision of the Supreme Court, the total of the amounts collected and the accrued share transfer agreement receivables have been reported in a separate item in Note 27 as the income from the share transfer agreement. Depending on the classification of accrued share transfer agreement receivables into short-term receivables, the said receivable balances have been reported under the changes in working capital in the consolidated statement of cash flows.

As of the reporting date, the details of the Group's short term other payables are as follows:

Short term other payables	31 December 2020	31 December 2019
Taxes payable	51.263	35.805
Deposits and guarantees received	76.542	29.570
Dividend payables to shareholders ^(*)	4.080	3.966
	131.885	69.341

^(*) Dividend payable represents the uncollected balances by shareholders related to the prior years.

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

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

NOTE 10 - INVENTORIES

As of the reporting date, the details of the Group's inventories are as follows:

	31 December 2020	31 December 2019
Raw materials	2.400.813	2.287.962
Work in progress	2.017.296	1.877.323
Finished goods	1.861.015	2.635.693
Spare parts	1.668.699	1.281.245
Goods in transit	1.960.470	1.106.346
Other inventories	746.164	556.855
Allowance for impairment on inventories (-)	(547.779)	(416.261)
	<u>10.106.678</u>	<u>9.329.163</u>

The movement of the provision for impairment on inventories:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	416.261	347.745
Provision for the period	46.140	33.314
Provision released (-)	(14.481)	(10.726)
Translation difference	99.859	45.928
Closing balance	<u>547.779</u>	<u>416.261</u>

The Group has provided an provision for the impairment on the inventories when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 24).

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

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

NOTE 11 - PREPAID EXPENSES

As of the reporting date, the details of the Group's short term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Insurance expenses	94.598	56.976
Order advances given	13.634	21.390
Due to related parties (Note 33)	280	6.308
Prepaid utility allowance to employees	13.218	11.624
Other prepaid expenses	11.260	3.935
	<u>132.990</u>	<u>100.233</u>

As of the reporting date, the details of the Group's long term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Order advances given	1.063.987	486.201
Due to related parties (Note 33)	643.367	25.620
Insurance expenses	66.398	-
Other prepaid expenses	2.323	1.999
	<u>1.776.075</u>	<u>513.820</u>

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

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

NOTE 12 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The details of the Group's financial investments accounted for using equity method are as follows:

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

The Group's shares on assets of investments accounted for using equity method are as follows:

	31 December 2020	31 December 2019
Total assets	492.495	408.249
Total liabilities	32.584	6.609
Net assets	459.911	401.640
Group's share on net assets	229.956	200.820

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

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

NOTE 12 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont'd)

	31 December 2020	31 December 2019
Share capital	175.000	201.667
Group's share on profit of investments accounted for using equity method as follows:		
	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	123.827	98.345
Operating profit	28.909	14.335
Net profit (loss) for the period	15.369	77.034
Group's share on net profit	7.685	38.517

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 27 February 2020, reducing capital by TRY 26.667 thousand and decisions regarding the distribution of cash dividend of TRY 17.302 thousand from the net profit of 2019 have been unanimously approved. The payment for the capital reduction (its effect on statement of cash flows of Group is TRY 13.333 thousand) and 25% of the dividend (its effect on statement of cash flows of Group is TRY 2.163 thousand) has been completed on 4 June 2020.

İsdemir Linde Gaz Ortaklığı A.Ş., as an affiliate of the Group under joint management, has the right of to deduct TRY 97.254 thousand (31 December 2019: TRY 82.411 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 14.843 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 7.422 thousand) is included in the financial statements prepared as of reporting date.

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

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

NOTE 13 - INVESTMENT PROPERTIES

The details of the Group's investments properties are as follows:

	Land	Buildings	Total
<u>Cost</u>			
Opening balance as of 1 January	173.154	138.732	311.886
Translation difference	40.818	32.704	73.522
Closing balance as of 31 December 2020	213.972	171.436	385.408
<u>Accumulated Depreciation</u>			
Opening balance as of 1 January	-	(8.672)	(8.672)
Translation difference	-	(2.342)	(2.342)
Charge for the period	-	(6.226)	(6.226)
Closing balance as of 31 December 2020	-	(17.240)	(17.240)
Net book value as of 31 December 2019	173.154	130.060	303.214
Net book value as of 31 December 2020	213.972	154.196	368.168
	Land	Buildings	Total
<u>Cost</u>			
Opening balance as of 1 January	144.196	98.784	242.980
Translation difference	19.090	13.994	33.084
Transfers ^(*)	9.868	25.954	35.822
Closing balance as of 31 December 2019	173.154	138.732	311.886
<u>Accumulated Depreciation</u>			
Opening balance as of 1 January	-	(1.018)	(1.018)
Translation difference	-	(474)	(474)
Charge for the period	-	(4.390)	(4.390)
Transfers ^(*)	-	(2.790)	(2.790)
Closing balance as of 31 December 2019	-	(8.672)	(8.672)
Net book value as of 31 December 2018	144.196	97.766	241.962
Net book value as of 31 December 2019	173.154	130.060	303.214

^(*) After a part of Erdemir Çelik Servis Merkezi A.Ş.'s land and buildings in Manisa were rented, they were classified to investment properties (Note 14).

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

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

NOTE 13 - INVESTMENT PROPERTIES (cont'd)

The fair value of the Group's investment properties is TRY 981.540 thousand (31 December 2019: TRY 933.303 thousand) according to the most recent valuation reports. The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

All investment properties of the Group consist of land and buildings. The fair value level of these real estates is evaluated as level 2.

The Group does not have contractual obligations regarding the purchase, construction or development of investment properties or maintenance, repair or improvement.

For the year ended 31 December 2020, the Group generated rent income amounting to TRY 16.013 thousand (31 December 2019: TRY 11.411 thousand) from rented investment properties under operating leases (Note 28). The Group also has investment properties that do not generate rental income.

The Group has recognized (2.918) thousand TL (31 December 2019: (2.327) thousand TL) of estate tax expenses related to investment properties for the year ended 31 December 2020 under investment expenses (Note 28).

Amortization distribution of investment properties is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Associated with cost of production	802	-
General administrative expenses	5.424	4.390
	<u>6.226</u>	<u>4.390</u>

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and equipment
<u>Cost</u>				
Opening balance as of 1 January	376.129	5.212.999	8.297.849	35.099.569
Translation difference	88.393	1.208.451	1.956.397	8.302.098
Additions ^(*)	16.630	2.133	432	209.945
Transfers from CIP ^(**)	-	44.451	57.582	971.446
Disposals	(13.877)	(303)	(1.042)	(232.109)
Closing balance as of 31 December 2020	467.275	6.467.731	10.311.218	44.350.949
<u>Accumulated Depreciation</u>				
Opening balance as of 1 January	-	(3.870.219)	(6.007.296)	(21.062.754)
Translation difference	-	(907.628)	(1.424.237)	(4.977.519)
Charge for the period	-	(119.119)	(188.096)	(996.948)
Impairment ^(***)	-	(447)	-	(38.814)
Disposals	-	289	919	179.513
Closing balance as of 31 December 2020	-	(4.897.124)	(7.618.710)	(26.896.522)
Net book value as of 31 December 2019	376.129	1.342.780	2.290.553	14.036.815
Net book value as of 31 December 2020	467.275	1.570.607	2.692.508	17.454.427

^(*) The amount of capitalized borrowing cost is TRY 28.782 thousand for the current period.

^(**) TRY 41.928 thousand is transferred to intangible assets (Note 15).

^(***) The Group reviewed recoverable amounts of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and Erdemir Romania S.R.L. for the property, plant and equipment that will be out of use and will not generate independent cash flow. As a result of the review, for non used assets, an impairment loss of TRY (39.261) thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 28).

As of 31 December 2020, the Group has no collaterals or pledges upon its property, plant and equipment.

Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
1.938.964	949.850	303.267	1.441.525	53.620.152
424.892	203.055	42.807	351.448	12.577.541
13.321	27.116	16.619	1.866.970	2.153.166
6.149	16.361	4.692	(1.142.609)	(41.928)
(5.399)	(6.906)	(2.738)	-	(262.374)
2.377.927	1.189.476	364.647	2.517.334	68.046.557
(1.179.041)	(525.772)	(226.896)	(94.193)	(32.966.171)
(247.595)	(104.656)	(34.159)	(22.759)	(7.718.553)
(66.901)	(51.310)	(31.223)	-	(1.453.597)
-	-	-	-	(39.261)
5.245	5.800	1.095	-	192.861
(1.488.292)	(675.938)	(291.183)	(116.952)	(41.984.721)
759.923	424.078	76.371	1.347.332	20.653.981
889.635	513.538	73.464	2.400.382	26.061.836

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land Improvements	Buildings	Machinery and equipment
Cost				
Opening balance as of 1 January	298.834	4.538.894	7.256.025	30.709.607
Translation difference	38.342	580.649	937.145	3.966.685
Additions ^(*)	-	1.678	9.217	140.837
Transfers from CIP ^(**)	48.821	116.070	136.063	762.334
Transfers to investment properties ^(***)	(9.868)	-	(25.954)	-
Disposals	-	(24.292)	(14.647)	(479.894)
Closing balance as of 31 December 2019	376.129	5.212.999	8.297.849	35.099.569
Accumulated Depreciation				
Opening balance as of 1 January	-	(3.364.344)	(5.202.609)	(18.431.953)
Transfers to investment properties ^(***)	-	-	2.790	-
Translation difference	-	(432.631)	(675.428)	(2.368.613)
Charge for the period	-	(98.220)	(152.509)	(742.508)
Impairment ^(****)	-	949	5.813	29.059
Disposals	-	24.027	14.647	451.261
Closing balance as of 31 December 2019	-	(3.870.219)	(6.007.296)	(21.062.754)
Net book value as of 31 December 2018	298.834	1.174.550	2.053.416	12.277.654
Net book value as of 31 December 2019	376.129	1.342.780	2.290.553	14.036.815

^(*) The amount of capitalized borrowing cost is TRY 16.689 thousand for the current period.

^(**) TRY 13.686 thousand is transferred to intangible assets (Note 15).

^(***) After a part of Erdemir Çelik Servis Merkezi A.Ş.'s land and buildings in Manisa were rented, it was classified to investment properties (Note 13).

^(****) The Group recorded the impairment provisions in the financial statements of Erdemir Romania S.R.L. for the property, plant and equipment that will be out of use and will not generate independent cash flow. The recoverable amounts of property, plant and equipment are reviewed in line with the increase in Erdemir Romania S.R.L.'s net profitability and Management's forecasts in the following periods. As a result of the review. For non used assets, an impairment loss of TRY 43.318 thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 28).

As of 31 December 2019, the Group has no collaterals or pledges upon its intangible assets.

Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
1.703.606	836.663	265.350	1.194.114	46.803.093
202.534	96.730	19.222	147.953	5.989.260
44.869	16.088	19.479	1.192.691	1.424.859
8.232	6.138	1.889	(1.093.233)	(13.686)
-	-	-	-	(35.822)
(20.277)	(5.769)	(2.673)	-	(547.552)
1.938.964	949.850	303.267	1.441.525	53.620.152
(1.029.278)	(443.025)	(188.521)	(83.152)	(28.742.882)
-	-	-	-	2.790
(115.630)	(47.252)	(14.054)	(11.041)	(3.664.649)
(53.463)	(40.850)	(28.403)	-	(1.115.953)
4.145	-	3.352	-	43.318
15.185	5.355	730	-	511.205
(1.179.041)	(525.772)	(226.896)	(94.193)	(32.966.171)
674.328	393.638	76.829	1.110.962	18.060.211
759.923	424.078	76.371	1.347.332	20.653.981

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

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of depreciation expenses related to property, plant and equipment is as follows:

	31 December 2020	31 December 2019
Associated with cost of production	1.361.402	1.039.350
General administrative expenses	32.981	28.069
Marketing, sales and distribution expenses	50.905	41.340
Research and development expenses	8.309	7.194
	<u>1.453.597</u>	<u>1.115.953</u>

NOTE 15 - INTANGIBLE ASSETS

	Rights	Other Intangible Assets	Total
<u>Cost</u>			
Opening balance as of 1 January	781.603	40.264	821.867
Translation difference	183.216	11.910	195.126
Additions	17.729	2.629	20.358
Transfers from CIP	32.532	9.396	41.928
Closing balance as of 31 December 2020	<u>1.015.080</u>	<u>64.199</u>	<u>1.079.279</u>
<u>Accumulated amortization</u>			
Opening balance as of 1 January	(471.990)	(37.343)	(509.333)
Translation difference	(109.915)	(11.137)	(121.052)
Charge for the period	(37.196)	(983)	(38.179)
Closing balance as of 31 December 2020	<u>(619.101)</u>	<u>(49.463)</u>	<u>(668.564)</u>
Net book value as of 31 December 2019	<u>309.613</u>	<u>2.921</u>	<u>312.534</u>
Net book value as of 31 December 2020	<u>395.979</u>	<u>14.736</u>	<u>410.715</u>

As of 31 December 2020, the Group has no collaterals or pledges upon its intangible assets.

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

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

NOTE 15 - INTANGIBLE ASSETS (cont'd)

	Rights	Other Intangible Assets	Total
<u>Cost</u>			
Opening balance as of 1 January	668.304	34.375	702.679
Translation difference	85.716	5.127	90.843
Additions	13.897	762	14.659
Transfers from CIP	13.686	-	13.686
Closing balance as of 31 December 2019	781.603	40.264	821.867
<u>Accumulated amortization</u>			
Opening balance as of 1 January	(387.566)	(31.597)	(419.163)
Translation difference	(49.911)	(4.998)	(54.909)
Charge for the period	(34.513)	(748)	(35.261)
Closing balance as of 31 December 2019	(471.990)	(37.343)	(509.333)
Net book value as of 31 December 2018	280.738	2.778	283.516
Net book value as of 31 December 2019	309.613	2.921	312.534

As of 31 December 2019, the Group has no collaterals or pledges upon its intangible assets.

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2020	31 December 2019
Associated with cost of production	25.915	24.348
General administrative expenses	12.101	10.770
Research and development expenses	163	143
	38.179	35.261

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

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

NOTE 16 - RIGHT OF USE ASSETS

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

	Right to Use Land	Car Leases	Total
<u>Cost</u>			
Opening balance as of 1 January	236.950	22.206	259.156
Additions to assets of operating lease	41.911	2.080	43.991
Disposals (-)	(8.637)	-	(8.637)
Translation difference	57.448	5.334	62.782
Closing balance as of 31 December 2020	327.672	29.620	357.292
<u>Accumulated Depreciation</u>			
Opening balance as of 1 January	7.675	6.531	14.206
Charge for the period	10.986	10.099	21.085
Translation difference	2.335	2.022	4.357
Closing balance as of 31 December 2020	20.996	18.652	39.648
Net book value as of 31 December 2019	229.275	15.675	244.950
Net book value as of 31 December 2020	306.676	10.968	317.644
	Right to Use Land	Car Leases	Total
<u>Cost</u>			
Opening balance as of 1 January	-	-	-
Effect of change in accounting principle	201.550	8.022	209.572
Additions to assets of operating lease	39.528	12.549	52.077
Transfers of sub-lease agreements to receivables	(30.373)	-	(30.373)
Translation difference	26.245	1.635	27.880
Closing balance as of 31 December 2019	236.950	22.206	259.156
<u>Accumulated Depreciation</u>			
Opening balance as of 1 January	-	-	-
Charge for the period	7.999	6.233	14.232
Transfers of sub-lease agreements to receivables	(669)	-	(669)
Translation difference	345	298	643
Closing balance as of 31 December 2019	7.675	6.531	14.206
Net book value as of 31 December 2019	229.275	15.675	244.950

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

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

NOTE 16 - RIGHT OF USE ASSETS (cont'd)

The items right of use assets recognized in profit or loss is as follows:

	31 December 2020	31 December 2019
Amortization of assets to operating lease	(21.085)	(14.232)
Interest expense from lease transactions (Note 30)	(38.178)	(33.809)
Income from sub-lease of the right of use assets	-	1.433

The net book value of the right-of-use assets acquired through the lease is as follows:

	31 December 2020	31 December 2019
Right to use land	306.676	229.275
Car leases	10.968	15.675
	<u>317.644</u>	<u>244.950</u>

The Group has usage permit agreements regarding the port areas of the General Directorate of National Real Estate. The values of tangibles with usage permit periods expiring in 2048 and 2050 are measured at their present value by reducing the borrowing rate by 12% - 16% at the initial calculation.

The Group has a usage permit agreement of regarding the forest land and energy transmission line of the General Directorate of Forestry. Forest land use permit will expire in 2039-2068, and the energy transmission line use permit will expire in 2064. The values of the immovable assets were measured at present value by reducing the borrowing rate in the first calculation with 12%-15%.

In addition, car lease contracts with useful lives between 2020-2022 and with borrowing rate reduced by 13% - 25% are measured at their present value.

Lease agreements are accounted for in the consolidated statement of financial position in the notes of right of use assets and borrowing in accordance with the above explanations (Note 7).

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

	31 December 2020	31 December 2019
General administration expenses	10.099	6.233
Other operating expenses	10.986	7.999
	<u>21.085</u>	<u>14.232</u>

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

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

NOTE 17 - GOVERNMENT GRANTS AND INCENTIVES

These grants and incentives can be used by all companies, which meet the related legislative requirements and those grants have no sectoral differences:

- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption etc.)
- Support in cash from Tubitak - Teydeb, in return for research and development expenditures,
- Inward processing permission certificates,
- Social Security Institution incentives
- Insurance premium employer share incentive.

Research and development incentive premiums received amounts to TRY 3.009 thousand (31 December 2019: TRY 2.181 thousand) which are considered as a deduction subject in the calculation of corporate tax for the year ended 31 December 2020.

NOTE 18 - EMPLOYEE BENEFITS

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

	31 December 2020	31 December 2019
Due to personnel	139.640	109.689
Social security premiums payable	57.656	43.669
	<u>197.296</u>	<u>153.358</u>

As of the reporting date long term provisions of the employee benefits of the Group are as follows:

	31 December 2020	31 December 2019
Provisions for employee termination benefits	759.907	651.998
Provisions for seniority incentive premium	108.316	71.234
Provision for unpaid vacations	99.913	84.092
	<u>968.136</u>	<u>807.324</u>

According to the articles of Turkish Labor Law in force, the Group have obligation to pay the legal employee termination benefits to each employee whose are 25 years of working life by completing at least one year of service, leaving for military services and deceased.

As of 31 December 2020, the amount payable consists of one month's salary limited to a maximum of TRY 7.117,17 (31 December 2019: TRY 6.379,86) for each year of service. As of 1 January 2021, the employment termination benefit has been updated to a maximum of TRY 7.638,96.

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

The employment termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2020 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

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

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

NOTE 18 - EMPLOYEE BENEFITS (cont'd)

The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 December 2020	31 December 2019
Discount rate	12.80%	12.50%
Inflation rate	8.50%	8.20%
Salary increase	real 1.5%	real 1.5%
Maximum liability increase	8.50%	8.20%

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 December 2020, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2020, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	651.998	527.970
Service cost	55.790	52.214
Interest cost	83.603	86.906
Actuarial loss/(gain)	17.367	39.363
Termination benefits paid	(49.847)	(55.011)
Translation difference	996	556
Closing balance	759.907	651.998

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

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

NOTE 18 - EMPLOYEE BENEFITS (cont'd)

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. All other variables were held constant, the sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2020 as follows:

Sensitivity level	Interest rate	
	1% increase	1% decrease
Change in rate		
Change in employee benefits liability	(55.988)	64.015
Change in rate	Inflation rate	
	1% increase	1% decrease
Change in employee benefits liability	66.083	(58.563)

According to the current collective labor agreement, employees completing their 5th, 10th, 15th and 20th service years receive seniority incentive premium payments.

The movement of the provision for seniority incentive premium is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	71.234	55.351
Service cost	8.333	5.988
Interest cost	9.983	9.085
Actuarial loss/(gain)	29.838	9.378
Termination benefits paid	(11.106)	(8.506)
Translation difference	34	(62)
Closing balance	108.316	71.234

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

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	84.092	86.070
Provision for the period	108.907	98.374
Vacation paid during the period (-)	(5.281)	(5.399)
Provisions released (-)	(88.285)	(94.418)
Translation difference	480	(535)
Closing balance	99.913	84.092

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

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

NOTE 19 - PROVISIONS

The Group's short term provisions are as follows:

	31 December 2020	31 December 2019
Provision for lawsuits	195.355	196.700
Penalty provision for employment shortage of disabled personnel	13.551	12.836
Provision for state right on mining activities	23.023	19.158
Provision for land occupation	21.695	13.215
	<u>253.624</u>	<u>241.909</u>

The movement of the short term provisions is as follows:

	1 January 2020	Change for the period	Payments	Provision released	Translation difference	31 December 2020
Provision for lawsuits	196.700	62.766	(46.534)	(43.727)	26.150	195.355
Penalty provision for employment shortage of disabled personnel	12.836	4.647	(3.005)	(945)	18	13.551
Provision for state right on mining activities	19.158	24.162	(20.297)	-	-	23.023
Provision for land occupation	13.215	28.537	(22.015)	(228)	2.186	21.695
	<u>241.909</u>	<u>120.112</u>	<u>(91.851)</u>	<u>(44.900)</u>	<u>28.354</u>	<u>253.624</u>
	1 January 2019	Change for the period	Payments	Provision released	Translation difference	31 December 2019
Provision for lawsuits	165.568	57.019	(20.051)	(12.854)	7.018	196.700
Penalty provision for employment shortage of disabled personnel	10.421	5.802	(2.902)	(518)	33	12.836
Provision for state right on mining activities	7.650	21.749	(10.241)	-	-	19.158
Provision for land occupation	7.013	27.257	(21.029)	-	(26)	13.215
Provision for the tax penalty	10.125	-	-	(10.661)	536	-
	<u>200.777</u>	<u>111.827</u>	<u>(54.223)</u>	<u>(24.033)</u>	<u>7.561</u>	<u>241.909</u>

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

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

NOTE 19 - PROVISIONS (cont'd)

Provision for lawsuits

As of 31 December 2020 and 31 December 2019, lawsuits filed by and against the Group are as follows:

	31 December 2020	31 December 2019
Lawsuits filed by the Group	974.124	880.306
Provision for lawsuits filed by the Group	171.111	218.121

The provisions for the lawsuits filed by the Group represents provision for doubtful trade and other receivables.

	31 December 2020	31 December 2019
Lawsuits filed against the Group	175.340	153.052
Provision for lawsuits filed against the Group	195.355	196.700

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB's Communiqué Serial XI No 25 on "Accounting Standards to be implemented in Capital Markets" which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB's letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the "Accounting Standards to be implemented in Capital Markets"), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (TFRS) caused a decrease amounting to TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 October 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company's lawyers on 16 July 2012.

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the TFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that "Article 726 and Temporary Provision 1 of CMB's Communiqué Serial XI, No. 25 authorize the use of TFRS on consolidated financial statements of 2005, although CMB had given the Company a "permission" No. SPK.017/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

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

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

NOTE 19 - PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on "TFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with "TFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 December 2020 and 31 December 2019 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber's decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company's request for revision of the decision has been rejected. The case is still pending in the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara. Next hearing will be held on 01 April 2021.

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 December 2020 and 31 December 2019.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.), located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notification made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. A provision amounting to TRY 63.612 thousand recognized on consolidated financial statements for the related lawsuit.

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

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

NOTE 19 - PROVISIONS (cont'd)

Resolution of Constitutional Court on Electric and Coal Gas Tax

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, on 16 March 2015, the Company used its right to apply the Constitutional Court individually. In the General Assembly Resolution adopted by the Constitutional Court notified to the Company on 27 December 2018, it is stated that the property rights of the Company were violated, and retrial was decided for the applicable claims to eliminate the consequences of the violation of the property rights regarding to consolidated 15 cases.

Similarly, in the consolidated 4 cases subject to Company's application, the Constitutional Court has decided for retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

The aforementioned 19 cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company. Those 19 resolutions which were appealed against by the Municipality of Kdz. Ereğli have not been finalized yet.

Regarding to ongoing cases, resolutions are made in favor of the Company.

Lawsuit against The Municipality of Kdz. Ereğli's Tax Penalty Notifications

A real estate tax review was carried out by the Municipality of Kdz Ereğli under the name of "Real Estate Tax Determination Field Study" at Company's Ereğli facilities in August 2019. As a result of this tax inspection, 1.924 tax penalty notifications were notified to the company on 23 December 2019. With the 1.924 tax penalty notices, the building tax and related cultural assets contribution share has been levied for 2014 to 2019, as well as the tax loss penalty for the same periods. The amount of tax and related cultural assets contribution assessment is TRY 25.586 thousand and TRY 23.888 thousand tax loss penalty has been imposed.

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020 and the cases are still pending.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments for the tax, cultural assets contribution fee and tax penalty charged.

Lawsuits against Cease and Desist Orders and Zoning Administrative Fines of The Municipality of Kdz. Ereğli

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee's decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In all 14 previously filed lawsuits, the Court has decided to cancel proceedings subject to lawsuits. The Municipality has the right to appeal these decisions. ordered for suspension of execution. In the last filed case, the Court will decide on the suspension of execution after the submission of defendant's defense and interim decision response. Lawsuits are still pending.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments.

Provision for state right on mining activities

According to "Mining Law" numbered 3213 and regulation on "Mining Law Enforcement" published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is calculated state right on mining activities based on the sales and recognized provision on financial statements.

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

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

NOTE 19 - PROVISIONS (cont'd)

Land occupation

The Group have land property within the Erdemir factory area being within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3% of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2020	31 December 2019
Letters of guarantees received	4.102.062	2.853.670
	4.102.062	2.853.670

The Collaterals, pledges and mortgages (CPM) given by the Group are as follows:

	31 December 2020	31 December 2019
A. Total CPM given for the Company's own legal entity	127.548	77.498
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	606.492	182.133
C. Total CPM given in favour of other 3 rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3 rd parties out of the scope of clause C	-	-
	734.040	259.631

All of the TRI's given by the Group on behalf of its legal entity consist of letters of guarantee. The CPMs given by the Group in favor of the partnerships included in the scope of consolidation amounting to TRY 606.492 thousand have been given regarding the bank loans and raw material procurement transactions detailed in Note 7. As of 31 December 2020, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2019: 0%).

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

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

NOTE 20 - COMMITMENTS AND CONTINGENCIES (cont'd)

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

	31 December 2020	31 December 2019
US Dollars	207.236	167.519
Turkish Lira	106.041	64.844
EURO	420.763	27.268
	<u>734.040</u>	<u>259.631</u>

NOTE 21 - OTHER ASSETS AND LIABILITIES

As of the reporting date, the details of the Group's other assets and liabilities are as follows:

Other current assets

	31 December 2020	31 December 2019
Other VAT receivable	634.830	456.381
Deferred VAT	116.026	143.042
Prepaid taxes and funds	3.488	2.886
Other current assets	20.146	15.573
	<u>774.490</u>	<u>617.882</u>

Other non-current assets

	31 December 2020	31 December 2019
Other VAT receivable	210.441	225.399
	<u>210.441</u>	<u>225.399</u>

Other current liabilities

	31 December 2020	31 December 2019
VAT payable	157.537	3.509
Other current liabilities	2.802	6.770
	<u>160.339</u>	<u>10.279</u>

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

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

NOTE 21 - OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current liabilities

	31 December 2020	31 December 2019
Other non-current liabilities	1.857	1.878
	<u>1.857</u>	<u>1.878</u>

NOTE 22 - DEFERRED INCOME

As of the reporting date, the details of the Group's short term deferred income are as follows:

	31 December 2020	31 December 2019
Advances received	519.271	230.930
Deferred income	22.923	19.903
	<u>542.194</u>	<u>250.833</u>

NOTE 23 - EQUITY

As of the Group's reporting date the capital structure is as follows:

Shareholders	(%)	31 December 2020	(%)	31 December 2019
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares (-)		(116.232)		(116.232)
		<u>3.540.381</u>		<u>3.540.381</u>

The capital of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. is subject to the registered capital limit. The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kuruş) up to the amount of the registered capital, which is TRY 7.000.000.000.

The issued capital of the Company consists of 350.000.000.000 lots of shares (31 December 2019: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (31 December 2019: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

The Board of Directors consists of 9 members 3 of which are independent. The number and qualifications of independent members are ascertained in compliance with the CMB's Communiqué numbered II-17,1 on Corporate Governance Principles.

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

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

NOTE 23 - EQUITY (cont'd)

The General Assembly has to choose one member to the Board of Directors from the nominees of the Privatization Administration as the beneficiary owner representing A Group shares. In case, the Board member representing the A Group shares leaves the board within the chosen period, a new board member is obliged to be chosen from the nominees of the Privatization Administration as the beneficiary owner. For decisions to be taken about the rights assigned to A Group shares, the board member representing A Group shares is also obliged to use an affirmative vote.

The decisions to change the Articles of Association of the Company that will have an effect on the board of directors' meeting and decision quorum, rights assigned to A Group shares, rights assigned to A Group shares in relation to investments and employment decisions and any other changes in the Articles of Association of the Company which will directly or indirectly affect the rights of A Group shares, have to receive an affirmative vote of the beneficiary owner representing the A Group shares. Otherwise, the decisions are accepted as invalid.

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" Erdemir, as of 31 December 2020, holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2019: TRY 107.837 thousand). Erdemir's own shares have been reclassified with its inflation adjusted value in the consolidated balance sheet as a deduction under equity.

Other Equity Items	31 December 2020	31 December 2019
Share Premium	106.447	106.447
Revaluation Reserves of Tangible Assets	77.866	58.952
Cash Flow Hedging Reserves	(15.481)	6.474
Foreign Currency Translation Reserves	24.826.731	17.828.858
Actuarial (Loss)/Gain Fund	(115.606)	(102.008)
Restricted Reserves Assorted from Profit	3.597.448	3.485.761
- Legal Reserves	3.597.448	3.485.761
Retained Earnings	4.482.548	2.057.906
	<u>32.959.953</u>	<u>23.442.390</u>

However, in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") on 13 June 2013 which is published on Official Gazette numbered 28676, "Paid-in capital", "Restricted profit reserves" and "Share premium" should be presented by using their registered amounts in the statutory records. The restatement differences (e.g. inflation restatement differences) arising from the application of this Communiqué should be associated with the:

- "Capital restatement differences" item following the "paid-in capital" line item in the financial statements, if the differences are caused by "paid-in capital" and have not been added to capital yet;
- "Retained earnings", if the differences are arising from "restricted profit reserves" and "share premium" and have not been associated with either profit distribution or capital increase yet.

Other equity items are carried at the amounts that are valued based on the TFRS.

Capital restatement differences may only be considered as part of the paid-up capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

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

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

NOTE 23 - EQUITY (cont'd)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate for the publicly-held subsidiaries. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

Pursuant to the Provisional Article 13 of the TCC numbered 6102; Capital companies may decide to distribute to twenty-five percent of the net profit for the year 2019 until 30 September 2020, retained earnings and free reserve funds cannot be distributed and the Board of Directors cannot be authorized to distribute dividends advance by the General Assembly.

With the Decree No. 2948 published in the Official Gazette dated 18 September 2020 and numbered 31248, the application period of the profit distribution restriction was extended from 30 September 2020 to 31 December 2020.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used as an internal source of capital increase, dividend distribution in cash or the net off from prior period losses. In case of usage of the inflation adjustment differences in dividend distribution in cash, it is subject to corporate tax.

As of the reporting period, the total amount of resources that can be subject to dividend distribution, including the retained earnings of 4.633.547 thousand TRY and the net profit for the period of 2.948.251 thousand TRY which are in the statutory books of the company is 7.581.798 thousand TRY.

The legal reserves and the share premium, which is regarded as legal reserve in accordance with TCC Article 466, are presented using their amounts in statutory records. In this context, the difference of inflation restatements in accordance with TFRS framework, that are not subject to profit distribution or capital increase as of the date of financial statements, is associated with the prior periods' profit or loss.

According to the first paragraph of Article 519 numbered 6102 of the Turkish Commercial Code ("TCC"), 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/issued capital. First dividend is appropriated for shareholders after deducting from the profit. Following the deduction of the amounts from the "profit", General Assembly of Shareholders is authorized to decide whether shall be the remaining balance shall be fully or totally placed in extraordinary legal reserves or whether it is distributed, also taking into consideration the Company's profit distribution policy. According to the sub-clause 3 of the clause 2 of Article 519 of the Turkish Commercial Code, after deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; ten percent of the remaining balance shall be appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

According to the CMB Communiqué, until the Company's Article of Association was revised on 31 March 2008, an amount equal to the first dividend distributed to shareholders is allocated as status reserves in order to be used in the plant expansion. Also according to the 13th Article of Association before the revision on 31 March 2008, 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital. The reserve amount that exceeds the 20% of the legal reserves, defined by the Article 519 of TCC, is recorded as status reserve.

At the Ordinary General Assembly Meeting of the Company dated 30 March 2012, it was decided that status reserves could be used for free capital increases and profit distribution.

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

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

NOTE 23 - EQUITY (cont'd)

Cash flow hedging reserve arises from the recognition of the changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows directly in equity. The amounts deferred in equity are recognized in the consolidated statement of profit or loss in the same period, if the hedged item affects profit or loss.

Since the fair values of the assets could not be reasonably determined during the transfer of the subsidiaries to the Group, the assets of each of the Company were revalued during the initial acquisition and the difference between the cost value of the Company's revaluated fair value and the cost value of initial recognition is recorded in the tangible asset revaluation increases (decreases) fund.

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of profit or loss. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Actuarial (Loss)/Gain Funds" under the equity. The funds for actuarial gains/(losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

As it stated in Note 2.1, foreign currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 24 - SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 519.271 thousand (Note 22). The Company plans to recognize related revenue amount as a revenue in a year.

	1 January - 31 December 2020	1 January - 31 December 2019
<u>Sales Revenue</u>		
Domestic sales	26.045.753	21.115.987
Export sales	5.190.683	5.552.947
Other revenues ^(*)	756.989	698.400
Interest income from sales with maturities	123.394	185.981
Sales returns (-)	(25.418)	(42.992)
Sales discounts (-)	(43.372)	(45.138)
	<u>32.048.029</u>	<u>27.465.185</u>
 <u>Cost of sales (-)</u>	 <u>(26.123.431)</u>	 <u>(22.454.025)</u>
 Gross profit	 <u>5.924.598</u>	 <u>5.011.160</u>

^(*) The total amount of product exports in other revenues is TRY 314.848 thousand (31 December 2019: TRY 285.507 thousand). Total interest income from export sales with maturities is TRY 3.063 thousand (31 December 2019: TRY 4.022 thousand).

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

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

NOTE 24 - SALES AND COST OF SALES (cont'd)

As of Group's reporting date, the detail of cost of sales is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Raw material usage	(19.157.870)	(16.792.357)
Personnel costs	(2.127.588)	(1.665.469)
Energy costs	(1.607.837)	(1.322.528)
Depreciation and amortization expenses	(1.394.505)	(1.043.369)
Manufacturing overheads	(903.571)	(636.082)
Other cost of goods sold	(389.758)	(382.191)
Non-operating costs ⁽¹⁾	(64.556)	(148.019)
Freight costs for sales delivered to customers	(304.539)	(301.394)
Allowance expenses for impairment on inventories (Note 10)	(46.140)	(33.314)
Inventory provision released (Note 10)	14.481	10.726
Other	(141.548)	(140.028)
	<u>(26.123.431)</u>	<u>(22.454.025)</u>

⁽¹⁾ Due to the planned/unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (64.556) thousand, has been accounted directly under cost of sales (31 December 2019: TRY (148.019) thousand).

NOTE 25 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Marketing expenses (-)	(257.809)	(232.394)
General administrative expenses (-)	(497.600)	(444.799)
Research and development expenses (-)	(29.397)	(24.999)
	<u>(784.806)</u>	<u>(702.192)</u>

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

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

NOTE 26 - OPERATING INCOME / (EXPENSES) ACCORDING TO THEIR NATURE

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(109.007)	(99.323)
Depreciation and amortization (-)	(50.905)	(41.340)
Service expenses (-)	(97.897)	(91.731)
	<u>(257.809)</u>	<u>(232.394)</u>

As of Group's reporting date, the detail of general administrative expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(214.124)	(193.873)
Depreciation and amortization (-)	(50.506)	(43.229)
Benefits and services from third parties (-)	(200.464)	(185.850)
Tax, duty and charges (-)	(22.232)	(12.803)
Provision/Provision released for doubtful receivables (net)	(175)	(2.811)
Amortization of right of use assets (-)	(10.099)	(6.233)
	<u>(497.600)</u>	<u>(444.799)</u>

As of Group's reporting date, the detail of research and development expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses (-)	(15.128)	(12.827)
Depreciation and amortization (-)	(8.472)	(7.337)
Other (-)	(5.797)	(4.835)
	<u>(29.397)</u>	<u>(24.999)</u>

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

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

NOTE 27 - OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

As of Group's reporting date, the detail of other operating income is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
<u>Other operating income</u>		
Share transfer agreement receivable incomes ^(*)	146.556	-
Foreign exchange gain from trade receivables and payables (net)	152.645	6.101
Forfeit advances from customers	1.367	8.624
Discount income	488	4.050
Provisions released	44.672	24.033
Service income	17.788	19.680
Maintenance repair and rent income	17.529	16.567
Warehouse income	5.546	9.466
Indemnity and penalty detention income	4.066	9.759
Insurance indemnity income	148.962	90.352
Lawsuit income	1.981	367
Overdue interest income	8.145	6.832
Other income and gains	43.521	38.118
	<u>593.266</u>	<u>233.949</u>

^(*) The Company filed a lawsuit to the Privatization Administration on 26 January 2012 in order to provide receivables arising from employee rights prior to the share transfer contract made in 2002 under the provisions of the Labor Law, and the provision has been recognized in the financial statements for the amount of TRY 84,147 thousand including the receivable amount of TRY 52,857 thousand determined by the court and the accrued receivables in the following periods due to the fact that the amount of receivables related to the case is considered as a doubtful. With the decision of the 11th Civil Chamber of the Supreme Court dated 11 June 2020, the case was finalized in favor of Company and a total of TRY 111,850 thousand, including principal and interest, was collected on 21 July 2020. As a result of the decision of the Supreme Court, TRY 146,556 thousand with the translation differences arising from the USD which is the functional currency was recorded in the statement of profit or loss as income.

As of Group's reporting date, the detail of other operating expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
<u>Other operating expenses (-)</u>		
Provision expenses	(67.413)	(62.821)
Interest expenses from purchases with maturities	(7.378)	(18.318)
Lawsuit compensation expenses	(5.819)	(6.842)
Right of use assets amortization	(10.986)	(7.999)
Donation expenses	(19.270)	(4.761)
Service expenses	(16.334)	(18.788)
Previous period corporate tax adjustments	-	(14.569)
Penalty expenses	(3.732)	(757)
Other expenses and losses	(28.926)	(29.772)
	<u>(159.858)</u>	<u>(164.627)</u>

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

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

NOTE 28 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

As of Group's reporting date, the detail of income from investment activities is as follows:

<u>Income From Investment Activities</u>	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Income from sales on tangible assets	149.809	16.416
Rent income from investment properties	16.013	11.411
Property, plant and equipment provisions released (Note 14)	-	43.318
	<u>165.822</u>	<u>71.145</u>

As of Group's reporting date, the detail of expenses from investment activities is as follows:

<u>Expenses From Investment Activities (-)</u>	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Loss on sales of tangible assets	(4.262)	(175)
Loss on disposal of tangible assets	(54.038)	(28.454)
Impairment of property, plant and equipment (Note 14)	(39.261)	-
Expenses from investment properties (-)	(2.918)	(2.327)
	<u>(100.479)</u>	<u>(30.956)</u>

NOTE 29 - FINANCE INCOME

As of Group's reporting date, the detail of finance income is as follows:

<u>Finance income</u>	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Interest income on bank deposits	526.286	418.745
Foreign exchange gains (net)	-	604.993
Interest income from financial investments	4.247	29.068
Fair value differences of derivative financial instruments (net)	18.555	14.957
Financial assets provision released	-	53.783
Other financial income	5.288	2.551
	<u>554.376</u>	<u>1.124.097</u>

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

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

NOTE 30 - FINANCE EXPENSES

As of Group's reporting date, the breakdown of finance expenses is as follows:

Finance expenses (-)	1 January - 31 December 2020	1 January - 31 December 2019
Interest expenses on borrowings	(330.905)	(342.029)
Foreign exchange loss (net)	(50.816)	-
Interest cost of employee benefits	(93.586)	(95.991)
Interest expenses on leasings	(38.178)	(33.809)
Other financial expenses	(29.594)	(41.880)
	<u>(543.079)</u>	<u>(513.709)</u>

During the period, the interest expenses of TRY 28.782 thousand have been capitalized as part of the Group's property, plant and equipment (31 December 2019: TRY 16.689 thousand).

NOTE 31 - TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
<u>Corporate tax payable:</u>		
Current corporate tax provision	2.151.998	1.491.142
Prepaid taxes and funds (-)	(1.615.283)	(1.285.573)
	<u>536.715</u>	<u>205.569</u>
	1 January - 31 December 2020	1 January - 31 December 2019
<u>Taxation:</u>		
Current corporate tax expense	2.151.998	1.491.142
Deferred tax (income)/expense	(4.263)	82.035
	<u>2.147.735</u>	<u>1.573.177</u>

Corporate tax

The Group, except its subsidiaries in Romania and Singapore, is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. 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 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 non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective corporate tax rate in Turkey is 22%, 16% in Romania and 17% in Singapore as of 31 December 2020 (31 December 2019: in Turkey 22%, in Romania 16%, in Singapore 17%).

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

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

NOTE 31 - TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax (cont'd)

The total amount of the corporate tax paid by the Group in 2020 is TRY 1.820.852 thousand (31 December 2019: TRY 1.790.289 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2020 has been calculated over the corporate earnings using the rate 22%, during the temporary taxation period. (31 December 2019: 22%).

Pursuant to the Provisional Article 10 of the Law No. 7061 added with the Article 91 of the Law on Corporate Income Tax, published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate for corporate earnings to be obtained during the tax years 2018, 2019 and 2020 has been increased from 20% to 22%. As of 1 January 2021, the corporate tax rate will be applied as 20%.

Except for the changes in the corporate tax rate, the 75% exemption applied to the earnings generated from the sale of intangibles is reduced to 50% and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets, is required to be taken into consideration as 10% instead of 5%.

Losses can be carried forward to offset the future taxable income for up to maximum 5 years (Romania: 7 years). However, losses cannot be carried back to offset the profits of the previous periods, retrospectively.

In Turkey, a definite and distinct reconciliation procedure for tax assessment does not exist. Companies file their tax returns between 1 April - 25 April following the closing period of the related year's accounts. Tax returns and related accounting records may be examined and revised within five years.

Investment discount application

In 2020, the corporate tax reduction incentive based on the regional priority investment incentive certificate received within the scope of article 17/g of the "Decision on State Aids in Investments" numbered 2012/3305 was utilized. The rate of contribution to investment is 40% within the scope of the mentioned decision, 5th region incentives are used.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, except for the dividends distributed to fully fledged taxpayer companies receiving and declaring these dividends and to Turkish branches of foreign companies. The rate of 15% income withholding tax is applied to all companies in the since 22 July 2006 by the decision of the Council of Ministers, numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to the income withholding taxes.

Deferred tax

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

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 10 of Corporate Tax Law; corporate tax rate will be 22% for the corporate earnings to be obtained in the taxation periods of 2018, 2019, 2020. Tax rate is 20% in the deferred tax calculation of the consolidated financial statements as of 31 December 2020. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 31 December 2020 (31 December 2019: in Turkey 22%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate. (31 December 2019: 10%)

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.

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

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

NOTE 31 - TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

	31 December 2020	31 December 2019
<u>Deferred tax assets:</u>		
Provisions for employee benefits	193.588	164.160
Provision for lawsuits	36.066	36.056
Fair values of the derivative financial instruments	9.139	11.581
Inventories	72.768	21.881
Provision for other doubtful receivables	-	17.869
Tangible and intangible assets	21.983	19.782
Financial lease payables	54.991	42.409
Other	57.506	65.063
	<u>446.041</u>	<u>378.801</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(3.847.913)	(3.059.711)
Amortized cost adjustment on loans	(21.515)	(19.085)
Right of Use Assets	(63.529)	(48.433)
Inventories	(75.885)	(132.676)
Other	(20.376)	(21.322)
	<u>(4.029.218)</u>	<u>(3.281.227)</u>
	<u>(3.583.177)</u>	<u>(2.902.426)</u>

In the financial statements which are prepared according to the TFRS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries' consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

	31 December 2020	31 December 2019
<u>Presentation of deferred tax assets/(liabilities):</u>		
Deferred tax assets	72.311	41.911
Deferred tax (liabilities)	(3.655.488)	(2.944.337)
	<u>(3.583.177)</u>	<u>(2.902.426)</u>

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

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

NOTE 31 - TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

Movements of deferred tax asset/(liability)	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	(2.902.426)	(2.498.644)
Deferred tax (expense)/income	4.263	(82.035)
The amount in comprehensive income	8.962	10.530
Translation difference	(693.976)	(332.277)
Closing balance	<u>(3.583.177)</u>	<u>(2.902.426)</u>

Reconciliation of tax provision is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	5.657.525	5.067.384
Statutory tax rate	22%	22%
Calculated tax expense according to effective tax rate	(1.244.656)	(1.114.824)
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(14.154)	(8.188)
- Adjustment effect of rates subjected to corporate tax and deferred tax	(259.225)	(259.117)
- Effect of currency translation not subject to tax	(636.411)	(192.168)
- Investment incentive	4.871	(632)
- Non-deductible income	1.903	476
- Effect of the different tax rates due to foreign subsidiaries	(63)	1.276
Total tax expense reported in the statement of income	<u>(2.147.735)</u>	<u>(1.573.177)</u>

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

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

NOTE 31 - TAX ASSETS AND LIABILITIES (cont'd)

As of Group's reporting date, the details of the tax income/(expense) of the other comprehensive income/(loss) are as follows:

	1 January -31 December 2020		
	Amount before tax	Tax income/ (expense)	Amount after tax
Other comprehensive income/(loss) in the current period			
Change in revaluation reserves of fixed assets	18.914	-	18.914
Change in actuarial (loss)/gain	(17.367)	3.473	(13.894)
Change in cash flow hedging reserves	(27.444)	5.489	(21.955)
Change in foreign currency translation reserves	7.197.205	-	7.197.205
	<u>7.171.308</u>	<u>8.962</u>	<u>7.180.270</u>
	1 January -31 December 2019		
	Amount before tax	Tax income/ (expense)	Amount after tax
Other comprehensive income/(loss)			
Change in revaluation reserves of fixed assets	7.713	-	7.713
Change in actuarial (loss)/gain	(39.363)	8.660	(30.703)
Change in cash flow hedging reserves	(8.499)	1.870	(6.629)
Change in foreign currency translation reserves	3.418.565	-	3.418.565
	<u>3.378.416</u>	<u>10.530</u>	<u>3.388.946</u>

NOTE 32 - EARNINGS PER SHARE

	1 January - 31 December 2020	1 January- 31 December 2019
Number of shares outstanding	350.000.000.000	350.000.000.000
Net profit attributable to equity holders - TRY thousand	3.309.093	3.316.527
Profit per share with 1 TRY nominal value TRY %	0,9455/94,55%	0,9476/94,76%

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

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

NOTE 33 - RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

The transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note.

Trade receivables and payables from related parties operated as current account. Debt collection and debt payment days are between 0 and 30.

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

Due from related parties (short term)	31 December 2020	31 December 2019
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	98.111	69.773
Bolu Çimento Sanayi A.Ş. ⁽¹⁾	-	4.756
Adana Çimento Sanayi T.A.Ş. ⁽¹⁾	-	6.034
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	3.807	378
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	32.903	-
Milux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	122.328	92.064
Other	1.836	291
	258.985	173.296

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

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş., Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

Other receivables from related parties (short term)	31 December 2020	31 December 2019
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	6.488	-
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	4.404	3.817
	10.892	3.817

Other receivables from related parties (long term)	31 December 2020	31 December 2019
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	28.458	25.136
	28.458	25.136

According to TFRS 16 provision, other short term and long term receivables from related parties arise from monetary receivables under the sub-lease transactions and dividend receivable from the joint venture of Isdemir of subsidiaries of the Company (Note 12).

⁽¹⁾ Subsidiaries of the parent company

⁽²⁾ Joint venture of the parent company

⁽³⁾ Joint venture of subsidiary

⁽⁴⁾ Ultimate partner

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

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

NOTE 33 - RELATED PARTY DISCLOSURES (cont'd)

Prepaid expenses to related parties (short term)	31 December 2020	31 December 2019
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	280	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	-	6.264
Omsan Lojistik A.Ş. ⁽¹⁾	-	44
	<u>280</u>	<u>6.308</u>
Prepaid expenses to related parties (long term)	31 December 2020	31 December 2019
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	-	8
Ordu Yardımlaşma Kurumu ⁽⁴⁾	611.717	-
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	31.650	25.612
	<u>643.367</u>	<u>25.620</u>

Prepaid expenses generally related with port services and advance transactions of fixed assets. The Group paid an advance payment of 650.728 thousand TRY to its ultimate partner Ordu Yardımlaşma Kurumu for the purchase of fixed assets.

⁽¹⁾ Subsidiaries of the parent company

⁽²⁾ Joint venture of the parent company

⁽³⁾ Joint venture of subsidiary

⁽⁴⁾ Ultimate partner

Due to related parties (short term)	31 December 2020	31 December 2019
Omsan Lojistik A.Ş. ⁽¹⁾	39.134	29.535
Omsan Denizcilik A.Ş. ⁽¹⁾	12.248	3.141
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	19.171	16.891
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	20.228	10.849
Omsan Logistica SRL ⁽¹⁾	2.093	833
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	20.904	11.404
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	1.676	-
Other	15.882	13.078
	<u>131.336</u>	<u>85.731</u>

Trade payables to related parties mainly arise from purchase of services, fixed assets and energy.

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

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

NOTE 33 - RELATED PARTY DISCLOSURES (cont'd)

Major sales to related parties	1 January - 31 December 2020	1 January - 31 December 2019
Ordu Yardımlaşma Kurumu ⁽⁴⁾	163.436	-
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	397.919	271.773
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	-	13.714
Adana Çimento Sanayi T.A.Ş. ⁽¹⁾	-	21.904
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	58.319	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	6.436	13.363
Bolu Çimento Sanayi A.Ş. ⁽¹⁾	-	8.521
Milux OY ⁽¹⁾	-	10.917
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	33.994	11.621
İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	276.400	51.953
Milux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	24.791	73.531
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	61.382	56.963
Other	4.430	4.803
	1.027.107	539.063

The major sales to related parties are generally due to the sales transactions of iron, steel, by-products and services. Group realized fixed asset sales amounting to 163.436 thousand TRY to its ultimate partner Ordu Yardımlaşma Kurumu. Fixed asset sales profit of amount 149.559 thousand TRY are recorded in the "Income from Investing Activities" in the consolidated statement of profit or loss.

⁽¹⁾ Subsidiaries of the parent company

⁽²⁾ Joint venture of the parent company

⁽³⁾ Joint venture of subsidiary

⁽⁴⁾ Ultimate partner

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

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

NOTE 33 - RELATED PARTY DISCLOSURES (cont'd)

Major purchases from related parties	1 January - 31 December 2020	1 January - 31 December 2019
Milux OY ⁽¹⁾	7.593	36.257
Omsan Denizcilik A.Ş. ⁽¹⁾	213.172	175.185
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	160.270	130.675
Omsan Lojistik A.Ş. ⁽¹⁾	317.160	271.747
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	87.824	158.378
Omsan Logistica SRL ⁽¹⁾	15.177	14.399
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	147.365	121.928
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	14.516	-
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	109.639	91.838
Ordu Yardımlaşma Kurumu ⁽⁴⁾	23.604	10.998
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	58.544	61.949
Other	16.455	15.347
	1.171.319	1.088.701

The major purchases from related parties are generally due to the purchase of services, fixed assets and energy.

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş., Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

The terms and policies applied to the transactions with related parties:

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

Salaries, bonuses and other benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents the General Manager and Assistant General Managers. For the year ended 31 December 2020, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 23.159 thousand (31 December 2019: TRY 22.396 thousand).

⁽¹⁾ Subsidiaries of the parent company

⁽²⁾ Joint venture of the parent company

⁽³⁾ Joint venture of subsidiary

⁽⁴⁾ Ultimate partner

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital through the optimization of the debt and the equity balance that minimizes the financial risk.

Through the forecasts regularly prepared by the Group, the future capital amount, debt to equity ratio and similar ratios are forecasted and required precautions are taken to strengthen the capital.

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 23.

The Group's Board of Directors analyze the capital structure in regular meetings. During these analyses, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Group, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

As of reporting date the net (credit) debt/equity ratio is as follows:

	Note	31 December 2020	31 December 2019
Total financial liabilities	7	6.598.271	7.700.977
Less: Cash and cash equivalents	4	13.542.177	10.590.024
Net (credit) debt		(6.943.906)	(2.889.047)
Total adjusted equity ^(*)		41.252.663	31.343.009
Total resources		34.308.757	28.453.962
Net (credit) debt/Total adjusted equity ratio		-17%	-9%
Distribution of net (credit) debt/total adjusted equity		-20/120	-10/110

^(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial gain/(loss) fund and adding non-controlling interests.

(b) Significant accounting policies

The Group's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.8.9 Financial Instruments".

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management objectives

The Group manages its financial instruments through a separate treasury function which was established for that purpose. The developments are followed on a real time basis. The Group's corporate treasury function manages the financial instruments through daily regular meetings by evaluating the domestic and international markets and by considering the daily cash inflows and outflows in accordance with the policies and regulations issued by the Group Risk Management Unit. At the end of each day, each Group company prepares a "Daily Rash report" and Group Risk Management Unit calculates daily for cash and cash equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies. Thus, all financial transactions of the Group are managed centrally. Additionally, the Group's annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

The Group utilizes derivative financial instruments as required and within the terms and conditions determined by the Group Risk Management Unit. Instruments that are highly liquid and securing a high-level yield are preferred when determining the financial instruments. In that respect, the Group has a right to claim the accrued interest on time deposits when withdraw before the predetermined maturity.

(d) Market risk

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

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

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

(e) Credit risk management

Trade receivables include a large number of customers scattered in various sectors and regions. There is no risk concentration on a specific customer or a group of customers. The majority trade receivables are assured by bank letters of guarantee and/or credit limits. The credit reviews are performed continuously over the accounts receivable balance of the customers. The Group does not have a significant credit risk arising from any customer.

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables				Bank Deposits	Derivative financial instruments
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
31 December 2020						
Maximum credit risk exposure as of balance sheet date ^(*) (A+B+C+D+E)	258.985	3.568.844	39.350	46.495	13.542.161	37.510
- Secured part of the maximum credit risk exposure via collateral etc.	-	2.959.953	-	-	-	-
	-	-	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	258.985	3.523.734	39.350	46.495	13.542.161	37.510
	-	-	-	-	-	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	45.110	-	-	-	-
- secured part via collateral etc.	-	6.336	-	-	-	-
	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	179.711	-	-	-	-
- Impairment (-)	-	(179.711)	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

The maturity of 45.110 thousand TRY that is overdue but not impaired is in the range of 0-3 months.

⁽¹⁾ The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables				Bank Deposits	Derivative financial instruments
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
31 December 2019						
Maximum credit risk exposure as of balance sheet date ^(*) (A+B+C+D+E)	173.296	3.170.881	28.953	14.015	10.590.003	50.084
- Secured part of the maximum credit risk exposure via collateral etc.	-	2.736.481	-	-	-	-
	-	-	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	173.296	3.161.120	28.953	14.015	10.590.003	50.084
	-	-	-	-	-	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	9.761	-	-	-	-
- secured part via collateral etc.	-	4.265	-	-	-	-
	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	145.360	-	81.221	-	-
- Impairment (-)	-	(145.360)	-	(81.221)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

^(*) The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Explanation on the credit risk which the Group is exposed:

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The 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. Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to 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 poast due receivables	Amount is past due or there has been a significant change	100% allowance for unsecured receivables
Write off	There is evidence indicating the asset is credit-impaired	Amount is written off

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management

As of reporting period, stated in Note 2.8.9 the foreign currency position of the Group in terms of original currency is calculated as follows:

	31 December 2020				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	644.147	48.847	64.720	-	6.700
2a. Monetary financial assets	4.432.914	4.290.040	13.405	21	12.039
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	50.012	22.502	3.004	-	247
4. CURRENT ASSETS (1+2+3)	5.127.073	4.361.389	81.129	21	18.986
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	249.486	249.486	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	613.387	263.500	38.299	61.366	294
8. NON-CURRENT ASSETS (5+6+7)	862.873	512.986	38.299	61.366	294
9. TOTAL ASSETS (4+8)	5.989.946	4.874.375	119.428	61.387	19.280
10. Trade payables	1.868.380	1.282.535	61.515	365.841	3.142
11. Financial liabilities	1.651.528	1.470.108	20.140	-	-
12a. Other monetary financial liabilities	1.448.781	1.436.797	757	-	2.811
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	4.968.689	4.189.440	82.412	365.841	5.953
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.182.748	236.030	105.099	-	-
16a. Other monetary financial liabilities	945.133	944.146	-	-	537
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	2.127.881	1.180.176	105.099	-	537
18. TOTAL LIABILITIES (13+17)	7.096.570	5.369.616	187.511	365.841	6.490
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(196.573)	-	(21.822)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	196.573	-	21.822	-	-
20. Net foreign currency asset/liability position (9-18+19)	(1.303.197)	(495.241)	(89.905)	(304.454)	12.790
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.770.023)	(781.243)	(109.386)	(365.820)	12.249
22. Fair value of derivative financial instruments used in foreign currency hedge	(11.035)	-	(1.225)	-	-
23. Hedged foreign currency assets	196.573	-	21.822	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	5.508.594				
26. Imports	16.384.474				

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

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

	31 December 2019				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	512.431	78.967	61.779	-	16.335
2a. Monetary financial assets	2.193.591	1.323.384	127.107	156	17.971
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	41.233	30.488	1.600	-	76
4. CURRENT ASSETS (1+2+3)	2.747.255	1.432.839	190.486	156	34.382
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	262.197	262.197	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	336.825	16.430	39.212	1.094.943	121
8. NON-CURRENT ASSETS (5+6+7)	599.022	278.627	39.212	1.094.943	121
9. TOTAL ASSETS (4+8)	3.346.277	1.711.466	229.698	1.095.099	34.503
10. Trade payables	1.240.228	882.693	37.845	1.915.314	1.346
11. Financial liabilities	1.072.497	954.116	17.800	-	-
12a. Other monetary financial liabilities	703.990	698.992	314	-	2.103
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	3.016.715	2.535.801	55.959	1.915.314	3.449
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.170.295	761.140	61.522	-	-
16a. Other monetary financial liabilities	788.877	787.967	-	-	658
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	1.959.172	1.549.107	61.522	-	658
18. TOTAL LIABILITIES (13+17)	4.975.887	4.084.908	117.481	1.915.314	4.107
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(603.780)	82.101	(103.131)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	257.101	82.101	26.313	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	860.881	-	129.444	-	-
20. Net foreign currency asset/liability position (9-18+19)	(2.233.390)	(2.291.341)	9.086	(820.215)	30.396
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.007.668)	(2.420.360)	71.405	(1.915.158)	30.199
22. Fair value of derivative financial instruments used in foreign currency hedge	21.078	23.572	(375)	-	-
23. Hedged foreign currency assets	860.881	-	129.444	-	-
24. Hedged foreign currency liabilities	257.101	82.101	26.313	-	-
25. Exports	5.842.476				
26. Imports	15.103.243				

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

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

The following table shows the Group's sensitivity to a 10% (+/-) change in the TRY, EURO and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

As of 31 December 2020 asset and liability balances are translated by using the following exchange rates: TRY 7,3405 = US \$ 1, TRY 9,0079 = EUR 1 and TRY 0,0709= JPY 1 (31 December 2019: TRY 5,9402 = US \$ 1, TRY 6,6506 = EUR 1 and TRY 0,0543= JPY 1).

31 December 2020	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(49.524)	49.524
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(49.524)	49.524
5- RON net asset/liability	2.350	(2.350)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	2.350	(2.350)
9- Euro net asset/liability	(61.328)	61.328
10- Hedged portion from Euro risk (-)	(19.657)	19.657
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(80.985)	80.985
13- Jap. Yen net asset/liability	(2.159)	2.159
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.159)	2.159
TOTAL (4+8+12+16)	(130.318)	130.318

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

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

31 December 2019	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(237.344)	237.344
2- Hedged portion from TRY risk (-)	8.210	(8.210)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(229.134)	229.134
5- RON net asset/liability	4.204	(4.204)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON Dollars net effect (5+6+7)	4.204	(4.204)
9- Euro net asset/liability	74.631	(74.631)
10- Hedged portion from Euro risk (-)	(68.588)	68.588
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	6.043	(6.043)
13- Jap. Yen net asset/liability	(4.453)	4.453
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(4.453)	4.453
TOTAL (4+8+12+16)	(223.340)	223.340

(g) Interest rate risk management

The majority of the Group's borrowings are based on floating interest rate terms. In order to manage the exposure to interest rate movements on certain portion of the bank borrowings, the Group uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of deposits in which the Group has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Group minimizes the interest rate risk by increasing the share of floating rate denominated assets in its consolidated the balance sheet. Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Group minimizes its interest rate risk by leveraging in foreign currencies that bear lower interest rate. In addition, a higher interest rate is applied to the trade receivables with a maturity when compared to the interest rate exposed for trade payables.

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(g) Interest rate risk management (cont'd)

Interest rate sensitivity

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Group's sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 0,25% for Jap. Yen and 1,00% for TRY denominated interest rates.

Since the principal payments of the loans with floating interest rates are not affected from changes in interest rates, the risk exposure of the Group loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

<u>Interest position table</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Floating interest rate financial instruments		
Financial liabilities	4.295.026	3.879.819

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 14.964 thousand.

Interest rate swap contracts :

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 held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date 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 financial year.

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.

Interest rate swap contract assets and liabilities are included in Note 6.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities and maintaining adequate funds and reserves.

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

Liquidity risk tables

Conservative liquidity risk management includes maintaining sufficient cash, availability of sufficient amount of borrowings and funds and ability to settle market positions.

The Group manages its funding of actual and forecasted financial obligations by maintaining the availability of sufficient number of high quality loan providers.

The following table details the Group's expected maturity for its derivative and non derivative financial liabilities. Interests which will be paid on borrowings in the future are included in the relevant columns in the following table.

31 December 2020

<u>Contractual maturity analysis</u>	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	6.319.736	6.624.183	683.528	3.188.279	2.181.830	570.546
Financial lease payables	278.535	1.057.547	11.277	33.832	154.597	857.841
Trade payables	3.766.949	3.766.949	3.766.949	-	-	-
Other financial liabilities ^(*)	739.533	739.533	739.533	-	-	-
Total liabilities	11.104.753	12.188.212	5.201.287	3.222.111	2.336.427	1.428.387
Derivative financial liabilities						
Derivative cash inflows	37.510	1.424.564	411.880	1.012.684	-	-
Derivative cash outflows	(59.582)	(2.105.721)	(400.860)	(1.704.861)	-	-
	(22.072)	(681.157)	11.020	(692.177)	-	-

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

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

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

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2019

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	7,454,327	7,873,139	2,271,570	3,442,751	1,959,355	199,463
Financial lease payables	246,650	952,562	10,664	31,992	141,900	768,006
Trade payables	2,936,622	2,936,622	2,936,622	-	-	-
Other financial liabilities ^(*)	374,155	374,155	374,155	-	-	-
Total liabilities	11,011,754	12,136,478	5,593,011	3,474,743	2,101,255	967,469
Derivative financial liabilities						
Derivative cash inflows	50,084	2,751,920	1,503,065	974,373	274,482	-
Derivative cash outflows	(102,723)	(2,894,582)	(1,117,886)	(959,252)	(817,444)	-
	(52,639)	(142,662)	385,179	15,121	(542,962)	-

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

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

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

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Categories of the financial instruments and their fair values

31 December 2020	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/ loss	Carrying value	Note
Financial Assets					
Cash and cash equivalents	13.542.177	-	-	13.542.177	4
Trade receivables	3.827.829	-	-	3.827.829	8
Financial investments	39.048	-	199	39.247	5
Other financial assets	85.845	-	-	85.845	9
Derivative financial instruments	-	37.510	-	37.510	6
Financial Liabilities					
Financial liabilities	6.598.271	-	-	6.598.271	7
Trade payables	3.766.949	-	-	3.766.949	8
Other liabilities	739.533	-	-	739.533	9/18/22
Derivative financial instruments	-	33.169	26.413	59.582	6
31 December 2019					
Financial Assets					
Cash and cash equivalents	10.590.024	-	-	10.590.024	4
Trade receivables	3.344.177	-	-	3.344.177	8
Financial investments	101.304	-	161	101.465	5
Other financial assets	42.968	-	-	42.968	9
Derivative financial instruments	-	14.584	35.500	50.084	6
Financial Liabilities					
Financial liabilities	7.700.977	-	-	7.700.977	7
Trade payables	2.936.622	-	-	2.936.622	8
Other liabilities	374.155	-	-	374.155	9/18/22
Derivative financial instruments	-	7.053	95.670	102.723	6

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

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

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

Financial asset and liabilities at fair value

Financial asset and liabilities at fair value	31 December 2020	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(26.413)	-	(26.413)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	37.510	-	37.510	-
Derivative financial liabilities	(33.169)	-	(33.169)	-
Total	(22.072)	-	(22.072)	-

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

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

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

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

Financial asset and liabilities at fair value	31 December 2019	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	35.500	-	35.500	-
Derivative financial liabilities	(95.670)	-	(95.670)	-
			-	
Financial assets and liabilities at fair value through other comprehensive income/expense				
			-	
Derivative financial assets	14.584	-	14.584	-
Derivative financial liabilities	(7.053)	-	(7.053)	-
Total	(52.639)	-	(52.639)	-

First Level: Quoted (non adjusted) prices in active markets for identical assets or liabilities.

Second Level: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Third Level: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

NOTE 36 - SUBSEQUENT EVENTS

It was announced in KAP material event disclosure by our Company on 4 January 2021 that according to the decision of our Company's Board of Directors, Share Transfer Agreement was signed between our Company and Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. to purchase (transaction) of all shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) and the share transfer of Kümaş Manyezit Sanayi A.Ş. would be realized over the share price to be calculated by taking into account the net debt amount and net working capital on the date of transfer, after obtaining the relevant legal approvals.

Transfer of shares representing 100% of total capital of Kümaş Manyezit Sanayi A.Ş. was realized on 3 February 2021 with total amount of USD 296.979.916 (TRY 2.119.605.056) after considering the net debt amount and net working capital over an operating value of USD 340.000.000.

NOTE 37 - OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 31 December 2020, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

GRI INDEX

GRI STANDARD NUMBER		DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016			
GRI 102: GENERAL DISCLOSURES 2016			
GRI 102: GENERAL DISCLOSURES 2016	ORGANIZATIONAL PROFILE		
	102-1		1
	102-2		10-15
	102-3		244
	102-4		10-15
	102-5		12
	102-6		10-15
	102-7		44-45, 58-59, 87, 100
	102-8		100
	102-9		65
	102-10		There are no significant changes to the organization's size, structure, ownership, or supply chain during the reporting period.
	102-11		51-53
	102-12		102-103
	102-13		102-103
	STRATEGY		
	102-14		3-4, 18-19
	102-15		34-35, 52-53
	ETHICS AND INTEGRITY		
	102-16		50
	102-17		50
	GOVERNANCE		
	102-18		48-50, 128-129
	102-19		50
	102-20		50

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 102: GENERAL DISCLOSURES 2016	102-22	48-49, 124-127
	102-23	The chair of the highest governance body has no executive duty in the organization.
	102-24	124-127
	102-25	128-130
	STAKEHOLDER ENGAGEMENT	
	102-40	28
	102-41	100
	102-42	24-27
	102-43	24-28
	102-44	24-27
	REPORTING PRACTICE	
	102-45	148
	102-46	1
	102-47	25
	102-48	There is no restated information.
	102-49	25-26
	102-50	01.01.2020-31.12.2020
	102-51	2019
	102-52	Annual
	102-53	1
	102-54	1
	102-55	240-243
	102-56	135-138
GRI 200: ECONOMIC STANDARD SERIES		
GRI 103: MANAGEMENT APPROACH 2016	ECONOMIC PERFORMANCE	
	103-1	24-27
	103-2	2-4, 18-21
GRI 201: ECONOMIC PERFORMANCE 2016	103-3	2-4, 18-21
	201-1	16-17, 58-59
	201-2	51-53
GRI 103: MANAGEMENT APPROACH 2016	PROCUREMENT PRACTICES	
	103-1	24-27
	103-2	2-4, 18-21
GRI 204: PROCUREMENT PRACTICES 2016	103-3	2-4, 18-21
	204-1	65

GRI INDEX

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 300: ENVIRONMENTAL STANDARD SERIES		
	MATERIALS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 73-77
	103-3	2-4, 18-21, 73-77
GRI 301: MATERIALS 2016	301-2	76-77
	ENERGY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 73-77
	103-3	2-4, 18-21, 73-77
GRI 302: ENERGY 2016	302-4	74-75
	WATER	
GRI 103: MANAGEMENT APPROACH 2018	103-1	24-27
	103-2	2-4, 18-21, 73-77
	103-3	2-4, 18-21, 73-77
GRI 303: WATER 2016	303-1	76
	303-3	76, 101
	EMISSIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 73-77
	103-3	2-4, 18-21, 73-77
GRI 305: EMISSIONS 2016	305-5	74-75
	EFFLUENTS AND WASTE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 73-77
	103-3	2-4, 18-21, 73-77
GRI 306: EFFLUENTS AND WASTE 2016	306-2	76-77, 101
GRI 400: SOCIAL STANDARD SERIES		
	EMPLOYMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 87-92
	103-3	2-4, 18-21, 87-92
GRI 401: EMPLOYMENT 2016	401-1	87, 100
	401-2	88
	401-3	100

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	LABOR/MANAGEMENT RELATIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 87-92
	103-3	2-4, 18-21, 87-92
GRI 402: LABOR/MANAGEMENT RELATIONS 2016	402-1	In case of operational changes, OMM is fully compliant with current laws and regulations about minimum notice periods.
	OCCUPATIONAL HEALTH AND SAFETY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 87-92
	103-3	2-4, 18-21, 87-92
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	66-72
	403-2	66-72
	403-3	66-72
	403-4	66-72
	403-5	70
	403-6	66-72
	403-7	66-72
	403-8	66-72
	403-9	71
	403-4	71
	TRAINING AND EDUCATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 87-92
	103-3	2-4, 18-21, 87-92
GRI 404: TRAINING AND EDUCATION 2016	404-1	89-92, 100
	404-2	89-92, 100
	404-3	89-92
	DIVERSITY AND EQUAL OPPORTUNITY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 87-92
	103-3	2-4, 18-21, 87-92
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	87, 100
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	24-27
	103-2	2-4, 18-21, 87-92
	103-3	2-4, 18-21, 87-92
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	During the reporting period, no case was found to be under the risk of freedom of association and collective bargaining at OMM's operations. The same principle is observed during the supplier audit process and no risk factors have been observed.

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WE ARE ROOTED LIKE A SYCAMORE, AS STRONG AS STEEL

We witness many times in nature what a tiny seed that meets soil and water can achieve. Especially if this is a sycamore seed, it brings to mind eternity with its strength and durability, which reaches centuries in its life with its robust and imposing body.

The roots of our Mining Metallurgy Companies, whose foundations came to existence at Erdemir facilities in the small coastal town of Karadeniz Ereğli in 1965, managed to sprout with 9 companies, mainly İsdemir, Erdemir Maden and Ersem, and to turn into a giant sycamore tree. Today they have left behind 55 years with 11,538 employees.

With the strength it received from its past, with the sweat and support of its employees, it always rose towards the sky like a sycamore tree. Both at the desk and under the mine, in the face of hundreds of degrees Celsius of heat, it took a steel root in this soil, where it exists, in order to beautify and facilitate life and to carry its country safely into the future.

And with the power it derived from these lands, it has become one with its companies in its body, shareholders, employees, customers, suppliers and all other stakeholders. To date, no difficulty has ever stopped it, and this sycamore continues to take root and grow with the power it derives from all its stakeholders, who lean safely on its body.

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