

Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Őirketi and Subsidiaries

**Condensed Consolidated Financial Statements for Three-Month Interim Fiscal Period Ended on
31 March 2021 and Footnotes**

BORUSAN MANNESMANN BORU SANAYİ VE TİCARET ANONİM ŞİRKETİ AND SUBSIDIARIES

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Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Condensed Interim Consolidated Financial Statement (Balance-Sheet) as of 31 March 2021 (Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY"))

ASSETS	Note	Unaudited	Independently	31 March 2021 USD (*)	31 December 2020 USD (*)
		31 March 2021	Audited 31 December 2020		
Current Assets		3.907.826.339	3.087.564.995	469.352.188	420.620.528
Cash and Cash Equivalents	4	1.111.663.298	789.861.662	133.517.091	107.603.251
Trade Receivables	6	1.149.405.162	851.043.983	138.050.103	115.938.149
- Trade Receivables due from Related Parties	23	163.800.379	114.826.524	19.673.358	15.642.875
- Trade Receivables due from Non-Related Parties		985.604.783	736.217.459	118.376.745	100.295.274
Other Receivables		64.538.745	141.239.757	7.751.471	19.241.163
- Receivables due from Non-Related Parties		64.538.745	141.239.757	7.751.471	19.241.163
Derivative Instruments		729.277	-	87.590	-
Inventories	7	1.393.891.644	1.158.927.573	167.414.322	157.881.285
Prepaid Expenses	8	110.323.533	61.451.065	13.250.482	8.371.508
Assets Concerning Current Period Tax	21	5.252.091	14.838.511	630.806	2.021.458
Other Current Assets		72.022.589	70.202.444	8.650.323	9.563.714
- Other Current Assets from Related Parties	23	-	114.324	-	15.574
- Other Current Assets from Non-Related Parties		72.022.589	70.088.120	8.650.323	9.548.140
		3.907.826.339	3.087.564.995	469.352.188	420.620.528
Fixed Assets		5.604.987.226	4.951.542.502	673.190.874	674.551.121
Financial Investments		438.650.225	386.729.759	52.684.389	52.684.389
Tangible Fixed Assets	10	5.118.519.495	4.495.873.884	614.763.331	612.475.156
Rights-of-Use Assets	9	27.593.832	15.805.936	3.314.176	2.153.251
Intangible Fixed Assets		14.296.487	12.637.747	1.717.089	1.721.647
- Other Intangible Fixed Assets	11	14.296.487	12.637.747	1.717.089	1.721.647
Prepaid Expenses	8	5.581.068	40.172.927	670.318	5.472.778
Other Fixed Assets		346.119	322.249	41.571	43.900
Total Assets		9.512.813.565	8.039.107.497	1.142.543.062	1.095.171.649

(*) USD amounts of the balance-sheet items (excluding equity accounts) are reported by converting them with the foreign exchange buying rate of the Central Bank of the Republic of Turkey (1 USD = 8.3260 TRY) as of 31 March 2021 (as of 31 December 2020 for balance-sheet items 1 USD = 7.3405 TRY). Equity accounts were moved with historic USD values. USD amounts are not part of the consolidated financial statements.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Condensed Interim Consolidated Financial Statement (Balance-Sheet) as of 31 March 2021 (Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY"))

REFERENCES	Note	Unaudited		Independently Audited	
		31 March 2021	31 December 2020	31 March 2021 USD (*)	31 December 2020 USD (*)
Short-Term Liabilities		3.872.838.000	3.126.662.789	465.149.891	425.946.841
Short-Term Borrowings	5	2.119.683.926	1.550.994.168	254.586.107	211.292.714
Short-Term Portions of Long-Term Borrowings	5	367.325.742	475.613.004	44.117.913	64.792.998
- Bank Loans		353.346.181	465.441.018	42.438.888	63.407.263
- Payables due to Leasing Transactions		13.979.561	10.171.986	1.679.025	1.385.735
Trade Payables	6	1.199.303.060	901.648.951	144.043.125	122.832.090
- Payables to Related Parties	23	14.184.440	14.973.376	1.703.632	2.039.831
- Trade Payables to Non-Related Parties		1.185.118.620	886.675.575	142.339.493	120.792.259
Payables within scope of Employee Benefits		10.046.677	6.335.667	1.206.663	863.111
Other Payables		37.596.372	79.265.995	4.515.538	10.798.446
- Other Payables to Non-Related Parties		37.596.372	79.265.995	4.515.538	10.798.446
Derivative Instruments		-	8.175.140	1.640.305	1.113.704
Deferred Income		13.657.182	1.271.172	-	173.172
Other Short-Term Liabilities		125.225.041	103.358.692	15.040.240	14.080.606
		3.872.838.000	3.126.662.789	465.149.891	425.946.841
Long-Term Liabilities		1.526.634.018	1.363.243.249	183.357.436	185.715.312
Long-Term Borrowings	5	925.898.350	820.703.440	111.205.663	111.804.842
- Bank Loans		913.871.841	814.809.269	109.761.211	111.001.876
- Payables due to Leasing Transactions		12.026.509	5.894.171	1.444.452	802.966
Long-Term Provisions for Employee Benefits		25.607.981	20.970.848	3.075.664	2.856.869
Deferred Tax Liability	21	575.127.687	521.568.961	69.076.109	71.053.601
EQUITIES		4.113.341.547	3.549.201.459	494.035.735	483.509.496
Parent's Equities		4.112.196.102	3.548.148.220	493.898.161	483.366.013
Paid-up Capital	13	141.750.000	141.750.000	68.996.872	68.996.872
Other Comprehensive Accumulated Income or Expenses not Reclassified in Profit / (Loss)		287.802.077	286.321.875	223.350.442	223.101.258
- Gains (Losses) from Investments in Equity-Based Financial Instruments	13	102.415.772	102.415.772	32.650.911	32.650.911
- Revaluation and Measurement Earnings / (Losses)	13	179.926.476	178.446.274	189.880.213	189.631.029
- Defined Benefit Plan Re-Measurement Revenues (Losses)		5.459.829	5.459.829	819.318	819.318
Other Comprehensive Accumulated Income Reclassified in Profit or Loss		3.171.331.692	2.680.668.362	(899.477)	(1.484.415)
- Foreign Currency Conversion Differences		3.170.602.415	2.688.843.502	(987.066)	(370.711)
- Hedging Gains / (Losses)		729.277	(8.175.140)	87.589	(1.113.704)
Restricted Reserves Allocated from Profit	13	70.329.043	70.329.043		
Profits from Previous Years		367.598.738	379.582.107	192.503.114	194.250.823
Net Profit for the Period		73.384.552	(10.503.167)	9.947.210	(1.498.525)
Non-Controlling Interests	13	1.145.445	1.053.239	137.574	143.483
Total Liabilities		9.512.813.565	8.039.107.497	1.142.543.062	1.095.171.649

(*) USD amounts of the balance-sheet items (excluding equity accounts) are reported by converting them with the foreign exchange buying rate of the Central Bank of the Republic of Turkey (1 USD = 8.3260 TRY) as of 31 March 2021 (as of 31 December 2020 for balance-sheet items 1 USD = 7.3405 TRY). Equity accounts were moved with historic USD values. USD amounts are not part of the consolidated financial statements.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Condensed Consolidated Profit or Loss and Other Comprehensive Income Statement for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

	Note	Independently Unaudited 1 January - 31 March 2021	Unaudited 1 January - 31 March 2020	1 January - 31 March 2021 USD (*)	1 January - 31 March 2020 USD (*)
Revenue	14	1.199.198.103	1.149.200.835	162.550.235	188.582.162
Cost of Sales (-)	14	(1.039.943.991)	(1.038.852.657)	(140.963.482)	(170.474.189)
GROSS PROFIT		159.254.112	110.348.178	21.586.753	18.107.973
General Administrative Expenses (-)	15,1 6	(58.952.581)	(56.485.829)	(7.990.970)	(9.269.241)
Marketing Expenses (-)	15,1 6	(23.297.621)	(19.194.257)	(3.157.972)	(3.149.749)
Other Income from Main Operations	17	23.908.296	13.977.809	3.240.748	2.293.738
Other Expenses from Main Operations (-)	17	(18.507.146)	(3.940.768)	(2.508.627)	(646.674)
REAL OPERATING PROFIT		82.405.060	44.705.133	11.169.932	7.336.047
Income from Investment Activities	18	22.424.040	-	3.039.559	-
OPERATING PROFIT PRIOR TO FINANCING INCOME		104.829.100	44.705.133	14.209.491	7.336.047
Financing Income	19	2.271.298	3.186.833	307.872	522.955
Financing Expenses (-)	19	(47.723.203)	(40.393.848)	(6.468.838)	(6.628.571)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		59.377.195	7.498.118	8.048.525	1.230.431
Tax Income (Expense) of Continuing Operations		14.011.232	9.428.644	1.899.210	1.547.227
Tax Expense (Income) for the Period	21	(71.530)	(100.830)	(9.696)	(16.546)
Deferred Tax Income (Expense)	21	14.082.762	9.529.474	1.908.906	1.563.773
PROFIT / (LOSS) ON CONTINUING OPERATIONS FOR THE PERIOD		73.388.427	16.926.762	9.947.735	2.777.658
DISCONTINUED OPERATIONS		-	(76.878)	-	(12.616)
Discontinued Operations Loss for the Period After Tax	20	-	(76.878)	-	(12.616)
PROFIT (LOSS) FOR THE PERIOD		73.388.427	16.849.884	9.947.735	2.765.042
Distribution of Term Profit / (Loss)		73.388.427	16.849.884	9.947.735	2.765.042
Non-Controlling Interests	13	3.875	(30.196)	525	(4.955)
Parent's Shares		73.384.552	16.880.080	9.947.210	2.769.997
Earning per Share					
Earning per Share	22	0,0005177	0,0001191		
Earning / (Loss) per Share from Discontinued Operations		-	(0,0000005)		

(*) Income statement items are presented by converting USD amounts to USD with the quarterly average exchange rate (1 USD = 7.3774 TRY) (31 March 2020: 1 USD = 6.0939 TRY). USD amounts are not part of the consolidated financial statements.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Condensed Consolidated Profit or Loss and Other Comprehensive Income Statement for the Interim Fiscal Period Ended on 31 March 2021****(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)**

	Note	Independently Unaudited 1 January - 31 March 2021	Independently Unaudited 1 January - 31 March 2020
PROFIT (LOSS) FOR THE PERIOD		73.388.427	16.849.884
OTHER COMPREHENSIVE INCOME (EXPENSE):			
Items not Reclassified in Profit or Loss		-	(9.151.716)
Tangible Asset Revaluation Increases (Decreases), After Tax		.	(9.151.716)
Items to be Reclassified in Profit or Loss		490.751.661	280.522.069
Cash Flow Hedge Earnings (Losses), After Tax		8.904.417	2.687.078
Earnings (Losses) on Foreign Currency Conversion Differences, After Tax		481.847.244	277.834.991
OTHER COMPREHENSIVE INCOME (EXPENSE)		490.751.661	271.370.353
TOTAL COMPREHENSIVE INCOME (EXPENSE)		564.140.088	288.220.237
Distribution of Total Comprehensive Income			
Non-Controlling Interests		92.206	135.666
Parent's Shares		564.047.882	288.084.571

(*) "Earnings from assets reflected at fair value through comprehensive income" are shown under "Other Comprehensive Income Elements not be Reclassified as Other Profit or Loss" in PDP templates.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

**Condensed Consolidated Statement of Changes in Equity for the Interim Period Ended on 31 March 2021
(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)**

Note	Other Accumulated Comprehensive Income or Expenses not to be Reclassified in Profit or Loss				Other Comprehensive Income or Expenses Reclassified under Profit or Loss		Restricted Reserves Allocated from Profit	Profits / Losses from Previous Years	Net Profit / Loss for the Period	Parent's Equities	Non-Controlling Interests	Total Equities
	Paid-up Capital	Tangible Fixed Asset Revaluation Increases / (Decreases)	Income / (Losses) from Financial Assets Reflected at Fair Value through Other Comprehensive Income (Continued)	Defined Benefit Plans Re-Measurement Revenues/Losses	Foreign Currency Conversion Differences	Hedging Gains/Losses						
Balance as of January 1, 2020	141.750.000	175.969.179	102.415.772	5.741.675	2.001.485.251	(51.958)	69.647.528	322.610.480	66.007.525	2.885.575.452	1.975.015	2.887.550.467
Total Comprehensive Income (Expense)	-	(9.151.716)	-	-	277.669.129	2.687.078	-	-	16.880.080	288.084.571	135.666	288.220.237
Transfers	-	-	-	-	-	-	-	66.007.525	(66.007.525)	-	-	-
As of 31 March 2020	141.750.000	166.817.463	102.415.772	5.741.675	2.279.154.380	2.635.120	69.647.528	388.618.005	16.880.080	3.173.660.023	2.110.681	3.175.770.704
Balance as of 1 January 2021	141.750.000	178.446.274	102.415.772	5.459.829	2.688.843.502	(8.175.140)	70.329.043	379.582.107	(10.503.167)	3.548.148.220	1.053.239	3.549.201.459
Total Comprehensive Income (Expense)	-	-	-	-	481.758.913	8.904.417	-	-	73.384.552	564.047.882	92.206	564.140.088
Transfers	-	1.480.202	-	-	-	-	-	(11.983.369)	10.503.167	-	-	-
Balance as of 31 March 2021	141.750.000	179.926.476	102.415.772	5.459.829	3.170.602.415	729.277	70.329.043	367.598.738	73.384.552	4.112.196.102	1.145.445	4.113.341.547

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

**Condensed Consolidated Cash Flow Statement for the Interim Period Ended on 31 March 2021
(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)**

	Note	Independently Audited 1 January - 31 March 2021	Unaudited 1 January - 31 March 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) on Continuing Operations for the Period		73.388.427	16.926.762
Profit / (Loss) on discontinued operations for the Period		-	(76.878)
Adjustments Regarding Reconciliation of Net Profit (Loss) for the Period			
Adjustments related to Depreciation and Amortization Expense	9-10-11	64.635.119	46.940.442
Adjustments to (Cancellation of) Provisions for Employee Benefits		4.942.198	408.640
Adjustments related to Interest Income	19	(610.522)	(1.678.162)
Adjustments related to Interest Expenses	19	34.471.623	37.128.256
Adjustments related to depreciation in receivables (cancellation)	6	-	80.869
Adjustments for Impairment (Cancellation) of Other Financial Assets or Investments	17	350.545	798.846
Adjustments related to Losses/(Gains) from Disposal of Tangible Assets	18	-	-
Adjustments related to Tax (Income) Expense		(14.011.232)	(9.428.644)
Adjustments Regarding Unrealized Foreign Currency Conversion Differences		(408.181.841)	(142.924.514)
Adjustments related to Dividend (Income) Expense	18	(22.424.040)	-
Operating Profit / (Loss) Before Change in Operating Capital		(267.439.723)	(51.824.383)
Changes in Operating Capital			
Decrease (Increase) in Trade Receivables due from Non-Related Parties	6	(249.387.324)	(369.351.801)
Decrease (Increase) in Trade Receivables due from Related Parties	23	(48.973.855)	(26.749.386)
Decreases / (Increases) in Inventories	7	(234.964.071)	(33.283.749)
Decrease (Increase) in the Prepaid Expenses	8	(14.280.609)	50.292.780
Decrease (Increase) in the Other Assets related to the Activities		(1.844.015)	(25.321.129)
Decrease (Increase) in the Other Receivables for Operations from Unrelated Parties		76.701.012	11.768.082
Increase (Decrease) in Other Liabilities related to Operations		37.963.369	(9.367.542)
Increase (Decrease) in Trade Payables due to Non-Related Parties	6	298.443.045	(55.012.012)
Increase (Decrease) in Trade Payables due to Related Parties	23	(788.936)	(17.506.534)
Increase(Decrease) in Other Payables due to Unrelated Parties due to Operations		(41.669.623)	21.467.112
Net cash from discontinued operating activities		-	878.033
Cash Flows from Operations			
Tax Refunds (Payments)		(236.833)	(5.686.738)
Payments Made within the scope of the Provisions for Employee Benefits		(929.181)	(604.712)
Cash Outflows from Participation in Capital Increase of Subsidiaries, Joint Ventures and/or Joint Operations		(395.619)	(216.795)
Net Cash Inflows / (Outflows) from Business Operations		(447.802.363)	(510.518.774)
CASH FLOWS FROM (USED IN) INVESTMENT OPERATIONS			
Cash Outflows from Purchase of Tangible and Intangible Fixed Assets	10-11	(90.118.604)	(61.879.851)
Cash Inflows from Sales of Tangible and Intangible Fixed Assets		2.462.950	-
Dividends Received	18	22.424.040	-
Net cash inflow/(outflow) used in investment activities		(65.231.614)	(61.879.851)
CASH FLOWS FROM FINANCING OPERATIONS			
Cash Inflows from Loans		869.890.790	3.750.116.929
Cash Outflows regarding Loan Reimbursements		(314.233.297)	(3.575.893.171)
Cash outflows for debt payments arising out of leasing agreements	9	(4.197.901)	(4.464.782)
Cash Outflows from Derivative Instruments		(8.904.417)	(2.687.078)
Interest Paid		(25.567.206)	(34.441.178)
Interest Received	19	610.522	1.678.162
Net cash (outflow) / inflow used in financing activities		517.598.491	134.308.882
NET INCREASE AND DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES		4.564.514	(438.089.743)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4.564.514	(438.089.743)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		789.861.662	945.308.903
Effect of Foreign Currency Conversion Differences on Cash and Cash Equivalents		317.237.122	91.631.404
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1.111.663.298	598.850.564

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

1. GROUP'S ORGANIZATION AND SCOPE OF ACTIVITIES

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiaries (hereinafter collectively referred to as the "Group") are engaged in the production and sale of longitudinally and spiral welded steel pipes. The Company's stocks have been traded on Borsa İstanbul since 1994. The Company is registered in Turkey and domiciled at the following address:

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

The average number of employees of the company within the period are as follows by their categories:

<u>Period</u>	<u>Employee</u>	<u>Officer</u>	<u>Director</u>	<u>Senior</u>	<u>Total</u>
31 March 2021	1,330	295	31	7	1,663
31 December 2020	1,395	285	33	7	1,720

The condensed interim consolidated financial statements for the fiscal period between January 1 - 31 March 2021 were approved by the Board of Directors with its decision dated 7 June 2021.

The Company's main shareholders are Borusan Mannesmann Boru Yatırım Holding A.Ş. and Borusan Holding A.Ş. the controlling shareholder.

As of 31 March 2021 and 31 December 2020, the consolidated Subsidiaries of the Company, the controlling interests of the Company in such Subsidiaries and their scope of activities are as follows:

<u>Scope of Subsidiary Activities</u>	<u>Location</u>	<u>Final Ratio (%)</u>
Holding Borusan Mannesmann Holding BV ("BM Holding BV")	The Netherlands	100.0
Steel Pipe Borusan Mannesmann Pipe US Inc ("BM Pipe")	USA	100.0
Steel Pipe Borusan Mannesmann Vobarno Tubi SPA ("BM Vobarno")	Italy	99.0

2. PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basic Principles Regarding Presentation

2.1.1. Applicable accounting standards

The interim condensed consolidated financial statements have been prepared in accordance with the provisions of the CMB's "Communiqué on Principles Regarding Financial Reporting in the Capital Market" numbered II-14.1 as published on the Official Gazette dated June 13, 2013 and numbered 28676 ("Communiqué"), in compliance with the international standards published by the Public Oversight, Accounting and Audit Standards Authority ("KGK"), and based on the Turkish Financial Reporting Standards ("TFRS"), as well as the annexes and interpretations thereof. TFRS are revised via communiqués in line with amendments to the International Financial Reporting Standards ("IFRS").

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries
Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

2. PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basic principles regarding presentation (Continued)

2.1.1. Accounting standards applied (Continued)

The Group has prepared the condensed consolidated interim financial statements for the interim period ended on 31 March 2021 in accordance with TAS 34 "Interim Financial Reporting" standard within framework of the CMB's Communiqué Serial: XII, No. 14.1 and its related announcements including clarifications on such communiqué. The attached interim financial statements and notes have been presented in accordance with the formats, having been recommended by CMB, and by way of including the obligatory information therein.

The entities are free to prepare their interim financial statements in full set or summary in accordance with TAS 34 standard. In this context, the Group has preferred to prepare condensed financial statements in the interim periods. These interim condensed statements should be evaluated in conjunction with the financial statements for the year ended on 31 December 2020.

The Company (and its Subsidiaries registered in Turkey) adhere to the requirements of Turkish Commercial Code ("TCC"), tax legislation and Uniform Chart of Accounts issued by the Ministry of Finance in keeping the accounting records and drawing up the legal financial statements. Subsidiaries operating in foreign countries have prepared their legal financial statements in accordance with the law and regulations in force in the countries where they operate. The consolidated financial statements have been drawn up in Turkish Lira on a historical cost basis except for financial assets and liabilities reflected at fair value. The consolidated financial statements have been drawn up to reflect necessary adjustments and classifications for a true presentation to legal records prepared at historical cost in accordance with TFRS.

2.2. Functional and Reporting Currency

US Dollar (USD) is predominantly used in the Group operations, and in other words, it has an important effect on the Group operations. USD also reflects the economic basis of circumstances and events that are important for the Group. Taking into account the economic environment and activities of the Group, the Group has determined its functional currency as USD pursuant to TAS 21 – "The Effect of Changes in Foreign Exchange Rates". For this reason, aside from using USD in valuing financial statement item, the Group has adopted TRY as its reporting currency for the purpose of presenting the financial statements and footnotes.

For the purpose of preparing condensed consolidated financial statements and footnotes, pursuant to TAS 21, the monetary balance sheet items in the financial statements of the Group were converted to USD at the balance-sheet date, whereas non-monetary balance-sheet items, incomes and expenditures, and cash flows were converted at the historical cost effective at the date of transaction. Conversion gains/losses arising from foreign exchange translations are carried at translation gains/losses account under financing expenses in the income statement.

The financial assets and liabilities the subsidiaries operating in foreign countries were converted to USD using the foreign exchange rate at the balance sheet date, whereas incomes and expenditures were converted using the mean foreign exchange rate. Exchange rate differences arising due to use of closing and mean exchange rates are carried under the foreign exchange conversion differences item in the comprehensive income statement and within shareholders' equity.

Because inflationary accounting was discontinued with the decision of the Capital Markets Board dated March 17, 2005, TRY has been evaluated as the currency of an economy which is not high inflationary. Accordingly, USD amounts calculated as per TAS 21 have been reported, by converting balance-sheet items to TL at the foreign exchange buying rate of the Central Bank of Republic of Turkey as of 31 March 2021 (except some shareholders' equity accounts) (1 USD = 8.3260 TRY), and income statement items at the mean three-month foreign exchange rate (1 USD = 7.3774 TRY) (as of 31 December 2020 balance-sheet items at 1 USD = 7.3405 TRY; 31 March 2020 income statement items at mean three-month foreign exchange rate, 1 USD = 6.0939 TRY).

Capital and capital reserves, which are shareholders' equity items, are carried at historical nominal value, whereas their conversion differences are shown in the capital foreign currency conversion differences in the shareholders' equity. The comparative consolidated financial statements in 2020 have been converted to TRY at the foreign exchange rate effective at the relevant balance-sheet date.

The functional currency of BM Holding BV and BM Vobarno which have been consolidated is Euro. Pursuant to TAS 21 monetary items in the financial statements have been converted at Euro purchase rate effective at 31 March 2021 (1 Euro = 9.7741 TRY); whereas incomes and expenses have been converted at mean three-month foreign exchange rate (1 Euro = 8.8950 TRY) (As of 31 December 2020, 1 Euro = 9.0079 TRY; as of 31 March 2020 mean three-month foreign exchange rate 1 Euro = 6.7232 TRY).

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2. PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3. Applicable Consolidation Principles

The consolidated financial statements cover the Company and its Subsidiaries. Subsidiaries are companies that are controlled by the Group. The Group's control is achieved by being exposed to varying revenue from such companies, being entitled to such revenues and the power to guide such companies. Subsidiaries are consolidated via the full consolidation method as of the date the control is gained by the Group. They are excluded from the scope of consolidation as of the date when the control is lost.

Applicable consolidated principles are as follows:

- (i) Balance-sheets and income statements of the Subsidiaries have been consolidated one by one and on the basis of each item, and the net carrying value of the investment owned by the Company have been eliminated with the relevant equity items. The effects of the intra-group transactions and balances between the Company and its Subsidiaries have been eliminated with the profit margins remaining in the balance-sheets in relation to such transactions.
- (ii) The operating results of the Subsidiaries have been consolidated effective from such date the control over such companies have passed to the Company.
- (iii) Non-controlling interests in net assets and operating results of the Subsidiaries have been shown separately as non-controlling interests in the consolidated balance-sheet and the consolidated income statement.

2.4. Amendments to the Turkish Financial Reporting Standards ("TFRS")

The accounting policies, which were used as a basis in the preparation of the condensed consolidated financial statements for the interim fiscal period of 1 January - 31 March 2021, were applied in compliance with the financial statements prepared as of 31 December 2020, except for the new and revised TAS/TFRS standards and Turkish Financial Reporting Interpretation Committee ("TFRIC") interpretations effective as of 31 March 2021 and as specified below.

a) New standards, amendments and interpretations effective as of 1 January 2021

Benchmark Interest Rate Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, KGK published Benchmark Interest Rate Reform - Phase 2- TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Amendments which set forth provisional exemptions in order to eliminate impacts of the replacement of benchmark interest rate (IBOR) with the alternative interest rate upon Financial reporting. Businesses will implement such amendments for annual periods beginning on or after 1 January 2021. Earlier implementation is permissible. Amendments cover following matters:

Facilitating practice for amendments to principles associated with determining cash flows based on a contract as a result of IBOR reform

Amendments involve a facilitating practice in order for amendments related to the contract or amendments to cash flows directly required by the reform to be considered as amendments to variable interest rate equal to a movement in the market interest rate. Within scope of the facilitating practice, if interest rates applicable for financial instruments are changed as a result of the interest rate reform, it is envisaged that the said situation will not be considered as a derecognition from financial statements or an amendment to the contract, instead, cash flows will continue to be determined using original interest rates of the financial instrument

The facilitating practice offers exemption from TFRS 9 Financial Instruments (and, thereby, TAS 39 Financial Instruments: Classification and measurement) standard and is mandatory for companies applying TFRS 4 Insurance Contracts Standard and for implementation of TFRS 16 Leasing for amendments to leading due to IBOR Reform.

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2. PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4. Amendments to the Turkish Financial Reporting Standards (TFRS) (Continued)

a) New standards, amendments and interpretations effective as of 1 January 2020 (Continued)

Privileges on termination of Hedging Accounting relationship

- Amendments allow revisions in hedging accounting plan and documentation considered necessary due to IBOR reform to be done without terminating the hedging relationship.
- It is assumed that the amount accumulated in the cash flow risk hedging fund is based on the alternative interest rate.
- During the transition to alternative interest rate, companies may resort to zeroing fair value changes accumulated for every hedging relationship when evaluating retrospective effectiveness test as per TAS 39.
- Amendments offer exemptions for changing of items that are determined as subject of the grouping approach (e.g. those that are part of macro hedging strategy) due to revisions required by IBOR reform. The relevant exemption allows the hedging strategy to be protected and maintained without termination.
- With regards to alternative reference interest rate transition, hedging relationship may be revised more than once. For all revisions made in the hedging relationship due to IBOR reform, phase 2 exemptions are implemented.

Separate definition of risk components

When amendments are determined for companies as a risk component of alternative reference interest rate within the hedging relationship, it introduces a provisional exemption that it will meet the criterion associated with the requirement of defining risk components separately.

Additional Explanations

Amendments, within scope of TFRS 7 Explanations on Financial Instruments standard, introduces additional footnote obligations such as transition of the business to alternative reference interest rates and how the business manages risks caused by such transition, if transition has not materialized yet, quantitative information on financial instruments to be affected by IBOR transition and if IBOR reform has caused any other change in the risk management strategy, explanation of such change.

Such amendments are mandatory and earlier application is permitted. Although the application is retrospective, companies do not have to restate previous periods again.

b) Standards that have been published as of 31 March 2021, but have not become effective and implemented earlier

The new standards, interpretations, and amendments that have been published as of the date of approval of the financial statements, but have not become effective for the current reporting period, and have not been put into practice by the Group prematurely, are as follows. Unless otherwise specified, the Group will make necessary amendments to affect its consolidated financial statements and footnotes after the effective date of the new standards and interpretations.

TFRS 10 and TAS 28: Asset Sales or Contributions Made by the Investor Entity in Affiliates or Joint Ventures - Amendment

KGK delayed indefinitely the effective date of such amendments to TFRS 10 and TAS 28 in December 2017 so as to be amended based on the ongoing research project outcomes concerning equity management. However, earlier application is still permitted.

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2. PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4. Amendments to the Turkish Financial Reporting Standards (TFRS) (Continued)

b) Standards that have been published as of 31 March 2021, but have not become effective and implemented earlier (Continued)

TFRS 17 - New Insurance Contracts Standard

In February 2019, KGK published TFRS 17, a comprehensive new accounting standard covering accounting, measurement, presentation, and explanation principles for insurance contracts. TFRS 17 introduces a model that allows the measurement of liabilities arising from insurance contracts based on current balance sheet values and also allows the recognition of the profits during the period in which the services are provided. Some changes in future cash flow estimates and risk adjustment are also recognized during the period in which the services are provided. Entities may choose to recognize the effects of changes in discount rates in profit or loss or other comprehensive income. The standard contains specific guidance for the measurement and presentation of insurance contracts with participation features. TFRS 17 will enter into force for annual periods beginning on or after 1 January 2023, and early application is permitted for entities that have applied TFRS 9 Financial Instruments and TFRS 15 Revenue from Customer Contracts on or before this date.

Classification of liabilities as short-term and long-term (TAS 1 Amendments)

On March 12, 2020, KGK has introduced amendments to "TAS 1 Presentation of Financial Statements" standard. The said amendments introduced to take effect on January 1, 2023 or thereafter clarify the classification of liabilities as long-term or short-term. Amendments introduced should be put into effect retrospectively according to TAS 8 "Accounting Policies, Changes and Errors in the Accounting Estimations". Earlier implementation is permissible.

Amendments to TFRS 3 - Amendment to References Made to the Conceptual Framework

KGK has, in July 2020, amended TFRS Merger of Businesses standard. Such amendment is intended to replace the reference made to the former version of the Conceptual Framework (1989 Framework) with the up-to-date version as published in March 2018 (Conceptual Framework) without amending requirements of TFRS 3 to a great extent. However, a new paragraph has been added to TFRS 3 in order to define conditional assets that do not meet criteria of recognition at acquisition date. The amendment will be prospectively applied to annual accounting periods beginning on and after January 1, 2022. If the business applies all of the amendments concerning amendments referring to the Conceptual Framework (March 2018) in TFRS standards at the same time or at an earlier dated, permission for early application will be granted.

Amendments to TAS 16 - Rendering it suitable for intended use

KGK amended TAS 16 Tangible Fixed Assets standard in July 2020. Despite the amendment, it does not allow companies to deduct income derived from sale of products manufactured from cost of the fixed tangible asset item whilst rendering the tangible fixed asset suitable for intended use. Now, companies will be able to recognize such sales income and related costs in profit or loss. The amendment will be applied for annual reporting periods beginning on or after January 1, 2022. Amendments may only be retrospectively applied for tangible fixed assets commissioned at the beginning of or after the period which is presented in comparison to the accounting period when the business applies the amendment for the first time. No exemption is available to those who will apply TFRS for the first time.

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2. PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4. Amendments to the Turkish Financial Reporting Standards (TFRS) (Continued)

b) Standards that have been published as of 31 March 2021, but have not become effective and implemented earlier (Continued)

Amendments to TAS 37 - Economically disadvantageous contracts - Costs to fulfill the contract

KGK introduced amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets standard in July 2020. The amendment to TAS 37 which is applicable to accounting periods starting on January 1, 2022 and thereafter is intended to determine costs to be taken into account when identifying whether a contract is economically "disadvantageous" or "making a loss" and includes involvement of 'direct related costs'. Amendments must be retrospectively applied for contracts for which the business fails to fulfill all of its obligations at the beginning of the annual reporting period (amendments are to be applied for the first time (the first application date). Earlier implementation is permissible.

Amendments to Privileges Offered for Rent Payments due to Covid-19 (TFRS 16 Amendments)

On June 5, 2020, KGK amended TFRS 16 Leasing standard in order to provide exemption for them to evaluate if rent privileges offered to lessees due to COVID-19 outbreak is an amendment in leasing. On 7 April 2021, KGK made an amendment to extend the exemption to include concessions that cause a decrease in rental payments due on or before 30 June 2022.

Tenants will put into practice such amendment in accounting periods starting on 1 April 2021 or thereafter. Earlier implementation is permissible.

Annual Improvements - 2018-2020 Period

KGK published "Annual Improvements related to TFRS standards / 2018-2020 Period" including the following amendments in July 2020:

- *TFRS 1 "First-time Adoption of International Financial Reporting Standards" - Affiliate as the first party to implement:* The amendment permits a subsidiary to measure retained foreign currency conversion differences using the amounts reported by the parent. The amendment also applies to the affiliate or the business partnership.
- *Fees considered for derecognition of TFRS 9 Financial Instruments - Financial liabilities from the financial statement at 10% test:* The amendment clarifies fees taken into consideration when a business assesses whether or not new or amended financial liability conditions differ from original financial liability conditions to a great extent. Such fees include fees paid or received between the borrower and the lender including fees paid by them on behalf of one another.
- *TAS 41 Agricultural Operations - Taxation in determination of the fair value:* Owing to the amendment introduced, the provision included in TAS 41 paragraph 22 that companies do not have to take into consideration cash lows made for taxation in determination of fair value of the assets under TAS 41 has been revoked.

All the improvements introduced will be applicable to annual accounting periods starting as from 1 January 2022 and thereafter. Earlier application is permitted.

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Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

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2.7 Summary of Significant Accounting Policies

Interim condensed consolidated financial statements for the period ended on 31 March 2021 have been prepared in accordance with TAS 34 standard for the preparation of interim financial statements of TAS/IFRS.

Accounting policies employed in the preparation of interim condensed consolidated financial statements for the period ended on 31 March 2021 have been prepared by implementing the accounting policies which are consistent with the consolidated financial statements for the year ended on 31 December 2020. So these interim condensed consolidated financial statements should be evaluated in conjunction with the consolidated financial statements for the year ended on 31 December 2020.

3. REPORTING BY DEPARTMENTS

The group was following its activities under two main industrial sections until 31 December 2020. As of 1 January 2019, it has been decided to discontinue operations of Borusan Group companies and Borusan Mühendislik, which produces technological mechanical equipment for the iron and steel and pipe industry. In line with this decision, the activities of Borusan Mühendislik are classified as "the assets held for sale and discontinued operations" under IFRS 5 Assets Held for Sale and Discontinued Operations Standard in 2019. Within the framework of the Board of Directors decision taken on 14 October 2020, it was decided to merge Borusan Mühendislik with Borusan Mannesmann Boru along with all its assets and liabilities universally and with the approval of the CMB on 30 November 2020.

Starting from 1 January 2019, only steel pipe production and sales departments are followed as the main activity within the scope of reporting by departments. Since only the steel pipe department remains within the scope of the consolidation, there is no reporting by departments starting from 1 January 2019.

4. CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Cash	42.166	47.422
Bank		
- Demand deposit	746.455.400	324.982.061
- Time deposit	365.165.732	464.832.179
	1.111.663.298	789.861.662

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

Currency	Interest Rate (%)	Maturity (days)	31 March 2021	
			Original Sum of Money	Equivalent in TRY
TRY	15,00-18,00	1	4.415.388	4.415.388
USD	0,40-1,00	1	26.893.219	223.912.944
Euro	0,05-0,55	1	14.000.000	136.837.400
				365.165.732

Currency	Interest Rate (%)	Maturity (days)	31 December 2020	
			Original Sum of Money	Equivalent in TRY
TRY	15.50-17.49	4	52.417.580	52.417.580
USD	0.03-1.25	4	38.451.120	282.250.444
Euro	0.05-1.20	4	14.450.000	130.164.155
				464.832.179

As of 31 March 2021, there is no blockage on cash and cash equivalents (31 December 2020: None).

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Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

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5. BORROWINGS

a) Short-term borrowings

Foreign Currency Type	31 March 2021			31 December 2020		
	Foreign Currency Amount	Equivalent in TRY	Interest Rates (%)	Foreign Currency Amount	Equivalent in TRY	Interest Rates (%)
Short-term borrowings:						
USD	182.495.254	1.519.455.487	0,75-4,00	168.406.851	1.236.190.488	0,87-4,00
EURO	30.904.736	302.065.982	0,55-0,80	29.580.702	266.460.006	0,45-0,80
TRY	298.162.457	298.162.457	7,25-20,25	48.343.674	48.343.674	7,25
		2.119.683.926			1.550.994.168	

As of 31 March 2021, all the Group's short-term liabilities are unsecured financial debts (31 December 2020: All are unsecured financial debt).

b) Short-term portions of long-term borrowings

- Bank loans

Foreign Currency Type	31 March 2021			31 December 2020		
	Foreign Currency Amount	Equivalent in TRY	Interest Rates	Foreign Currency Amount	Equivalent in TRY	Interest Rates
Short-term portions of long-term borrowings:						
USD	27.424.562	228.336.905	4,19-5,35	47.019.767	345.148.596	4,28-5,35
EURO	1.411.532	13.796.455	0,45-3,00	1.415.699	12.752.475	0,45-3,00
TRY	111.212.821	111.212.821	11,00-13,89	107.539.947	107.539.947	11,00-13,89
		353.346.181			465.441.018	

- Payables due to Leasing Transactions

Foreign Currency Type	31 March 2021			31 December 2020		
	Foreign Currency Amount	Equivalent in TRY	Discount Ratios (%)	Foreign Currency Amount	Equivalent in TRY	Discount Ratios (%)
Short-term portions of liabilities from long-term leasing transactions:						
USD	748.691	6.233.601	4,8	871.194	6.395.000	4,8
EURO	204.823	2.001.960	3,0	197.408	1.778.232	3,0
TRY	5.744.000	5.744.000	18,1	1.998.754	1.998.754	18,1
		13.979.561			10.171.986	

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5. BORROWINGS

c) Long-term borrowings

- Bank loans

Foreign Currency Type	31 March 2021			31 December 2020		
	Foreign Currency Amount	Equivalent in TRY	Interest Rates (%)	Foreign Currency Amount	Equivalent in TRY	Interest Rates
<u>Long-term borrowings:</u>						
USD	81.000.000	674.406.000	1,32-4,19	81.000.000	594.580.500	1,32-4,27
EURO	24.500.040	239.465.841	5,10	24.448.403	220.228.769	3,00-5,10
		913.871.841			814.809.269	

As of 31 March 2021, all the short-term portion of the Group's long-term liabilities are unsecured financial debts (31 December 2020: All are unsecured financial debt).

Interest rates of a portion of long-term liabilities vary subject to LIBOR rate.

As of 31 March 2021, all the Group's long-term liabilities are unsecured financial debts (31 December 2020: All are unsecured financial debt).

The repayment schedule of the Group's long-term bank loans as from 31 March 2021 and 31 December 2020 has been specified as follows:

	31 March 2021	31 December 2020
2022	674.406.000	594.580.446
2023	158.829.516	145.913.648
2024	12.217.625	11.259.875
2025 and onwards	68.418.700	63.055.300
	913.871.841	814.809.269

- Payables due to Leasing Transactions

Foreign Currency Type	31 March 2021			31 December 2020		
	Foreign Currency Amount	Equivalent in TRY	Ratios (%)	Foreign Currency Amount	Equivalent in TRY	Discount Ratios (%)
<u>Liabilities from long-term leasing transactions</u>						
USD	145.166	1.208.652	4,8	266.200	1.954.041	4,8
EURO	377.551	3.690.217	3,0	420.870	3.791.151	3,0
TRY	7.127.640	7.127.640	18,1	148.979	148.979	18,1
		12.026.509			5.894.171	

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021**

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6. TRADE RECEIVABLES AND PAYABLES**a) Trade receivables**

	31 March 2021	31 December 2020
Trade receivables	1.002.770.817	754.261.716
Post-dated checks and notes receivable	18.321.281	14.170.113
Trade receivables from due related parties (Note 23)	164.417.107	115.394.907
Provision for doubtful receivables (-) (*)	(36.104.043)	(32.782.753)
	1.149.405.162	851.043.983

(*) As of 31 March 2021, part of doubtful trade receivables amounting to TRY 616,728 (31 December 2020: TRY 568,383) belongs to related parties.

The movements of the provision for doubtful trade receivables for the years ended on 31 March 2021 and 31 March 2020 are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Opening balance	32.782.753	70.425.714
Foreign currency conversion differences	3.321.290	4.561.183
Provision set aside within the period	-	80.869
Closing balance	36.104.043	75.067.766

The Group has no long-term trade receivables as of 31 March 2021 (31 December 2020: None). Explanations as to the nature and level of risks in trade receivables are given in Note 24.

b) Trade Payables

	31 March 2021	31 December 2020
Trade payables	1.185.118.620	886.675.575
Payables to related parties (Note 23)	14.184.440	14.973.376
	1.199.303.060	901.648.951

The weighted interest rate applicable to a part of trade payables amounting to TRY 557,619,106 (USD 47,584,183 and EUR 16,516,779) is 2.69% for USD and 1.86% for EUR, with an average maturity of 180 - 360 days (31 December 2020: the weighted interest rate applicable to a part of trade payables amounting to TRY 243,067,934 (USD 17,033,736 and EUR 12,210,305) is 2.91% for USD and 1.85% for EUR, with an average maturity of 180 - 360 days).

It has no long-term trade liabilities (31 December 2020: None).

Explanations as to the nature and level of risks in trade payables are given in Note 24.

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7. INVENTORIES

	31 March 2021	31 December 2020
Raw material and material inventories	565.961.616	372.675.192
Semi-finished product inventories	311.497.937	256.578.647
Finished product inventories	470.276.016	432.035.602
Commercial goods inventories	860.509	58.592.621
Goods in transit	45.295.566	39.045.511
	1.393.891.644	1.158.927.573

8. PREPAID EXPENSES

The details of the short-term and long-term prepaid expenses of the Group as of 31 March 2021 and 31 December 2020 are as follows:

a) Short-Term Prepaid Expenses

	31 March 2021	31 December 2020
Advances given for purchases of inventory	74.312.990	26.832.183
Insurance expenses	1.707.588	4.741.543
Other expenses for future months (*)	34.302.955	29.877.339
	110.323.533	61.451.065

(*) Other expenses for future months consist of prepaid expenses for production, general administration and export operations.

b) Long-Term Prepaid Expenses

	31 March 2021	31 December 2020
Advances given for purchase of fixed assets	3.066.571	37.658.430
Other expenses for future months	2.514.497	2.514.497
	5.581.068	40.172.927

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9. RIGHTS-OF-USE ASSETS

Cost value	Buildings	Vehicles	Total
Opening balance as of 1 January 2021	19.777.417	29.473.551	49.250.968
Conversion Difference	3.274.186	2.913.193	6.187.379
Inflows during the period	0	14.119.114	14.119.114
Outflows (-)	(6.285.905)	(729.865)	(7.015.770)
Closing balance as of 31 March 2021	16.765.698	45.775.993	62.541.691
Accumulated depreciations			
Opening balance as of 1 January 2021	17.610.001	15.835.030	33.445.031
Conversion Difference	2.464.655	1.828.095	4.292.750
Expense for the period	1.623.364	2.603.042	4.226.406
Outflows (-)	(6.285.905)	(730.423)	(7.016.328)
Closing balance as of 31 March 2021	15.412.115	19.535.744	34.947.859
Net book value as of 31 March 2021	1.353.583	26.240.249	27.593.832

Cost value	Buildings	Vehicles	Total
Opening balance as of 1 January 2020	15.336.062	37.924.131	53.260.193
Conversion Difference	1.484.326	3.619.719	5.104.044
Inflows during the period	-	1.402.015	1.402.015
Amendments	329.878	(2.287.800)	(1.957.922)
Closing balance as of 31 March 2020	17.150.266	40.658.065	57.808.330
Accumulated depreciations			
Opening balance as of 1 January 2020	7.334.359	21.020.972	28.355.331
Conversion Difference	709.335	2.020.436	2.729.771
Expense for the period	1.605.148	2.657.850	4.262.998
Amendments	(4.113)	(216.944)	(221.057)
Closing balance as of 31 March 2020	9.644.729	25.482.314	35.127.043
Net book value as of 31 March 2020	7.505.537	15.175.750	22.681.287

As of 31 March 2021, the Group's depreciation expenses arising from right-of-use assets include TRY 1,918,529 of cost of goods sold, TRY 1,826,357 of general administrative expenses and a conversion difference of TRY 481,520 (31 March 2020: It was TRY 1,590,077 of cost of goods sold, TRY 2,396,767 of general administrative expenses and a conversion difference of TRY 276,153).

The Group, as a lessee, has included the right-of-use asset representing the right to use the underlying asset and the lease liabilities representing the lease payments that it is obliged to pay rent in its consolidated financial statements.

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**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021
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10. TANGIBLE FIXED ASSETS

	1 January 2021	Foreign Currency Conversion Differences	Inflows	Outflows	Transfers	31 March 2021
Cost						
Land	1.028.722.038	138.111.241	-	-	-	1.166.833.279
Land improvements and special costs	35.561.363	4.773.961	-	-	50.930	40.386.254
Buildings	1.133.882.864	145.025.262	-	-	-	1.278.908.126
Machinery and equipment	2.503.247.158	325.700.111	-	-	39.122.493	2.868.069.762
Vehicles	29.265.696	3.795.932	-	-	116.564	33.178.192
Fixtures	214.905.647	28.701.439	-	(580.014)	212.313	243.239.385
Investments in progress	48.227.270	6.470.568	88.225.311	-	(39.502.300)	103.420.849
Less: Accumulated Depreciation						
Land improvements and special costs	(6.068.986)	(814.732)	(667.728)	-	-	(7.551.446)
Buildings	(56.153.338)	(6.462.843)	(10.122.459)	-	-	(72.738.640)
Machinery and equipment	(254.200.614)	(28.214.807)	(43.630.815)	-	-	(326.046.236)
Vehicles	(23.065.677)	(2.968.130)	(612.058)	-	-	(26.645.865)
Fixtures	(158.449.537)	(21.158.520)	(3.506.122)	580.014	-	(182.534.165)
	(497.938.152)	(59.619.032)	(58.539.182)	580.014	-	(615.516.352)
Net book value	4.495.873.884					5.118.519.495

As of 31 March 2021, there is no capitalized financial expense amount (31 March 2020: TRY 2,544,813). As of 31 March 2021, the Group has no mortgages or pledges on tangible and intangible assets (31 March 2020: None).

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021
(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)**

10. TANGIBLE FIXED ASSETS (Continued)

	1 January 2020	Foreign Currency Conversion Differences	Inflows	Outflows	Transfers	Revaluation Adjustment	31 March 2020
Cost							
Land	811.509.348	78.661.843	-	-	-	-	890.171.191
Land improvements and special costs	57.602.711	5.583.348	-	-	6.851.707	(1.221.659)	68.816.107
Buildings	837.944.068	79.934.502	-	-	12.197.288	(9.136.501)	920.939.357
Machinery and equipment	1.783.108.978	171.031.915	-	-	119.266.638	-	2.073.407.531
Vehicles	23.272.192	2.232.145	-	-	-	-	25.504.337
Fixtures	171.884.467	16.619.914	-	-	684.053	-	189.188.434
Investments in progress	171.811.305	16.511.301	61.857.822	-	(138.999.686)	-	111.180.742
	3.857.133.069	370.574.968	61.857.822	-	-	(10.358.160)	4.279.207.699
Less: Accumulated Depreciation							
Land improvements and special costs	(3.203.312)	(310.462)	(418.202)	-	-	-	(3.931.976)
Buildings	(15.318.678)	(1.300.285)	(7.385.252)	-	-	-	(24.004.215)
Machinery and equipment	(81.456.554)	(6.914.178)	(28.335.989)	-	-	-	(116.706.721)
Vehicles	(16.765.007)	(1.603.145)	(425.271)	-	-	-	(18.793.423)
Fixtures	(117.235.097)	(11.337.130)	(5.166.873)	-	-	-	(133.739.100)
	(233.978.648)	(21.465.200)	(41.731.587)	-	-	-	(297.175.435)
Net book value	3.623.154.421						3.982.032.264

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

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(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

11. INTANGIBLE FIXED ASSETS

	31 March 2021	31 March 2020
Cost:		
Costs on January 1	58.723.799	40.091.215
Foreign currency conversion differences	7.558.457	3.874.486
Inflows	1.893.293	22.029
Outflows	-	-
	68.175.549	43.987.730
Less: Accumulated Amortizations:		
Accumulated amortizations on January 1	46.086.052	32.633.670
Foreign currency conversion differences	5.923.482	3.163.961
Outflows	-	-
Current period amortization share	1.869.528	945.857
	53.879.062	36.743.488
Net book value	14.296.487	7.244.242

Intangible assets consist of license fee and special costs.

TRY 49,140,211 of the depreciation for the period in tangible assets and intangible assets is shown under cost of goods, TRY 2,587,769 under the marketing, sales, and distribution expenses, TRY 5,543,116 under general administrative expenses, and conversion difference is TRY 7,364,023 (31 March 2020: TRY 36,456,084 thereof was shown under cost of goods, TRY 2,951,746 under the marketing, sales, and distribution expenses, TRY 4,491,856 under general administrative expenses, and conversion difference was TRY 3,040,756).

12. COMMITMENTS

- Export Undertakings

As of 31 March 2021, there have been purchases of imported raw materials in the scope of inward processing authorization certificate, and an expert commitment of USD 254,342,488 in relation to export foreign exchange credits (31 December 2020: USD 256,652,488).

- Letters of Credit

As of 31 March 2021, the amount of letters of credit opened in favor of the sellers is USD 51,374,293 and EUR 133,889 (31 December 2020: USD 25,570,446 and EUR 4,564,758).

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

12. COMMITMENTS (Continued)

- Collaterals, Liens and Pledges

As of 31 March 2021 and 31 December 2020, the collaterals, liens and pledges (CLPs) granted by the Group are as follows:

	USD	EUR	TRY	31 March 2021
A. CPLs given on behalf of its own Legal Personality	18.177.486	7.463.274	47.395.893	271.688.430
B. CLPs given in favor of Partnerships that are fully Consolidated	70.384.615	14.891.635	-	731.574.634
C. CLPs given to Guarantee the Debts of other 3 rd Persons in order to carry out Ordinary Commercial Activities	-	-	-	-
D. Other CLPs Given	-	-	-	-
i. CLPs given in favor of the Parent Shareholder	-	-	-	-
ii. CLPs given in favor of Other Group Companies not covered by the items B and C	-	-	-	-
iii. CLPs given in favor of 3 rd Persons not covered by item C	-	-	-	-
	88.562.101	22.354.909	47.395.893	1.003.263.064
	USD	EUR	TRY	31 December 2020
A. CPLs given on behalf of its own Legal Personality	18.344.618	8.448.630	36.201.371	246.964.454
B. CLPs given in favor of Partnerships that are fully Consolidated	70.384.615	14.891.635	-	650.800.625
C. CLPs given to Guarantee the Debts of other 3 rd Persons in order to carry out Ordinary Commercial Activities	-	-	-	-
D. Other CLPs Given	-	-	-	-
i. CLPs given in favor of the Parent Shareholder	-	-	-	-
ii. CLPs given in favor of Other Group Companies not covered by the items B and C	-	-	-	-
iii. CLPs given in favor of 3 rd Persons not covered by item C	-	-	-	-
	88.729.233	23.340.265	36.201.371	897.765.079

There are no other CLPs given by the Group in favor of the main shareholder (31 December 2020: None).

The ratio of the other CLPs granted by the Group to the Group's equities is 0% as of 31 March 2021 (As of 31 December 2020 it was 0%).

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

13. EQUITY

a) Paid-in Capital

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

	31 March 2021		31 December 2020	
	TRY	Share (%)	TRY	Share (%)
Borusan Mannesmann Boru Yatırım Holding A.Ş.	104,157,266	73.48	104,157,266	73.48
Lumbro Corporate Services Limited	9,450,000	6.67	9,450,000	6.67
Other	28,142,734	19.85	28,142,734	19.85
	141,750,000	100.00	141,750,000	100.00

As of 31 March 2021, there are 141,750,000,000 shares with a nominal value of Kr 0.1 each. As of 31 March 2021, the Company's paid-in capital consists of group A (10% of total shares) and group B (90 percent of total shares) shares (2019: Group A 10%, Group B 90%). In addition, the Company has 100 dividend shares without voting rights (2019: 100 dividend shares).

The rights owned by holders of Group A shares are as follows:

- One more than half of the members of the board of directors are elected from among candidates nominated by group A shareholders.
- Group A shareholders have each 5 votes at Ordinary and Extraordinary meetings.

b) Revaluation and Measurement Earnings / Losses

The movements of revaluation funds for the years ended 31 March 2021 and 31 March 2020 are as follows:

	1 January - 31 March 2021		1 January - 31 March 2020	
	Tangible Asset Valuation Fund	Revaluation Surplus of Financial Assets	Tangible Asset Valuation Fund	Revaluation Surplus of Financial Assets
Balance as of January 1	178.446.274	102.415.772	175.969.179	102.415.772
Difference between the revalued amounts of assets and the current depreciations of revaluation reserves calculated at present value and re-calculated as per TAS 16, which are transferred to undistributed profits (with deferred tax having been offset)	1.480.202	-	-	-
Asset revaluation increases / (decreases)	-	-	(9.151.716)	-
	179.926.476	102.415.772	166.817.463	102.415.772

Tangible Asset Revaluation Fund:

The Tangible Asset Revaluation Fund arises as a result of revaluation of buildings, properties, machinery and equipment. If a revalued building or property is disposed of, that portion of the revaluation fund which is related to the asset sold is directly transferred to the retained earnings.

Hedging Gains/Losses:

Cash Flow Hedging Reserve arises when changes in fair value of financial instruments which are determined for and effective in hedging future cash flows are carried directly under equity. The total earnings / losses obtained as a result of hedging are recognized in profit/loss when the hedge transaction affects profit/loss.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

13. EQUITY (Continued)

b) Revaluation and Measurement Earnings / Losses (Continued)

Revaluation Surplus of Financial Assets:

The Revaluation Surplus of Financial Assets occur when available-for-sale financial assets are valued at fair value. When a financial asset valued at fair value is disposed of, that part of the revaluation surplus which is related with the financial asset sold is recognized directly in profit/loss. When a revalued financial asset is subject to impairment, that part of the revaluation surplus which is related with the financial asset that suffered impairment is recognized in profit/loss.

(c) Restricted Reserves Allocated from Profit

The primary legal reserve is set aside at the rate of 5% of the net profit in the legal financial statements until it reaches 20% of the paid-in capital. The secondary legal reserves are set aside at a rate of 10% of total dividend distribution which exceeds 5% of the capital.

	31 March 2021	31 December 2020
Legal reserves	70.326.265	70.326.265
Special reserves	2.778	2.778
	70.329.043	70.329.043

d) Profit / (Losses) for the Previous Year

On 27 January 2010, the Capital Market Board (Board) resolved that, in relation to the distribution principles of the profits earned from year 2009 activities, no minimum profit distribution requirement would be imposed for joint stock companies listed on the stock exchange, and accordingly, the profit distribution would be carried out in the framework of the principles laid down in the Board's Communiqué Series: IV, No: 27 "On Principles for Publicly-Held Joint Stock Companies Subject to the Capital Markets Code to be Applied in Dividend/Advance Distributions", the provisions in the articles of association of the company, and the profit distribution policies disclosed by the company.

In addition, by virtue of such resolution of the Board, it was regulated that companies that are under the obligation to issue consolidated financial statements should calculate the net distributable profit amount taking into account the net profit for the period as shown in their consolidated financial statements which they prepare as per the Communiqué Series: XI No: 29 and disclose to the public so long as they are able to cover such profit from the resources in their legal records.

- Resources Usable in Profit Distribution:

The Group's loss for the period as shown by its legal records is TRY 150,877,657 as at the balance-sheet date (31 March 2020: TRY 162,407,863 of profit for the period) and the total amount of other resources that can be used in profit distribution was TRY 14,126,449 (31 December 2020: TRY 14,126,449).

e) Non-Controlling Interests

The movements of non-controlling interests for the years ended on 31 March 2021 and 31 March 2020 are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Opening balance	1.053.239	1.975.015
Foreign currency conversion differences	88.331	165.862
Profit / (loss) from consolidated participations	3.875	(30.196)
Closing balance	1.145.445	2.110.681

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021**

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

14. SALES AND COST OF SALES**a) Sales Income**

	1 January - 31 March 2021			1 January - 31 March 2020		
	In Turkey	Outside Turkey	Total	In Turkey	Outside Turkey	Total
Steel Pipe	485.075.974	714.122.129	1.199.198.103	265.228.862	883.971.973	1.149.200.835
	485.075.974	714.122.129	1.199.198.103	265.228.862	883.971.973	1.149.200.835

b) Cost of Sales

	1 January - 31 March 2021	1 January - 31 March 2020
Raw materials and supplies	691.334.292	778.062.840
Direct workmanship	62.703.815	71.169.800
Depreciation and amortization expenses	49.140.211	36.456.084
Repair, maintenance and other production expenses	93.830.978	90.716.818
Net change in semi-finished product inventories	(18.139.829)	17.109.100
Net change in finished product inventories	42.779.053	42.441.968
Cost of merchandise sold	118.295.471	2.896.047
	1.039.943.991	1.038.852.657

15. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
General administrative expenses	58.952.581	56.485.829
Marketing expenses	23.297.621	19.194.257
	82.250.202	75.680.086

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021**

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

16. EXPENSES BY NATURE**a) Marketing expenses**

	1 January - 31 March 2021	1 January - 31 March 2020
Sales shipment expenses	9.822.811	6.685.528
Personnel expenses	6.425.958	5.001.433 2
Depreciation and redemptions	2.587.769	.951.746
Consultancy and audit expenses	1.468.199	2.191.429
Vehicles expenses	343.462	499.899
Traveling expenses	103.028	565.417
Sales expenses	844.562	398.753
Energy expenses	241.882	182.462
Communication expenses	11.318	39.901
Other	1.448.632	677.689
	23.297.621	19.194.257

b) General Administrative Expenses

	1 January - 31 March 2021	1 January - 31 March 2020
Personnel expenses	25.406.896	23.520.850
Consultancy and audit expenses	9.742.642	10.040.783
Depreciation and redemptions	5.543.116	4.491.856
Information system expenses	3.178.626	3.182.160
Insurance expenses	3.120.409	2.337.778
Outsourced services	2.565.380	2.231.981
Sponsorships, donations and aids	1.719.234	1.953.216
Tax expenses	1.671.708	1.758.086
Rental expenses	950.245	662.411
Vehicles expenses	442.426	653.848
Traveling expenses	108.625	651.798
Energy expenses	465.856	563.529
Maintenance-repair expenses	675.728	397.476
Communication expenses	177.612	211.616
Doubtful receivable expense	-	80.869
Other	3.184.078	3.747.572
	58.952.581	56.485.829

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

16. EXPENSES BY NATURE (Continued)

Depreciation and amortization expenses:

	1 January - 31 March 2021	1 January - 31 March 2020
Cost of sales	49.140.211	36.456.084
General administrative expenses	5.543.116	4.491.856
Marketing expenses	2.587.769	2.951.746
Foreign currency conversion difference	7.364.023	3.040.756
	64.635.119	46.940.442

The distribution of personnel expenses of the company is as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
General production costs	62.703.815	71.169.800
General administrative expenses	25.406.896	23.520.850
Marketing expenses	6.425.958	5.001.433
	94.536.669	99.692.083

17. OTHER INCOMES / EXPENSES FROM MAIN OPERATIONS

a) Other Income from Main Operations

	1 January - 31 March 2021	1 January - 31 March 2020
Interest cost gains	20.398.944	7.900.213
Exchange difference income	-	1.478.125
Indemnity income	-	3.049.609
Profit on sales of scrap	1.222.986	535.614
Other	2.286.366	1.014.248
	23.908.296	13.977.809

b) Other Expenses from Main Activities

	1 January - 31 March 2021	1 January - 31 March 2020
Conversion loss	12.175.322	-
Impairment of financial fixed assets	350.544	798.846
Accumulated expenses	458.972	683.570
Other	5.522.307	2.458.352
	18.507.145	3.940.768

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021**

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

18. INCOME FROM INVESTMENT ACTIVITIES

	1 January - 31 March 2021	1 January - 31 March 2020
Profit / (Loss) on Sale of Fixed Assets	-	-
Dividend income	22.424.040	-
	22.424.040	-

19. FINANCING INCOME AND EXPENSES**a) Financing Income**

	1 January - 31 March 2021	1 January - 31 March 2020
Income from derivative financial instruments	1.660.776	1.508.671
Interest income	610.522	1.678.162
	2.271.298	3.186.833

b) Financing Expenses

	1 January - 31 March 2021	1 January - 31 March 2020
Interest expense	29.912.793	34.158.084
Expenses from derivative financial instruments	10.209.691	147.466
Interest cost loss	4.558.830	2.500.090
Factoring expenses	-	470.082
Bank charges	3.041.889	3.118.126
	47.723.203	40.393.848

20. FIXED ASSETS AND DISCONTINUED OPERATIONS HELD FOR SALE

Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. has been producing technological mechanical equipment for the needs of group companies and the iron, steel and pipe industry in Gemlik-Bursa since 1977. R&D and digitalization studies, which have been maintained consistently within the Borusan group for years, have given the group companies the capacity to solve their technology and technological equipment needs with their own technical knowledge and skills. This resulted in the operations of Borusan Mühendislik, which acquires a large part of its turnover from the services it provides to group companies, being excluded from Borusan Group's current and future strategic plans. In line with this decision, it was decided to stop Borusan Mühendislik's operations in 2019, and Borusan Mühendislik will be classified as "the assets held for sale and discontinued operations" under TFRS 5 Assets Held for Sale and Discontinued Operations Standard in 2019.

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20. FIXED ASSETS AND DISCONTINUED OPERATIONS HELD FOR SALE (Continued)

The profit and loss for the period regarding discontinued operations is as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Revenue	-	-
Cost of Sales (-)	-	-
General Administrative Expenses (-)	-	(226.608)
Other Incomes and Expenses from Main Operations (-)	-	179.130
Financial Revenues and Expenses (-)	-	41.036
Loss Before Tax of Discontinued Operations	-	(6.441)
Tax Expense (Income) for the Period	-	-
Deferred Tax Income (Expense)	-	(70.436)
Loss on Discontinued Operations for the Period	-	(76.878)

There are no fixed assets held for sale and discontinued operations assets and liabilities (31 December 2020: None).

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Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

21. TAX ASSETS AND LIABILITIES

The Company is subject to corporate tax applicable in Turkey. Necessary provisions have been allocated in the attached financial statements for the estimated tax liabilities regarding the operation results for the current period of the Company.

The corporation tax to be assessed over the taxable corporation income is calculated over the tax base which is found by adding those expenses that are recorded as expenses in determining the commercial revenue but cannot be deducted from the tax base and deducting the tax-exempt revenues, non-taxable income and other discounts (if any, losses for the previous years and if preferred, the investment discounts used).

In Turkey, provisional tax is calculated and assessed on a quarterly basis. The provisional tax needed to be calculated over the corporate revenues during the taxation of 2021 corporate revenues in terms of provisional tax periods is specified as 20% for the period January-March 2021 whereas it has been decided to apply 25% for the subsequent provisional tax periods (2020: 22%).

Losses can be carried for maximum 5 years provided that they are deducted from the taxable profits to arise in the subsequent years. However, losses that arise cannot be deducted retrospectively from the profits that occurred in the previous years.

There is no final and absolute reconciliation procedure in Turkey in relation to tax evaluation. Companies draw up their tax returns between April 1, and 25, of the year that succeeds the account closing period of the relevant year (between 1-25 days of the fourth month that succeeds the closing of the period in case of those taxpayers who adopt a special fiscal period).

These returns as well as the accounting records on which the former rely upon can be examined and changed by the Tax Office in 5 years.

In and prior to 2003, except for annual revaluation of tangible and intangible assets and associated depreciations, taxable profit for the period was calculated over amounts adjusted as per the inflation. The Law No. 5024, published on the Official Gazette dated December 30, 2003 and No. 25332 required that inflation accounting would apply for 2004 and onwards in Turkey if the inflation rate reaches the limits set by the law. Because the required circumstances did not occur, the Company did not adjust its financial statements dated 31 March 2021 and 31 December 2020 in accordance with the provisions of Tax Procedure Code governing inflation accounting, and calculated tax base for the current period over these financial statements.

As of 31 March 2021 and 31 December 2020, current legal corporation taxes are summarized below:

	31 March 2021	31 December 2020
- Tax expense as per Turkish laws	-	-
- Tax expense / (income) as per US laws	-	(2.628.494)
- Tax expense as per Italian laws	71.530	437.214
Total legal tax expense / (income) for the current year	71.530	(2.191.280)
Prepaid taxes	(4.308.472)	(14.392.238)
Foreign currency conversion differences	(1.015.149)	1.745.007
(Assets) / liabilities concerning current period tax	(5.252.091)	(14.838.511)

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21. TAX ASSETS AND LIABILITIES (Continued)

The deferred tax rate as of 31 March 2021 and 31 December 2020 is 22% for group companies domiciled in Turkey, and 21% for group companies domiciled in US, and 24% for group companies domiciled in Italy. The distribution of provisional differences subject to deferred tax in the said periods and the deferred tax asset / (liability) calculated using the effective tax rates is as follows:

	Cumulative Temporary Differences		Deferred Tax Asset / (Liability)	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Difference between the amount carried in financial statements and the fixed asset amount reported as per the tax legislation	(2.705.474.187)	(2.349.363.325)	(551.519.048)	(479.552.195)
Difference between land prices	(965.221.650)	(850.974.000)	(96.522.165)	(85.097.400)
Difference between financial asset amounts	(88.197.318)	(77.757.917)	(19.442.128)	(16.951.957)
Difference between inventory amounts	(95.915.666)	5.900.476	(18.925.830)	994.898
Provision for severance pay	24.238.248	19.699.863	4.847.650	3.939.973
Timing difference of trade receivables	7.394.692	2.570.474	1.478.938	565.504
Timing difference of trade payables	(4.194.847)	(1.251.394)	(838.969)	(275.307)
Accumulated losses to be deducted from tax	468.646.944	201.893.454	95.599.963	40.822.966
Other provisions and accruals	48.377.901	66.478.853	10.193.902	13.984.557
Deferred tax liability, net	(3.310.345.883)	(2.982.803.516)	(575.127.687)	(521.568.961)

As of 31 March 2021 and 31 December 2020, the deferred taxes reflected in the consolidated balance-sheets are presented below:

	31 March 2021	31 December 2020
Deferred tax asset	-	-
Deferred tax liability	(575.127.687)	(521.568.961)
Deferred tax liability, net	(575.127.687)	(521.568.961)

The movement of deferred tax liability for the periods ended on 31 March 2021 and 31 March 2020 is as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Balance as of January 1	(521.568.961)	(404.103.511)
Foreign currency conversion differences	(67.641.488)	(38.406.733)
Recognized in other comprehensive income statement	-	319.336
Reflected to income statement	14.082.762	9.529.474
	(575.127.687)	(432.661.434)

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021****(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)****21. TAX ASSETS AND LIABILITIES (Continued)**

Because each company consolidated is a separate legal entity, the relevant deferred tax assets/(liability) cannot be offset with each other. The tax asset/(liability) of the Company and the consolidated subsidiaries is shown below:

	31 March 2021		31 December 2020	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Borusan Mannesmann Boru	-	495.332.307	-	424.149.767
BM Pipe	-	67.199.146	-	85.810.445
BM Vobarno	-	12.596.234	-	11.608.749
		575.127.687		521.568.961

22. PROFIT PER SHARE

Earnings per share are found by dividing the net profit for the period by the weighted average number of shares available throughout the period.

In Turkey, companies may increase capital through transfers from retained earnings or revaluation funds, and owing to such capital increase, may give bonus shares to shareholders in proportion to their interests. While calculating earnings per share, bonus shares are regarded as shares distributed as dividends. Dividends that are added to the company capital at the time of distribution are, in the same way, regarded as shares distributed as dividends. For this reason, while calculating average number of shares, it is assumed that such shares have been available throughout the entire period.

As of 31 March 2021 and 31 March 2020, the Group's earnings per share calculation is as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Number of shares with a nominal value of 0.1 kuruş (Kr)	141.750.000.000	141.750.000.000
Parent's net profit for the period	73.384.552	16.880.080
Discontinued operations loss for the period after tax	-	(76.878)
Profit of continuing operations for the period	73.388.428	16.926.762
Gain per share obtained from continuing operations	0,00052	0,00012
Loss per share obtained from discontinued operations	-	(0,00000)
Earnings per Share (000 TRY)	51,77	11,91

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021**

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

23. RELATED PARTY DISCLOSURES**a) Trade Receivables from and Payables to the Related Parties**

	31 March 2021	31 December 2020
Trade receivables		
Borusan İstikbal Ticaret T.A.Ş. (İstikbal) (*) (3)	160.446.214	93.074.928
Borusan Holding A.Ş. (Borusan Holding) (1)	-	-
Salzgitter Mannesmann International GmbH (Salzgitter Mannesmann) (2)	2.482.423	21.259.178
Borçelik Çelik Sanayi Ticaret A.Ş. (4)	221.669	117.561
Other	1.779.093	956.114
Less: Provision for doubtful receivables	(616.728)	(568.383)
Less: Provision for unearned interest income	(512.292)	(12.874)
	163.800.379	114.826.524

(*) The sum receivables due from İstikbal are the trade receivables arising from export transactions performed through İstikbal.

	31 March 2021	31 December 2020
Trade payables		
Borusan Lojistik Dağıtım Depolama Taşımacılık ve Tic. A.Ş. (3)	12.640.179	11.863.427
Eta Elektronik Taşımacılık Ağı ve Taşımacılık A.Ş. (Eta Taşımacılık) (3)	564.711	2.741.006
Borçelik Çelik Sanayi Ticaret A.Ş. (4)	206.897	174.146
Borusan İstikbal Ticaret T.A.Ş. (İstikbal) (3)	-	-
Borusan Holding A.Ş. (Borusan Holding) (1)	32.166	125.341
Other	746.244	231.325
Less: Provision for unrealized interest expense	(5.757)	(161.869)
	14.184.440	14.973.376

Services are purchased from Borusan Lojistik ve Borusan Holding, an affiliated party, whereas raw materials are purchased from Borçelik, also affiliated parties. The maturity for the purchase of these goods and services ranges between 30 - 60 days, and are not subject to interest. No collateral is submitted for such payables.

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

b) Other Current Assets from Related Parties

	31 March 2021	31 December 2020
Other current assets		
Personnel advances	-	114.324
	-	114.324

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

23. RELATED PARTY DISCLOSURES (Continued)

c) Transactions with Related Parties

	1 January - 31 March 2021	1 January - 31 March 2020
Product purchases		
Borçelik (4)	-	6.200.854
	-	6.200.854
Purchase of services		
Borusan Lojistik (3)	45.472.944	62.066.329
Borusan Holding (1)	5.620.125	4.765.369
Eta Taşımacılık (3)	10.254.579	-
İstikbal (3)	645.098	124.571
Other	561.605	415.196
	62.554.351	67.371.465
	1 January - 31 March 2021	1 January - 31 March 2020
Product sales		
İstikbal (3)	132.754.838	25.267.186
Salzgitter Mannesmann (2)	2.308.086	1.394.156
	135.062.924	26.661.342
Dividend income		
Borçelik (4)	22.424.040	-
	22.424.040	-

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

Payments to the Senior Management Staff

	1 January - 31 March 2021	1 January - 31 March 2020
Wages payable to senior management and other short-term benefits	8.042.573	4.092.212
Wages payable to Board of Directors and other short-term benefits	345.000	255.000
	8.387.573	4.347.212

The senior management team consists of the members of the Company's Board of Directors and the Executive Board.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

While the Group tries to guarantee the continuity of its activities in capital management on the one hand, it aims to increase its profit by maintaining the most efficient debt and equity balance on the other hand.

The Group's capital structure is comprised of debts which also include the financial payables explained in Note 5, cash and cash equivalents and equity items including issued capital, capital reserves, profit reserves and retained earnings, as explained Note 13.

The Group's executive management evaluates the capital cost along with the risks associated with each capital class. Based on the evaluations of the senior management, the Group intends to stabilize the capital structure by means of borrowing new debts or repaying existing debt as well as through dividend payments and new share issues.

(b) Financial risk factors

The Group's financial affairs department is responsible for ensuring regular access to financial markets, analysis, observation and management of financial risks which the group is exposed to in relation to its activities taking into account the level and size of such risks through the risk reports prepared within the Group. Such risks cover market risk, credit risk and liquidity risk.

The Group uses forward contracts which are financial instruments in the nature of derivative products as well as interest swaps when needed in order to minimize the effects of and hedge such risks. The Group does not have any speculative financial instruments (which also include financial instruments in the nature of derivative products) nor any activity related to trading of such instruments.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

**Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021
(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)**

24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b. 1) Credit risk management:

31 March 2021	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of reporting date	163.800.379	985.604.783	-	64.538.745	1.111.621.132
- Part of the maximum risk secured by collateral, etc.	-	513.993.023	-	-	-
A. Net book value of financial assets not yet due or impaired	163.800.379	821.580.313	-	64.538.745	1.111.621.132
- Portion secured by collateral, etc.	-	487.357.716	-	-	-
B. Net book value of financial assets overdue, but not impaired		164.024.470			
- Portion secured by collateral, etc.	-	26.635.306	-	-	-
C. Net carrying values of assets impaired	-	-	-	-	-
- Overdue (gross book value)	616.728	35.487.315	-	-	-
- Impairment (-)	(616.728)	(35.487.315)	-	-	-
- Portion of the net value secured by collateral, etc.	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value secured by collateral, etc.	-	-	-	-	-
D. Elements involving off-the-balance-sheet credit risk	-	-	-	-	-

1) Elements that increase credibility such as collaterals received have not been taken into consideration in determining the amounts.

2) Collaterals consist of mortgages, letters of guarantee, credit insurance, bank guarantee obtained from customers and the Direct Debit System.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and Subsidiaries

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b. 1) Credit risk management (Continued)

	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
	Related Party	Other Party	Related Party	Other Party	
31 December 2020					
Maximum credit risk exposure as of reporting date	114.826.524	736.217.459	-	141.239.757	789.814.240
- Part of the maximum risk secured by collateral, etc.	-	209.892.915	-	-	-
A. Net book value of financial assets not yet due or impaired	114.826.524	363.576.919		141.239.757	789.814.240
- Portion secured by collateral, etc.	-	190.917.970	-	-	-
B. Net book value of financial assets overdue, but not impaired	-	372.640.540	-	-	-
- Portion secured by collateral, etc.	-	18.974.945	-	-	-
C. Net carrying values of assets impaired	-	-	-	-	-
- Overdue (gross book value)	568.383	32.214.370	-	-	-
- Impairment (-)	(568.383)	(32.214.370)	-	-	-
- Portion of the net value secured by collateral, etc.	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Portion of the net value secured by collateral, etc.	-	-	-	-	-
D. Elements involving off-the-balance-sheet credit risk	-	-	-	-	-

1) Elements that increase credibility such as collaterals received have not been taken into consideration in determining the amounts.

2) Collaterals consist of mortgages, letters of guarantee, credit insurance, bank guarantee obtained from customers and the Direct Debit System.

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Footnotes to Condensed Interim Consolidated Financial Statements for the Interim Fiscal Period Ended on 31 March 2021

(Currency – Unless otherwise specified, amounts are in Turkish Lira ("TRY").)

24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk factors (Continued)

b. 1) Credit risk management (Continued)

Explanations on credit quality of financial assets

Credit risk is the risk of financial loss by the Group arising from the failure of a party to the financial instrument to meet a contractual obligation. The Group's credit risk is mainly from trade receivables. The Group manages this risk which may arise from its customers by limiting it with collaterals taken. The Group uses the Direct Debit System (DDS), letters of guarantee and liens in order to manage that risk. Customer risks are continually monitored by the Group, and the customer's creditworthiness is evaluated taking into account financial position of the customer, past experiences and other factors.

The Group has evaluated the credit quality of its financial assets which are not overdue and impaired taking into account retrospective internal ratings such as the following:

According to internal rating information;	31 March 2021	31 December 2021
Group 1	18.229.012	39.715.142
Group 2	803.127.210	66.047.761
Group 3	164.024.470	372.640.540
Total trade receivables	985.380.692	478.403.443

Group 1 – New customers worked with for less than 6 months

Group 2 – Customers worked with for more than 6 months and with whom no collection problem has been experienced

Group 3 – Customers worked with for more than 6 months and with whom occasional collection problems have been experienced

There are no reconstructed trade receivables which, if they had been reconstructed, would have become overdue or doubtful (December 31, 2020: None).

As of 31 December 2020, the portion of trade receivables amounting to TRY 164,024,470 is overdue (31 December 2020: TRY 372,640,540). The ageing of such trade receivables is as follows:

	31 March 2021	31 December 2020
Trade Receivables - Net		
Overdue by 1-30 days	96.625.255	63.192.064
Overdue by 1-3 months	35.276.437	31.952.128
Overdue by 3-12 months	32.122.778	277.496.348
Total overdue receivables	164.024.470	372.640.540
Part secured by collateral thereof	26.635.306	18.974.945

As of 31 March 2021, there are letters of guarantee amounting to TRY 14,030,787, credit insurance of TRY 10,403,516 and factoring guarantee of TRY 2,201,004 for these receivables. (31 December 2020: Letters of guarantee amounting to TRY 143,580, credit insurance of TRY 18,623,764 and mortgage of TRY 207,601).

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk factors (Continued)

b.2) Liquidity risk management

The primary responsibility regarding liquidity risk management rests with the board of directors. The Group manages liquidity risk by following the cash flows regularly, and maintaining sufficient funds and borrowing reserves via matching the maturities of financial assets and liabilities.

Liquidity risk tables

Through its liquidity risk management, the Group aims to keep sufficient amount of cash, to have fund resources available for credit transactions and to close market positions.

31 March 2021

Contractual maturities	Book Value	Total cash outflows as per the Contract (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities					
Bank loans	3.386.901.948	3.433.164.860	826.195.236	1.675.481.855	931.487.769
Payables due to Leasing Transactions	26.006.070	29.853.188	4.419.370	10.179.786	15.254.032
Trade payables	1.199.303.060	1.204.797.387	645.014.593	559.782.794	-
Other payables	37.596.372	37.596.372	37.596.372	-	-
Derivative financial liabilities					
Derivative instruments	-	-	-	-	-
Total liabilities	4.649.807.450	4.705.411.807	1.513.225.571	2.245.444.435	946.741.801

31 December 2020

Contractual maturities	Book Value	Total cash outflows as per the Contract (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities					
Bank loans	2.831.244.455	2.880.635.952	495.577.707	1.551.763.955	833.294.290
Payables due to Leasing Transactions	16.066.157	16.795.505	3.380.100	7.215.757	6.199.648
Trade Payables	901.648.951	906.187.033	696.155.437	210.031.596	-
Other Payables	79.265.995	79.265.995	79.265.995	-	-
Derivative financial liabilities					
Derivative instruments	8.175.140	8.175.140	8.014.257	160.883	-
Total liabilities	3.836.400.698	3.891.059.625	1.282.393.496	1.769.172.191	839.493.938

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk tables (Continued)

As of the balance-sheet date, the details of forward contracts committed by the Group are as follows:

	Average exchange rate		Purchase amount		Sales amount		Reasonable value	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
USD purchase-GBP sales 1-3 months	1,4186	-	1.915.110	-	1.350.000	-	346.761	-
EUR purchase - USD sales 1-3 months	8,2020	-	3.336.979	-	27.370.000	-	169.732	-
EUR purchase - USD sales 1-6 months	1,2180	-	913.463	-	750.000	-	212.784	-
USD purchase - USD sales 1-3 months		1,3241	-	2.992.466	-	2.260.000	-	(533.581)
EUR purchase - USD sales 1-3 months	-	8,0674	-	8.546.130		68.944.905	-	(4.025.618)
EUR purchase - USD sales 1-6 months		1,1967	-	26.968.113		22.534.500	-	(3.615.942)

(c) Market risk

Market risk covers foreign exchange risk, interest rate risk and price risk.

The Group's operations are exposed to financial risks which are correlated with the changes in the foreign exchange and interest rates. In order to control risks associated with foreign exchange rate and interest rate, the Group uses various financial instruments in the nature of derivatives.

The market risks are also evaluated via sensitivity analyses. In the current year, there have not been any changes compared to the previous year, with regard to the market risk which the Group is exposed to or the methods for managing and measuring the risk exposures.

(d) Exchange risk management

Transactions in foreign currencies give rise to foreign exchange rate risks. The Group uses forward option contracts against the foreign exchange risk.

Susceptibility to exchange risk

The Group is exposed to exchange risk in EUR and TRY in particular.

The following table indicates the Group's susceptibility a 20% change in EUR and TRY exchange rates (2019 - 20% change). The 20% rate which is used is the rate that is used during the in-house reporting of the exchange risk to the senior management, and such rate indicates the potential change which the management expects in foreign exchange rates. Susceptibility analyses regarding the rate risk which the Group is exposed to at the reporting date are determined according to the change at the beginning of the fiscal year and is kept constant throughout the whole reporting period. A negative amount shows the effect of 20% appreciation of EUR and TRY against USD on the income statement.

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(d) Exchange risk management (Continued)

	31 March 2021			
	Profit/(Loss)		Shareholders' Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
		If EUR appreciates by 20% against USD,		
1 - EUR net asset/(liability)	(7.636.240)	7.636.240	(22.946.815)	22.946.815
2- Portion protected from EUR risk (-)	-			-
3- EUR net effect (1+2)	(7.636.240)	7.636.240	(22.946.815)	22.946.815
		If TRY appreciates by 20% against USD		
4- TRY net asset/(liability)	(22.112.549)	22.112.549	-	-
5- Portion protected from TRY exchange rate risk (-)	-	-	-	-
6- TRY Foreign Currency Assets net impact (4+5)	(22.112.549)	22.112.549	-	-
TOTAL (3 + 6)	(29.748.789)	29.748.789	(22.946.815)	22.946.815

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(d) Exchange risk management (Continued)

	31 December 2020			
	Profit/(Loss)		Shareholders' equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
		If EUR appreciates by 10% against USD,		
1 - EUR net asset/(liability)	(4.707.108)	4.707.108	(21.064.787)	21.064.787
2- Portion protected from EUR risk (-)	-	-	-	-
3- EUR net effect (1+2)	(4.707.108)	4.707.108	(21.064.787)	21.064.787
		If TRY appreciates by 10% against USD		
4- TRY net asset/(liability)	(4.078.962)	4.078.962	-	-
5- Portion protected from TRY exchange rate risk (-)	-	-	-	-
6- TRY Foreign Currency Assets net impact (4+5)	(4.078.962)	4.078.962	-	-
TOTAL (3 + 6)	(8.786.070)	8.786.070	(21.064.787)	21.064.787

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 March 2021, the amounts of the foreign currency assets and liabilities held by the Group are as follows in terms of original currency and total TRY equivalent:

	31 March 2021				31 December 2020			
	TRY	EUR	GBP	Equivalent in TRY	TRY	EUR	GBP	Equivalent in TRY
1 Trade Receivables	341.215.241	30.815.152	1.153.831	654.515.696	152.442.682	28.461.512	1.059.317	419.354.370
2a Monetary Financial Assets (including Cash, Bank Accounts)	74.082.017	21.262.445	94.554	282.984.268	59.675.131	30.345.804	40	333.027.494
2b Non-Monetary Financial Assets								
3 Other								
4 Current Assets (1+2+3)	415.297.258	52.077.597	1.248.385	937.499.964	212.117.813	58.807.316	1.059.357	752.381.864
5 Trade Receivables	-	-	-	-	-	-	-	-
8 Fixed Assets (6+7+8)	-	-	-	-	-	-	-	-
9 Total Assets (4+8)	415.297.258	52.077.597	1.248.385	937.499.964	212.117.813	58.807.316	1.059.357	752.381.864
10 Trade Payables	215.239.807	25.431.839	909	463.823.534	74.403.269	23.543.246	909	286.487.509
11 Financial Liabilities	364.402.102	38.961.325	-	745.213.984	157.957.177	32.879.793	-	454.135.061
12a Other Monetary Liabilities	(61.016.201)	998.956	231.690	(48.603.525)	3.185	998.956	231.690	11.305.567
12b Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
13 Short-Term liabilities (10+11+12)	518.625.708	65.392.120	232.599	1.160.433.993	232.363.631	57.421.995	232.599	751.928.137
14 Trade Payables	-	-	-	-	-	-	-	-
15 Financial Liabilities	7.234.295	24.866.679	-	250.283.698	148.990	24.920.863	-	224.633.628
16a Other Monetary Liabilities	-	-	-	-	-	-	-	-
16b Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
17 Long-Term Liabilities (14+15+16)	7.234.295	24.866.679	-	250.283.698	148.990	24.920.863	-	224.633.628
18 Total Liabilities (13+17)	525.860.003	90.258.799	232.599	1.410.717.691	232.512.621	82.342.858	232.599	976.561.765
19 Net Asset / (Liability) Position for off-the-statement Foreign Currency Derivative Instruments (19a-19b)	27.370.000	750.000	1.350.000	50.134.315	(68.944.905)	(22.534.500)	(2.260.000)	(294.406.416)
19a Amount of Off-The-Balance-Sheet Foreign Currency Derivative Products of an Asset Character	27.370.000	750.000	1.350.000	50.134.315	-	-	-	-
19b Amount of Off-the-Balance-Sheet Foreign Currency Derivative Products of a Liability Character	-	-	-	-	68.944.905	22.534.500	2.260.000	294.406.416
20 Net Foreign Currency Asset / (Liability) Position (9-18+19)	(83.192.745)	(37.431.202)	2.365.786	(423.083.412)	(89.339.713)	(46.070.042)	(1.433.242)	(518.586.317)
21 Monetary Items Net Foreign Currency Asset/(Liability) Position (TFRS 7B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(110.562.745)	(38.181.202)	1.015.786	(473.217.727)	(20.394.808)	(23.535.542)	826.758	(224.179.901)
22 Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge	169.732	21.770	30.331	729.277	(4.025.618)	(401.419)	(53.660)	(8.175.140)
23 Amount of the Hedged Portion of Foreign Exchange Assets	27.370.000	750.000	1.350.000	50.134.315	(68.944.905)	(22.534.500)	(2.260.000)	(294.406.416)

The Group has achieved imports amounting to TRY 334,474,112 (USD 39,026,631 and EUR 5,199,816 and GBP 30,191) and exports amounting to TRY 714,122,129 (EUR 52,726,806, GBP 1,206,106 and USD 31,565,277) for the period 1 January - 31 March 2021. (The Group has achieved imports amounting to TRY 165,602,456 (USD 21,999,545 and EUR 4,592,496 and GBP 85,306) and exports amounting to TRY 883,971,973 (EUR 20,961,449, GBP 508,217 and USD 121,282,794) for the period 1 January - 31 March 2020.)

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(e) Interest rate risk management

The Group's interest rates related to financial obligations are explained in detail in Note 5 under the financial payables section.

Susceptibility to interest rate

As the Group borrows money over flat and variable interest rates, the Group is exposed to interest rate risk. Such risk is managed by the Group with an appropriate distribution between flat and variable rate debts through interest rate swap agreements and forward rate agreements. Hedging strategies are evaluated regularly so that interest rate estimate is consistent with the defined risk. Therefore, it is intended to create an optimal risk avoidance strategy, to review the balance-sheet position and keep interest expenditures under control at different interest rates. For a majority of the Group's financial liabilities, the Libor rate is fixed as of the loan utilization date. Therefore, if there occurs an increase / decrease of 0.50% (50 base points) in Libor rate as of 31 March 2021, the effect of the Group's profit/loss arising from variable interest loans on the financial statements will be insignificant, ceteris paribus.

(f) Price risk

The Group is exposed to price risk since the sales prices are affected from changes in the value of raw material inventories, except pipe line projects, and the steel prices in the markets. Project works are not affected of changes in steel prices because raw material prices are fixed at the beginning of the project. There is no derivative instrument that can be used to avoid negative price movement effects on the sales margins. The Group regularly reviews sales - production - purchase balances taking into account the future steel price trends, optimizes inventory turnover rates, and reflects the changes in steel prices to its sales prices.

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25. FINANCIAL INSTRUMENTS

Balance-Sheet as of 31 March 2021	Financial assets and liabilities valued at amortized cost	Financial assets of which fair value difference is reflected upon other comprehensive income	Financial assets and liabilities reflected at fair value through profit or loss	Book Value
Financial assets				
Cash and cash equivalents	1.111.663.298	-	-	1.111.663.298
Trade receivables	985.604.783	-	-	985.604.783
Receivables from related parties	163.800.379	-	-	163.800.379
Financial investments	-	438.650.225	-	438.650.225
Other receivables	168.599.541	-	-	168.599.541
Financial liabilities				
Financial liabilities	3.412.908.018	-	-	3.412.908.018
Trade payables	1.185.118.620	-	-	1.185.118.620
Payables to related parties	14.184.440	-	-	14.184.440
Other payables	37.596.372	-	-	37.596.372
Derivative instruments	-	-	-	-
Balance-Sheet as of 31 December 2019	Financial assets and liabilities valued at amortized cost	Financial assets of which fair value difference is reflected upon other comprehensive income	Financial assets and liabilities reflected at fair value through profit or loss	Book Value
Financial assets				
Cash and cash equivalents	789.861.662	-	-	789.861.662
Trade receivables	736.217.459	-	-	736.217.459
Receivables from related parties	114.826.524	-	-	114.826.524
Financial investments	-	386.729.759	-	386.729.759
Other receivables	141.239.757	-	-	141.239.757
Financial liabilities				
Financial liabilities	2.847.310.612	-	-	2.847.310.612
Trade payables	886.675.575	-	-	886.675.575
Payables to related parties	14.973.376	-	-	14.973.376
Other payables	79.265.995	-	-	79.265.995
Derivative instruments	-	8.175.140	-	8.175.140

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25. FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (Continued)

The reconciliation of financial assets and liabilities at the beginning and end of the period is as follows:

31 March 2021	Financial assets reflected at fair value through profit / loss		Assets reflected at fair value through other comprehensive income	Total
	Held-for-trading	Derivative financial instruments	Equity-based financial investments	
Opening balance	-	-	370.960.976	370.960.976
Total (loss) /profit				
- through profit/loss	-	-	-	-
- to other comprehensive income (excluding deferred tax)	-	-	-	-
- foreign currency conversion difference	-	-	49.803.425	49.803.425
Closing balance	-	-	420.764.401	420.764.401
31 December 2020	Financial assets reflected at fair value through profit / loss		Assets reflected at fair value through comprehensive income	Total
	Held-for-trading	Derivative financial instruments	Equity-based financial investments	
Opening balance			300.195.136	300.195.136
Total (loss) /profit				
- through profit/loss	-	-	-	-
- to other comprehensive income	-	-	-	-
- foreign currency conversion difference	-	-	70.765.840	70.765.840
Closing balance	-	-	370.960.976	370.960.976

26. FAIR VALUE MEASUREMENT

Explanations of the Fair Value

Fair value of assets and liabilities is determined as follows:

- First level: Assets and liabilities are appreciated over stock exchange prices traded in the active market for the identical assets and liabilities.
- Second level: Assets and liabilities are appreciated from inputs used in calculating the price that may be directly or indirectly observed in the market apart from stock exchange price of respective asset or liability as specified in the first level.
- Third level: Assets and liabilities are assessed from inputs that are not based on data used for calculation of the fair value of an asset or liability which may be observed in the market.

The level classifications of assets and liabilities reflected by their fair values are as follows:

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26. FAIR VALUE MEASUREMENT (Continued)

Explanations of the Fair Value (Continued)

31 March 2021	Level 1 TRY	Level 2 TRY	Level 3 TRY
Permanent fair value measurements:			
Derivative financial instruments reflected to financial statements at fair value		729.277	
Available-for-sale financial assets	-	-	438.650.225
Tangible fixed assets	-	4.915.026.291	-
Non-permanent fair value measurements:			
Fixed assets held for sale purposes	-	-	-
31 December 2020	Level 1 TRY	Level 2 TRY	Level 3 TRY
Permanent fair value measurements:			
Derivative financial instruments reflected to financial statements at fair value		(8.175.140)	
Available-for-sale financial assets	-	-	386.729.759
Tangible fixed assets	-	4.355.498.108	-
Non-permanent fair value measurements:			
Fixed assets held for sale purposes	-	-	-

27. POST-BALANCE-SHEET EVENTS

Not applicable (31 December 2020: None).

28. OTHER MATTERS WHICH HAVE A MATERIAL IMPACT UPON FINANCIAL STATEMENTS, OR SHOULD BE DISCLOSED TO MAKE FINANCIAL STATEMENTS MORE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

Not applicable (31 December 2020: None).

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