CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

(Amounts expressed in TL unless otherwise stated)

	Notes	Current Year December 31, 2020	Prior Year December 31, 2019
ASSETS			
Current Assets		**342.644.554**	**237.949.255**
Cash and cash equivalents	6	81.538.746	34.494.610
Trade receivables		33.563.026	27.012.961
- Trade receivables from non-related parties	9	*33.563.026*	*27.012.961*
Other receivables		114.878	120.342
- Other receivables from related parties	10,37	-	40.000
- Other receivables from non-related parties	10	*114.878*	*80.342*
Receivables from Ongoing Construction Contracts		218.581.211	160.118.020
Contractual Assets Arising from Ongoing Construction and Contracting Works	14	*218.581.211*	*160.118.020*
Inventories	12	6.326.794	10.413.247
Expenses paid in Advance	13	2.070.694	3.954.043
Other Current Assets	26	449.205	1.836.032
Non-Current Assets		**56.059.263**	**57.325.069**
Other receivables		92.440	42.444
- Other receivables from non-related parties	10	*92.440*	*42.444*
Investment property	16	40.885.000	36.130.000
Tangible fixed assets	17	7.870.926	17.170.255
Right of Use Assets	19	1.521.167	323.070
Intangible fixed assets	18	24.865	56.601
Assets related to the current period tax	35	5.664.865	3.602.699
Total Assets		**398.703.817**	**295.274.324**

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

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

(Amounts expressed in TL unless otherwise stated)

	Notes	Current Year December 31, 2020	Prior Year December 31, 2019
LIABILITIES			
Short Term Liabilities		**106.731.599**	**71.330.152**
Financial liabilities	8	49.224.676	28.708.331
Current installments of long-term financial liabilities	8	12.986.640	8.062.111
Trade payables		17.685.286	17.634.196
- Other trade payables	9	*17.685.286*	*17.634.196*
Employee Benefit Liabilities	25	1.525.349	2.293.317
Other payables		488.556	2.740.158
- Due to related parties	10,37	*19.155*	*19.155*
- Other trade payables	10	*469.401*	*2.721.003*
Liabilities Arising from Customer Contracts		23.255.694	11.470.677
Contractual Liabilities Arising from Ongoing Construction and Contracting Works	14	*23.255.694*	*11.470.677*
Current Income Tax Liability	35	1.193.677	-
Short Term Provisions		371.721	421.362
-Short Term Provisions Related With Employee Benefits	25	*136.963*	*113.342*
-Other Short Term Provisions	24	*234.758*	*308.020*
Long-Term Liabilities		**50.568.213**	**38.117.367**
Long Term Financial Liabilities	8	13.557.942	8.033.180
Long Term Provisions		1.196.701	1.052.232
-Long Term Provisions Related With Employee Benefits	25	*1.196.701*	*1.052.232*
Deferred Tax Liabilities	35	35.813.570	29.031.955
TOTAL LIABILITY		**157.299.812**	**109.447.519**
SHAREHOLDERS' EQUITY		**241.404.005**	**185.826.805**
Parent Company's Equity		**241.404.027**	**185.826.825**
Paid in Capital	27	50.000.000	50.000.000
Treasury Shares (-)		(355.250)	-
Share Premium (Discount)	27	2.098.440	1.310.410
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		355.840	(210.444)
- Tangible Fixed Assets Revaluation Gain / (Loss)	16	*456.520*	-
-Loss / Gain Due to Defined Benefit Plans	27	*(100.680)*	*(210.444)*
Restricted Reserves Set Aside from Profit	27	3.702.140	5.236.867
Profit / Loss of Previous Years	27	131.024.719	84.182.247
Net Profit / Loss for the Year	36	54.578.138	45.307.745
Non-Controlling Interests	27	**(22)**	**(20)**
TOTAL OF LIABILITIES AND SHAREHOLDERS' EQUITY		**398.703.817**	**295.274.324**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020

(Tüm tutarlar, Türk Lirası "TL" olarak gösterilmiştir.)

	Notes	Current Year Januar 1- December 31, 2020	Prior Year Januar 1- December 31, 2020
PROFIT/LOSS SECTION			
Revenue	28	165.053.637	140.753.087
Cost of Sales (-)	28	(100.677.140)	(80.420.584)
GROSS OPERATING PROFIT / LOSS		**64.376.497**	**60.332.503**
General Administration Expenses (-)	29	(6.934.655)	(6.356.022)
Other Income from Operating Activities	31	9.904.116	6.194.939
Other Loss from Operating Activities (-)	31	(6.835.620)	(4.049.151)
NET OPERATING PROFIT / LOSS		**60.510.338**	**56.122.269**
Income from Investment Activities	32	4.436.800	3.210.542
Loss from Investment Activities	32	(948.691)	(17.279)
OPERATING INCOME / LOSS BEFORE FINANCING EXPENSES		**63.998.447**	**59.315.532**
Financial Incomes	33	12.922.939	3.542.381
Financial Expenses (-)	33	(11.581.293)	(5.761.093)
CONTINUING OPERATIONS' PROFIT/LOSS BEFORE TAX FOR THE YEAR		**65.340.093**	**57.096.820**
Continuing Operations' Tax Income/Expense		(10.761.957)	(11.789.077)
Current Period Tax Income/ Loss	35	(4.058.508)	(790.268)
Deferred Tax Income/ Loss	35	(6.703.449)	(10.998.809)
CONTINUING OPERATIONS' PROFIT/LOSS FOR THE YEAR		**54.578.136**	**45.307.743**
PROFIT/LOSS FOR THE YEAR		**54.578.136**	**45.307.743**
Distribution of Profit / Loss for the Year			
Minority Shareholders	27	(2)	(2)
Parent's Company	36	54.578.138	45.307.745
Earnings Per Share			
Earnings Per Share from Continuing Activities	36	1,092	0,91

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY
AUDITED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 01.01 - 31.12.2020

	Notes	Current Year	Prior Year
PROFIT / LOSS FOR THE PERIOD		**54.578.136**	**45.307.743**
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		566.284	(303.110)
Increase / (Decrease) from Revalution of Tangible Fixed Assets	16	507.246	
Taxes Relating To Remeasurements Of Defined Benefit Plans	25	137.205	(378.887)
Taxes Relating with Loss / Gain on Defined Benefit Plans' Remeasurement		(78.167)	75.777
- Current Tax Loss / Gain		-	-
- Deferred Tax Loss / Gain	35	(78.167)	75.777
OTHER COMPREHENSIVE INCOMES		**566.284**	**(303.110)**
TOTAL COMPREHENSIVE INCOMES		**55.144.420**	**45.004.633**
Distribution of Total Comprehensive Incomes			
Minority Shareholders	27	(2)	(2)
Parent's Company		55.144.422	45.004.635

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

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Note	Issued capital	Treasury Shares(-)	Share Premium (Discount)	Increase / (Decrease) from Revalution of Tangible Fixed Assets	Defined Benefit Plans Remeasurement Gains / Losses	Revaluation and Remeasurements Gain / (Loss)	Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss	Legal Reserves	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses	Current Period Net Profit Or Loss	Retained Earnings	Shareholders' Equity	Non-Controlling Interest	Total Equity
PREVIOUS PERIOD																
Balances as of January 1, 2019 (opening)	**27**	**50.000.000**	**(2.870.458)**	**457.651**	**-**	**92.666**	**92.666**	**92.666**	**5.416.820**	**5.416.820**	**32.601.265**	**51.434.516**	**84.035.781**	**137.132.460**	**(18)**	**137.132.442**
Amendments to mandatory changes in accounting policies (Note 2)		-	-	-	-	-	-	-	-	-	(33.487)	-	(33.487)	(33.487)	-	**(33.487)**
Transfers		-	-	-	-	-	-	-	(179.953)	(179.953)	51.614.469	(51.434.516)	179.953	-	-	**-**
Total Comprehensive Income		-	-	-	-	(303.110)	(303.110)	(303.110)	-	-	-	45.307.745	45.307.745	45.004.635	(2)	**45.004.633**
Period Profit (Loss)		-	-	-	-	-	-	-	-	-	-	45.307.745	45.307.745	45.307.745	(2)	**45.307.743**
Other Comprehensive Income (Loss)		-	-	-	-	(303.110)	(303.110)	(303.110)	-	-	-	-	-	(303.110)	-	**(303.110)**
Increase (Decrease) Due to Repurchase Transactions of Shares		-	2.870.458	852.759	-	-	-	-	-	-	-	-	-	3.723.217	-	**3.723.217**
Balance as of December 31, 2019 (closing)	**27**	**50.000.000**	**-**	**1.310.410**	**-**	**(210.444)**	**(210.444)**	**(210.444)**	**5.236.867**	**5.236.867**	**84.182.247**	**45.307.745**	**129.489.992**	**185.826.825**	**(20)**	**185.826.805**
CURRENT PERIOD																
Balances as of January 1, 2020 (opening)	**27**	**50.000.000**	**-**	**1.310.410**	**-**	**(210.444)**	**(210.444)**	**(210.444)**	**5.236.867**	**5.236.867**	**84.182.247**	**45.307.745**	**129.489.992**	**185.826.825**	**(20)**	**185.826.805**
Transfers		-	-	-	-	-	-	-	(1.534.727)	(1.534.727)	46.842.472	(45.307.745)	1.534.727	-	-	**-**
Total Comprehensive Income		-	-	-	456.520	109.764	566.284	566.284	-	-	-	54.578.138	54.578.138	55.144.422	(2)	**55.144.420**
Period Profit (Loss)		-	-	-	-	-	-	-	-	-	-	54.578.138	54.578.138	54.578.138	(2)	**54.578.136**
Other Comprehensive Income (Loss)		-	-	-	456.520	109.764	566.284	566.284	-	-	-	-	-	566.284	-	**566.284**
Increase (Decrease) Due to Repurchase Transactions of Shares		-	(355.250)	788.030		-	-	-	-	-	-	-	-	432.780	-	**432.780**
Balance as of December 31, 2020 (closing)	**27**	**50.000.000**	**(355.250)**	**2.098.440**	**456.520**	**(100.680)**	**355.840**	**355.840**	**3.702.140**	**3.702.140**	**131.024.719**	**54.578.138**	**185.602.857**	**241.404.027**	**(22)**	**241.404.005**

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

ORGE ENERJİ ELEKTRİK TAAHHÜT ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Year January 1- December 31, 2020	Prior Year January 1- December 31, 2019
A. CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**10.072.302**	**(8.167.173)**
Profit (Loss)		54.578.138	45.307.743
Adjustments to Reconcile Net Profit/(Loss)		**9.235.524**	**9.998.843**
Adjustments for depreciation and amortisation expense	17,18,19	1.168.756	1.516.010
Adjustment related to Impairment (Canceling)		25.463	32.808
Adjustments related to Account Receivables Impairment		25.463	32.808
Adjustments for provisions		208.412	285.956
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		*169.623*	*144.266*
- Adjustments related to lawsuits and/or penal provisions		*38.789*	*141.690*
Adjustments for Interest (Income) Expenses		126.028	(84.118)
Deferred Financing Expense Due to Futures		*177.786*	*338.728*
Unearned Financing Income Resulted From Forward Sales		*(51.758)*	*(422.846)*
Adjustments for fair value (gains) losses		(4.587.245)	(2.665.401)
Adjustments for Tax (Income) Expenses		10.761.957	10.913.588
Adjustments for Losses (Gains) Resulted from Disposal of Investment Properties		1.532.153	-
Changes in Working Capital		**(50.876.529)**	**(62.816.203)**
Adjustments for decrease (increase) in trade accounts receivable	9	(6.753.314)	(4.799.007)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations	10,37	(44.532)	(78.050)
Adjustments for Stage of Completion of Construction or Service Contracts in Progress	14	(46.678.174)	(48.932.629)
Adjustments for decrease (increase) in inventories	12	4.086.453	(7.292.958)
Decrease (Increase) in Prepaid Expenses	13	1.883.349	(560.752)
Adjustments for increase (decrease) in trade accounts payable	9	102.848	137.934
Increase (Decrease) in Employee Benefit Liabilities	25	(490.114)	598.702
Adjustments for increase (decrease) in other operating payables	10,37	(2.251.602)	2.265.051
Other Increase / Decrease in Working Capital		(731.443)	(4.154.494)
Cash Flows from Operating Activities		**12.937.133**	**(7.509.617)**
Income taxes paid		(2.864.831)	(657.556)
B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**8.427.294**	**(6.026.572)**
Proceeds from sales of property, plant, equipment and intangible assets	17,18	152.196	77.095
Purchase of Property, Plant, Equipment and Intangible Assets	17,18	(734.902)	(985.224)
Cash Inflows from Acquition of Investment Property	16	9.010.000	2.107.663
Cash Outflows from Acquition of Investment Property	16	-	(7.226.106)
C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**28.544.540**	**29.131.772**
Payments to Acquire Entity's Shares or Other Equity Instruments	27	432.780	2.870.458
Proceeds from borrowings	8	35.590.547	30.437.463
Cash Outflows Related to Debt Payments Arising from Lease Agreements	8	(328.784)	(323.070)
Interest paid		(7.150.003)	(3.853.079)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**47.044.136**	**14.938.027**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**-**	**-**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**47.044.136**	**14.938.027**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6**	**34.494.610**	**19.556.583**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**6**	**81.538.746**	**34.494.610**

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

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Orge Enerji Elektrik Taahhüt A.Ş. ("Company") was established in 1998. The main activity of the Company and its subsidiary ("Group") is to undertake electricity contracting works of residential and business construction works.

The company was established as the name of Orge Enerji Sistemleri İnşaat Metal Ticaret ve Taahhüt A.Ş., trade name was changed and registered to Orge Enerji Elektrik Taahhüt A.Ş. at 30.06.2010.

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa Istanbul ("BIST") since 15.02.2012.

The Group's head office is located at Kozyatağı Mahallesi Değirmen Sokak Nida Kule No: 18 Kat: 18 34742 Kadıköy, İstanbul and there is no any branch offices.

As of 31 December 2020 average number of personnel is 447 (31 December 2019: 562). As the date of balance sheet, there are no employees in the subsidiary. The group also employs personnel through subcontractors. The average number of subcontracted personnel employed as of 31 December 2020 is 11. (31 December 2019: 3)

As of 31 December 2020, the share capital of the company is TL 50.000.000 (December 31, 2019: TL 50.000.000), the publicly listed shares are 48.15% of the total shares. Gündüz Family members are main shareholders of the company and has control in the management (Note 28).

The Company prepares consolidated financial statements since 31.03.2015.

The subsidiary is consolidated to financial statements by using fully consolidation method.

Subsidiary	Nature of Business	Proportion of Effective Interest (%)	Country of Incorporation
And İnşaat Ticaret A.Ş.	Construction Equipment	99,96	Turkey

The Group does not have any subsidiaries traded on the stock exchange.

The Group, within the framework of the profit distribution policies to be determined by the general assembly and the relevant, distributes in accordance with the provisions of the legislation by the decision of the general assembly As of the report date, there is no profit distribution decision taken by the Group.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation

Basis of Presentation of Consolidated Financial Statements

The Group registered in Turkey maintains their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

The financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. The financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The functional currency of the Group is determined as Turkish Lira ("TL"). Group kept books of account in TL in accordance with the Turkish Commercial Code, and the Uniform Chart of Accounts issued by the Ministry of Finance.

According to TFRS, the preparation of consolidated financial statements requires estimates and assumptions regarding the amounts for the assets and liabilities at the balance sheet date, explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. Although these estimates and assumptions are based on the best information held by the Group management, actual results may differ from these. The accounting policies used in the preparation of these consolidated financial statements as of December 31, 2020 are consistent with those used in the preparation of previous year's financial statements.

The consolidated financial statements are prepared on historical cost basis, except for the financial instruments and investment properties carried at fair value.

Approval of Consolidated Financial Statement

Financial statementt fort he year ended 31 December 2020 had been approved in the Board of Directors meeting dated 16 February 2021 and subject to Final approval in General Assembly of the Compnay.

Financial Reporting in Hyperinflationary Economies

With the decision taken on March 17, 2005 and numbered 11/367, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB. Accordingly, Turkish Accounting Standards 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing January 1, 2005
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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

A. Basis of Presentation (cont'd)

Comparative information and restatement of prior year financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior year in order to give accurate trend analysis regarding financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed where necessary.

The Group has made some classifications in the previous period financial statements in order to comply with the presentation of the current period financial statements. The nature, reason and amounts of the classifications are explained below:

- Time deposit interest accruals amounting to TL 693.149 shown under "Income from Investment Activities" are shown in "Financing Income".

Going Concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously

New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	*Definition of a Business*
Amendments to TAS 1 and TAS 8	*Definition of Material*
Amendments to TFRS 9, TAS 39 and TFRS 7	*Interest Rate Benchmark Reform*
Amendments to TFRS 16	*COVID-19 Related Rent Concessions*
Amendments to Conceptual Framework	*Amendments to References to the Conceptual Framework in TFRSs*

Amendments to TFRS 3 *Definition of a Business*

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

A. Basis of Presentation (cont'd)

New and Amended Turkish Financial Reporting Standards (cont'd)

Amendments to TAS 1 and TAS 8 *Definition of Material*

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

Amendments to TFRS 9, TAS 39 and TFRS 7 *Interest Rate Benchmark Reform*

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions*

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

- there are no substantive changes to other terms and conditions of the lease.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

A. Basis of Presentation (cont’d)

New and Amended Turkish Financial Reporting Standards (cont’d)

b) New and revised TFRSs in issue but not yet effective (cont’d)

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

b) New and revised TFRSs in issue but not yet effective

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

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018-2020	*Amendments to TFRS 1, TFRS 9 and TAS 41*

TFRS 17 *Insurance Contracts*

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

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

A. Basis of Presentation (cont'd)

New and Amended Turkish Financial Reporting Standards (cont'd)

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 *Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

b) New and revised TFRSs in issue but not yet effective (cont'd)

Annual Improvements to TFRS Standards 2018-2020 Cycle (cont'd)

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

A. Basis of Presentation (cont'd)

Consolidation principles

As at December 31, 2020, the consolidated financial statements include the financial results of the Company and its subsidiary that are listed at Note 1.

Control is normally evidenced when the Group controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement in the investee and c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with those used by other Group Companies. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and events and are prepared for the same chart of accounts of the Group.

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated.

Non-controlling interest in the net assets of consolidated subsidiary is identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original acquisition and the minority's share of changes in equity since the date of the acquisition.

Losses within a subsidiary are attributed to non-controlling interest even if that result is in deficit balance.

Changes in shareholding rate that does not change control power of the Company are accounted under "Adjustment differences due to changes in shareholding rate".

Information on the subsidiary within the scope of consolidation is as follows:

Subsidiary	Capital	Capital of Acquired (TL)	Effective Interest (%)
And İnşaat Ticaret A.Ş.	250.000	249.900	99,96

B. Changes in accounting policy

Accounting policy changes resulting from the first application of a new standard are applied retrospectively or prospectively in accordance with the transition provisions, if any. Changes without any transition requirement, optional significant changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are rearranged. Changes in accounting estimates are applied in the current period if the change is related to only one period, and if they are related to future periods, they are applied both in the period of change and prospectively.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies

Revenue and Income

Revenue are measured on fair value of amount will be or have been charged. Estimated customer returns, rebates and provisions are deducted from the amount.

Proceeds from the sale of goods, is recognized when all the following conditions are met:

- Group all the significant risks and rewards of ownership are transferred to the buyer
- The Group's and the continuing managerial involvement usually associated with ownership and effective control over the goods sold are the lack of
- The amount of revenue can be measured reliably
- The economic benefits associated with the transaction will flow to the entity being possible, and transaction costs incurred or to be incurred in a reliable way of measuring.

Rendering of services;

The income from which the service is provided is recognized according to the completion stage of the contract.

The completion phase of the contract is determined as follows:
- Electrical and mechanical contracting works are accounted for according to their completion stage. The completion phase is determined as the ratio of the time passed as of the balance sheet date to the total time estimated for the completion of the commitment,
- Service fees included in the prices of goods sold are accounted for based on the total cost of services rendered for goods sold, taking into account the number of services provided in previous sales of goods, and
- Income from contracts that depend on the time spent, working hours and direct expenses are recognized over contract fees as they occur.

Construction contract activities

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue arising from cost plus fee contracts is recognized on the basis of costs incurred plus a percentage of the contract fee earned during the year.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs.

Selling, general and administrative expenses are charged to the consolidated statement of profit or loss as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies

Revenue and Income (cont'd)

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories:

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a Fist in First Out method basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Tangible Assets

Physical assets which is held and estimated to be used more than a period of time by the Group, for the purpose of producing goods and services or for administrative purposes are expressed with their cost values within the scope of cost model.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Leasehold improvements consist of expenditures made to rented property. Leasehold improvements are amortised during the lease term in case the useful life is longer than the lease term. Furthermore leasehold improvements are amortised over their useful lifes in case the useful life is shorter than the lease term.

As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates. (Note 17).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

C. Summary of Significant Accounting Policies (cont’d)

Tangible Assets (cont’d)

Cost Method

Tangible fixed assets reported at cost less accumulated depreciation and accumulated impairment losses, on the same basis.

Rental or administrative purposes, or for purposes not yet determined the course of construction assets are carried at cost less any recognized impairment loss. The cost of legal fees are also included. Such assets, the depreciation method used for other fixed assets, as well as when they are ready for use are depreciated. Land and construction in progress, except for the cost of tangible fixed assets to their estimated useful lives are amortized using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year for the possible effects of changes in estimates if a change in estimate being accounted for on a prospective basis.

Disposal of tangible fixed assets of the asset, or a gain or loss arising on the difference between the sales proceeds and the carrying amount of the asset is included in the income statement is determined.

Intangible Assets

Intangible Assets Acquired

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the differences between the net disposal proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss when the asset is derecognized.

Investment Properties

Investment property comprises the properties held in order to acquire lease and/or value increment earning and is indicated with the cost value and other transaction costs involved. Investment properties are accounted for using the fair value model at the financial statements.

In case investment property is sold or becomes useless and is determined that it would not provide any economic benefit in the future it may be derecognized. Profit/Loss resulted from the end of usage period or sale of any investment property is included in the income statement in the period is generated.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Investment Properties (cont'd)

Fair Value Method

Group operations after the initial recognition, the fair value method chosen and the fair value of investment property was measured by the method (Note 16).

The fair value of investment property gain or loss arising from the change in profit or loss in the period they occur are included.

Transfers, there is a change in use of the investment property is made. Fair value based on the monitored investment property, the owner, used by real estate class made a transfer, the transfer made after accounting treatment deemed cost at the aforementioned property's use shape change at the dates the fair value is. The owner used by a property's fair value basis to display an investment property if it converts , business , change in use occurred up to the date "Tangible Assets" in the accounting policy applies .

Real estate is located in the Group's own use of tangible fixed assets have been reclassified.

Right of use asset

At the commencement date, the Group shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:
a) The amount of the initial measurement of the lease liability,
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group
d) An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

To apply a cost model, the Group shall measure the right-of-use asset at cost:
a) Less any accumulated depreciation and any accumulated impairment losses and
b) Adjusted for any remeasurement of the lease liability

The Group shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Group shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Lease liability

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined incremental borrowing interest rate shall be used for discounting.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) Fixed payments, less any lease incentives receivable;

b) Variable lease payments that depend on an index or a rate, initially measured using the index or Rate as at the commencement date
c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company shall measure the lease liability by:
a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization of goodwill. These assets are tested for impairment annually. The carrying value of assets subject to amortization may not be recoverable in the event of a situation or events are reviewed for impairment. If the carrying amount exceeds the recoverable amount of the asset is recognized for the impairment. The recoverable amount is fair value less costs to sell or value in use is the one obtained. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognized directly in the income statement. Borrowing costs are recognized directly in the income statement.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

C. Summary of Significant Accounting Policies (cont’d)

Related Parties

Related parties of the Group include companies that can directly or indirectly control or significantly affect the other party through shareholding, contractual rights, family relations or similar means. In the attached consolidated financial statements, the shareholders of the Group and the companies owned by these shareholders, their key management personnel and other companies known to be related are defined as related parties.

Transaction with related parties is the transfer of resources, services or obligations between related parties, regardless of whether a price is charged (Note 37).

Financial Instruments

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

Financial Assets

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

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

Classification of financial assets

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Financial Assets (cont'd)

(i) Amortized cost and effective interest method

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

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

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

Interest income is recognized in profit or loss and is included in the "finance income – interest income" line item. (Note 26)

(ii) Financial assets fair value through other comprehensive income (FVTOCI):
A financial asset is measured at fair value through other comprehensive income if both conditions are met:
a) Retention of the financial asset in the context of a business model aimed at collecting the contractual cash flows and selling the financial asset,
b) The contractual terms of the financial asset will result in cash flows that include interest payments on principal and principal balance on certain dates.

Any gains or losses arising from a financial asset measured at fair value through profit or loss are included in other comprehensive income until the financial asset is derecognized or reclassified. When the financial asset is reclassified, the cumulative gain or loss previously reflected to other comprehensive income is recognized in profit or loss on the reclassification date as a reclassification correction. In case of reclassification of the financial asset that is measured at fair value through profit or loss, the entity shall present the total gain or loss previously recognized in other comprehensive income to the financial statements. Interest calculated using the effective interest method is recognized in profit or loss in the financial statements. At initial recognition in the financial statements, an irrevocable preference can be made to present the subsequent changes in the fair value of the investment in the equity instrument that is not held for commercial purposes in other comprehensive income.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. Specifically: Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

Foreign exchange gains and losses

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Financial Assets (cont'd)

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognized in other comprehensive income in the investment's revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item; and
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment's revaluation reserve.

Impairment of financial assets

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

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

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

Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Financial Assets (cont'd)

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

Financial Liabilities

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

A financial liability is subsequently classified at amortized cost except:

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

The Group does not reclassify any financial liability.

<u>Effects of Changes in Foreign Exchange</u>

The individual financial statements of each Group entity operates in the currency of the primary economic environment (functional currency) are presented. Each company's financial condition and results of operations of the Company, which is the functional currency and the presentation currency for the consolidated financial statements are expressed in TL.

During the preparation of the financial statements of the individual entities, denominated in foreign currencies (currencies other than TL) from the transactions, foreign exchange rates prevailing at the transaction date are recorded at. In the balance sheet foreign currency denominated monetary assets and liabilities using the exchange rates prevailing at the balance sheet date are translated into TL. Followed by the fair value of nonmonetary items denominated in foreign currencies which are those recorded at fair value as determined by rates prevailing on the date are retranslated. Measured in terms of historical cost in a foreign currency non-monetary items, are not retranslated.

Exchange differences, except as specified below, are recognized in profit or loss in the period in which they occur:

- Assets under construction for future productive use, which are associated with and on foreign currency borrowings are regarded as an adjustment to interest costs and the cost of such assets are included in the exchange rate differences,

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Effects of Changes in Foreign Exchange (cont'd)

- Risks arising from foreign currency (providing financial protection against risks related to the accounting policies described below) to provide financial protection against exchange differences arising from the operation,

In overseas activities of the net investment, forming part accounted in translation reserves and net investment in sales profit or loss associated with the unpaid intention or unlikely overseas operations arising from the monetary receivables and payables arising from exchange rate differences.

Earnings per share

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Shareholders have equal rights on the shares and there is no preferred share (Note 34).

Events after the Reporting Period

Events after the reporting period, the balance date and the date of approval of the financial statements to be published, in favor or against the Group refers to events that occur. According to perform smoothing, two types of situations can be identified:

- Events that require adjustment after the reporting period, the balance sheet date of the relevant facts showing there is evidence that the conditions of the situation,

- Related events that occur after the reporting period showing improvements (non-adjusting events after the reporting period)

Events after the Reporting Period (cont'd)

The accompanying financial statements of the Group in the reporting period, adjusting subsequent events have been registered and non-adjusting events after the reporting period are shown in the notes (Note 37).

Provisions, Contingent Liabilities and Contingent Assets

Provisions

There is a present legal or constructive obligation as a result of past events, and resources embodying economic benefits to settle the obligation and it is probable that they kept the company is expected to have a safe manner in the event of liability should be recognized in the consolidated financial statements. The provisions of the expenditure required to settle the obligation at the balance sheet date, with the most realistic estimates calculated by the Company's management and are discounted to present value where the effect is material.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Contingent Liabilities

Obligations under this group, within the control of the entity arising from past events, and the presence of one or more uncertain future events on the realization of the non-existence will be confirmed as the assessed liabilities Contingent liabilities are not included in the consolidated financial statements. Because, to settle the obligation, have the possibility of an outflow of resources embodying economic benefits or the amount of obligation cannot be measured with sufficient reliability. Too far from the entity of resources embodying economic benefits likely to come out, unless the notes to the consolidated financial statements show that conditional obligations (Note 19).

Contingent Assets

The Group within the control of the entity arising from past events, and the presence of one or more uncertain events, which will be confirmed by the realization of assets, is considered as a contingent asset. If an inflow of resources embodying economic benefits is not certain contingent assets described in the notes to the consolidated financial statements.

All of the economic benefits required to settle a provision are expected to be part of the cases, which shall be collected by third parties, it is virtually certain that reimbursement will be received and the amount of the event can be measured reliably, are recognized and reported as an asset.

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions (Note 22).

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets, or alternatively netted off with the cost of related asset.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

C. Summary of Significant Accounting Policies (cont'd)

Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity (Note 35).

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Company operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

The principal temporary differences arise from the carrying values of property, plant and equipment and available for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Employment Termination Benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 25).

Reporting of Cash Flows

The Group's net assets, financial structure, and the ability to affect the amounts and timing of cash flows, financial statement users to provide information about the cash flow statement holds. Cash flow statement, cash flows from operating, investing and financing activities are classified. Cash flows from operating activities, cash flows from operating activities of the Group. From investing activities Cash flows from investing activities (fixed asset investments and financial investments) and the cash flows. Cash flows related to financing activities, the resources used in financing activities of the Group and repayments. Cash and cash equivalents include cash, bank deposits and investments that are readily convertible into cash at short-term, highly liquid investments with original maturities of three months or less.

Capital and Dividends

Ordinary shares are classified as owner's equity. Dividends books after deducted from accumulated profit

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

D. Significant Accounting Estimates

The preparation of consolidated financial statements requires management to affect the reported amounts of assets and liabilities in the balance sheet at the date of the possible liabilities and commitments and the amounts of revenue and expenses during the reporting period required to make certain assumptions and estimates. These estimates and assumptions are based on management's best knowledge of current events and transactions despite the actual results may vary. Estimates are revised regularly and any necessary corrections are made and are reflected in the income statement in the periods. Critical judgments in applying the Group's accounting policies Summary of Significant Accounting Policies in the process of applying the accounting policies specified in management, with a significant impact on the amounts recognized in the financial statements (other than the estimates discussed below) made the following comments:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

a) Severance pay provision calculates under actuarial estimations (discount rate, future salary increases and employee leave rate)

b) Doubtful receivable provisions reflects future loss of possible uncollectible receivable amounts as at balance sheet date. While the determination impairment of receivables, past performance of third party receivables, market credibility's and performances from balance sheet date until the confirmation of financial statements taking into consideration.

c) While the determination provision for lawsuits, Group's legal advisors and Group Management's opinions regarding possibility of lose lawsuits and liabilities in case of lose took into consodiration. Group Management determines lawsuit provision according to best estimations.

3. BUSINESS COMBINATIONS

None. (December, 31 2019: None).

4. INTEREST IN OTHER ENTITIES

None. (December, 31 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

5. SEGMENT REPORTING

Financial performances are not followed separately by the Financial Management. Hence, the Group is not reporting according to the departments of activity.

6. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash in hand	40.710	12.444
Cash at banks	81.498.036	34.482.166
- *Demand deposits*	*4.278.594*	*5.916.350*
- *Time deposits (with maturities of three months or less)*	*77.219.442*	*28.565.816*
Total	81.538.746	34.494.610

Explanations on the nature and level of risks in cash and cash equivalents are explained in note 38.

As of 31.12.2020 and 31.12.2019, the time deposit details are as follows:

Currency type	Interest Rate (%)	Maturity Date	December 31, 2020	Interest Rate (%)	Maturity Date	December 31, 2019
TL	6,50-18,75	15.02.2021	27.295.542	2,65-11,00	2.01.2020	13.464.359
USD	1,50-2,90	22.02.2021	34.948.667	1,75-2,40	17.01.2020	9.235.139
EUR	0,39-2,00	22.02.2021	14.975.233	0,30-0,67	13.01.2020	5.866.318
Total			77.219.442			28.565.816

As of December 31, 2019 there is no restricted cash (December, 31 2019: None).

Foreign currency distribution of deposit accounts are as follows:

	December 31, 2020	December 31, 2019
TL	28.426.933	16.579.338
USD	15.019.274	9.247.521
EURO	38.051.829	8.655.307
Total	81.498.036	34.482.166

Cash and cash equivalents in cash flow statement as of December 31, 2020 and December 31, 2019 as follows:

	December 31, 2020	December 31, 2019
Cash and Cash Equivalents	81.538.746	34.494.610
Interest accrual (-)	(150.137)	(64.472)
Total	81.388.609	34.430.138

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. FINANCIAL INVESTMENTS

None. (December, 31 2019: None).

8. FINANCIAL LIABILITIES

	December 31, 2020	December 31, 2019
Financial liabilities		
Short Term Financial Liabilities	49.224.676	28.708.331
a) Bank Loans	*48.274.314*	*27.684.678*
b) Liabilities from Operating Leases	*283.328*	*111.197*
c) Credit Cards	*667.034*	*912.456*
Current installments of long-term financial liabilities	12.986.640	8.062.111
a) Bank Loans	*12.986.640*	*8.062.111*
Long Term Financial Liabilities	13.557.942	8.033.180
a) Bank Loans	*12.213.945*	*7.819.104*
b) Liabilities from Operating Leases	*1.343.997*	*214.076*
Total	75.769.258	44.803.622

a) Bank Loans

	December 31, 2020			
Currency	Effective Interest Rate (%)	Short-term	Short-term portion of long-term loans	Long-term
TL	0,95 -19,08	48.274.314	12.986.640	12.213.945
Total		48.274.314	12.986.640	12.213.945

	December 31, 2019			
Currency	Effective Interest Rate (%)	Short-term	Short-term portion of long-term loans	Long-term
TL	10,9 -26,00	27.684.678	8.062.111	7.819.104
Total		27.684.678	8.062.111	7.819.104

	December 31, 2020	December 31, 2019
Less than 1 year	61.260.954	35.746.789
1 - 2 years	1.953.445	6.071.068
2 – 3 years	10.260.500	1.748.036
Total	73.474.899	43.565.893

b) Payables From Operating Leases:

	December 31, 2020	
Payables From Leasing	Minimum Rent Payments	Present Value of Minimum Payments
Less than 1 year	465.668	283.328
1 - 5 Years	1.647.776	1.343.997
Present Value of the Lease Obligation	2.113.444	1.627.325

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

8. FINANCIAL LIABILITIES (Cont'd)

	December 31, 2019	
Payables From Leasing	Minimum Rent Payments	Present Value of Minimum Payments
Less than 1 year	137.568	111.197
1 - 5 Years	219.549	214.076
Present Value of the Lease Obligation	357.117	325.273

9. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

Details of Group's trade receivables as of balance sheet date:

Short-term trade receivables	December 31, 2020	December 31, 2019
Trade receivables (*)	28.398.406	25.100.746
Notes receivables (*)	5.265.819	1.963.973
Unearned credit finance income (-)	-	(51.758)
Doubtful receivables (**)	1.015.425	1.091.162
Provision for doubtful receivables (-)	(1.015.425)	(1.091.162)
IFRS 9 Doubtful	(101.199)	-
Total	33.563.026	27.012.961

(*)Trade and Notes Receivables	December 31, 2020	December 31, 2019
1-3 Months	33.579.225	26.680.819
3-6 Months	85.000	383.900
Total	33.664.225	27.064.719

As of 31 December 2020, amount of TL 1.116.624 TL (2019: 1.091.162 TL) of trade receivables are doubtful receivables. Doubtful receivables consist of uncollected receivables which are due from completed projects. During this period, 25.462 TL doubtful receivable provision is provided.

(**)The movements of provision for doubtful receivables are as follows:

Doubtful receivables	December 31, 2020	December 31, 2019
As of January 1	1.091.162	1.015.427
Period Charge	25.462	75.735
As of December 31	1.116.624	1.091.162

Long-term trade receivables

None (December, 31 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

9. TRADE RECEIVABLES AND PAYABLES (Cont'd)

b) Short-term Trade Payables:

Details of Group's trade payables as of balance sheet date:

Short-term Trade Payables	December 31, 2020	December 31, 2019
Trade payables (*)	16.313.197	6.579.470
Notes payables (*)	1.372.089	11.232.512
Unearned credit finance charges (-)	-	(177.786)
Total	17.685.286	17.634.196

(*)Trade and Notes Payables	December 31, 2020	December 31, 2019
1-3 Months	17.685.286	16.845.191
3-6 Months	-	966.791
Total	17.685.286	17.811.982

Long-term Trade Payables

None (December, 31 2019: None).

10. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables	December 31, 2020	December 31, 2019
Due from tax authorities	114.878	80.342
Sub-Total	*114.878*	*80.342*
Due to related parties (Note 37)	-	40.000
Total	114.878	120.342

Other long-term receivables	December 31, 2020	December 31, 2019
Deposits and Guarantees Given	92.440	42.444
Total	92.440	42.444

Other short-term payables	December 31, 2020	December 31, 2019
Other Miscellaneous Payables	161.106	65.036
Taxes and Funds Payable	300.325	410.565
Other Liabilities	7.970	2.245.402
Sub-Total	*469.401*	*2.721.003*
Due to related parties (Note 37)	19.155	19.155
Total	488.556	2.740.158

Other long-term payables

None (December, 31 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

11. DERIVATIVE INSTRUMENTS

None. (December, 31 2019: None).

12. INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials and Supplies	6.326.794	10.413.247
Total	6.326.794	10.413.247

As of the balance sheet date, the Group does not have any stocks with a net realizable value less than its cost. (December, 31 2019: None).

Group does not have any pledged inventory in return for loans as at December 31, 2020 (December, 31 2019: None).

13. PREPAID EXPENSES AND DEFERRED INCOME

Current Prepaid Expenses	December 31, 2020	December 31, 2019
Advances Given for Inventories	1.321.998	3.426.777
Work Advances	746.031	425.490
Short-term Prepaid Expenses	2.665	101.776
Toplam	2.070.694	3.954.043

Non Current Prepaid Expenses

None. (December, 31 2019: None).

Short-term Deferred Income

None. (December, 31 2019: None).

Long-term Deferred Income

None. (December, 31 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

14. CONSTRUCTION CONTRACTS

	December 31, 2020	December 31, 2019
Assets Related to Ongoing Construction Contracts	218.581.211	160.118.020
Total	218.581.211	160.118.020

The details of assets related to ongoing construction contracts are as follows:

	December 31, 2020	December 31, 2019
Receivables Arising from Customer Contracts	218.581.211	160.118.020
- Assets relating with domestic construction contracts	-	-
- Assets not yet acquired relating with domestic construction contracts (*)	218.581.211	160.118.020

(*) Since there is no possible doubt about whether the group will meet the requirements for the acquisition of unearned assets, costs of the unearned assets are reflected in the financial statements on an accrual basis at fair value.

	December 31, 2020	December 31, 2019
Liabilities Arising from Customer Contracts	23.255.694	11.470.677
Total	23.255.694	11.470.677

The details of liabilities related to ongoing construction contracts are as follows:

Liabilities Arising from Customer Contracts	December 31, 2020	December 31, 2019
Advances Received	23.255.694	8.631.095
Incomes For the Following Months	-	2.839.582
Total	23.255.694	11.470.677

15. INVESTMENTS VALUED BY EQUITY METHOD

None. (December, 31 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

16. INVESTMENT PROPERTIES

	January 1- December 31, 2020		
Fair Value	Lands	Buildings	Total
Opening Balance	4.320.000	31.810.000	36.130.000
Disposals	-	(9.010.000)	(9.010.000)
Value Increase / (Decrease)	160.000	4.427.245	4.587.245
Tangible Fixed Assets Transfers	-	9.177.755	9.177.755
Closing Balance	**4.480.000**	**36.405.000**	**40.885.000**

	January 1- December 31, 2019		
Fair Value	Lands	Buildings	Total
Opening Balance	4.000.000	24.080.000	28.080.000
Additions	-	7.226.106	7.226.106
Disposals	-	(2.107.663)	(2.107.663)
Value Increase / (Decrease)	320.000	2.611.557	2.931.557
Closing Balance	**4.320.000**	**31.810.000**	**36.130.000**

The Group has appraised the lands in Hatay and the buildings in Şile, Kartal, Kadıköy and Maltepe to Lotus Gayrimenkul Değerleme Danışmanlık A.Ş., an independent appraisal company licensed by the CMB, which is not affiliated with the Group. The Group management believes that the valuation company in question has professional knowledge and up-to-date information on the class and location of the real estate and machinery.

According to expertize report,

Location	Valuation Date	Value after valuation (TL)		Valuation Method
		Land	Buildings	
İskenderun	31.12.2020	4.480.000	-	Precedent Comparison
Şile	31.12.2020	-	14.520.000	Precedent Comparison, Cost Aproach
Kartal	31.12.2020	-	2.200.000	Precedent Comparison
Kadıköy	31.12.2020	-	10.000.000	Precedent Comparison
Maltepe	31.12.2020	-	9.685.000	Income Deduction
Total		4.480.000	36.405.000	

There is no mortgage on investment properties as of December 31, 2020 (December 31, 2019: None).

The Group's rent income from investment properties in the current year is 84.621 TL'dir. (December, 31 2019: 47.973).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. TANGIBLE FIXED ASSETS

	January 1- December 31, 2020					
Cost	Buildings	Vehicles	Fixtures	Leasehold improvements	Other Tangible Fixed Assets	Total
Opening Balance	15.400.799	1.961.173	2.022.641	161.220	189.988	19.735.821
Additions	-	303.312	421.091	10.499	-	734.902
Disposals		(284.674)	(14.495)	-	-	(299.169)
Right of Use Assets Transfers (*)	(9.636.708)	-	-	-	-	(9.636.708)
Closing Balance	**5.764.091**	**1.979.811**	**2.429.237**	**171.719**	**189.988**	**10.534.846**
Accumulated Depreciations and Impairment						
Opening Balance	(804.798)	(635.563)	(843.585)	(144.714)	(136.906)	(2.565.566)
Term Expense	(115.282)	(281.938)	(240.189)	(13.790)	(53.082)	(704.281)
Disposals	-	146.974	-	-	-	146.974
Canceled Depreciation (*)	458.953	-	-	-	-	458.953
Closing Balance	**(461.127)**	**(770.527)**	**(1.083.774)**	**(158.504)**	**(189.988)**	**(2.663.920)**
Tangible Fixed Assets, Net	5.302.964	1.209.284	1.345.463	13.215	-	7.870.926

The building in Maltepe, which was previously included in tangible fixed assets, has been transferred to investment properties as of 31.12.2020.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. TANGIBLE FIXED ASSETS (cont'd)

	January 1- December 31, 2019					
Cost	Buildings	Vehicles	Fixtures	Leasehold improvements	Other Tangible Fixed Assets	Total
Opening Balance	15.401.093	1.391.912	1.745.690	153.593	189.988	18.882.276
Additions	-	697.436	276.951	7.627	-	982.014
Dispolsals	(294)	(128.175)	-	-	-	(128.469)
Closing Balance	**15.400.799**	**1.961.173**	**2.022.641**	**161.220**	**189.988**	**19.735.821**
Accumulated Depreciations and Impairment						
Opening Balance	(496.782)	(409.723)	(613.963)	(103.104)	(74.210)	(1.697.782)
Term Expense	(308.016)	(277.214)	(229.622)	(41.610)	(62.696)	(919.158)
Disposals	-	51.374	-	-	-	51.374
Closing Balance	**(804.798)**	**(635.563)**	**(843.585)**	**(144.714)**	**(136.906)**	**(2.565.566)**
Tangible Fixed Assets, Net	14.596.001	1.325.610	1.179.056	16.506	53.082	17.170.255

Total current year depreciation expenses are TL 704.281 (December, 31 2019: TL 919.158). TL 189.444 (December, 31 2019: TL 103.832) of this amount is included in the cost of the manufactured goods and TL 514.837 (December, 31 2019: TL 666.739) is included in the general administrative expenses (Note 30).

There is no mortgage on investment tangible fixed assets as of 31 December 2020 (31 December 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. TANGIBLE FIXED ASSETS (cont'd)

The group uses the straight-line method. Depreciation periods for tangible assets are as follows:

	Useful Life
Buildings	50 years
Vehicles	4 - 5 years
Fixtures	3- 20 years
Leasehold Improvements	5 years
Other Tangible Fixed Assets	3 years

18. INTANGIBLE FIXED ASSETS

	January 1- December 31, 2020	January 1- December 31, 2019
Cost	Rights	Rights
Opening Balance	133.482	130.272
Purchases	-	3.210
Outputs	-	-
Closing Balance	**133.482**	**133.482**
Accumulated Redemption and Depletion Shares		
Opening Balance	(76.881)	(68.503)
Term Expense	(31.736)	(8.378)
Outputs	-	-
Closing Balance	**(108.617)**	**(76.881)**
Intangible Fixed Assets, Net	24.865	56.601

Total current year depreciation expenses are 31.736 TL (December, 31 2019: 8.378 TLAll of this amount (31 December 2019: 2.413 TL) is included in general and administrative expenses (Note 30), the part of "0 TL" is included in the cost of goods produced (31 December 2019: 5.965 TL).

TL 5.965 (December, 31 2019: TL 5.965) of this amount is included in the cost of the manufactured goods and TL 2.413 (December, 31 2019: TL 2.413) is included in the general administrative expenses (Note 30).

The group uses the straight-line method. The amortization periods for intangible assets are as follows:

	Useful Life
Rights	3-10 years

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

19. RIGHT TO USE ASSETS

January 1- December 31, 2020

Cost	Office	Vehicles	Total
TFRS 16 Opening Efffect	569.328	342.216	911.544
Purchases	1.630.836	-	1.630.836
Closing Balance	2.200.164	342.216	2.542.380
Accumulated Depreciation			
Opening Balance	(398.741)	(189.733)	(588.474)
Term Expense	(277.779)	(154.960)	(432.739)
Closing Balance	(676.520)	(344.693)	(1.021.213)
Tangible Fixed Assets, Net	1.523.644	(2.477)	1.521.167

January 1- December 31, 2019

Cost	Office	Vehicles	Total
TFRS 16 Opening Efffect	569.328	342.216	911.544
Purchases	-	-	-
Closing Balance	569.328	342.216	911.544
Accumulated Depreciation			
Opening Balance	-	-	-
Term Expense	(398.741)	(189.733)	(588.474)
Closing Balance	(398.741)	(189.733)	(588.474)
Tangible Fixed Assets, Net	170.587	152.483	323.070

Total current period depreciation expenses are TL 432.739 (December, 31 2019: TL 588.474). All of this amount (2019: all of this amount) is included in general administrative expenses (Note 30).

The company leases many assets, including office, warehouse, and vehicles. The rental period is 2-5 years. (31 December 2019: 2-5 years).

Lease agreements are between 2 and 5 years and are related to storage, office and vehicle leases. All operating leases carry a statement regarding the revision of the conditions according to the market conditions in case the Company uses its renewal right. The Company has no right to purchase the leased asset at the end of the lease term.

Accounted in Income Statement	December 31, 2020	December 31, 2019
Depreciation of Right of Use Assets	432.739	588.474
Interest Expense of Lease Liabilities	171.860	75.001
Lease payments not covered by TFRS 16 that are not included in the measurement of the lease liability	454.347	304.768

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

20. GOODWILL

None. (December, 31 2019: None).

21. IMPAIRMENT OF ASSETS

	December 31, 2020	December 31, 2019
Provision for doubtful receivables (-)	(1.116.624)	(1.091.162)
Total	(1.116.624)	(1.091.162)

22. GOVERNMENT INCENTIVES AND GRANTS

Incentives received by the Group has been recognized under other income, are as follows:

December, 31 2020

i) According to Social Security Law numbered 5510, Group benefits from the incentive, which is up to 5% of the monthly SSI premium of employer-share, since there is no delay in the payment of SSI premiums of employees. The incentive amount utilized by the Group is TL 992.982 as of 31.12.2020 (Note 31).

December, 31 2019

i) According to Social Security Law numbered 5510, Group benefits from the incentive, which is up to 5% of the monthly SSI premium of employer-share, since there is no delay in the payment of SSI premiums of employees. The incentive amount utilized by the Group is TL 1.576.674 as of 31.12.2019 (Note 31).

ii) Through Law regarding the Restructuring of Certain Receivables and Amendments on Certain Laws and Statutory Decrees (published in the Official Gazette dated March 8, 2017 and numbered 30001), 5% of income tax and corporate tax rate reduction can be applied. Those who are taxpayers of income tax due to their commercial and those who meet the conditions, 5% of the tax calculated on tax returns are deducted from the income or corporation tax that has to be paid. The incentive amount utilized by the Group is TL 191.057 as of 31.12.2019 (Note 32).

23. BORROWING COST

None. (December, 31 2019: None).

24. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions	December 31, 2020	December 31, 2019
Provision for lawsuits	234.758	308.020
Total	234.758	308.020

(*)Provisions for lawsuits relate to labor claims received by workers.

Long Term Debt Provisions

None (December, 31 2019: None).

Conditional Assets

None (December, 31 2019: None).

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

24. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)

Collaterals, Pledges, Mortgages:

Collaterals/pledges/mortgages (“CPM”) position of the Group as of December 31, 2020 and December 31, 2019 is as follows:

	December 31, 2020			
CPM’s given by the Company	**TL Equivalents**	**USD**	**EURO**	**TL**
1. CPM’s given for Company’s own legal personality	81.189.470	172.706	6.311.821	23.065.469
2. CPM’s given on behalf of fully consolidated companies	-	-	-	-
3. CPM’s given on behalf of third parties for ordinary course of business	-	-	-	-
4. Total amount of other CPM’s	-	-	-	-
- Total amount of CPM’s given on behalf of the majority shareholder	-	-	-	-
- Total amount of CPM’s given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPM’s given on behalf of third parties which are not in scope of 3	-	-	-	-
Total	81.189.470	172.706	6.311.821	23.065.469

	December 31, 2019			
CPM’s given by the Company	**TL Equivalents**	**USD**	**EURO**	**TL**
1. CPM’s given for Company’s own legal personality	53.950.400	-	2.436.505	37.449.170
2. CPM’s given on behalf of fully consolidated companies	-	-	-	-
3. CPM’s given on behalf of third parties for ordinary course of business	-	-	-	-
4. Total amount of other CPM’s	-	-	-	-
- Total amount of CPM’s given on behalf of the majority shareholder	-	-	-	-
- Total amount of CPM’s given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPM’s given on behalf of third parties which are not in scope of 3	-	-	-	-
Total	53.950.400	-	2.436.505	37.449.170

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Collaterals, Pledges, Mortgages (Cont'd):

TL equivalents of collaterals, pledges and mortgages give as of December 31, 2020 and December 31, 2019 are as follows on original currency basis are as follows:

	31.12.2020				31.12.2019			
CPM's given by the Company	**TL Equivalents**	**USD**	**EUR**	**TL**	**TL Equivalents**	**USD**	**EUR**	**TL**
Coverages	81.189.470	172.706	6.311.821	23.065.469	53.950.400	50.000	2.436.505	37.449.170
Total	81.189.470	172.706	6.311.821	23.065.469	53.950.400	50.000	2.436.505	37.449.170

The ratio of other CPM's given by the Group to the equities of Group is 0% as of December 31, 2020. (December 31, 2019: 0%)

Collaterals, Pledges, Mortgages (Cont'd):

The distribution of letters of guarantee received as of December 31, 2020 and December 31, 2019 is shown below:

	31.12.2020			31.12.2019		
CPM's taken by the Company	**Total TL Equivalent**	**EUR**	**TL**	**Total TL Equivalent**	**EUR**	**TL**
Guarantee Letters	81.250	-	81.250	-	-	-
Guarantee Notes	594.856	23.627	382.026	31.923	4.800	-
Total	676.106	23.627	463.276	31.923	4.800	-

All of the guarantees received as of December 31, 2020 and December 31, 2019 have been received from the customers with whom the Company has dealt with its business.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. EMPLOYEE BENEFITS

Liabilities Within The Scope Of Employee Benefits	December 31, 2020	December 31, 2019
Payables to enployees	880.315	1.495.579
Social security deductions to be paid	645.034	797.738
Total	1.525.349	2.293.317

Short-term Provision for Employee Benefits	December 31, 2020	December 31, 2019
Provision for vacation pay liability	136.963	113.342
Total	136.963	113.342

Long-term Provision for Employee Benefits	December 31, 2020	December 31, 2019
Provision for employment termination benefits	1.196.701	1.052.232
Total	1.196.701	1.052.232

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 (“Employee Benefits”) stipulates the development of Company’s liabilities by using actuarial valuation methods under defined benefit plans.

As at balance sheet date, provisions calculated according to assumption 8,50% expected salary increasing rate and 12,80% discount rate and about 3,96 % real discount rate and retiring assumption as follows (31.12.2019: % 7, % 11,50 and % 4,21).

	December 31, 2020	December 31, 2019
Annual discount rate (%)	3,96	4,21
Retirement probability (%)	96,01	97,35

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of December 31, 2020 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

TL 7.639 (December 31, 2019 TL 6.380) maximum amount used on calculation of retirement pay provision with effect from 01 January 2021.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

25. EMPLOYEE BENEFITS (Cont'd)

Movements of severance pay provisions during the year are as follows:

	December 31, 2020	December 31, 2019
As of January 1	1.052.232	529.079
Service cost	580.717	258.738
Interest expense	44.374	28.570
Reversals of provisions	(343.417)	(143.042)
Actuarial gain / losses (*)	(137.205)	378.887
As of December 31/December 31	1.196.701	1.052.232

(*) As of December 31, 2020, TL 137.205 (December 31, 2019: TL 378.887) Actuarial Income/Loss booked in the statement of comprehensive income.

26. OTHER ASSETS AND LIABILITIES

Other current asset	December 31, 2020	December 31, 2019
VAT Carried Forward	435.722	19.359
VAT to be deducted	-	1.686.598
Other	13.483	130.075
Total	449.205	1.836.032

Other non-current asset

None (December 31, 2019: None).

Other Short-Term Liabilities

None (December 31, 2019: None).

Other Long-Term Liabilities

None (December 31, 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid in Capital:

The capital structure as of December 31, 2020 and December 31, 2019 is as follows:

	December 31, 2020		December 31, 2019	
Capital Structure	Share (%)	Amount (TL)	Share (%)	Amount (TL)
Nevhan Gündüz	20,32	10.157.505	21,32	10.657.504
Mahmut Gündüz	0,00	500	0,00	500
Orhan Gündüz	31,50	15.748.750	32,50	16.248.750
Nevin Gündüz	0,00	500	0,00	500
Murat Kartaloğlu	0,00	250	0,00	250
Quated shares	48,18	24.092.495	46,18	23.092.496
Paid-in share capital	**100**	**50.000.000**	**100**	**50.000.000**

Company has accepted the authorised capital system. Current authorised capital ceiling of the Company is TL 50.000.000 and the issued capital is TL 50.000.000 (31.12.2018: TL 50.000.000). Capital of the Company consists of 50.000.000 shares, none of which has any privillages.

b) Share premium (discount)	December 31, 2020	December 31, 2019
Share premium (discount)	2.098.440	1.310.410

c) Treasury Shares	December 31, 2020	December 31, 2019
Treasury Shares	(355.250)	-
Total	(355.250)	-

Considering the Repurchased Shares Communiqué published by the Capital Markets Board and the announcements made on July 21, 2016 and July 25, 2016, the Company has purchased 536,334 TL nominal value and sold 486,334 TL nominal value shares during the period. The Company recently repurchased its shares with a nominal value of TL 50,000 at an average price of TL 7,1085 on October 26, 2020, and the balance at the end of the period consists of 355,250 TL shares with a nominal value of 50,000 TL. Repurchased shares are shown over the acquisition value in equity.

The company also classifies the shares acquired within the scope of liquidity provision transaction within the shares bought back at the end of the period, and as of 31 December 2020, the Company does not have any shares bought back within the scope of liquidity provision. (31 December 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

d) Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss	December 31, 2020	December 31, 2019
Revaluation and recognition gain/(Loss)	456.520	-
Other gains (Losses)	(100.680)	(210.444)
Total	355.840	(210.444)

e) Restricted Reserves Appropriated From Profits	December 31, 2020	December 31, 2019
1st order reserve fund	3.346.890	5.236.867
Treasury share reserves	355.250	-
Total	3.702.140	5.236.867

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

f) Prior Year's Profit	December 31, 2020	December 31, 2019
Extraordinary reserves	16.740.839	-
Prior year's profit / loss (-)	114.283.880	84.182.247
Total	131.024.719	84.182.247

g) Change in non-controlling interests	December 31, 2020	December 31, 2019
Opening balance	(20)	(18)
Profit for the year attributable to non-controlling interest portion	(2)	(2)
Total	(22)	(20)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

28. REVENUE AND COST OF SALE

Revenue	January 1- December 31, 2020	January 1- December 31, 2019
Contracting sales	124.702.418	128.638.016
Materials sales	40.351.219	12.120.599
Total Income	165.053.637	140.758.615
Sales Return(-)	-	(5.528)
Revenue net	165.053.637	140.753.087

Cost of Sales (-)	January 1- December 31, 2020	January 1- December 31, 2019
- Cost of services given (-)	(95.145.597)	(74.045.852)
- Cost of trade goods sold (-)	(5.531.543)	(6.374.732)
Cost of Sales (-)	(100.677.140)	(80.420.584)
Gross Profit	64.376.497	60.332.503

29. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSE

	January 1- December 31, 2020	January 1- December 31, 2019
General administrative expense (-)	6.934.655	6.356.022
Total	6.934.655	6.356.022

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSE (Cont'd)

General Administrative Expense (-)	January 1- December 31, 2020	January 1- December 31, 2019
Personnel expenses	3.119.195	2.699.286
Depreciation expenses	947.576	1.255.213
Provision for employment termination benefit	625.091	287.308
Rent expense	162.404	43.361
Representation expense	350.888	224.229
Consultancy expenses	311.889	261.678
Repair & maintanence expenses	138.216	126.486
Advertisement and public relation expenses	124.568	71.775
Transportation expenses	86.671	135.691
Registration expense	83.911	148.189
Travelling expenses	57.235	101.111
Amortization expenses	31.736	2.413
Provision for vacation pay liability	23.621	113.342
Stationery expenses	21.666	24.791
Other	849.988	861.149
Total	6.934.655	6.356.022

30. EXPENSES BY NATURE

Depreciation expenses	January 1- December 31, 2020	January 1- December 31, 2019
Cost of sales	189.444	103.832
General administrative expense	947.576	1.255.213
Total	1.137.020	1.359.045

Amortization expenses	January 1- December 31, 2020	January 1- December 31, 2019
Cost of sales	-	5.965
General administrative expense	31.736	2.413
Total	31.736	8.378

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

30. EXPENSES BY NATURE (Cont'd)

Personel Expenses	January 1- December 31, 2020	January 1- December 31, 2019
Personel Expenses	22.815.593	24.785.260
Social Security expenses	4.550.706	5.408.805
Provision for employment termination benefits	625.091	287.308
Provision for vacation pay liability	23.621	113.342
Other Social Benefits	197.257	203.050
Total	28.212.268	30.797.765

31. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	January 1- December 31, 2020	January 1- December 31, 2019
Foreign exchange gains	6.679.085	1.932.356
Government grants income	992.982	1.767.732
Scrap sales	479.192	692.755
Canceled provisions	455.468	143.042
Price difference income	271.620	466.010
Unearned credit finance charges	51.758	422.846
Other income	974.011	770.198
Total	9.904.116	6.194.939

Other expense from operating activities(-)	January 1- December 31, 2020	January 1- December 31, 2019
Foreign exchange loss	(5.681.542)	(2.538.827)
Penalty Expenses for Construction Site	(456.532)	(462.643)
Unearned credit finance charges	(177.786)	(338.728)
Provision Expenses		
-Provision for Doubtful Receivables	(25.463)	(32.808)
-Lawsuit Provisions	(38.789)	(141.690)
Other Expenses	(455.508)	(534.455)
Total	(6.835.620)	(4.049.151)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

32. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities	January 1- December 31, 2020	January 1- December 31, 2019
Gains on investment property sales	4.080.000	231.012
Investment property revaluation income	272.179	2.931.557
Rent Income	84.621	47.973
Total	4.436.800	3.210.542

Other Expenses From Investment Activities (-)	January 1- December 31, 2020	January 1- December 31, 2019
Loss on investment property sales (-)	(948.691)	(17.279)
Total	(948.691)	(17.279)

33. FINANCIAL INCOME AND EXPENSES

Financial Income	January 1- December 31, 2020	January 1- December 31, 2019
Foreign exchange gains	9.716.643	2.277.198
Interest income from time deposits	3.206.296	693.149
Promotion Income	-	572.034
Total	12.922.939	3.542.381

Financial Expense	January 1- December 31, 2020	January 1- December 31, 2019
Interest and commission expense (-)	(9.481.610)	(5.094.035)
Foreign exchange losses(-)	(2.099.683)	(667.058)
Total	(11.581.293)	(5.761.093)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

34. NNO-CURRENT ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

None (December 31, 2019: None).

35. INCOME TAX

Tax provisions	December 31, 2020	December 31, 2019
Current year corporation tax expense	4.058.508	790.268
Prepaid taxes and withholding taxes (-)	(2.864.831)	(790.268)
Tax provisions	1.193.677	-

Tax Income / (Expense)	December 31, 2020	December 31, 2019
Corporate and income taxes payable (-)	(4.058.508)	(790.268)
Deferred tax revenue (expense)	(6.703.449)	(10.998.809)
Total	(10.761.957)	(11.789.077)

Non - current income tax assets	December 31, 2020	December 31, 2019
Prepaid taxes and withholding taxes	5.664.865	3.602.699

Corporate Tax

The tax legislation provides for a temporary tax (prepaid tax) of 22% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year.

The corporations earning income from a company or a branch in Turkey do not pay any withholding tax on their dividends. Other dividend payments are subject to withholding tax of 15%. If profit is added to the capital, withholding tax is not applicable. Effective tax rate is 22%. (2019: 22%)

Corporations calculate and pay quarterly temporary corporate tax of 22%. The temporary taxes paid within the year will be offset against the final corporate tax liability for the year. The temporary tax can be offset against any other financial liability against the state.

Tax losses that are reported in the Corporation tax return may be carried forward and deducted from the corporation tax base for a maximum period of five years following the year in which the losses were incurred.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

35. INCOME TAX (cont'd)

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları ile Diger Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will berealized after 2021 and onwards.

Income Tax Withholding

In addition to corporate taxes, their share of the profit from the distribution of dividends in the event of the company's income in the statements, including non-resident institutions and branches of foreign companies in Turkey on any dividends distributed, except for the calculation of income tax withholding is required. Income tax 24 April 2003 - 22 July 2006 was 10% in all companies. This rate is from 22 July 2006 2006/10731 15% by the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Reconciliation between tax expenses for the years ended December 31, 2020 and 2019 and calculated tax expense using corporate tax rate in Turkey (22%) is as follows:

	December 31, 2020	December 31, 2019
Profit before tax	65.340.093	57.096.820
Taxable Profit	65.340.093	57.096.820
Corporate Tax Rate in effect	22%	22%
Calculated Tax Expense	(14.374.820)	(12.561.300)
Expenses not deductible for tax purposes	(43.283)	(35.480)
Difference due to tax rate change	3.656.146	807.703
Total	(10.761.957)	(11.789.077)

Deferred Tax:

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is calculated using tax rates that have been enacted in the period in which assets acquired and/or liabilities carried out and included in the statement of income as income or expense. Deferred tax rate are 22% (2019: 22%)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

35. INCOME TAX (Cont'd)

	Temporary Differences		Defferred Tax Assets /(Liabilities)	
	December	31.12.2019	December	31.12.2019
Deferred Tax Assets :				
Doubtful receivables provision	1.116.624	1.091.161	223.325	240.055
Employee termination benefit	1.196.701	1.052.232	239.340	210.446
Unused vacation provision	136.963	113.342	27.393	24.935
Loan interest accruals	1.223.040	272.312	244.608	59.909
Unearned interest income	-	51.758	-	11.387
Cost adjustment of long term construction project	241.431.912	162.343.623	48.286.382	35.715.597
Lawsuit provision	234.758	308.020	46.952	67.764
Other	16.332	305.563	3.266	71.615
Total	245.356.330	165.538.011	49.071.266	36.401.708
Deferred Tax Liabilities :				
Difference between registered values of investment properties and tax bases	(21.661.499)	(18.606.407)	(2.166.150)	(1.860.641)
Book value and tax basis difference of tangible and intangible assets	(1.697.881)	(1.459.228)	(339.576)	(291.846)
Non-Accrued interest expense	-	(177.786)	-	(39.113)
Construction projects revenue adjustments	(411.855.084)	(287.152.666)	(82.371.017)	(63.173.587)
Deposit interest accrual	(150.137)	(17.686)	(30.027)	(3.891)
Other	109.669	(322.937)	21.934	(64.585)
Total	(435.254.932)	(307.736.710)	(84.884.836)	(65.433.663)
Deferred Tax Asset / (Liability), net	(189.898.602)	(142.198.699)	(35.813.570)	(29.031.955)
Deferred Tax Expense / (Revenue)			(6.781.615)	(10.913.588)
Included in the actuarial (Profit) / Loss Fund			27.441	(75.777)
Amount Deducted from the Valuation Increase Fund			50.725	-
Impact of corrections on the application of TFRS 9 standard			-	(9.444)
Deferred tax expense / (income) for the period			(6.703.449)	(10.998.809)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

35. INCOME TAX (Cont'd)

Deferred tax movement is as follows:

Deferred Tax Asset / (Liability) Movements	December 31, 2020	December 31, 2019
Opening Balance	(29.031.955)	(18.118.367)
Current year deferred tax (expense) / benefit	(6.703.449)	(10.998.809)
Deferred tax liability accounted under equity resulting from actuarial gain / loss	(27.441)	75.777
Impact of corrections on the application of TFRS 9 standard	-	9.444
Deduction from revaluated assets held for sale	(50.725)	
Total	(35.813.570)	(29.031.955)

36. EARNINGS PER SHARE

	January 1- December 31, 2020	January 1- December 31, 2019
Net Profit / (Loss) for the Period	54.578.138	45.307.745
Weighted Average Number of Shares	50.000.000	50.000.000
Profit / (Loss) Per Share from Ongoing Activities	1,092	0,906

37. RELATED PARTY TRANSACTIONS

	December 31, 2020	
	Receivables	Payables
	Short Term	Short Term
Other Short-term Payables	Non commercial	Non commercial
<u>Shareholders</u>		
Orhan Gündüz	-	19.155
Total	-	19.155

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

37. RELATED PARTY TRANSACTIONS (Cont'd)

	December 31, 2019	
	Receivables	Payables
	Short Term	Short Term
Other Short-term Payables	Non commercial	Non commercial
<u>Shareholders</u>		
Orhan Gündüz	40.000	19.155
Total	40.000	19.155

The transactions of the Group with the related parties in the periods 01.01.- 31.12.2020 and 01.01.-31.12.2019 are as follows:

	January 1- December 31, 2020
Transactions with related parties	Rent Income
Orhan Gündüz	84.621
Total	84.621

	January 1- December 31, 2019
Transactions with related parties	Rent Income
Orhan Gündüz	47.973
Total	47.973

The Group has determined key management personnel as board members, group presidents, vice -presidents. Benefits provided to key management personnel as January 1, 2020 – December 31, 2020 and January 1, 2019 – December 31, 2019 is as follows:

Short term benefits provided to key management personnel	January 1- December 31, 2020	January 1- December 31, 2019
Short term benefits provided to key management personnel	378.000	378.000
Total	378.000	378.000

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and equity items including the previous year earnings as specified in note 8.

Board of Directors of the Group periodically examines its capital structure. The board evaluates the risks associated with each capital class together with the capital cost. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payrnent of dividends, new share issues and share buy-backs as well as the issue of new debt on the redemption of existing debt.

The Group uses Liabilities / Equity rate while they follow capital sufficiency. This rate is found by net liabilities divided by total equity. Net liabilities are counted by cash and cash equivalents minus total liabilities which appear in balance sheet.

Group strategy is as the as the previous year. Equity to debts ratio as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
Total Liabilities	157.299.812	109.447.519
Cash and Cash Equivalents (-)	(81.538.746)	(34.494.610)
Net Debt	75.761.066	74.952.909
Total equity	241.404.005	185.826.805
Net debt / Total equity	0,31	0,40

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

b.1) Credit Risk

Financial losses due to Group's receivables and financial assets which could result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk. Group tries to decrease credit risk by conducting operations with confidential parties and attaining enough collateral. Trade receivables are due from a wide range of customers rather than a narrow customer portfolio.

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

Category	**Explanation**	**ECL Calculation Method**
Collectable	The other party's default risk is low and there is no overdue balance.	Lifetime ECL
Doubtful	There are more than 30 days past due or there has been a significant increase in credit risk since the first registration.	Lifetime expected credit loss - no credit impairment
Default	There is more than 90 days past due or evidence that the related asset is impaired by credit.	Lifetime expected credit loss - credit impaired
Written off	Evidence that the borrower is in serious financial trouble to collect related amounts of the Group and has no expectation	Completely written off

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit Risk (Cont'd)

Details of credit and receivable risk are as follows:

December 31, 2020	Receivables					Cash and Cash Equivalents
	Trade receivables from		Other receivables from			
Current Period	Related parties	Other parties	Related parties	Other parties	Assets related to ongoing construction contracts	Deposit in bank
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1)	**-**	**33.563.026**	**-**	**207.318**	**218.581.211**	**81.498.036**
- Secured portion of the maximum credit risk by guarantees, etc. (*)	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2)	-	33.563.026	-	207.318	218.581.211	81.498.036
B. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
C. Net book value of the impaired assets (3)	-	-	-	-	-	-
- Past due (gross carrying amount)		1.015.425	-	-	-	-
- Impairment (-)		(1.015.425)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	(101.199)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont’d)

b) Financial Risk Factors (Cont’d)

b.1) Credit Risk (Cont’d)

December 31, 2019	Receivables					Cash and Cash Equivalents
	Trade receivables from		Other receivables from			
Prior Period	Related parties	Other parties	Related parties	Other parties	Assets related to ongoing construction contracts	Deposit in bank
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1)	**-**	**27.012.961**	**40.000**	**122.786**	**160.118.020**	**34.482.166**
- Secured portion of the maximum credit risk by guarantees, etc. (*)	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2)	-	27.012.961	40.000	122.786	160.118.020	34.482.166
B. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
C. Net book value of the impaired assets (3)	-	-	-	-	-	-
- Past due (gross carrying amount)	-	1.091.162	-	-	-	-
- Impairment (-)	-	(1.091.162)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the amount, factors that increase credit reliability, such as guarantees received, are not taken into account.
(2) Trade receivables consist of note receivables and account receivables from customer. The management of the Group foresees that no problems will be encountered in collecting the relevant amounts, considering its past experience.
(3) Impairment tests have been conducted within the framework of the suspicious receivable policy determined by the management regarding the receivables of the Group from its customers.
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)
b) Financial Risk Factors (Cont'd)

b.2) Liquidity Risk

The primary responsibility belongs to the board of directors regarding the liquidity risk management. Board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following schedules detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The schedules have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The schedule includes the interests to be paid on the said liabilities.

The analysis of the Group's financial liabilities with respect to their maturities is as follows:

Current Year

Contractual cash outflows	Carrying value	Total cash outflow in accordance with the agreement (=I+II+III+IV)	1-3 months (I)	3-12 months (II)	1-5 yıl years (III)
Non-derivative financial liabilities	**93.943.100**	**97.193.124**	**37.493.538**	**45.119.978**	**14.579.608**
Bank loans	73.474.899	76.238.804	18.652.662	44.654.310	12.931.832
Payables from leasing	1.627.325	2.113.444	-	465.668	1.647.776
Bank credit cards	667.034	667.034	667.034	-	-
Trade payables	17.685.286	17.685.286	17.685.286	-	-
Other payables	488.556	488.556	488.556	-	-

Prior Year

Contractual cash outflows	Carrying value	Total cash outflow in accordance with the agreement (=I+II+III+IV)	1-3 months (I)	3-12 months (II)	1-5 yıl years (III)
Non-derivative financial liabilities	**65.177.973**	**65.355.758**	**25.403.445**	**31.919.136**	**8.033.177**
Bank loans	43.565.893	43.565.893	4.905.641	30.841.148	7.819.104
Payables from leasing	325.270	325.270	-	111.197	214.073
Bank credit cards	912.456	912.456	912.456	-	-
Trade payables	17.634.196	17.811.981	16.845.190	966.791	-
Other payables	2.740.158	2.740.158	2.740.158	-	-

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.3) Market Risk

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Any changes did not occur in the current year in the methods of management and measurement of market risk exposed by the Group and the risks exposed compare to the previous year.

b.3.1) Foreign Exchange Risk Management

Foreign currency denominated transactions cause foreign currency risk. Foreign exchange risk is managed with currency purchase/sale contracts which are based on approved policy. The distribution of carrying amount of the

Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the balance sheet date is as follows:

Foreign Currency Position						
	December 31, 2020			December 31, 2019		
	TL	USD	EUR	TL	USD	EUR
1. Trade receivables	10.309.271	-	1.144.470	9.329.369	-	1.402.786
2a. Monetary financial assets (Includes cash in hand and bank accounts)	53.071.106	2.046.083	4.224.273	17.893.878	1.555.571	1.301.157
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	**63.380.377**	**2.046.083**	**5.368.743**	**27.223.246**	**1.555.571**	**2.703.943**
5.Trade receivables	-	-	-	-	-	-
6- Other	-	-	-	-	-	-
7. Non-current assets	-	-	-	-	-	-
8. Total assets (4+5+6)	**63.380.377**	**2.046.083**	**5.368.743**	**27.223.246**	**1.555.571**	**2.703.943**
9. Trade payables	3.867.839	-	429.383	8.152.333	103.830	1.133.065
10. Financial liabilities	-	-	-	-	-	-
11- Monetary other liabilities	-	-	-	-	-	-
12. Non-monetary financial liabilities	-	-	-	-	-	-
13. Other	-	-	-	-	-	-
14. Short-term Liabilities	**3.867.839**	**-**	**429.383**	**8.152.333**	**103.830**	**1.133.065**
15. Financial liabilities	-	-	-	-	-	-
16. Long-term Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
17. Total Liabilities	**3.867.839**	**-**	**429.383**	**8.152.333**	**103.830**	**1.133.065**
18. Net Foreign Currency Asset / (Liability) Position (8-17)	**59.512.538**	**2.046.083**	**4.939.360**	**19.070.913**	**1.451.741**	**1.570.878**
19. Monetary Items Net Foreign Currency Asset / (Liability) Position	**59.512.538**	**2.046.083**	**4.939.360**	**19.070.913**	**1.451.741**	**1.570.878**
20. Total information value of financial instruments used for FX Hedge	-	-	-	-	-	-
18. Export	-	-	-	-	-	-
19. İmport	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.3.1) Foreign Exchange Risk Management (Cont'd)

The Group is mainly exposed to Euro and US Dollars risks.

The table below presents the Group's sensitivity to a 10% deviation in foreign exchange rates especially US dollars and Euro. 10% is the rate used by the Group when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Group's management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss or equity.

Exchange Rate Sensitivity Analysis Table

Current Year				
	Profit/Loss		**Equities**	
	Foreign currency Appreciation	Foreign currency Depreciation	Foreign currency Appreciation	Foreign currency Depreciation
If USD changes by 10% against TL				
1- US Dollars net assets / liabilities	1.501.927	(1.501.927)	-	-
2- US Dollars hedged from risks (-)	-	-	-	-
3- US Dollars net effect (1+2)	**1.501.927**	**(1.501.927)**	**-**	**-**
If EUR changes by 10% against TL				
4- Euro net assets / liabilities	4.449.326	(4.449.326)	-	-
5- Euro hedged from risks (-)	-	-	-	-
6- Euro net effect (4+5)	**4.449.326**	**(4.449.326)**	**-**	**-**
Total (3+6)	5.951.254	(5.951.254)	-	-

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

38. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.3.1) Foreign Exchange Risk Management (Cont'd)

Exchange Rate Sensitivity Analysis Table

Prior Year				
	Profit/Loss		**Equities**	
	Foreign currency Appreciation	Foreign currency Depreciation	Foreign currency Appreciation	Foreign currency Depreciation
If USD changes by 10% against TL				
1- US Dollars net assets / liabilities	862.363	(862.363)	-	-
2-US Dollars hedged from risks (-)	-	-	-	-
3- US Dollars net effect (1+2)	**862.363**	**(862.363)**	-	-
If EUR changes by 10% against TL				
4- Euro net assets / liabilities	1.044.728	(1.044.728)	-	-
5- Euro hedged from risks (-)	-	-	-	-
6- Euro net effect (4+5)	**1.044.728**	**(1.044.728)**	-	-
Total (3+6)	1.907.091	(1.907.091)	-	-

b.3.2) Interest rate risk management

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group's interest rate risk is primarily attributable to its borrowings. The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings.

The Group's financial instruments that are sensitive to interest rates are as follows:

Interest Position Table			
		Current Year	**Prior Year**
Fixed Interest			
Financial Assets	Cash and cash equivalents	77.219.442	28.565.816
	Financial investment	-	-
Financial Liabilities		75.769.258	44.803.622
Floating Interest			
Financial Assets		-	-
Financial Liabilities		-	-

All financial liabilities of the Group consist of fixed rate loans. Cause of this reason, no interest rate risk calculation for interest rate changes has been made (December 31, 2019: None)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

39. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

December 31, 2020	Measured at fair value through other comprehensive income	Mesured at fair value through profit or loss	Measured at amortized cost	Book Value	Note
Financial Assets					
Cash and cash equivalents	-	-	81.538.746	81.538.746	6
Trade receivable	-	-	33.563.026	33.563.026	9
Financial liabilities					
Financial liabilities	-	-	75.769.258	75.769.258	8
Trade Payables	-	-	17.685.286	17.685.286	9
Other Financial Liabilities	-	-	1.193.677	1.193.677	35

December 31, 2019	Measured at fair value through other comprehensive income	Mesured at fair value through profit or loss.	Measured at amortized cost	Book Value	Note
Financial Assets					
Cash and cash equivalents	-	-	34.494.610	34.494.610	6
Trade receivable	-	-	27.012.961	27.012.961	9
Financial liabilities					
Financial liabilities	-	-	44.803.622	44.803.622	8
Trade Payables	-	-	17.634.196	17.634.196	9

Group management considers that the recorded values of financial instruments reflect their reasonable values.

39. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Cont'd)

The fair value of financial assets and liabilities are determined as follows:

• Category 1: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes.

• Category 2: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes.

• Category 3: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

As of December 31, 2020 and December 31, 2020, the Group does not have any financial assets with their fair values.

40. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

None. (December 31, 2019: None).

41. OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER MATTERS REQUIRED FOR CLEAR UNDERSTANDING OF FINANCIAL STATEMENT

Declared as a pandemic by the World Health Organization (WHO) on March 11, 2020, "Covid-19" has restrictive effects on human health in our country and the world, as well as in many areas such as production, trade and transportation. In this context, the possible effects of the Pandemic on our company are evaluated below as the Company Management:

- Due to the Covid-19 outbreak in the current period, a temporary suspension has been taken in one of our active construction sites. This construction site has started its activities again as of 13.05.2020. There may be a decrease in the number of personnel working within the framework of the measures taken and the guidance of our employers. With the normalization of working conditions, it is planned to finalize the works in accordance with the work programs approved by the employers.

- Our activities at our construction sites continue uninterruptedly, taking into account the measures and practices recommended by the relevant authorities (sleeping, working, social distance in food areas, regular health checks, hygiene equipment and clothing, etc.).

- Employees over the age of 55-60 and those with disabilities and chronic diseases have been given paid leave at our construction sites, the necessary construction site changes have been made, and they have been provided with short-time working allowance. There was a limited number of work outs.

- In our head office, remote work was carried out in the 50% -90% range during the period.

- Temporary and partial contraction was observed in company revenues.

- There is no need for additional working capital.

41. OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER MATTERS REQUIRED FOR CLEAR UNDERSTANDING OF FINANCIAL STATEMENT (cont'd)

- Among the government incentives acquired during the period, other tax and SSI payment delays, use of incentive loans, use of short-time work allowance and SSI additional incentives, etc. is located.

-As it is known, since contracting is a labor-intensive business, it is not possible to continue without execution by our blue-collar employees in the field. In case the worksite operations are stopped, the progress of the work, making new progress payments, generating turnover and cash flow may be significantly interrupted. However, if the normalization process continues as of the date of the financial statement announcement, if the economic activity, indicators and prices converge to the company's expectations, it is anticipated that the company's activities and financial status will not be subject to a significant impact.

31.12.2019: None.