

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

**ÇELİK HALAT VE TEL SANAYİİ A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
1 JANUARY - 31 DECEMBER 2021**

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

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# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 AND 2021

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

	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
<b>ASSETS</b>			
<b>Current assets</b>		<b>480,915,117</b>	<b>179,342,846</b>
Cash and cash equivalents	3	75,911,415	11,738,954
Trade receivables			
- Due from related parties	26	-	-
- Due from non-related parties	6	175,740,003	83,692,181
Other receivables			
- Due from non-related parties	7	3,660,023	1,078,965
Inventories	9	214,722,521	77,187,945
Prepaid expenses	16	4,445,631	3,991,816
Other current assets	17	6,435,524	1,652,985
<b>Non-current assets</b>		<b>96,797,650</b>	<b>76,280,320</b>
Other receivables			
- Due from non-related parties		23,991	-
Right of use assets	10	1,627,892	758,887
Property, plant and equipment	11	72,700,772	59,202,846
Intangible assets	12	11,371,990	9,073,257
Financial investments	4	20,087	20,087
Prepaid expenses	16	5,330,093	-
Deferred income tax	24	5,228,538	6,597,883
Other non-current assets	17	494,287	627,360
<b>TOTAL ASSETS</b>		<b>577,712,767</b>	<b>255,623,166</b>

The consolidated financial statements as of and for the period ended 31 December 2021 have been approved by the Board of Directors on 22 February 2022

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

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 AND 2021

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

	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>494,935,687</b>	<b>217,232,043</b>
Short-term borrowings			
Short-term borrowings from third parties			
- <i>Bank loans</i>	5	196,121,297	82,028,980
Short-term portion of long- term borrowings			
Short-term portion of long-term borrowings from related parties			
- <i>Lease borrowings</i>	5	380,552	80,209
Short-term portion of long-term borrowings from third parties			
- <i>Bank loans</i>	5	4,679,460	-
- <i>Lease borrowings</i>	5	390,664	210,916
Trade payables			
- <i>Due to non-related parties</i>	6	268,235,661	128,487,715
Payables related to			
employee benefits	8	2,324,567	1,229,723
Other payables			
- <i>Due to related parties</i>	7, 26	377,431	886,138
Short-term provisions			
- <i>Short-term provisions for employment benefits</i>	13	884,876	536,927
- <i>Other short-term provisions</i>	13	2,897,198	473,000
Deferred income (Except obligations arising from customer contracts)	16	17,322,504	3,012,245
Other short-term liabilities	7	1,321,477	286,190
<b>Non-current liabilities</b>		<b>31,315,297</b>	<b>14,370,303</b>
Long-term borrowings			
Long-term borrowings from non-related parties			
- <i>Bank Loans</i>	5	8,951,956	-
- <i>Lease borrowings</i>	5	631,989	389,314
Long-term provisions			
- <i>Long-term provisions for employment benefits</i>	15	21,544,488	13,420,396
Deferred income (Except obligations arising from customer contracts)	16	186,864	560,593
Deferred tax liabilities	24	-	-
<b>Equity</b>		<b>51,461,783</b>	<b>24,020,820</b>
Share capital	18	41,500,000	16,500,000
Adjustments to share capital	18	8,642,368	8,642,368
Share premium		359,793	-
Other comprehensive income (losses) that will not be reclassified in profit or loss			
Actuarial gains (losses)			
- <i>Actuarial gains (losses) on defined benefit plans</i>	18	(11,493,778)	(6,450,976)
Other comprehensive income/(losses) that will not be reclassified in profit or loss			
- <i>Foreign exchange differences</i>		(867,867)	(419,159)
Restricted reserves	18	3,906,090	3,906,090
Retained earnings		1,842,497	9,973,655
Net profit/(loss) for the period		7,572,680	(8,131,158)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>577,712,767</b>	<b>255,623,166</b>

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

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR END OF THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Notes	Audited Current Period 1 January - 31 December 2021	Audited Prior Period 1 January - 31 December 2020
Revenue	19	686,839,428	335,265,960
Cost of Sales (-)	19	(563,658,550)	(283,887,074)
<b>GROSS PROFIT</b>		<b>123,180,878</b>	<b>51,378,886</b>
General Administrative Expenses (-)	20	(22,146,840)	(17,299,697)
Marketing Expenses (-)	20	(47,357,489)	(23,150,480)
Research and Development Expenses (-)	20	(2,711,280)	(1,688,904)
Other Income from Operating Activities	22	125,183,578	37,789,914
Other Expenses from Operating Activities (-)	22	(144,624,878)	(34,524,669)
<b>OPERATING PROFIT</b>		<b>31,523,969</b>	<b>12,505,050</b>
Income from investment activities		1,312,498	-
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/(EXPENSE)</b>		<b>32,836,467</b>	<b>12,505,050</b>
Finance Expense (-)	23	(22,633,742)	(22,848,337)
<b>PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS</b>		<b>10,202,725</b>	<b>(10,343,287)</b>
<b>Tax Expense/Income From Continued Operations</b>	<b>24</b>	<b>(2,630,045)</b>	<b>2,212,129</b>
Tax Income/(Expense) for the Period	24	-	-
Deferred Tax Income/(Expense)	24	(2,630,045)	2,212,129
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>7,572,680</b>	<b>(8,131,158)</b>
<b>Other Comprehensive Income/(Loss)</b>		<b>(5,042,802)</b>	<b>(946,846)</b>
<b>That will be not be reclassified s as profit or loss</b>			
Actuarial gains/(losses) on defined benefit plans	15	(6,303,502)	(1,183,557)
<b>Taxes related to other comprehensive income that will not be reclassified as profit or loss</b>			
- Deferred Tax Income/(Expense)	24	1,260,700	236,712
<b>That will be classified s as profit or loss</b>			
Foreign exchange differences		(448,708)	(385,914)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>(5,491,510)</b>	<b>(1,332,759)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>2,081,170</b>	<b>(9,463,917)</b>
Gain/(Loss) Per Share	25	0.21	(0.49)

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

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY- 31 DECEMBER 2021 AND 2020

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

	Notes	Paid-in Capital	Adjustments to share capital	Share premium	Other comprehensive income/ expenses) not to be reclassified to <b>Profit or Loss</b>	Other comprehensive income/(expenses) to be reclassified <b>Profit or Loss</b>	<u>Accumulated Profits</u>		Equity	
					Actuarial gain/(losses) on defined benefit plans	Foreign exchange differences	Restricted reserves	Retained earnings		Net profit/(Loss) fort the period
<b>Balances at 1 January 2020</b>		16,500,000	8,642,368	-	(5,504,130)	(33,245)	3,906,090	20,421,269	(10,447,614)	33,484,738
Transfers		-	-	-	-	-	-	(10,447,614)	10,447,614	-
Total comprehensive income/(expense)		-	-	-	(946,846)	(385,914)	-	-	(8,131,158)	(9,463,918)
<b>Balances at 31 December 2020</b>	18	16,500,000	8,642,368	-	(6,450,976)	(419,159)	3,906,090	9,973,655	(8,131,158)	24,020,820
<b>Balances at 1 January 2021</b>		16,500,000	8,642,368	-	(6,450,976)	(419,159)	3,906,090	9,973,655	(8,131,158)	24,020,820
Transfers		-	-	-	-	-	-	(8,131,158)	8,131,158	-
Capital increase		25,000,000	-	-	-	-	-	-	-	25,000,000
Increase/(decrease) due to other changes		-	-	359,793	-	-	-	-	-	359,793
Total comprehensive income/(expense)		-	-	-	(5,042,802)	(448,708)	-	-	7,572,680	2,081,170
<b>Balances at 31 December 2021</b>	18	41,500,000	8,642,368	359,793	(11,493,778)	(867,867)	3,906,090	1,842,497	7,572,680	51,461,783

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

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2021

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

	Notes	Audited Current Period 1 January- 31 December 2021	Audited Prior Period 1 January- 31 December 2020
<b>A. NET CASH FROM OPERATING ACTIVITIES</b>		<b>(38,260,165)</b>	<b>20,521,982</b>
Profit for the period/(loss)		7,572,680	(8,131,158)
<b>Adjustments regarding reconciliation of net profit (loss) for the period</b>		<b>43,585,352</b>	<b>35,814,571</b>
Adjustment related to depreciation and amortization	10, 11, 12	12,963,456	12,492,305
Adjustments related to provision (reversal) of impairment			
<i>Adjustments related to provision of impairment on inventories</i>	9	-	-
<i>Adjustments related to provision (reversal) of impairment of receivables</i>	6	382,908	130,798
Adjustments related to provision (reversal) of impairment			
Adjustments related to provisions			
<i>Adjustments related to provisions (reversal) for lawsuits and/or penalty</i>	13	(324,000)	(126,019)
<i>Adjustments related to provisions (reversals) for employee benefits</i>	13, 15	5,348,319	3,626,602
<i>Adjustments related to provisions (reversals) for the other provisions</i>	7, 13	2,748,198	425,593
Adjustments related to interest (income) and expenses			
<i>Adjustments related to interest income</i>	22	(951,028)	(335,149)
<i>Adjustments related to interest expense</i>	23	9,911,436	5,987,021
Adjustments related to changes in unrealised foreign exchange differences		10,876,018	15,825,549
Adjustments related to tax expense/(income)	24	2,630,045	(2,212,129)
<b>Changes in working capital</b>		<b>(86,238,417)</b>	<b>(5,254,685)</b>
Adjustments for increase/(decrease) in inventories		(136,434,957)	(13,325,544)
Adjustments for increase/(decrease) in trade receivables		(92,430,730)	(10,675,112)
Adjustments related to increase/(decrease) in employee benefits payable		1,094,844	-
Adjustments regarding increase/(decrease) in other receivables on operations		(12,678,630)	6,042,959
Adjustments for increase/(decrease) in trade payables		139,747,946	11,072,834
Adjustments regarding increase/(decrease) in other payables on operations		14,463,110	1,630,178
<b>Net Cash from Operating Activities</b>		<b>(35,080,385)</b>	<b>22,428,728</b>
Employee termination benefits paid	13, 15	(3,179,780)	(1,906,746)
<b>B. NET CASH FROM INVESTING ACTIVITIES</b>		<b>(27,590,332)</b>	<b>(11,023,122)</b>
Cash outflows from purchase of property, plant and equipment and intangible assets	11, 12	(27,964,177)	(11,023,122)
Cash inflows from sales of property, plant and equipment and intangible assets	11, 12	373,845	-
<b>C. NET CASH FROM FINANCING ACTIVITIES</b>		<b>130,022,958</b>	<b>(14,990,456)</b>
Proceeds from borrowings			
<i>Cash inflows from borrowings</i>		298,945,317	265,616,251
<i>Cash inflows from factoring transactions</i>		-	-
Cash outflows on debt payments			
<i>Cash outflows from borrowings</i>		(179,195,970)	(272,920,340)
<i>Cash inflows from factoring transactions</i>		-	-
Cash outflows due to payments of lease agreements	5	(2,667,926)	(2,214,578)
Interest paid		(13,009,493)	(5,806,938)
Interest received		951,030	335,149
Capital increase		25,000,000	-
<b>D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>64,172,461</b>	<b>(5,491,596)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>3</b>	<b>11,738,954</b>	<b>17,230,550</b>
<b>F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+E)</b>	<b>3</b>	<b>75,911,415</b>	<b>11,738,954</b>

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

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi (“the Company” or “Çelik Halat”), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi-finished goods demands of mining, construction, tire, bead, energy, fishery and other various manufacturing industries. The Company was established in 1962 and is registered in Turkey. The Company is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”). The Company's main shareholder is Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner and Y. Begümhan Doğan Faralyalı).

The Company is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 10 January 1986. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency (“CRA”), the 29.67% (31 December 2020: 29.12%) shares of Çelik Halat are to be considered in circulation as of 31 December 2021 (Note 18).

The Company established a subsidiary titled Celik Halat Netherlands B.V. (Celik Halat BV), headquartered in Amsterdam, Netherlands, to conduct sales and marketing activities for its products produced in 2018 in Europe, and the Company owns 100% of Celik Halat BV’s shares.

The Company's subsidiaries (the “Subsidiaries”), their core business and the countries in which they operate are as follows:

Subsidiaries	Nature of business	Establishment and place of activity	Share capital ratio (%)	
			31 December 2021	31 December 2020
Celik Halat BV (*)	Sales and Marketing	Netherlands	100.00	100.00

(\*) As of 27 September 2018, the establishment process has been completed.

The number of employees of the Company as of 31 December 2021 is 428 (31 December 2020: 405).

The registered address of the parent company is as follows:

Ertuğrul Gazi Mah. Şehitler Caddesi No: 2 Kartepe, P.K: 41180, Kocaeli

### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### 2.1.1 Preparation and Presentation of Consolidated Financial Statements

##### Adopted Financial Reporting Standards

The accompanying consolidated financial statements are prepared in accordance with 2019 TAS Taxonomy based on the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”), which is developed by POA and announced to the public by the decision of the POA on 15 April 2019 in accordance with paragraph 9(b) of Decree Law No. 660.



# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.1 Basis of Presentation (Continued)

##### 2.1.1 Preparation and Presentation of Consolidated Financial Statements (Continued)

###### Adopted Financial Reporting Standards (Continued)

The Group maintains their legal books of accounts in Turkish Lira in accordance with the Tax Legislation, and the Uniform Chart of Accounts (General Communiqué on Accounting System Implementation) issued by the Ministry of Finance.

These consolidated financial statements, except for the financial assets and investment properties that are presented at fair value, are prepared on the basis of historical cost.

###### Adjustment to the financial statements in hyperinflationary periods

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

###### *Functional and presentation currency*

Functional currency is defined as the currency in which the entity carries out a significant portion of its activities. The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Çelik Halat.

##### 2.1.2 Financial statements of subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group’s accounting policies.

If the group entities’ functional currency is different from the presentation currency; it is translated into the presentation currency as below:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- Income and expenses for each statement of profit or loss are translated at average exchange rates in the accounting period; and all resulting exchange differences are recognized as a separate component of equity and statements of other comprehensive income (currency translation differences).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021**

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

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

**2.1.3 New and revised Turkish Financial Reporting Standards (“TFRS”)**

**a) New standards applicable as of 31 December 2021 and amendments to existing previous standards and interpretations:**

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

**b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021: Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:**

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.1 Basis of Presentation (Continued)

##### 2.1.3 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The Group has not determined the effects that may occur in the consolidated financial statements as a result of the application of the aforementioned standards but has not anticipated that these differences will have a significant impact on the consolidated financial statements.

##### 2.1.4 Consolidation and equity method accounting principles

The consolidated financial statements include the accounts of the parent company, Çelik Halat, its Subsidiaries and its Joint Ventures (collectively referred as the “Group”) on the basis set out in sections (a) to (c) below. The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are restated in accordance with the TAS considering the accounting policies and presentation requirements applied by the Group.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.1.4 Consolidation and equity method accounting principles

###### *Subsidiaries*

Subsidiaries comprise of the companies directly or indirectly controlled by Çelik Halat.

Control is achieved when the Group:

- Has power over the company/asset;
- Is exposed, or has rights, to variable returns from its involvement with the company/asset; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are indicators of a situation or an event that may cause any changes to at least one of the elements of control listed above.

When the Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in the relevant investee are sufficient to give it power, including:

- The size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (including voting patterns at previous shareholders’ meetings).

Subsidiaries are consolidated by the date the Group takes the control and from the date the control is over, subsidiaries are excluded from the consolidation scope. The Group has no direct and/or indirect shareholding that affects the effective ownership rate

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Çelik Halat in its subsidiaries are eliminated from equity and income for the period.

Subsidiaries acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.1.4 Consolidation and equity method accounting principles (Continued)

###### *Changes in ownership interests*

The group assesses transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their indirect interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity of Çelik Halat.

As of 31 December 2021 and 31 December 2020, the consolidated subsidiaries and their ownership percentages are as follows:

	<b>Proportion of effective ownership interest (%) 31 December 2021</b>	<b>Proportion of effective ownership interest (%) 31 December 2020</b>
Celik Halat BV	100.00	100.00

##### 2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 31 December 2021 with 31 December 2020. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the period ended 1 January - 31 December 2021, are presented comparatively with the consolidated financial statements as of the period 1 January - 31 December 2020.

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

##### 2.1.6 Offsetting

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

##### 2.1.7 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements

Changes of accounting policies resulting from the first-time implementation of the TAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.2 Summary of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the consolidated financial statements are as follows. Accounting policies are applied consistently, unless otherwise indicated:

##### Related parties

Related parties are people or entities that are related to the entity (reporting entity) that is preparing its financial statements.

- (a) A person or a close member of that person’s family is related to a reporting entity if that person;
  - (i) Has control or joint control over the reporting entity,
  - (ii) Has significant influence over the reporting entity; or,
  - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  
- (b) An entity is related to a reporting entity if any of the following conditions apply:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) (A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Related parties (Continued)

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company’s subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 26).

##### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 3).

##### Trade receivables and provision for doubtful receivables

The Group’s trade receivables from providing goods or services to customers are carried at net of unrealized finance income (“unearned financial income due to sales with maturity”). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named “effective interest rate”. Short-term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 6).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt “simplified approach” in TFRS 9 standard.

According to “simplified approach” of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to “lifetime expected credit loss” if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

TAS 39, “Financial Instruments” valid before 1 January 2018: Instead of “realised credit losses model” in Accounting and Measurement Standard, “expected credit loss model” was defined in TFRS 9 “Financial Instruments” Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Trade receivables and provision for doubtful receivables (Continued)

The Group decides to allocate provision for doubtful receivables, whose payment was not made within the ordinary commercial activity cycle of the Group, considering whether the trade receivable is subject to administrative and/or legal proceeding, whether or not they have a guarantee and there is an objective finding. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable.

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 22).

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income from operating activities following the write-down of the total provision amount (Note 6, 22).

##### Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 9).

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 the consolidated 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 the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

##### Financial Assets

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.



# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Financial Assets (Continued)

###### *Financial assets carried at amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group’s financial assets carried at amortized cost comprise “trade receivables”, “other receivables” and “cash and cash equivalents” in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

###### *Impairment*

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision is not provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

##### Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 11). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements	5 - 50 years
Buildings	10 - 50 years
Machinery and equipment	5 - 20 years
Motor vehicles	5 - 10 years
Furniture and fixtures	4 - 15 years

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

An item of property, plant and equipment is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as income or expenses from investing activities in consolidated profit or loss.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.2 Summary of Significant Accounting Policies (Continued)

###### Property, plant and equipment (Continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets as of the consolidated statement of financial position date.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

Gain and losses regarding sale of property, plant and equipment are accounted as other income and expenses from investing activities.

###### Intangible assets and related amortization

Intangible assets comprise energy production license and information technology systems. Intangible assets are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of 3 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 12). Gains and losses arise from sales of intangible assets are included to other operating income and expense accounts.

###### Development costs

Development costs for the design and testing of detectable and unique products controlled by the Group are recognized as intangible assets when the following conditions are met:

- It is technically possible to complete the product to be ready for use,
- Management intends to complete and use or sell the product,
- Possibility to use and sell the product,
- Certainty on how the product is likely to provide future economic benefits,
- Availability of sufficient technical, financial and other resources to complete the development phase and to use or sell the product and
- Reliable measurement of expenses related to the product during the development process.

Capitalized development costs are recognized as intangible assets and are amortized beginning from the date the asset is ready for use.

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Taxation

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year’s tax liabilities.

Deferred income tax is provided, using the liability method, on temporary differences arising between the statutory tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

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. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 24).

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 24).

##### Current and deferred tax

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 24).

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

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

**Impairment regarding financial assets**

At each statement of financial position date, the Group evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment losses are recognized in the statement of profit or loss.

**Financial borrowings and borrowing costs**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 5). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset.

**Employment termination benefits**

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 15).

According to the amendment in TAS 19, the Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive statement of profit or loss as of the statement of financial position date.

**Provisions, contingent assets and liabilities**

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Group in the financial statements of the period in which the change occurs.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

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

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

**Provisions, contingent assets and liabilities (Continued)**

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 13).

**Share capital and dividends**

Ordinary shares are classified as equity. Dividend income is recognized as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the General Assembly (Note 18).

**Revenue recognition**

When the Group meets its performance obligation by transferring a product or service that is committed before, the revenue is recognised in consolidated financial statements. When the client takes over the control of an asset, the asset is deemed transferred.

The Company transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue.

If all the below-mentioned conditions are met, Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

When determining whether the money can be collected, Group only considers its client’s ability and intention to pay the money in time. At the beginning of the agreement, Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021**

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

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

**Revenue recognition (Continued)**

At the beginning of the agreement, Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation as follows:

- a) Different goods or service (goods or service packages) or
- b) A group of different goods or services which are similar in a great extent and transferred to the client with the same method.

A group of different goods or services are subject to the same transfer method if the below conditions are met:

- a) Each different product or service that the Group committed to transfer to the client must meet required conditions and constitute a performance obligation to be met in time and
- b) As per the relevant paragraph of the standard, using the same method to measure the progress of the Group in meeting its obligation to transfer each product or service included in the group to the client.

Group sells different products and services as a package and also can sell them separately. Each product and service which are determined through agreement and Group transferred to its clients in a package are described as different goods and services. Additionally, because clients can benefit from these services separately, these services can be described independently from other commitments in the agreement. Based on this, each service in a package is recognised as a separate performance.

If a third party is involved in the process where goods or services are provided to client, when the Group determines its performance liability it assess whether its commitment is about providing (primary) the good or service by itself or mediating (agent) the sale of the goods or services provided by other parties According to this, if the Group checks the goods or services before delivering them to client, the Group is in the primary position related to sale of good or services. When (or as long as) the Group meets its performance liability, it recognises the revenue equal to gross amount of price, which it expects to earn in return for transferred goods or services, in the consolidated financial statements. If the Group mediates the process where other parties provide the goods and services, it is in the agent position and cannot include the revenue for the performance liability in the consolidated financial statements.

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (e.g. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. There are variable amounts because the agreements Group made with clients have scores from turnover-based discounts, returns and customer loyalty programs. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021**

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

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

**Revenue recognition (Continued)**

In assessing whether it is highly probable that there will be no significant cancellation in the amount of cumulative revenue recognized in the consolidated financial statements when the uncertainty regarding the variable price disappears later, the Group considers both the likelihood and the magnitude of the revenue reversal.

If a company offers its client in an agreement a choice to receive additional good or services, this choice leads to a performance liability if the choice gives the client a tangible right that client cannot use as long as the client does not sign the agreement as a party. If the choice gives client a tangible right, the client makes prepayment to the company for the goods and service it will receive in the future. The company includes this revenue in the financial statements when these future goods and services are transferred or this choice expires.

If independent sale price related to client’s choice to receive additional good or service cannot be observed, the company determines this through estimation. If client chooses to receive good or service, this estimation reflects the discount the client will get based on the followings:

- (a) Discount if the client does not choose to receive good or service,
- (b) Possibility of using the choice.

After receiving pre-payment from client, the company includes an agreement liability equal to pre-payment in return for performance liability related to transferring goods or services in the future or making them ready to be transferred. When the company completes transfer of goods or services and therefore meets its performance liability, it removes this agreement liability from financial statements (and the revenue is included in the financial statements).

When the Group expects to collect a price and accepts to pay some or all of this price back to client, it includes the return liability in the financial statements. Return liability is measured based on the collected (or receivable) price (in other words, amounts which are not included in the transaction price) the company does not expect to deserve. Return liability (change in the transaction price and agreement liability) is updated at the end of every reporting period by considering the changes in the conditions.

The Group includes the following things in the financial statement in order to recognise the transfer transaction of products which can be returned (along with some delivered services, on condition with being subject to return):

- (a) Revenue in return for products transferred at the value which the company expects to deserve (therefore the revenue related to product that are expected to be returned is not included in the financial statements)
- (b) A return liability and
- (c) An asset in return for a right to get the products back from client after the company meets its return liability (based on this, an adjustment in sales cost).

An asset, recorded in financial statements in scope of the right to take the products back from the client to carry out refund liability, should be evaluated considering the resulting amount after the costs (including the potential decrease of value of the returned product from the perspective of the business) to be made in scope of taking back these products at previous book value (if available). The group updates its refund liability measure in a manner that it reflects the changes in the expected refund amounts and reflects the necessary adjustments in consolidated financial statements as revenue (or discounts from revenue)

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Revenue recognition (Continued)

A good or service’s contractually specified price is its independent sale price. If there is more than one good or service to transfer in the contract, the Group allocates the transaction price to each performance liability (or different good or service) in an amount that shows the amount which the client expects to have a right to in return for transfer of the goods or services committed to the client. To reach its distribution target, the Group allocates the transaction price to each performance liability specified in the contract at a proportional independent sale price. To allocate the transaction price to each performance liability on a basis of a proportionate individual sale price, the Group determines the individual sale price of different goods or services that make up the basis of each performance liability in the contract at the beginning date of the contract and allocates transaction price in proportion to these individual sale prices.

When a party carries out the contract, the Group reflects the contract as a contract asset or contractual liability in the statement of financial position, depending on the relationship between the business performance and client payment. The Group records its unconditional rights related to the price as a receivable.

Except for the cases where there are observable indications that the discount is related to one or a few of the performance liabilities regulated in the contract and not all of them, the Group allocates the discount directly proportional to all performance liabilities.

##### Industry and trade income

This income gained through product sales is recognised when the client takes over the control of the committed asset, “at a specific point in time”. Trade incomes of the Group are defined as merchandise sales and brokerage and commission income. The Group records the merchandise sales income at a specific time, when it transfers the control of the merchandise to the other party. Foreign trade incomes of the Group are recognized over time, at the time the service is completed.

Before the group transfers a good or a service to the client, if the said client pays the price or the business has an unconditional receivable on the price, it reflects the contract as a contractual liability on the date the payment is made or when the payment is due (whichever is earlier). Contract liability is the liability of the business to transfer goods or services to the client in return for the amount it has collected (or earned the right to collect). In cases where the customer does not pay the cost or the performance obligation is met by transferring the goods or services to the customer before the due date, the Group presents the contract as a contract asset except the amounts presented as receivable.



## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.2 Summary of Significant Accounting Policies (Continued)

###### Leases

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease,
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease,
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
  - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or,
  - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In case that the contract fulfils these conditions, the Group reflects a right of use asset and a lease liability to the consolidated financial statements at the date of the lease's actual start.

###### *Right of use assets*

The right-of-use asset is initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Leases (Continued)

###### *Right of use assets (Continued)*

In applying the cost method, the Group measures the right of use asset by:

- a) Deducting the accumulated depreciation and accumulated impairment losses and,
- b) Measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Group applies depreciation provisions in “TAS 16 Property, Plant and Equipment” while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the “TAS 36 Impairment of Assets” standard is implemented.

###### *Lease liability*

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

- a) Amount deducted from all types of rental incentive receivables from fixed payments,
- b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started,
- c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

- a) Increasing the book value by reflecting interest on lease liability,
  - b) Reducing the book value by reflecting the lease payments made
  - c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any.
- The Group reflects the remeasured amount of the lease obligation to the consolidated financial statements as adjustment in the use of right.

###### *Extension and early termination options*

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Leases (Continued)

###### *Facilitative applications*

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the TFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

##### Foreign currency transactions

###### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, under finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis under other income or other expenses.

The results and financial position of all the Çelik Halat BV is translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions and
- All resulting exchange differences are recognized in other comprehensive income.

A significant portion of the Group’s foreign operations is performed in Europe zone. Foreign currencies and exchange rates at 31 December 2021 and 31 December 2020 are summarized below:

<b>Country</b>	<b>Currency</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Europe (“Eurozone”)	EUR	14.6823	9.0079

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.2 Summary of Significant Accounting Policies (Continued)

##### Segment reporting of financial information

The Group has the right to produce and sell energy with the auto producer license it owns, as well as the main areas of operation described in Note 1. The Group produces as much energy as it needs for its production and does not sell energy to third parties. In this context, the management of the Group does not regard energy production made for internal purposes as a separate activity department. In this context, there is no reporting according to the departments since there is only one reportable department of the Group.

##### Earnings/(loss) per share

Earnings/(loss) per share is determined by dividing net income/(loss) by the weighted average number of shares that have been outstanding during the period concerned (Note 25).

In Turkey, companies can increase their issued capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all of the periods presented in the financial statements. Therefore, the weighted average number of shares used in earnings per share computations are made with regards to the distribution of shares occurred in the prior years.

##### Subsequent events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of financial statements (Note 28).

##### Statement of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group’s activities.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with three months or less to maturity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021**

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

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Critical Accounting Estimates, Assumptions and Decisions**

The preparation of financial statements requires management to make estimates, assumptions and estimates that affect the reported amounts of assets and liabilities, their probable commitments and undertaking as of the balance sheet date, and the amounts of income and expenses in the reporting period. Actual results may differ from estimates. Estimates are regularly reviewed, necessary corrections are made and reflected in the profit or loss table in the period in which they are realized.

The following are the assumptions made by taking into consideration the actual sources of the estimates that may be realized or materialized at the balance sheet date, which could have a significant effect on the amounts reflected in the financial statements:

- a) Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Company's statutory tax financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") issued by the Public Oversight Accounting and Auditing Standards Institution. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and the date of last use of other tax assets and tax planning strategies that can be used when necessary are taken into account.
- b) The Company management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.
- c) The Company's management is responsible for actuarial calculations based on a number of assumptions including retirement pay liability, discount rates, future salary increases and employee retirement rates.
- d) The Company provides a provision for doubtful receivables in trade receivables, if the circumstances indicate that it will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of the receivable.
- e) The Group is capitalising its ongoing development spendings and evaluates annually whether there is impairment regarding these capitalised assets. As of 31 December 2021 and 31 December 2020, we have not detected any impairment related to capital development expenses.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.4 Significant Developments in the Current Period

After COVID-19 broke out, as a result of developments/slowdowns both in overall financial activity and in the sector the group operates in, sales processes slowed in the countries the group operates in.

In the meantime, the group took action to minimise investment expenses, operational costs and inventories, and reviewed the cash management strategy to strengthen liquidity position.

Through this process, company management took the necessary actions to minimise as much as possible the potential impact of COVID-19 on the group’s operations and financial status. There were no delays in payments to suppliers or collection of receivables.

It is still unclear, both in Turkey and around the world, how long the impact of the COVID-19 will last and to what extent the virus will continue to spread. It will be possible to make a more clear and accurate estimation for the medium and long-term when the severity and duration of the impact becomes more evident. In addition, potential impacts of the COVID-19 outbreak were taken into account when preparing the interim consolidated financial statements dated 31 December 2020, and the estimations and assumptions used when preparing the financial statements were reviewed. In this context, the company tested potential impairments to the value of financial assets, inventories, property, plant and equipment in the interim financial statements dated 31 December 2020 and did not find any impairment.

#### NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	-	-
Banks		
- Demand deposits	74,811,415	11,738,954
- Time deposits	1,100,000	-
	<b>75,911,415</b>	<b>11,738,954</b>

As of 31 December 2021, the Group had an overnight time deposit of TRY1,100,000 (31 December 2020: None).

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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#### NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The details of cash and cash equivalents included in cash flow statements as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Cash and banks	75,911,415	11,738,954
Accrued interest (-)	-	-
	<b>75,911,415</b>	<b>11,738,954</b>

#### NOTE 4 - FINANCIAL INVESTMENTS

	Share (%)	31 December 2021	Share (%)	31 December 2020
Kocaeli Free Zone	less than 1	20,087	less than 1	20,087
		<b>20,087</b>		<b>20,087</b>

#### NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS

The details of financial borrowings at 31 December 2021 and 31 December 2020 are as follows:

##### Short-term borrowings

	31 December 2021	31 December 2020
Bank borrowings	196,121,297	82,028,980
Factoring borrowings	390,664	210,916
	<b>196,511,961</b>	<b>82,239,896</b>

##### Short-term parts of long-term borrowings

	31 December 2021	31 December 2020
Bank borrowings	4,679,460	-
Borrowings from leasing transactions - related parties	380,552	80,209
	<b>5,060,012</b>	<b>80,209</b>

##### Long-term borrowings

	31 December 2021	31 December 2020
Bank borrowings	8,951,956	-
Borrowings from leasing transactions	631,989	389,314
	<b>9,583,945</b>	<b>389,314</b>

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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### NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS (Continued)

The movement table of the borrowings from the leasing transactions is as follows:

	2021	2020
<b>1 January</b>	<b>680,439</b>	<b>96,712</b>
Additions	3,138,408	2,588,563
Payments	(2,667,926)	(2,214,578)
Interest expenses (Note 23)	252,284	180,083
Exchange differences	-	34,994
Early termination	-	(5,335)
<b>31 December</b>	<b>1,403,205</b>	<b>680,439</b>

#### a) Bank borrowings

	<u>Original currency</u>		<u>Interest rate per annum (%)</u>		<u>TRY equivalent</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
EUR	830,000	2,495,000	0.60-3.75	0.60-0.90	12,544,537	22,474,711
TRY	183,576,760	59,554,269	16.75-30.00	8.50-14.00	183,576,760	59,554,269
					<b>196,121,297</b>	<b>82,028,980</b>

#### b) Payables from non-related parties for short-term portion of long-term borrowings

	<u>Vade</u>	<u>Interest rate per annum (%)</u>		<u>Original currency</u>		<u>TRY equivalent</u>	
		<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
TRY	2022	10	10	390,664	210,916	390,664	210,916
EUR	2022	3.75	-	309,613	-	4,679,460	-
						<b>5,070,124</b>	<b>210,916</b>

#### c) Payables from non-related parties for long-term portion of long-term borrowings

	<u>Vade</u>	<u>Interest rate per annum (%)</u>		<u>Original currency</u>		<u>TRY equivalent</u>	
		<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
TRY	2022	10	10	631,989	389,314	631,989	389,314
EUR	2024	3.75	3.75	592,300	-	8,951,956	-
						<b>9,583,945</b>	<b>389,314</b>

#### d) Payables from related parties for short-term portion of long-term borrowings

Payables from related parties for short-term leasing transactions:

	<u>Vade</u>	<u>Interest rate per annum (%)</u>		<u>Original currency</u>		<u>TRY equivalent</u>	
		<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
EUR	2021	1-3	1-3	25,179	8,904	380,552	80,209
						<b>380,552</b>	<b>80,209</b>

As of 31 December 2021 and 31 December 2020, the Group does not have any floating rate borrowings.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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#### NOTE 5 - SHORT-TERM AND LONG-TERM FINANCIAL BORROWINGS (Continued)

As of 31 December 2021 and 31 December 2020, net financial debt reconciliation is as follows:

	31 December 2021	31 December 2020		
Cash and cash equivalents (Note 3)	75,911,415	11,738,954		
Short-term borrowings	(201,571,973)	(82,320,105)		
Long-term borrowings	(9,583,945)	(389,314)		
	<b>(135,244,503)</b>	<b>(70,970,465)</b>		
	<b>Cash and</b>	<b>Borrowings</b>	<b>Borrowings</b>	<b>Net</b>
	<b>Cash equivalents</b>	<b>up to 1 year</b>	<b>+1 year</b>	<b>financial debt</b>
<b>As of 1 January 2020</b>				
<b>net financial debt</b>	<b>17,230,550</b>	<b>(73,253,312)</b>	<b>-</b>	<b>(56,022,762)</b>
TFRS 16 transition effect	-	(2,203,477)	(389,314)	(2,592,791)
Foreign currency adjustments	2,303,164	(16,207,742)	-	(13,904,578)
Cash flow effect	(7,794,760)	10,578,778	-	2,784,018
Interest accrual, net	-	(1,234,352)	-	(1,234,352)
<b>As of 31 December 2020</b>				
<b>net financial debt</b>	<b>11,738,954</b>	<b>(82,320,105)</b>	<b>(389,314)</b>	<b>(70,970,465)</b>
	<b>Cash and</b>	<b>Borrowings</b>	<b>Borrowings</b>	<b>Net</b>
	<b>Cash equivalents</b>	<b>up to 1 year</b>	<b>+1 year</b>	<b>financial debt</b>
<b>As of 1 January 2021</b>				
<b>net financial debt</b>	<b>11,738,954</b>	<b>(82,320,105)</b>	<b>(389,314)</b>	<b>(70,970,465)</b>
TFRS 16 transition effect	-	(480,091)	(242,675)	(722,766)
Foreign currency adjustments	4,163,245	(11,236,495)	(3,046,176)	(10,119,426)
Cash flow effect	60,009,216	(100,936,655)	(9,406,350)	(50,333,789)
Interest accrual, net	-	(2,836,087)	(261,970)	(3,098,057)
Transfers	-	(3,762,540)	3,762,540	-
<b>As of 31 December 2021</b>				
<b>net financial debt</b>	<b>75,911,415</b>	<b>(201,571,973)</b>	<b>(9,583,945)</b>	<b>(135,244,503)</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2021	31 December 2020
<b>Short-term trade receivables from related parties:</b>		
Trade receivables (Note 26)	-	-
	-	-
<b>Short-term trade receivables from non- related parties:</b>		
	31 December 2021	31 December 2020
Trade receivables	139,798,600	62,989,817
Notes and cheques receivable	37,256,685	22,228,231
	<b>177,055,285</b>	<b>85,218,048</b>
Provision for doubtful receivables (-)	(1,315,282)	(1,525,867)
<b>Trade receivables, net</b>	<b>175,740,003</b>	<b>83,692,181</b>

As of 31 December 2021 the average maturity of not overdue trade receivables of the Group is 49 days as of the statement of financial position date (31 December 2020: 52 days). The unearned interest income arising from the sales regarding the trade receivables of the Group in TRY, EUR and USD is not calculated (31 December 2020 TRY: Not calculated). The rate used in this method and determined based on compound interest is called “effective interest rate”; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

The movement details of provision for doubtful receivables are as follows:

	2021	2020
<b>1 January</b>	<b>(1,525,867)</b>	<b>(1,521,088)</b>
Increase in the period (Note 22)	(382,908)	(130,798)
Collections and other provisions no longer required	-	-
Reversals	593,493	126,019
<b>31 December</b>	<b>(1,315,282)</b>	<b>(1,525,867)</b>

<b>Short-term trade payables to non-related parties:</b>	31 December 2021	31 December 2020
Trade payables	268,235,661	128,487,715
<b>Trade payables, net</b>	<b>268,235,661</b>	<b>128,487,715</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2021, the average maturity of trade payables are 60 days (31 December 2020: 76 days). The deferred interest income arising from purchase regarding the trade payables of the Group in TRY, EUR and USD is not calculated (31 December 2020: none). The rate used in this method and determined based on compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

#### NOTE 7 - OTHER RECEIVABLES, PAYABLES AND OTHE SHORT-TERM LIABILITIES

a) Other receivables to non-related parties	31 December 2021	31 December 2020
Receivables from tax office	2,965,682	577,579
Deposits and guarantees given	594,060	460,761
Due from personnel	100,281	40,625
	<b>3,660,023</b>	<b>1,078,965</b>
b) Other short-term liabilities	31 December 2021	31 December 2020
Calculated VAT	1,287,359	271,390
Union dues and other deductions	34,118	14,800
	<b>1,321,477</b>	<b>286,190</b>
c) Other short-term payables	31 December 2021	31 December 2020
Other payables to related parties (Note 26)	377,431	886,138
	<b>377,431</b>	<b>886,138</b>

#### NOTE 8 - PAYABLES RELATED TO EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Employee salary accruals	2,324,567	1,229,723
	<b>2,324,567</b>	<b>1,229,723</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 9 - INVENTORIES

	31 December 2021	31 December 2020
Finished goods	63,434,963	26,643,832
Goods in transit	62,513,440	25,469,226
Raw materials and supplies	76,405,293	19,939,276
Semi-finished goods	12,368,825	5,135,611
	<b>214,722,521</b>	<b>77,187,945</b>
Provision for impairment of inventory (-)	-	-
	<b>214,722,521</b>	<b>77,187,945</b>

The cost of raw materials and supplies consumed in current period are TRY445,365,626 (31 December 2020: TRY214,107,262) (Note 19).

As of 31 December 2021 and 31 December 2020, there is no provision for impairment of inventories of Group.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 10 - RIGHT OF USE ASSETS

The movements of the rights of use assets during the periods are shown below:

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
<b>Cost</b>					
Machinery, plant and equipment	4,069,546	2,031,823	-	-	6,101,369
Vehicles	316,980	1,106,585	-	-	1,423,565
<b>Total</b>	<b>4,386,526</b>	<b>3,138,408</b>	-	-	<b>7,524,934</b>
	1 January 2021	Additions	Disposals	Transfers	31 December 2021
<b>Accumulated amortisation</b>					
Machinery, plant and equipment	(3,394,440)	(2,077,195)	-	-	(5,471,635)
Vehicles	(233,199)	(192,208)	-	-	(425,407)
<b>Total</b>	<b>(3,627,639)</b>	<b>(2,269,403)</b>	-	-	<b>(5,897,042)</b>
<b>Net book value</b>	<b>758,887</b>				<b>1,627,892</b>
	1 January 2020	Additions	Disposals	Transfers	31 December 2020
<b>Cost</b>					
Machinery, plant and equipment	1,604,516	2,470,365	(5,335)	-	4,069,546
Vehicles	198,782	118,198	-	-	316,980
<b>Total</b>	<b>1,803,298</b>	<b>2,588,563</b>	<b>(5,335)</b>	-	<b>4,386,526</b>
	1 January 2020	Additions	Disposals	Transfers	31 December 2020
<b>Accumulated amortisation</b>					
Machinery, plant and equipment	(1,604,516)	(1,789,924)	-	-	(3,394,440)
Vehicles	(115,001)	(118,198)	-	-	(233,199)
<b>Total</b>	<b>(1,719,517)</b>	<b>(1,908,122)</b>	-	-	<b>(3,627,639)</b>
<b>Net book value</b>	<b>83,781</b>				<b>758,887</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
<b>Cost</b>					
Lands	992,168	-	-	-	992,168
Land and land improvements	4,211,055	-	-	127,800	4,338,855
Buildings	19,936,818	1,138,458	-	387,020	21,462,296
Machinery and equipment	132,704,120	830,894	-	9,067,795	142,602,809
Motor vehicles	1,309,196	-	(1,194,110)	-	115,086
Furniture and fixtures	15,324,620	1,830,493	-	214,323	17,369,436
Construction in progress	3,334,540	19,290,218	-	(9,796,938)	12,827,820
	<b>177,812,517</b>	<b>23,090,063</b>	<b>(1,194,110)</b>	<b>-</b>	<b>199,708,470</b>
<b>Accumulated depreciation</b>					
Land and land improvements	(1,904,811)	(370,251)	-	-	(2,275,062)
Buildings	(14,368,279)	(645,058)	-	-	(15,013,337)
Machinery and equipment	(91,449,096)	(6,869,727)	-	-	(98,318,823)
Motor vehicles	(695,236)	(125,029)	820,265	-	-
Furniture and fixtures	(10,192,249)	(1,208,227)	-	-	(11,400,476)
	<b>(118,609,671)</b>	<b>(9,218,292)</b>	<b>820,265</b>	<b>-</b>	<b>(127,007,698)</b>
<b>Net book value</b>	<b>59,202,846</b>				<b>72,700,772</b>
	1 January 2020	Additions	Disposals	Transfers	31 December 2020
<b>Cost</b>					
Lands	992,168	-	-	-	992,168
Land and land improvements	4,123,085	26,340	-	61,630	4,211,055
Buildings	19,415,245	429,177	-	92,396	19,936,818
Machinery and equipment	128,039,111	1,051,076	-	3,613,933	132,704,120
Motor vehicles	1,309,196	-	-	-	1,309,196
Furniture and fixtures	14,601,173	147,735	-	575,712	15,324,620
Construction in progress	2,260,444	5,720,800	-	(4,646,704)	3,334,540
	<b>170,740,422</b>	<b>7,375,128</b>	<b>-</b>	<b>(303,033)</b>	<b>177,812,517</b>
<b>Accumulated depreciation</b>					
Land and land improvements	(1,532,981)	(371,830)	-	-	(1,904,811)
Buildings	(13,760,086)	(608,193)	-	-	(14,368,279)
Machinery and equipment	(84,900,162)	(6,548,934)	-	-	(91,449,096)
Motor vehicles	(438,073)	(257,163)	-	-	(695,236)
Furniture and fixtures	(8,890,894)	(1,301,355)	-	-	(10,192,249)
	<b>(109,522,196)</b>	<b>(9,087,475)</b>	<b>-</b>	<b>-</b>	<b>(118,609,671)</b>
<b>Net book value</b>	<b>61,218,226</b>			<b>59,202,846</b>	

As of 31 December 2021 and 31 December 2020, there is no pledge or mortgage on property, plant and equipment of Group.

There are no property, plant and equipment of Group due from financial leasing (31 December 2020: None).

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 12 - INTANGIBLE ASSETS

	1 January 2021	Additions	Transfers	31 December 2021
Energy production license (1)	5,549	-	-	5,549
Information system	8,936,442	719,087	-	9,655,529
Development costs	6,187,999	4,155,027	-	10,343,026
Accumulated amortization (-)	(6,056,733)	(2,575,381)	-	(8,632,114)
<b>Net book value</b>	<b>9,073,257</b>	<b>2,298,733</b>	<b>-</b>	<b>11,371,990</b>

  

	1 January 2020	Additions	Transfers	31 December 2020
Energy production license (1)	5,549	-	-	5,549
Information system	8,128,919	504,490	303,033	8,936,442
Development costs	3,044,495	3,143,504	-	6,187,999
Accumulated amortization (-)	(3,488,247)	(2,568,486)	-	(6,056,733)
<b>Net book value</b>	<b>7,690,716</b>	<b>1,079,508</b>	<b>303,033</b>	<b>9,073,257</b>

(1) Dated December 19, 2008, the Company acquired with auto producer license from electricity generation license for a period of 49 years. The company provides part of the electricity needs by converting natural gas into electricity in cogeneration system.

#### NOTE 13 - OTHER SHORT-TERM PROVISIONS

##### a) Short-term provisions related to employee benefits

	31 December 2021	31 December 2020
Provision for unused vacation	884,876	536,927
	<b>884,876</b>	<b>536,927</b>

The movement of the provision for unused vacation for the periods ended are as follows:

	2021	2020
<b>1 January</b>	<b>536,927</b>	<b>361,556</b>
Provision for the period	2,262,222	1,256,087
Provision no longer required	-	-
Payments during the period	(1,914,273)	(1,080,716)
<b>31 December</b>	<b>884,876</b>	<b>536,927</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 13 - OTHER SHORT-TERM PROVISIONS (Continued)

##### b) Other short-term provisions

	31 December 2021	31 December 2020
Provision for other expenses <sup>(2)</sup>	2,748,198	-
Provision for lawsuits <sup>(1)</sup>	149,000	473,000
	<b>2,897,198</b>	<b>473,000</b>

(1) There are various on-going lawsuits where the Company is defendant. All of these lawsuits are related to labor cases. The Company management evaluates the possible causes and financial impacts of these lawsuits at the end of each period and recognizes the necessary provisions as a result of this assessment. The amount of provision recognized as at 31 December 2021 is amounting to TRY149,000 (31 December 2020: TRY473,000). There are no lawsuits that the Company was not provided a provision (31 December 2020: None).

(2) The provision amount related to the period between September-December, as per the negotiations between MESS and Türk Metal for the Group Collective Labour Agreement.

The US Ministry of Trade, International Trade Administration initiated an “anti-dumping and subvention” investigation of pre-stressed concrete bundle imports from 15 countries, including Turkey. Our company was listed in the top two of companies that exported the most pre-stressed concrete bundle from Turkey to the US, which is why our company was selected as one of the companies addressed in the said investigation. The necessary analyses have started within the scope of this investigation.

Movement of lawsuit provisions is as follows:

	2021	2020
<b>1 January</b>	<b>473,000</b>	<b>50,000</b>
Provision for the period	-	549,019
Payments during the period	-	-
Provision no longer required (Note 22)	(324,000)	(126,019)
<b>31 December</b>	<b>149,000</b>	<b>473,000</b>

##### Contingent assets

	31 December 2021	31 December 2020
Mortgage	10,695,000	10,785,000
Guarantee letters	5,310,805	2,484,500
Cheques	150,000	150,000
Notes	109,789	113,405
	<b>16,265,594</b>	<b>13,532,905</b>

As of 31 December 2021, the Group has credit agreement related to the purchase of raw materials amounting to TRY96,828,862 (31 December 2020: TRY75,227,573). As of 31 December 2021, the Group has no letters of credit (31 December 2020: None).



# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 14 - COMMITMENTS

	31 December 2021				31 December 2020			
	TRY equivalent	TRY	EUR	USD	TRY equivalent	TRY	EUR	USD
A. CPM’s given in the name of its own legal personality (1)	119,892,833	14,982,437	944,250	6,787,920	44,802,233	28,445,667	90,000	2,117,820
B. CPM’s given on behalf of 3rd parties for ordinary course of business	-	-	-	-	-	-	-	-
C. Total amount of other CPM’s given								
i) Total amount of other CPM’s given behalf of majority shareholders	-	-	-	-	-	-	-	-
ii) Total amount of CPM’s given on behalf of other group companies	-	-	-	-	-	-	-	-
iii) Total amount of CPM’s given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-	-	-
<b>Total</b>	<b>119,892,833</b>	<b>14,982,437</b>	<b>944,250</b>	<b>6,787,920</b>	<b>44,802,233</b>	<b>28,445,667</b>	<b>90,000</b>	<b>2,117,820</b>

(1) Comprise of guarantees which the Group has given on behalf of its own legal entity as of 31 December 2021 and 31 December 2020 and there are no pledge and mortgages given.

As at 31 December 2021 and 31 December 2020 all CPMs of the Group were given on behalf of its own legal entity.

The rate of given CPMs to the Group’s total equity is 0% (31 December 2020: 0%).

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 15 - EMPLOYEE BENEFITS

#### Long-term provisions related to employee benefits:

	31 December 2021	31 December 2020
Employee termination benefits	21,544,488	13,420,396

In the countries in which the Group carries out its operations, the Group has no pension commitment agreement apart from the following legal obligations in Turkey.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 31 December 2021, the maximum amount payable equivalent to one month of salary is TRY8,284.51 (exact) (31 December 2020: TRY7,117.17 (exact)) for each year of service. The retirement pay provision ceiling TRY10,848.59 which is effective from 1 January 2022, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2021: TRY7,638.96).

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Company.

The standard TAS 19 “Employee Benefits” envisages the development of actuarial valuation methods in order to estimate the provision of severance pay. According to this, following assumptions were used in the calculation of total liability based on the report prepared by the actuarial firm.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

Discount rate applied as 20.22% <sup>(1)</sup> (31 December 2020: 11.80%), inflation rate applied as 15.90% (31 December 2020: 7.43%) and increase in wages applied as 15.90% (31 December 2020: 7.43%) in the calculation <sup>(2)</sup>.

Age of retirement is based on considering the Company’s historical operating data and taken as the average age of retirement from the Company.

<sup>(1)</sup> Discount rate used for calculating the severance payment liability is determined as the 10 years and 15 years of Government Bond compound interest of % (31 December 2020: 4.07%).

<sup>(2)</sup> The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2021 has been used in calculating the liability for severance payment.

The movement details of provision for employee termination benefits are as follows:

	2021	2020
<b>1 January</b>	<b>13,420,396</b>	<b>10,692,353</b>
Service cost	1,544,692	1,112,337
Interest cost	1,541,405	1,236,938
Loss due to reduced benefits	-	21,241
Actuarial loss	6,303,502	1,183,557
Payments	(1,265,507)	(826,030)
<b>31 December</b>	<b>21,544,488</b>	<b>13,420,396</b>

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 16 - PREPAID EXPENSES AND DEFERRED INCOME

#### a) Short-term prepaid expenses

	31 December 2021	31 December 2020
Prepaid expenses (*)	3,093,143	1,402,903
Advances given	1,352,488	2,588,913
	<b>4,445,631</b>	<b>3,991,816</b>

(\*) Short-term advances given consist of advances given for purchase of product.

#### b) Short-term deferred income

	31 December 2021	31 December 2020
Advances given (*)	16,948,775	2,638,516
Deferred income	373,729	373,729
	<b>17,322,504</b>	<b>3,012,245</b>

(\*) Consist of order advances received from customers.

#### c) Long-term deferred income

	31 December 2021	31 December 2020
Deferred income	186,864	560,593
	<b>186,864</b>	<b>560,593</b>

#### d) Long-term prepaid expenses

	31 December 2021	31 December 2020
Deferred income	5,330,093	-
	<b>5,330,093</b>	<b>-</b>

### NOTE 17 - OTHER CURRENT/NON-CURRENT ASSETS

#### Other current assets:

	31 December 2021	31 December 2020
Deferred VAT	6,227,962	1,652,985
Income accrual	207,562	-
	<b>6,435,524</b>	<b>1,652,985</b>

#### Other non-current assets:

	31 December 2021	31 December 2020
Blocked account (*)	472,076	610,765
Deferred special consumption tax	22,211	16,595
	<b>494,287</b>	<b>627,360</b>

(\*) As of 31 December 2021 the Company has restricted deposits amounting to TRY472,076 (31 December 2020: TRY610,765). Annual effective interest rates applied to the restricted deposits are 18.25%. TRY472,074 (31 December 2020: TRY407,777) consists of deposits blocked against a letter of guarantee for the Customs administration. There is an interest accrual of TRY6,895 for the remaining amounting on time deposits (31 December 2020: TRY10,454).

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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#### NOTE 18 - EQUITY

##### Issued capital

The Company adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Company’s registered capital ceiling and issued capital at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Registered authorized capital ceiling	100,000,000	100,000,000
Issued capital	41,500,000	16,500,000

The ultimate shareholders of the Company are Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y. Begümhan Doğan Faralyalı).

	(%)	31 December 2021	(%)	31 December 2020
Doğan Holding <sup>(1)</sup>	69.83	28,980,816	70.35	11,608,093
Publicly traded on Borsa İstanbul and other <sup>(2)</sup>	30.17	12,519,184	29.65	4,891,907
<b>Issued capital</b>	<b>100.00</b>	<b>41,500,000</b>	<b>100.00</b>	<b>16,500,000</b>
Adjustment to issued capital		8,642,368		8,642,368
<b>Total</b>		<b>50,142,368</b>		<b>25,142,368</b>

(1) As of 31 December 2021, 69.83% of the shares of the Company owned by Doğan Holding, which corresponds to 30.17% of the publicly available shares of Çelik Halat in the Stock Exchange (31 December 2020: 29.65%).

(2) In accordance with the “CMB” Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 29.67% of the shares are outstanding as of 31 December 2021 based on the Central Registry Agency’s (“CRA”) records (31 December 2020: 29.12%).

There are no privileged shares of the Company.

Adjustment to share capital represents the difference between cash and cash equivalent contributions to the total amounts adjusted for inflation added to issue share capital and amounts before inflation adjustment.

##### Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with TCC and TPL.

General Statutory Legal Reserves are reserved according to the article 519 of Turkish Commercial Code and used in accordance with the principles set out in this article. The aforementioned amounts should be classified in “Restricted Reserves” in accordance with the TAS.

As of 31 December 2021, the Company’s restricted reserves amounting to TRY3,906,090 (31 December 2020: TRY3,906,090) comprise of general statutory legal reserves with respect to the Company records in accordance with Tax Legislation.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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#### NOTE 18 - EQUITY (Continued)

##### **Accumulated Other Comprehensive Income and Expenses that will not be Reclassified in Profit or Loss**

The Group’s investment property revaluation reserves and actuarial losses of defined benefit plans that aren’t reclassified in accumulated other comprehensive income and expenses are summarized below:

##### *i. Actuarial gains/(losses) on defined benefit plans*

The Group recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under equity in the financial position table amounts to TRY11,493,778 (31 December 2020: TRY6,450,976).

##### **Capital Reserves and Retained Earnings**

Subsequent to the first inflation adjusted financial statements, equity items such as; “Capital, Emission Premiums, General Statutory Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves” are carried at carrying value in the statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts group.

In accordance with the CMB regulations, “Issued capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences resulted due to the inflation adjustment shall be disclosed as follows:

- If the difference is due to the “Issued Capital” and not yet been transferred to capital, it should be classified under “Capital adjustment difference”;
- If the difference is due to “Restricted Reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase yet, it shall be classified under “Retained Earnings/(Losses)”.

Capital adjustment differences have no other use than to be included to the share capital.

According to the records of the Group within the scope of Tax Legislation as of 31 December 2021, the entire amount of extraordinary reserves was reclassified to previous period profit account with the decision of the General Assembly (31 December 2020: None)

##### **Dividend distribution**

The Group decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code (“TCC”), Capital Market Law (“CML”), Capital Market Board (“CMB”) Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand,

- a) Retained earnings derived from the reparation of comparative financial statements based on the first-time adoption of TAS,
- b) “Equity inflation adjustment differences” derived from resources that do not have any restriction regarding profit distribution,
- c) Retained earnings derived from the first-time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

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#### NOTE 18 - EQUITY (Continued)

##### Dividend distribution (Continued)

The Group decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code (“TCC”), Capital Market Law (“CML”), Capital Market Board (“CMB”) Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand,

- a) Retained earnings derived from the reparation of comparative financial statements based on the first-time adoption of TAS,
- b) “Equity inflation adjustment differences” derived from resources that do not have any restriction regarding profit distribution,
- c) Retained earnings derived from the first-time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends

In addition, if the financial statements include the “Purchasing Impact on Equity” item under equity, the related item is not considered as a deductible or additional item when presenting net distributable profit for the period.

At the Ordinary General Assembly Meeting of the Group held on 29 March 2021

- Considering the Turkish Commercial Code (“TCC”), capital market legislation and Capital Markets Board (“CMB”) Regulations, corporate tax, income tax and other relevant legal legislation and the legislation relevant to the Main Agreement of the Company and the “Dividend Distribution Policy” disclosed to the public,

It was decided with a unanimous vote that

- In the scope of the provisions of the CMB’s Communiqué on the Principles of Financial Reporting in Capital Markets (Communiqué no. II-14.1), according to our Company’s consolidated financial statements of the 01/01/2020-31/12/2020 accounting period prepared in line with Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Public Oversight, Accounting and Auditing Standards Authority (KGK), whose presentation principles were determined as per CMB decisions, considered together with deferred tax income, a net period loss of TRY8,131,158 arose, and after adding the TRY184,740 in donations a net period loss of TRY7,946,418 was calculated,
- In our legal accounting records of the 01/01/2020-31/12/2020 accounting period prepared in line with tax legislation and the uniform chart of accounts (General Communiqué on Accounting System Implementation) published by the Republic of Turkey Ministry of Finance, a net period loss of TRY7,893,631.66 arose in the 01/01/2020-31/12/2020 accounting period,
- Shareholders will be informed that no profit distribution will be carried out related to the 01/01/2020-31/12/2020 accounting period, in line with CMB regulations on profit distribution and as per the CMB and KGK regulations, in the consolidated financial statements prepared in line with TAS and TFRS, non-distributed profit amounting to TRY8,131,158 will be recognised under “Previous Years’ Profit or Loss”,
- The net period loss of TRY7,893,631.66 arising from the legal accounting records of our Company will be recognised in the “Previous Years’ Profit or Loss” account.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 19 - REVENUE AND COST OF SALES

##### a) Revenue:

	1 January - 31 December 2021			1 January - 31 December 2020		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Multi-strand rope	57,799,714	214,147,549	271,947,263	36,959,103	108,584,162	145,543,265
Prestressed concrete	138,225,883	115,228,641	253,454,524	68,187,429	47,932,546	116,119,975
Spring wire	134,393,173	2,988,735	137,381,908	63,882,028	2,581,282	66,463,310
Galvanized wire	11,426,905	32,524,091	43,950,996	6,263,263	14,347,445	20,610,708
Scrap sales	9,260,406	-	9,260,406	4,374,139	-	4,374,139
Other	261,840	-	261,840	134,596	-	134,596
<b>Gross profit</b>	<b>351,367,921</b>	<b>364,889,016</b>	<b>716,256,937</b>	<b>179,800,558</b>	<b>173,445,435</b>	<b>353,245,993</b>
Sales return and discounts (-)	(28,250,267)	(1,167,242)	(29,417,509)	(13,846,432)	(4,133,601)	(17,980,033)
	<b>323,117,654</b>	<b>363,721,774</b>	<b>686,839,428</b>	<b>165,954,126</b>	<b>169,311,834</b>	<b>335,265,960</b>

The Group performs its foreign sales to Europe by 47.90% (2020: 51%), America by 37.70% (2020: 37%), Asia by 12.70% (2020: 9%) and to Africa by 1.70% (2020: 3%).

##### b) Cost of sales:

	1 January - 31 December 2021	1 January - 31 December 2020
Raw materials (Note 9)	444,603,383	214,107,262
Labor cost <sup>(1)</sup> (Note 21)	47,706,961	33,819,421
General production cost	61,893,865	26,683,738
Amortization and depreciation expenses (Notes 10, 11 and 21)	9,454,341	9,276,653
	<b>563,658,550</b>	<b>283,887,074</b>

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 20 - MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2021				1 January - 31 December 2020			
	Marketing expenses	General administrative expenses	Research development expenses	Total	Marketing expenses	General administrative expenses	Research development expenses	Total
Transportation and shipping expenses	35,153,926	-	-	35,153,926	15,099,279	-	-	15,099,279
Service expenses	1,833,272	8,005,978	-	9,839,250	2,110,696	6,203,336	-	8,314,032
Personnel expenses (Note 21.b)	3,642,935	7,920,611	2,157,967	13,721,513	1,862,901	4,716,300	1,399,942	7,979,143
Advertising and marketing expenses	3,487,335	-	-	3,487,335	2,661,947	-	-	2,661,947
Amortization and depreciation expense (Note 10, 11 and 21)	75,929	2,270,822	553,313	2,900,064	55,602	2,277,458	288,962	2,622,022
Benefits provided to key management personnel (Note 26.ii.c, 21.b)	-	1,769,753	-	1,769,753	-	2,294,507	-	2,294,507
Litigation, notary, tax, duties and charge expenses	-	914,137	-	914,137	-	950,183	-	950,183
Travel and transportation expenses	204,166	169,665	-	373,831	158,776	182,031	-	340,807
Donations and aids	-	110,385	-	110,385	-	184,740	-	184,740
Other	2,959,926	985,489	-	3,945,415	1,201,279	491,142	-	1,692,421
	<b>47,357,489</b>	<b>22,146,840</b>	<b>2,711,280</b>	<b>72,215,609</b>	<b>23,150,480</b>	<b>17,299,697</b>	<b>1,688,904</b>	<b>42,139,081</b>

### NOTE 21 - EXPENSES BY NATURE

#### a) Amortization and depreciation expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of sales (Note 19)	9,454,341	9,276,653
General administrative expenses (Note 20)	2,270,822	2,277,458
Inventories	1,099,619	1,071,778
Projects developed	609,051	593,630
Research and development expenses (Note 20)	553,313	288,962
Marketing expenses (Note 20)	75,929	55,602
<b>Total</b>	<b>14,063,075</b>	<b>13,564,083</b>

#### b) Personnel expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
General production cost (Note 19)	47,706,961	33,819,421
General administrative expenses (Note 20)	9,690,364	7,010,807
Research and development expenses (Note 20)	2,157,967	1,399,942
Marketing expenses (Note 20)	3,642,935	1,862,901
<b>Total</b>	<b>63,198,227</b>	<b>44,093,071</b>



## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

##### Other income from operating activities

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	118,441,107	32,928,838
SGK incentives	1,989,145	2,165,809
Interest income	951,028	335,149
Provisions no longer required (Note 6 and 13)	324,699	126,019
Insurance income	319,322	155,084
Other	3,158,277	2,079,015
<b>Total</b>	<b>125,183,578</b>	<b>37,789,914</b>

##### Other expenses from operating activities

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	(144,105,434)	(33,515,370)
Provision expenses (Note 6 and 13)	(383,607)	(418,221)
Other	(135,837)	(591,078)
<b>Total</b>	<b>(144,624,878)</b>	<b>(34,524,669)</b>

#### NOTE 23 - FINANCIAL EXPENSE

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange loss	(11,757,623)	(16,188,421)
Borrowing and factoring interest expense	(9,659,152)	(5,806,938)
Leasing interest expenses	(252,284)	(180,083)
Other	(964,683)	(672,895)
<b>Total</b>	<b>(22,633,742)</b>	<b>(22,848,337)</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	31 December 2021	31 December 2020
Current period tax expense	-	-
Prepaid corporate taxes	-	-
<b>Current period tax (liability)/assets</b>	<b>-</b>	<b>-</b>

The Corporate Tax Law has been amended as of 13 September 2006 by Law No: 5520. The majority of the clauses of Law No: 5520 are effective as of 1 January 2006. Corporate tax rate for the fiscal year 2021 is 25% (2020: 22%) for Turkey. Corporate tax is payable at a rate of 22% on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (exemption for participation in subsidiaries, etc.) and corporate income tax deductions (such as research and development expenditures deduction). No further tax is payable unless there is dividend distribution.

Companies calculate corporate tax quarterly at the rate determined by the Corporate Tax Law over their corporate income and these amounts are disclosed by the end of 14th day and paid by the end of the 17th day of the second month following each calendar quarter-end. Advance taxes paid in the period are offset against the following period’s corporate tax liability. If there is an outstanding advance tax balance as a result of offsetting, the related amount may either be refunded in cash or used to offset against for other payables to the government.

The corporate income tax rate in Turkey is 25% as of 31 December 2021 (2020: 22%). However, as per article 91 of Law No. 7061 Amending Certain Tax Laws and other Laws, promulgated in Official Gazette No. 30261 dated 05 December 2017, and provisional article 10 added to Corporate Tax Law No. 5520, the rate of tax paid by companies in 2018, 2019 and 2020 based on their income shall be 22%, and the rate shall be 20% thereafter. At this time, the Council of Ministers is authorised to discount 22% down to 20%. Accordingly, deferred tax assets and liabilities were calculated using the 20% rate for the portion of temporary differences that will create a tax impact in 2021 and thereafter.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate. Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed as a result of another tax assessment.

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years.

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

##### Deferred tax

The Group calculates deferred income tax assets and liabilities considering the effects of temporary differences arising from different valuations between balance sheet items and KGK Financial Reporting Standards and tax financial statements. Such temporary differences arise from the recognition of revenue and expenses in different reporting periods for the financial reporting standards and tax legislation of the Group, as well as for financial losses transferred.

The rates to be applied for the deferred tax assets and liabilities calculated according to the liability method over the future long-term temporary differences are valid tax rates at the balance sheet date and these rates are included in the table above and explanations.

Movements for net deferred taxes for the periods ended at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Current period tax income/(expense)	-	-
Deferred tax income/(expense)	2,630,045	2,212,129
<b>Total tax income/(expense)</b>	<b>2,630,045</b>	<b>2,212,129</b>

Tax reconciliations for the periods ended 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Profit/(loss) before tax	10,202,725	(10,343,287)
Tax rate 25%	(2,550,681)	2,068,657
<b>Tax effect:</b>		
Non-deductible expenses	(2,504,179)	(87,299)
The effects of current year losses that is not recognized as the deferred tax asset	(5,064,714)	(213,597)
Deducted carry forward tax losses	7,079,492	-
R&D incentives	839,679	534,759
Effect of change in statutory tax rate on deferred tax	(768,203)	(18,384)
Other, net	338,561	(72,007)
<b>Tax income/(expense) for the period</b>	<b>2,630,045</b>	<b>2,212,129</b>

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

#### Deferred tax (Continued)

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2021 and 31 December 2020 using the enacted tax rates are as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets / (liabilities)</u>	
	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Provision for employment termination (Note 15)	(21,544,488)	(13,420,396)	4,308,898	2,684,079
Carry forward tax losses	-	(23,103,021)	-	4,933,488
Research and development discounts	(10,051,423)	(6,509,160)	2,010,285	1,301,832
Sales cut-off and its effect on inventory - net	(9,857,983)	(2,762,099)	1,971,597	552,420
Research and development expenses	(1,888,810)	(1,652,446)	377,762	330,489
Provision for unused vacation benefits (Note 13)	(884,876)	(536,927)	176,975	107,385
Provision for continued lawsuits (Note 13)	(149,000)	(473,000)	29,800	94,600
Other	(3,548,999)	(2,558,965)	709,800	511,793
<b>Deferred tax assets</b>	<b>(47,925,579)</b>	<b>(51,016,013)</b>	<b>9,585,117</b>	<b>10,516,086</b>
Tangible and intangible assets useful lives differences	21,782,895	19,591,016	(4,356,579)	(3,918,203)
<b>Deferred tax liabilities</b>	<b>21,782,895</b>	<b>19,591,016</b>	<b>(4,356,579)</b>	<b>(3,918,203)</b>
<b>Deferred tax assets, net</b>	<b>(26,142,684)</b>	<b>(31,424,997)</b>	<b>5,228,538</b>	<b>6,597,883</b>

The movement details of deferred tax assets are as follows:

	<b>2021</b>	<b>2020</b>
<b>1 January</b>	<b>6,597,883</b>	<b>4,149,042</b>
Deferred tax income during the period	(2,630,045)	2,212,129
Deferred tax income recognized in other comprehensive income statement	1,260,700	236,712
<b>31 December</b>	<b>5,228,538</b>	<b>6,597,883</b>

### NOTE 25 - EARNING PER SHARE

	<b>31 December 2021</b>	<b>31 December 2020</b>
Net profit/(loss) for the period attributable to equity holders of the Parent Company	7,572,680	(8,131,158)
Weighted average number of shares	36,842,466	16,500,000
<b>Earnings per share (exact TRY)</b>	<b>0.21</b>	<b>(0.49)</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 26 - RELATED PARTY DISCLOSURES

##### i) Balances of related parties:

###### a) **Trade Receivables:**

	31 December 2021	31 December 2020
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. <sup>(1)</sup>	-	-
	-	-

(1) Comprises services given to Ditaş.

###### b) **Other payables:**

	31 December 2021	31 December 2020
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”) <sup>(1)</sup>	377,431	886,138
	<b>377,431</b>	<b>886,138</b>

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi.

###### c) **Liabilities from leasing transactions:**

	31 December 2021	31 December 2020
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”) <sup>(1)</sup>	380,552	80,209
	<b>380,552</b>	<b>80,209</b>

(1) Comprises of the vehicle leasing services obtained from Değer Merkez.

##### ii) Transactions with related parties:

###### a) **Product and service sales to related parties:**

None (2020: None).

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

##### b) Product and service purchases from related parties:

###### *Operating expenses:*

	31 December 2021	31 December 2020
Değer Merkezi <sup>(1)</sup>	3,848,854	4,076,442
Ditaş <sup>(2)</sup>	286,300	291,897
Doğan Trend Otomotiv Ticaret Hizmet ve Teknoloji A.Ş. <sup>(3)</sup>	214,257	-
Suzuki Motorlu Araçlar Pazarlama A.Ş. <sup>(4)</sup>	68,342	-
D-Market Elektronik Hizmetler ve Ticaret A.Ş. <sup>(5)</sup>	10,750	-
D Gayrimenkul Yatırımları ve Tic. <sup>(6)</sup>	4,066	17,721
Aytemiz Petrolcülük <sup>(7)</sup>	-	205,763
Aytemiz Akaryakıt <sup>(8)</sup>	-	75,281
<b>Total</b>	<b>4,432,569</b>	<b>4,667,104</b>

- (1) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchased from Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş..
- (2) Comprises of office rent services purchased from Ditaş
- (3) Comprises of car rent and travel services purchased from Doğan Trend.
- (4) Comprises of consultancy services purchased from Suzuki.
- (5) Comprises of consultancy services purchased from D Gayrimenkul.
- (6) Comprises of consultancy services purchased from D Gayrimenkul.
- (7) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
- (8) Comprises of the vehicle recognition service received from Aytemiz Akaryakıt.

##### c) Benefits provided to key management personnel of Group:

The Group has designated its key management personnel as members of the board of directors, general manager and assistant general manager.

	31 December 2021	31 December 2020
Salaries and other short-term provisions (Note 20)	1,769,753	2,294,507
<b>Total</b>	<b>1,769,753</b>	<b>2,294,507</b>

#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

##### Financial instruments and financial risk management

The Group’s activities expose it to a variety of financial risks; these risks are credit risk, market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

##### a) Market risk

###### *Foreign currency risk*

The Group operates internationally. The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. These risks are monitored and limited by analyzing foreign currency position.

# ÇELİK HALAT VE TEL SANAYİİ A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### a) Market risk (Continued)

##### Foreign currency risk (Continued)

As of 31 December 2021 and 31 December 2020, net foreign currency position of Group is as follows:

	31 December 2021	31 December 2020
Total assets	239,147,749	70,787,507
Total liabilities	(205,393,883)	(112,040,243)
<b>Net foreign currency position</b>	<b>33,753,866</b>	<b>(41,252,736)</b>

As of 31 December 2021 and 31 December 2020, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	31 December 2021		
	TRY equivalent	USD	EUR
1. Trade Receivables	164,368,376	3,335,218	7,948,276
2. Monetary Financial Assets (Cash, banks included)	74,779,373	1,251,353	3,851,080
<b>3. Current Assets (1+2)</b>	<b>239,147,749</b>	<b>4,586,571</b>	<b>11,799,356</b>
<b>4. Total Assets (3)</b>	<b>239,147,749</b>	<b>4,586,571</b>	<b>11,799,356</b>
5. Trade Payables	(184,228,761)	(5,733,905)	(7,123,504)
6. Financial Liabilities (Note 5)	(21,535,252)	-	(1,424,864)
7. Liabilities from leasing transactions (Note 5)	-	-	-
<b>8. Short-term Liabilities (5+6+7)</b>	<b>(205,764,013)</b>	<b>(5,733,905)</b>	<b>(8,548,368)</b>
<b>9. Total liabilities (8)</b>	<b>(205,764,013)</b>	<b>(5,733,905)</b>	<b>(8,548,368)</b>
10. Total asset related to the cash flow hedges	-	-	-
11. Total liabilities related to the cash flow hedges	-	-	-
<b>12. Net Asset/Liability Position of Off Statement of Financial Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>13. Net Foreign Currency Asset/(Liability) Position</b>	<b>33,383,736</b>	<b>(1,147,334)</b>	<b>3,250,988</b>
<b>14. Net Foreign Currency Asset/(Liability) Position of Monetary Items</b>	<b>33,383,736</b>	<b>(1,147,334)</b>	<b>3,250,988</b>

## ÇELİK HALAT VE TEL SANAYİİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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

#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### a) Market risk (Continued)

##### Foreign currency risk (Continued)

	31 December 2020		
	TRY equivalent	USD	EUR
1. Trade Receivables	61,496,132	942,507	6,058,866
2. Monetary Financial Assets (Cash, banks included)	9,291,375	246,458	830,632
<b>3. Current Assets (1+2)</b>	<b>70,787,507</b>	<b>1,188,965</b>	<b>6,889,498</b>
<b>4. Total Assets (3)</b>	<b>70,787,507</b>	<b>1,188,965</b>	<b>6,889,498</b>
5. Trade Payables	(89,485,326)	(1,424,019)	(8,773,667)
6. Financial Liabilities (Note 5)	(22,474,708)	-	(2,495,000)
7. Liabilities from leasing transactions (Note 5)	(80,209)	-	(8,904)
<b>8. Short-term Liabilities (5+6+7)</b>	<b>(112,040,243)</b>	<b>(1,424,019)</b>	<b>(11,277,571)</b>
<b>9. Total liabilities (8)</b>	<b>(112,040,243)</b>	<b>(1,424,019)</b>	<b>(11,277,571)</b>
10. Total asset related to the cash flow hedges	-	-	-
11. Total liabilities related to the cash flow hedges	-	-	-
<b>12. Net Asset/Liability Position of Off Statement of Financial Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>13. Net Foreign Currency Asset/(Liability) Position</b>	<b>(41,252,736)</b>	<b>(235,054)</b>	<b>(4,388,073)</b>
<b>14. Net Foreign Currency Asset/(Liability) Position of Monetary Items</b>	<b>(41,252,736)</b>	<b>(235,054)</b>	<b>(4,388,073)</b>

As of 31 December 2021, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY13.3290 = USD1 (Buying), TRY13.353 = USD1 (Selling), TRY15.085 = EUR1 (Buying), TRY15.1139 = EUR1 (Selling) (31 December 2020: TRY7.3405 = USD1, TRY9.0079 = EUR1).

The Group is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Group's EUR and USD foreign currency position as of 31 December 2021 and 31 December 2020 under the assumption of the appreciation and depreciation of TRY against other currencies by 20% with all other variables held constant, is as follows:



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### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### a) Market risk (Continued)

	31 December 2021	
	Appreciation of foreign currency	Depreciation of foreign currency
<b>If the USD had changed by 20% against the TRY</b>		
USD net (liabilities)/assets	(3,064,070)	3,064,070
Hedging amount of USD (-)	-	-
<b>USD Net Effect</b>	<b>(3,064,070)</b>	<b>3,064,070</b>
<b>If the EUR had changed by 20% against the TRY</b>		
EUR net (liabilities)/assets	9,809,336	(9,809,336)
Hedging amount of EUR (-)	-	-
<b>EUR Net Effect</b>	<b>9,809,336</b>	<b>(9,809,336)</b>
<b>Total Net Effect</b>	<b>6,745,266</b>	<b>(6,745,266)</b>
	31 December 2020	
	Appreciation of foreign currency	Depreciation of foreign currency
<b>If the USD had changed by 20% against the TRY</b>		
USD net (liabilities)/assets	(345,083)	345,083
Hedging amount of USD (-)	-	-
<b>USD Net Effect</b>	<b>(345,083)</b>	<b>345,083</b>
<b>If the EUR had changed by 20% against the TRY</b>		
EUR net (liabilities)/assets	(7,905,464)	7,905,464
Hedging amount of EUR (-)	-	-
<b>EUR Net Effect</b>	<b>(7,905,464)</b>	<b>7,905,464</b>
<b>Total Net Effect</b>	<b>(8,250,547)</b>	<b>8,250,547</b>

#### Price risk

As the equity investments classified under financial assets of the Group are not quoted in an active market, the Group is not exposed to price risk.

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#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### a) Market risk (Continued)

###### *Interest rate risk*

The Group has interest-bearing debt with variable and fixed interest rate. The Group is exposed to cash flow interest rate risk due to variable interest rate loans. In addition, fixed interest rate loans are subject to fair value interest rate risk. As of 31 December 2021 there are no effect of 100 basis point estimated change due to Group not having any loans with variable credit (31 December 2020: None).

The analysis of average annual interest rate (%) of financial instruments of Group is as follows:

	31 December 2021			31 December 2020		
Financial instruments with fixed rate						
Financial liabilities (Note 5)	211,155,918			82,709,419		
	31 December 2021			31 December 2020		
	USD	EUR	TRY	USD	EUR	TRY
<b>Liabilities</b>						
Financial liabilities	-	0.60-3.75	16.75-30.00	-	0.60-0.09	8.50-14.00

##### b) Credit risk

Credit risk involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by setting credit limits to individual counterparties. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

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#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### b) Credit risk (Continued)

The table representing the Group’s credit risk of financial instruments as of 31 December 2021 is as follows:

	Trade Receivables		Other Receivables		Bank deposits
	Related parties	Other	Related parties	Other	
<b>Exposure to maximum credit risk as at balance sheet date</b>	-	<b>175,740,003</b>	-	<b>3,684,014</b>	<b>75,911,415</b>
- The part of maximum risk under guarantee with collateral etc. <sup>(1)</sup>	-	<b>122,044,371</b>	-	-	-
Net book value of neither past due nor impaired financial assets	-	165,502,300	-	3,684,014	75,911,415
- The part under guarantee with collateral etc. <sup>(1)</sup>	-	115,239,655	-	-	-
Net book value of past due but not impaired assets	-	10,237,703	-	-	-
- The part under guarantee with collateral etc. <sup>(1)</sup>	-	6,804,716	-	-	-
Impaired asset net book value	-	-	-	-	-
- Past due (gross amount)	-	1,315,282	-	-	-
- Impairment (-) (Note 6)	-	(1,315,282)	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during the calculation of the amount.

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**NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

**b) Credit risk (Continued)**

The table representing the Group’s credit risk of financial instruments as of 31 December 2020 is as follows:

	<u>Trade Receivables</u>		<u>Other Receivables</u>		<b>Bank deposits</b>
	<b>Related parties</b>	<b>Other</b>	<b>Related parties</b>	<b>Other</b>	
<b>Exposure to maximum credit risk as at balance sheet date</b>	-	<b>83,692,181</b>	-	<b>1,078,965</b>	<b>11,738,954</b>
- The part of maximum risk under guarantee with collateral etc. <sup>(1)</sup>	-	<b>36,992,845</b>	-	-	-
Net book value of neither past due nor impaired financial assets	-	77,283,884	-	1,078,965	11,738,954
- The part under guarantee with collateral etc. <sup>(1)</sup>	-	33,340,767	-	-	-
Net book value of past due but not impaired assets	-	6,408,297	-	-	-
- The part under guarantee with collateral etc. <sup>(1)</sup>	-	3,652,078	-	-	-
Impaired asset net book value	-	-	-	-	-
- Past due (gross amount)	-	1,525,867	-	-	-
- Impairment (-) (Note 6)	-	(1,525,867)	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during the calculation of the amount.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AS AT 31 DECEMBER 2021

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#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### b) Credit risk (Continued)

The aging of the receivables of the Group, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	31 December 2021				
	Trade Receivables		Other receivables		Bank deposits
	Related parties	Other	Related parties	Other	
1 - 30 days overdue	-	9,364,059	-	-	
1 - 3 months overdue	-	854,289	-	-	-
3 - 12 months overdue	-	19,355	-	-	-
<b>Total</b>	-	<b>10,237,703</b>	-	-	-
<b>The part under guarantee with collateral <sup>(1)</sup></b>	-	<b>6,804,716</b>	-	-	-

	31 December 2020				
	Trade Receivables		Other receivables		Bank deposits
	Related parties	Other	Related parties	Other	
1 - 30 days overdue	-	4,616,510	-	-	
1 - 3 months overdue	-	1,599,632	-	-	-
3 - 12 months overdue	-	192,155	-	-	-
<b>Total</b>	-	<b>6,408,297</b>	-	-	-
<b>The part under guarantee with collateral <sup>(1)</sup></b>	-	<b>3,652,078</b>	-	-	-

(1) Guarantees consist of guarantee letters received, collaterals, credit risk insurance and mortgages from customers.

##### c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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**NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

**c) Liquidity risk (Continued)**

As of 31 December 2021 and 31 December 2020, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	31 December 2021					
	Book value	Less than 3 months	3 - 12 months	1 - 5 years	On demand	Contractual undiscounted cash flow
Short- term borrowings (Note 5)	196,121,297	183,576,760	12,544,537	13,631,416	-	209,752,713
Payables due to leasing transactions (Note5)	1,403,205	628,516	375,716	937,598	-	1,941,830
Trade payables due to non-related parties (Note 6)	268,235,661	159,435,174	108,800,487			268,235,661
Other payables due to related parties (Note 26)	377,431	377,431				377,431
Payables related to employee benefits (Note 8)	2,324,567	-	2,324,567	-	-	2,324,567
Provision for employment termination (Note 14)	21,544,488	-	-	21,544,488	-	21,544,488
Deferred income (Note 16)	17,322,504	17,322,504	-	-	-	17,322,504
Other short-term provisions (Note 13)	2,897,198	2,897,198	-	-	-	2,897,198
Long- term borrowings	8,951,956	-	-	9,630,231	-	9,630,231
<b>Non-derivative financial liabilities</b>	<b>519,178,307</b>	<b>364,237,583</b>	<b>124,045,307</b>	<b>45,743,733</b>	<b>-</b>	<b>534,026,623</b>
	31 December 2020					
	Book value	Less than 3 months	3 - 12 months	1 - 5 years	On demand	Contractual undiscounted cash flow
Short- term borrowings (Note 5)	82,028,980	38,027,500	48,132,961	-	-	86,160,461
Payables due to leasing transactions (Note5)	680,439	560,796	287,666	497,069	-	1,345,531
Trade payables due to non-related parties (Note 6)	128,487,715	80,465,191	48,022,524	-	-	128,487,715
Other payables due to related parties (Note 26)	886,138	886,138	-	-	-	886,138
Payables related to employee benefits (Note 8)	1,229,723	-	1,229,723	-	-	1,229,723
Deferred income (Note 16)	3,012,245	3,012,245	-	-	-	3,012,245
Other short-term provisions (Note 13)	473,000	473,000	-	-	-	473,000
<b>Non-derivative financial liabilities</b>	<b>216,798,240</b>	<b>123,424,870</b>	<b>97,672,874</b>	<b>497,069</b>	<b>-</b>	<b>221,594,813</b>

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#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net liability/total equity ratio. Net liability is calculated as the total liability less cash and cash equivalents, derivative instruments and tax liabilities. Total equity is calculated as the total of net liability and the equity as shown in the statement of financial position.

As of 31 December 2021 and 31 December 2020, the net liability/total equity ratio is summarized below:

	31 December 2021	31 December 2020
Total liability <sup>(1)</sup>	526,250,984	231,602,346
Less: Cash and cash equivalents (Note 3)	(75,911,415)	(11,738,954)
Net liability	450,339,569	219,863,392
Total equity	51,461,783	24,020,820
Total capital	501,801,352	243,884,212
<b>Net liability/total capital</b>	<b>0.90</b>	<b>0.90</b>

(1) The amounts are calculated by deducting profit for the period, income tax payable, and deferred tax liability accounts from total liability.

##### e) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments are determined by the Group, using available market information and appropriate valuation methodologies for each segment of the Group. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

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#### NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### e) Fair value of financial instruments (Continued)

###### *Monetary assets*

The fair values of balances denominated in foreign currencies, which are translated at the period end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature and immateriality of losses on collectability. The fair value of investment securities has been estimated based on the market prices at the statement of financial position dates.

Trade receivables are disclosed at their amortized cost using the effective interest rate method and the carrying values of trade receivables along with the related allowances for collectability are estimated to be at their fair values.

###### *Monetary liabilities*

The fair value of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at variable rates, and denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

Trade payables are disclosed at their amortized cost using the effective interest rate method and accordingly their carrying amounts approximate their fair values.

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

- First Level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.
- Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.



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#### NOTE 28 - SUBSEQUENT EVENTS

##### *Approval of Financial Statements*

The financial statements for the period ended on 31 December 2021 were approved by the Board of Directors on 22 February 2022. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

#### NOTE 29 - OTHER MATTERS THAT REQUIRED TO BE DISCLOSED WHICH MAY HAVE SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED IN ORDER TO MAKE FINANCIAL STATEMENTS INTERPRETABLE AND UNDERSTANDABLE

None (31 December 2020: None).

#### NOTE 30 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/ INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January – 31 December 2021	1 January - 31 December 2020
Audit and assurance fee	131,250	99,750
Other assurance services fee	17,500	-
<b>Total</b>	<b>148,750</b>	<b>99,750</b>

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