

**(CONVENIENCE TRANSLATION OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 18)**

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2022**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2022 USD'000	Current Period 30 September 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
ASSETS					
CURRENT ASSETS		4.614.903	85.462.002	4.928.616	65.693.526
Cash and Cash Equivalents		614.391	11.377.729	1.739.791	23.189.668
Financial Investments		20.198	374.040	740	9.862
Trade Receivables		940.276	17.412.683	856.302	11.413.658
<i>Due From Related Parties</i>	3	37.940	702.598	23.361	311.384
<i>Other Trade Receivables from Third Parties</i>		902.336	16.710.085	832.941	11.102.274
Other Receivables		3.347	61.990	3.900	51.981
<i>Due From Related Parties</i>	3	394	7.298	430	5.735
<i>Other Receivables from Third Parties</i>		2.953	54.692	3.470	46.246
Financial Derivative Instruments		18.649	345.360	12.055	160.683
Inventories	4	2.824.999	52.315.306	2.172.721	28.960.197
Prepaid Expenses		52.222	967.087	53.576	714.110
<i>Prepaid Expenses to Related Parties</i>	3	3.559	65.915	1.672	22.282
<i>Other Prepaid Expenses to Third Parties</i>		48.663	901.172	51.904	691.828
Other Current Assets		140.821	2.607.807	89.531	1.193.367
NON CURRENT ASSETS		4.841.890	89.665.515	4.557.639	60.748.771
Financial Investments		37	685	37	493
Other Receivables		2.917	54.016	4.098	54.630
<i>Due From Related Parties</i>	3	2.326	43.075	2.439	32.512
<i>Other Receivables from Third Parties</i>		591	10.941	1.659	22.118
Investments Accounted for Using Equity Method	5	29.616	548.447	27.781	370.292
Investment Properties		48.600	900.017	49.267	656.680
Property, Plant and Equipment	6	4.021.086	74.465.284	3.828.128	51.025.118
Right of Use Assets		53.901	998.185	49.530	660.189
Intangible Assets		283.934	5.258.100	295.528	3.939.090
<i>Goodwill</i>		18.781	347.804	18.781	250.335
<i>Other Intangible Assets</i>	6	265.153	4.910.296	276.747	3.688.755
Prepaid Expenses		337.594	6.251.792	271.936	3.624.633
<i>Prepaid Expenses to Related Parties</i>	3	98.195	1.818.441	87.651	1.168.301
<i>Other Prepaid Expenses to Third Parties</i>		239.399	4.433.351	184.285	2.456.332
Deferred Tax Assets	11	21.062	390.034	13.853	184.646
Other Non Current Assets		43.143	798.955	17.481	233.000
TOTAL ASSETS		9.456.793	175.127.517	9.486.255	126.442.297

The details of presentation currency translation to TRY explained in Note 2.1.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2022 USD'000	Current Period 30 September 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
LIABILITIES					
CURRENT LIABILITIES		1.910.314	35.440.340	1.758.205	23.477.310
Short Term Borrowings	7	910.581	16.893.188	481.080	6.423.861
Short Term Portion of Long Term Borrowings	7	91.197	1.691.896	246.522	3.291.812
Trade Payables		604.845	11.221.130	504.195	6.732.507
<i>Due to Related Parties</i>	3	20.923	388.159	15.159	202.414
<i>Other Trade Payables to Third Parties</i>		583.922	10.832.971	489.036	6.530.093
Payables for Employee Benefits	9	30.034	557.188	23.251	310.474
Other Payables		12.990	240.985	17.677	236.042
Financial Derivative Instruments		3.212	59.587	14.248	190.259
Deferred Revenue		103.686	1.923.588	111.626	1.490.544
Current Tax Liabilities	11	114.753	2.128.907	319.906	4.271.705
Short Term Provisions	8	23.397	434.067	24.928	332.869
Other Current Liabilities		15.619	289.804	14.772	197.237
NON CURRENT LIABILITIES		1.365.323	25.329.610	1.379.269	18.417.383
Long Term Borrowings	7	493.612	9.157.536	521.281	6.960.671
Financial Derivative Instruments		-	-	10	137
Long Term Provisions		133.020	2.467.801	120.224	1.605.350
<i>Long term provisions for employee benefits</i>	9	133.020	2.467.801	120.224	1.605.350
Deferred Tax Liabilities	11	738.455	13.699.897	737.491	9.847.720
Other Non Current Liabilities		236	4.376	263	3.505
EQUITY		6.181.156	114.357.567	6.348.781	84.547.604
Equity Attributable to Equity Holders of the Parent		6.018.633	111.416.374	6.176.342	82.292.893
Share Capital	12	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(102.740)	43.939.711	(79.868)	35.431.629
<i>Revaluation Reserve of Tangible Assets</i>		9.927	202.044	10.411	147.805
<i>Actuarial (Loss) Gain funds</i>		(96.982)	(759.494)	(74.594)	(386.301)
<i>Foreign Currency Translation Reserves</i>		(15.685)	44.497.161	(15.685)	35.670.125
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(275.074)	878.494	(233.088)	733.735
<i>Foreign Currency Translation Reserves</i>		(281.882)	752.190	(237.868)	669.905
<i>Cash Flow Hedging Gain (Loss)</i>		6.808	126.304	4.780	63.830
Restricted Reserves Assorted from Profit		1.379.085	7.547.778	1.204.833	4.988.204
Retained Earnings		2.186.988	40.573.223	1.644.980	21.965.415
Net Profit for the Period		935.721	14.830.340	1.744.832	15.527.082
Non-Controlling Interests		162.523	2.941.193	172.439	2.254.711
TOTAL LIABILITIES AND EQUITY		9.456.793	175.127.517	9.486.255	126.442.297

The details of presentation currency translation to TRY explained in Note 2.1.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

CONDENSED CONSOLIDATED PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

		(Unaudited) Current Period 1 January - 30 September 2022	(Unaudited) Current Period 1 January - 30 September 2022	(Unaudited) Current Period 1 July- 30 September 2022	(Unaudited) Previous Period 1 January - 30 September 2021	(Unaudited) Previous Period 1 January - 30 September 2021	(Unaudited) Previous Period 1 July- 30 September 2021
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	6.343.282	100.535.316	36.722.563	5.324.172	43.060.307	18.262.741
Cost of Sales	13	(4.767.249)	(75.556.602)	(31.696.718)	(3.312.360)	(26.789.372)	(11.028.836)
GROSS PROFIT		1.576.033	24.978.714	5.025.845	2.011.812	16.270.935	7.233.905
Marketing Expenses	14	(33.705)	(534.189)	(198.262)	(30.644)	(247.840)	(81.675)
General Administrative Expenses	14	(65.489)	(1.037.946)	(409.618)	(53.129)	(429.693)	(157.154)
Research and Development Expenses		(4.325)	(68.540)	(27.377)	(3.770)	(30.494)	(12.586)
Other Operating Income	14	23.860	378.167	218.599	20.383	164.848	43.927
Other Operating Expenses	14	(25.078)	(397.460)	(197.346)	(15.586)	(126.060)	(40.790)
OPERATING PROFIT		1.471.296	23.318.746	4.411.841	1.929.066	15.601.696	6.985.627
Income from Investing Activities		3.846	60.961	26.999	1.732	14.009	5.255
Expenses from Investing Activities		(3.217)	(51.028)	(3.661)	(1.930)	(15.606)	205
Share of Investments' Profit (Loss) Accounted by Using The Equity Method	5	1.835	29.081	13.083	547	4.425	5.725
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		1.473.760	23.357.760	4.448.262	1.929.415	15.604.524	6.996.812
Finance Income	15	83.789	1.327.985	372.596	83.191	1.097.534	165.698
Finance Expense	15	(115.826)	(1.835.741)	(615.347)	(40.231)	(325.373)	(110.003)
PROFIT BEFORE TAX		1.441.723	22.850.004	4.205.511	1.972.375	16.376.685	7.052.507
Tax (Expense) Income	11	(468.149)	(7.419.731)	(1.525.783)	(579.792)	(5.113.890)	(1.840.180)
Current Corporate Tax (Expense) Income		(472.328)	(7.485.971)	(1.649.975)	(526.411)	(4.682.162)	(1.896.705)
Deferred Tax (Expense) Income		4.179	66.240	124.192	(53.381)	(431.728)	56.525
NET PROFIT FOR THE PERIOD		973.574	15.430.273	2.679.728	1.392.583	11.262.795	5.212.327
Non-Controlling Interests		37.853	599.933	114.869	56.754	459.014	209.701
Equity Holders of the Parent		935.721	14.830.340	2.564.859	1.335.829	10.803.781	5.002.626
EARNINGS PER SHARE			4,2372	0,7328		3,0868	1,4293
(TRY 1 Nominal value per share)							

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

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

		(Unaudited) Current Period 1 January - 30 September 2022 USD'000	(Unaudited) Current Period 1 January - 30 September 2022 TRY'000	(Unaudited) Current Period 1 July- 30 September 2022 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2021 USD'000	(Unaudited) Previous Period 1 January - 30 September 2021 TRY'000	(Unaudited) Previous Period 1 July- 30 September 2021 TRY'000
	Note						
PROFIT FOR THE PERIOD		973.574	15.430.273	2.679.728	1.392.583	11.262.795	5.212.327
OTHER COMPREHENSIVE INCOME							
Not to be reclassified subsequently to profit or loss							
Increase (Decrease) in Revaluation Reserve of Tangible Assets		(491)	54.239	18.503	(262)	17.306	1.655
Actuarial Gain (Loss) of Defined Benefit Plans	9	(28.614)	(476.996)	-	(11.878)	(103.399)	-
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	11	5.723	95.399	-	2.376	20.680	-
Foreign Currency Translation Gain (Loss)		-	21.452.312	7.137.552	-	4.976.532	632.955
To be reclassified subsequently to profit or loss							
Gain (Loss) in Cash Flow Hedging Reserves		2.611	72.751	(13.941)	(2.523)	(25.715)	(95.370)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11	(566)	(10.485)	5.041	763	6.782	23.764
Foreign Currency Translation Gain (Loss)		(48.656)	8.916.080	3.302.777	(45.422)	3.077.347	681.461
OTHER COMPREHENSIVE INCOME (LOSS)		(69.993)	30.103.300	10.449.932	(56.946)	7.969.533	1.244.465
TOTAL COMPREHENSIVE INCOME		903.581	45.533.573	13.129.660	1.335.637	19.232.328	6.456.792
Distribution of Total Comprehensive Income							
Non-controlling Interests		32.718	1.314.966	356.723	52.377	689.614	249.322
Equity Holders of the Parent		870.863	44.218.607	12.772.937	1.283.260	18.542.714	6.207.470

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

(Unaudited)	Note				Other comprehensive income (expense) not to be reclassified subsequently to profit or loss			Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings			Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
		Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period			
1 January 2022		3.500.000	156.613	(116.232)	106.447	147.805	35.670.125	(386.301)	63.830	669.905	4.988.204	21.965.415	15.527.082	82.292.893	2.254.711	84.547.604
Net profit for the period		-	-	-	-	-	-	-	-	-	-	14.830.340	14.830.340	599.933	15.430.273	
Other comprehensive income (loss)		-	-	-	-	54.239	21.452.312	(373.193)	62.474	8.192.435	-	-	29.388.267	715.033	30.103.300	
Total comprehensive income (loss)		-	-	-	-	54.239	21.452.312	(373.193)	62.474	8.192.435	-	14.830.340	44.218.607	1.314.966	45.533.573	
Dividends (*)		-	-	-	-	-	-	-	-	-	(15.095.126)	-	(15.095.126)	(628.484)	(15.723.610)	
Transfers		-	-	-	-	-	-	-	-	2.559.574	12.967.508	(15.527.082)	-	-	-	
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(12.625.276)	-	-	(8.110.150)	-	20.735.426	-	-	-	
30 September 2022		3.500.000	156.613	(116.232)	106.447	202.044	44.497.161	(759.494)	126.304	752.190	7.547.778	40.573.223	14.830.340	111.416.374	2.941.193	114.357.567
(Unaudited)																
1 January 2021 (Previously reported)		3.500.000	156.613	(116.232)	106.447	77.866	17.198.251	(115.606)	(15.481)	7.628.480	3.597.448	4.482.548	3.309.093	39.809.427	1.312.149	41.121.576
Effect of change in accounting principle	2.5	-	-	-	-	-	(4.092.745)	-	-	(7.371.786)	-	11.464.531	-	-	-	
1 January 2021		3.500.000	156.613	(116.232)	106.447	77.866	13.105.506	(115.606)	(15.481)	256.694	3.597.448	15.947.079	3.309.093	39.809.427	1.312.149	41.121.576
Net profit for the period		-	-	-	-	-	-	-	-	-	-	10.803.781	10.803.781	459.014	11.262.795	
Other comprehensive income (loss)		-	-	-	-	17.306	4.976.532	(80.789)	(19.621)	2.845.505	-	-	7.738.933	230.600	7.969.533	
Total comprehensive income (loss)		-	-	-	-	17.306	4.976.532	(80.789)	(19.621)	2.845.505	-	10.803.781	18.542.714	689.614	19.232.328	
Dividends (*)		-	-	-	-	-	-	-	-	-	(6.275.502)	-	(6.275.502)	(256.300)	(6.531.802)	
Transfers		-	-	-	-	-	-	-	-	1.031.135	2.277.958	(3.309.093)	-	-	-	
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(717.624)	-	-	(2.199.297)	-	2.916.921	-	-	-	
30 September 2021		3.500.000	156.613	(116.232)	106.447	95.172	17.364.414	(196.395)	(35.102)	902.902	4.628.583	14.866.456	10.803.781	52.076.639	1.745.463	53.822.102

(*) At Annual General Assembly dated 17 March 2022, dividend distribution (gross dividend per share: TRY 4,45 (2021: TRY 1,85) amounting to TRY 15.575.000 thousand from 2021 net profit (17 March 2021: TRY 6.475.000 thousand) and retained earnings was approved. As of 17 March 2022, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3.08% of its own shares with a nominal value of 1 TRY, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 22 March 2022. The Group paid TRY 628.484 thousand (2021: TRY 256.300 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden, which are of subsidiaries of the Group in current year.

Retained earnings; in the condensed consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed consolidated statement of financial position dated 30 September 2022 by converting to US Dollars at historical rates, are explained in Note 2.1.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period 1 January - 30 September 2022	Current Period 1 January - 30 September 2021	Previous Period 1 January - 30 September 2021	Previous Period 1 January - 30 September 2021
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		161.865	459.781	748.905	6.027.960
Profit (Loss) for The Period		973.574	15.430.273	1.392.583	11.262.795
Adjustments to Reconcile Profit (Loss)		567.028	8.879.250	656.035	6.185.308
Adjustments for Depreciation and Amortisation Expenses	6/13/14	166.702	2.642.081	163.931	1.325.825
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(1.380)	(21.873)	(4.597)	(37.185)
Adjustments for Provision (Reversal of Provision) for Receivables		22	341	(2.998)	(24.250)
Adjustments for Provision (Reversal of Provision) for Inventories	4	(1.402)	(22.214)	(1.599)	(12.935)
Adjustments for Provisions		43.013	681.695	31.076	251.337
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	32.475	514.687	23.949	193.703
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	10.538	167.008	7.127	57.634
Adjustments for Interest (Income) and Expenses		(18.626)	(295.212)	(25.342)	(204.969)
Adjustments for Interest Income	15	(64.431)	(1.021.179)	(45.233)	(365.837)
Adjustments for Interest Expense	15	65.055	1.031.070	28.065	226.980
Unearned Financial Income from Credit Sales		(19.250)	(305.103)	(8.174)	(66.112)
Adjustments for Unrealised Foreign Exchange Differences		(62.881)	(1.259.513)	(14.539)	(133.692)
Adjustments for Fair Value (Gains) Losses		(19.053)	(301.975)	(17.216)	(139.235)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	(19.053)	(301.975)	(17.216)	(139.235)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(1.835)	(29.081)	(547)	(4.425)
Adjustments for Tax (Income) Expenses	11	468.149	7.419.731	579.792	5.113.890
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		2.738	43.397	1.702	13.762
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		2.738	43.397	1.702	13.762
Other Adjustments for Reconciliation of Profit (Loss)		(9.799)	-	(58.225)	-
Changes in Working Capital		(692.537)	(12.821.337)	(898.574)	(7.976.617)
Adjustments for Decrease (Increase) in Trade Receivables		(71.241)	(1.319.290)	(220.084)	(1.954.012)
Decrease (Increase) in Trade Receivables from Related Parties		(14.579)	(269.984)	16.284	144.578
Decrease (Increase) in Trade Receivables from Third Parties		(56.662)	(1.049.306)	(236.368)	(2.098.590)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		1.585	29.352	(745)	(6.618)
Decrease (Increase) in Other Receivables from Operations from Third Parties		1.585	29.352	(745)	(6.618)
Decrease (Increase) in Derivative Financial Instruments		(6.594)	(122.113)	(24.966)	(221.660)
Adjustments for Decrease (Increase) in Inventories		(650.458)	(12.045.636)	(672.566)	(5.971.620)
Decrease (Increase) in Prepaid Expenses		4.920	91.112	(1.837)	(16.906)
Adjustments for Increase (Decrease) in Trade Payables		100.650	1.867.269	16.451	146.327
Increase (Decrease) in Trade Payable to Related Parties		5.764	106.935	(4.354)	(38.726)
Increase (Decrease) in Trade Payable to Third Parties		94.886	1.760.334	20.805	185.053
Adjustments for Increase (Decrease) in Other Payables Related from Operations		2.096	38.885	(37.377)	(330.867)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		2.096	38.885	(37.377)	(330.867)
Increase (Decrease) in Derivative Liabilities		10.577	196.226	44.042	391.731
Adjustments for Other Increase (Decrease) in Working Capital		(84.072)	(1.557.142)	(1.492)	(12.992)
Decrease (Increase) in Other Assets Related from Operations		(76.952)	(1.425.051)	(19.256)	(170.989)
Increase (Decrease) in Other Payables Related from Operations		(7.120)	(132.091)	17.764	157.997
Cash Flows Provided by Operating Activities		848.065	11.488.186	1.150.044	9.471.486
Payments Related to Provisions for Employee Termination Benefits	9	(8.287)	(131.345)	(6.405)	(51.807)
Payments Related to Other Provisions	8	(6.077)	(96.310)	(6.965)	(56.331)
Income Taxes Refund (Paid)	11	(671.836)	(10.800.750)	(387.769)	(3.335.388)
CASH FLOWS FROM INVESTING ACTIVITIES		(474.845)	(7.568.868)	(628.191)	(5.203.518)
Cash Outflow Due to Share Purchases of Subsidiaries' not End Up with Losing Control		-	-	(293.791)	(2.096.850)
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		2.849	45.000	9.057	70.000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(3.036)	(48.058)	(4.885)	(38.410)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		1.331	21.102	1.505	12.181
Cash Inflow from Sales of Property, Plant and Equipment		1.331	21.102	1.505	12.181
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(379.781)	(6.019.188)	(288.189)	(2.330.789)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(379.276)	(6.011.191)	(286.093)	(2.313.839)
Cash Outflow from Purchase of Intangible Assets	6	(505)	(7.997)	(2.096)	(16.950)
Cash Advances and Debts Given		(77.133)	(1.222.489)	(52.747)	(826.042)
Other Cash Advances and Debts Given to Related Parties		(10.544)	(650.728)	(3.404)	(30.222)
Other Cash Advances and Debts Given		(66.589)	(571.761)	(49.343)	(795.820)
Dividends Received		-	-	859	6.392
Other Cash Inflow (Outflows)		(19.075)	(345.235)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		(732.686)	(10.529.248)	(446.307)	(1.657.783)
Cash Inflow from Borrowings		1.087.566	17.236.948	841.431	6.880.781
Cash Inflow from Loans		1.087.566	17.236.948	841.431	6.880.781
Cash Outflow from Repayments of Borrowings		(801.837)	(12.708.386)	(476.860)	(2.295.930)
Cash Outflow from Loan Repayments		(801.837)	(12.708.386)	(411.635)	(1.745.930)
Cash Outflows from Repayments of Issued Debt Instruments		-	-	(65.225)	(550.000)
Cash Outflow from Debt Payments for Leasing Contracts		(4.824)	(76.451)	(6.006)	(48.576)
Dividends Paid		(1.061.705)	(15.720.510)	(826.556)	(6.365.677)
Interest Paid		(28.006)	(443.866)	(27.879)	(225.478)
Interest Received		76.120	1.183.017	49.563	397.097
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(1.045.666)	(17.638.335)	(325.593)	(833.341)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(76.744)	5.850.469	(52.128)	310.597
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1.122.410)	(11.787.866)	(377.721)	(522.744)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.733.765	23.109.359	1.840.609	13.510.993
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		611.355	11.321.493	1.462.888	12.988.249

- As of 30 September 2022, the Group's total amount of time deposit interest accrual is TRY 56.236 thousand (USD 3.036 thousand) (30 September 2021: TRY 6.989 thousand (USD 787 thousand)).
- "Currency Protected Deposits" with maturities of more than 3 months in financial investments are reported in condensed consolidated statement of cash flows due to currency financial investments in the inflow/outflow under "Other Cash Inflow (Outflow)". The changings of fair value of Currency Protected Deposits accounted under Income/ Expenses from Investing activities.
- Since the functional currency is US Dollars, the exchange rate differences between the accrual and payment dates of the dividend payables to the shareholders, whose original currency is followed as Turkish Lira in the condensed consolidated statement of financial position, are reported under the "Other Adjustments for Reconciliation of Profit (Loss)" in the condensed consolidated cash flow statements.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Group (“Group”), is composed of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (“Erdemir” or “the Company”), and its subsidiaries which it owns the majority of their shares or has a significant influence on their management structure.

The ultimate controlling party of the Group are ATAER Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

Ordu Yardımlaşma Kurumu (OYAK) was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an “aid and retirement fund” for Turkish Armed Forces members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, cast and pressed steel, coke and their by-products.

The Company’s shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Name of the Company	Country of Operation	of Operation	2022	2021
			Effective Sharehold Interest %	Effective Sharehold Interest %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Turkey	Magnesite Ore, Refractor	100	100
Odak Refrakter ve Madencilik San. Tic. A.Ş. (*)	Turkey	Recycling	-	100
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Turkey	Special Purpose Entity	100	100

(*) Odak Refrakter ve Madencilik San. Tic. A.Ş., the subsidiary of Kümaş Manyezit Sanayi A.Ş. merged with Yenilikçi Yapı ve Malzemeleri ve Üretim San. Tic. A.Ş. as of May 10, 2022.

The registered address of the Company is Barbaros Mahallesi Ardıç Sokak No:6 Ataşehir / İstanbul.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (cont’d)

The number of the personnel employed by the Group as of reporting date as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	30 September 2022 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.228	1.792	6.020
İskenderun Demir ve Çelik A.Ş.	3.029	1.648	4.677
Erdemir Madencilik San. ve Tic. A.Ş.	153	165	318
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	226	86	312
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	304	304
Erdemir Romania S.R.L.	217	41	258
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	614	143	757
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	10	3	13
Erdemir Enerji Üretim A.Ş.	-	5	5
	<u>8.477</u>	<u>4.188</u>	<u>12.665</u>

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2021 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.284	1.825	6.109
İskenderun Demir ve Çelik A.Ş.	3.124	1.675	4.799
Erdemir Madencilik San. ve Tic. A.Ş.	155	160	315
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	233	79	312
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	292	292
Erdemir Romania S.R.L.	217	40	257
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	561	123	684
Odak Refrakter ve Madencilik San. Tic. A.Ş.	11	4	15
Erdemir Enerji Üretim A.Ş.	-	4	4
	<u>8.585</u>	<u>4.203</u>	<u>12.788</u>

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Group’s subsidiaries incorporated in Turkey maintain their legal books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles issued by the Turkish Commercial Code (“TCC”) and tax legislation.

The accompanying condensed financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying condensed financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

In addition, the condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

The financial statements are prepared on the basis of historical cost, with the exception of derivative financial instruments carried at fair value and revaluation of iron ore and fixed assets used in the production of silicon flat steel at the fair value determined at the date of purchase. In determining the historical cost, generally the fair value of the amount paid for the assets is taken as basis.

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at 31 December 2021.

Functional and reporting presentation currency

Although the currency of the country in which is the Company is domiciled is Turkish Lira (TRY), the Company’s functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the functional currency.

The financial statements of each entity of the Group are presented in the currency (functional currency) valid in the basic economic environment in which they operate. The functional currency of the Company and its subsidiaries’ İskenderun Demir ve Çelik A.Ş. “İsdemir”, Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş “Ersem” and Kümaş Manyezit Sanayi A.Ş. “Kümaş” are US Dollars while the functional currency of Erdemir Madencilik San. ve Tic. A.Ş. “Ermaden”, Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş., Erdemir Enerji Üretim A.Ş., and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş. are Turkish Lira.

The accompanying condensed consolidated financial statements are prepared in Turkish Lira (TRY) in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013.

Functional currency for the subsidiaries abroad

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited “EAPPL” and Erdemir Romania S.R.L is US Dollars and EUR respectively.

Functional currency of the joint venture

The functional currency of the Group’s joint venture İsdemir Linde Gaz Ortaklığı A.Ş. is US Dollars.

Inflation Accounting

The Public Oversight, Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2022 regarding the application of TAS 29, “Financial Reporting in Hyperinflationary Economies” for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2021.

As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements in accordance with TAS 29 for the components whose functional currency is TRY.

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

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(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Presentation currency translation

In accordance with the Public Oversight, Accounting and Auditing Standards Authority's (“POA”) announcement "On the Next Measurement of Foreign Currency Monetary Items According to Turkish Accounting Standards" dated 15 March 2021, the Group carried out a valuation for the assets and liabilities in the condensed consolidated financial statements based on the current buying and selling rates effective as of the end of the reporting period, and translated them into the presentation currency at the same exchange rates.

Presentation currency of the condensed consolidated financial statements is Turkish Lira. According to TMS 21 (“The Effects of Changes in Foreign Exchange Rates”) financial statements, that are prepared in US Dollars for the Company, İsdemir, Ersem, Kūmaş, EAPPL; in EUR for Erdemir Romania, have been translated in TRY as the following method

- a) The assets on condensed consolidated statement of financial position as of 30 September 2022 are translated from US Dollars into TRY using the Central Bank of Turkey's buying exchange rates which is TRY 18,5187 = US \$ 1 and TRY 18,1395 = EUR 1 and the liabilities has been translated from into TRY using the Central Bank of Turkey's exchange selling rate which is TRY 18,5521 = US \$ 1 and TRY 18,1722 = EUR 1 on the balance sheet date (Rates for assets and liabilities as of 31 December 2021: TRY 13,3290 = US \$ 1, TRY 15,0867 = EUR 1 ; TRY 13,3530 = US \$ 1, TRY 15,1139 = EUR 1 respectively).
- b) For the nine months period ended 30 September 2022, condensed consolidated statements of profit or loss are translated from the average TRY 15,8491 = US \$ 1 and TRY 16,8207 = EUR 1 rates of 2022 January – September period (30 September 2022: TRY 8,0877 = US \$ 1 TRY 9,6767 = 1 EUR).
- c) Earnings of previous years are carried in US Dollar in the condensed consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of condensed consolidated financial position as of 30 September 2022 are presented by being translated at the TRY 18,5521 = US \$ 1 rate, which is the effective foreign currency selling rate as of 30 September 2022 as announced by the Central Bank of the Republic of Turkey (31 December 2021: TRY 13,3530 = US \$ 1).
- d) Exchange differences arising from translation to TRY presentation currency are shown in other comprehensive income as of foreign currency translation reserve.
- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the condensed consolidated statements of financial position as of 30 September 2022 and 31 December 2021, condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 September 2022 and 2021 represent the condensed consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Going concern

The Group prepared condensed interim consolidated financial statements in accordance with the going concern assumption.

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 26 October 2022 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 Comparative Information and Restatement of Consolidated Financial Statements with Prior Periods

The Group’s condensed consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period consolidated financial statements. Accordingly, the reclassified condensed consolidated financial statements are detailed in Note 2.5.

2.3 Adoption of New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as of 30 September 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2022 summarized below.

Amendments that are mandatorily effective from 2022

Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1 and TFRS 9</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

Amendments to TFRS 3 Reference to the Conceptual Framework

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

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

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Adoption of New and Revised Turkish Financial Reporting Standards (cont’)

Amendments that are mandatorily effective from 2022 (cont’)

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

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

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

Annual Improvements to TFRS Standards 2018-2020 Cycle

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

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

“Amendments to TFRS 9 Financial Instruments”

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

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group assessed that the adoption of these amendments that are effective from 2022 do not have any effect on the Group’s consolidated financial statements.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Adoption of New and Revised Turkish Financial Reporting Standards (cont’)

New and revised TFRSs in issue but not yet effective

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

TFRS 17	: <i>Insurance Contracts</i>
Amendments to TAS 1	: <i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 4	: <i>Extension of the Temporary Exemption from Applying :TFRS 9</i>
Amendments to TAS 1	: <i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	: <i>Definition of Accounting Estimates</i>
Amendments to TAS 12	: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	: <i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

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

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

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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**NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
(cont’d)**

2.3 Adoption of New and Revised Turkish Financial Reporting Standards (cont’)

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

Amendments to TAS 8 Definition of Accounting Estimates

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before. Amendments are effective with the first application of TFRS 17.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the nine months period ended 30 September 2022 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the nine months period ended 30 September 2022, are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2021. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021.

As explained in Note 1 there has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 30 September 2022, from the interests reported as of 31 December 2021.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.5 Restatement and Errors in the Accounting Policies and Estimates

Any change in the accounting policies resulted from the first time adoption of a new standards is made either retrospectively or prospectively in accordance with the transition requirements of the standards. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

“Retained Earnings’ Profit or Loss” in the condensed consolidated statement of financial position are translated into US Dollars at historical rates and followed as US Dollars in accordance with TAS 21. For a meaningful representation of the translation of prior years’ profit followed in US Dollars into Turkish Lira, the presentation currency, the differences arising from the translation of “Prior Years’ Profit or Loss” into Turkish Lira at the closing rates announced by the Central Bank of the Republic of Turkey as of the relevant reporting period are recognized under the “Foreign Currency Translation Differences”.

As of 1 January 2021, the classifications in the consolidated statement of financial position are as follows:

Account name	(Previously reported)	(Restated)	(Change)
	1 January 2021	1 January 2021	1 January 2021
Retained Earnings	4.482.548	15.947.079	11.464.531
<i>Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)</i>			
Foreign Currency Translation Reserves	17.198.251	13.105.506	(4.092.745)
<i>Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)</i>			
Foreign Currency Translation Reserves	7.628.480	256.694	(7.371.786)
			-

2.6 Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

2.7 Segment Reporting

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.

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NOTE 3 –RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parties of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

The transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note.

The details of transactions between the Group and other related parties are disclosed below:

	30 September 2022	31 December 2021
<u>Due from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	-	2.240
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	422.488	212.106
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	8.445	162
Miilux Poland Sp. Z.o.o. ⁽¹⁾	69.160	-
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽¹⁾	44.126	12.569
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	95.775	66.851
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	50.535	17.454
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	10.276	-
Other	1.793	2
	<u>702.598</u>	<u>311.384</u>

The trade receivables from related parties mainly arise from sales of steel, energy and by-products and financial leases.

	30 September 2022	31 December 2021
<u>Other receivables from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	7.298	5.735
	<u>7.298</u>	<u>5.735</u>

	30 September 2022	31 December 2021
<u>Other receivables from related parties (long term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	43.075	32.512
	<u>43.075</u>	<u>32.512</u>

Short term and long term other receivables from related parties, consists of monetary receivables within the scope of sub-leases in accordance with TFRS 16.

- (1) Subsidiaries of the parent company
- (2) Joint venture of the parent company
- (3) Joint venture of the subsidiary
- (4) Ultimate partner

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NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

	30 September 2022	31 December 2021
<u>Prepaid expenses to related parties(short term)</u>		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	65.610	15.838
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	-	6.444
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	305	-
	<u>65.915</u>	<u>22.282</u>
	30 September 2022	31 December 2021
<u>Prepaid expenses to related parties (long term)</u>		
OYAK İnşaat A.Ş. ⁽¹⁾	189.740	-
Ordu Yardımlaşma Kurumu ⁽⁴⁾	1.543.246	1.110.765
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	85.455	57.536
	<u>1.818.441</u>	<u>1.168.301</u>

Prepaid expenses generally related with services and advance transactions of fixed assets. The Group paid an advance payment of TRY 650.728 thousand to its ultimate partner Ordu Yardımlaşma Kurumu for the purchase of fixed assets.

	30 September 2022	31 December 2021
<u>Due to related parties (short term)</u>		
Omsan Lojistik A.Ş. ⁽¹⁾	153.364	47.093
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	69.482	30.607
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	18.824	21.539
Omsan Logistica SRL ⁽¹⁾	6.298	5.473
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	33.066	39.159
OYAK İnşaat A.Ş. ⁽¹⁾	58.875	-
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	5.799	3.230
Other	42.451	55.313
	<u>388.159</u>	<u>202.414</u>

Trade payables to related parties mainly arise from purchase of services and fixed assets.

- ⁽¹⁾ Subsidiaries of the parent company
- ⁽²⁾ Joint venture of the parent company
- ⁽³⁾ Joint venture of the subsidiary
- ⁽⁴⁾ Ultimate partner

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NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

<u>Major sales to related parties</u>	1 January - 30 September 2022	1 January - 30 September 2021
Miilux Poland Sp. Z.o.o. ⁽¹⁾	61.061	-
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	653.503	296.231
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	1.023	869
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	1.930	-
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	143.520	51.892
Denizli Çimento Sanayi T.A.Ş. ⁽¹⁾	7.169	555
OYAK Birleşik Enerji A.Ş. ⁽¹⁾	996.348	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	1.523	1.022
İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	2.264.160	664.509
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	119.387	50.170
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	203.747	60.524
Other	9.015	1.685
	<u>4.462.386</u>	<u>1.127.457</u>

The major sales to related parties are generally due to the sales transactions of iron, steel, raw material, by-products and service transactions.

<u>Major purchases from related parties</u>	1 January - 30 September 2022	1 January - 30 September 2021
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	2.136	1.151
Omsan Denizcilik A.Ş. ⁽¹⁾	305.980	163.029
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	292.221	141.001
Omsan Lojistik A.Ş. ⁽¹⁾	796.166	281.403
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	249.997	65.837
Omsan Logistica SRL ⁽¹⁾	69.434	29.113
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	267.811	133.556
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	91.843	21.094
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	296.069	103.417
OYAK İnşaat A.Ş. ⁽¹⁾	51.588	315
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	347.866	72.176
Güzel Enerji Akaryakıt A.Ş. ⁽¹⁾	7.054	1.177
Other	51.413	13.085
	<u>2.829.578</u>	<u>1.026.354</u>

Purchases from related parties are generally related to services, fixed assets and energy purchases.

- ⁽¹⁾ Subsidiaries of the parent company
- ⁽²⁾ Joint venture of the parent company
- ⁽³⁾ Joint venture of the subsidiary
- ⁽⁴⁾ Ultimate partner

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NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

The terms and policies applied to the transactions with related parties performed:

The period end balances are un-secured and their collections will be in cash. For the nine months period ended 30 September 2022, the Group did not set any provision for the receivables from related parties (31 December 2021: None).

Benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents, General Manager and Assistant General Managers. For the nine months period ended 30 September 2022, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 58.434 thousand (30 September 2021: TRY 30.075 thousand).

NOTE 4 – INVENTORIES

As of the reporting date, the detail of the Group’s inventories is as follows:

	30 September 2022	31 December 2021
Raw materials	16.117.872	7.217.219
Work in progress	9.099.098	6.749.579
Finished goods	14.359.797	6.410.581
Spare parts	5.031.903	3.313.741
Goods in transit	5.847.013	4.737.221
Other inventories	3.256.477	1.556.442
Allowance for impairment on inventories (-)	(1.396.854)	(1.024.586)
	<u>52.315.306</u>	<u>28.960.197</u>

The movement of the allowance for impairment on inventories is as follows:

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	1.024.586	547.779
Additional in provisions due to acquisition of subsidiaries	-	42.732
Provision for the period	-	3.325
Provision released (-)	(22.214)	(16.260)
Translation difference	394.482	123.777
Closing balance	<u>1.396.854</u>	<u>701.353</u>

The Group has set an allowance for impairment on inventories considered to be not determined based on the aging reports for idle inventory items. The provisions made and released during the period are recognized in the cost of sales (Note 13).

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NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Group’s detail of the investments accounted for using equity method of the as follows:

	Right to vote ratio 30 September %	2022	Right to vote ratio 31 December %	2021	Business segment
<i>Joint Venture</i>					Industrial Gas
İsdemir Linde Gaz Ortaklığı A.Ş.	50	548.447	50	370.292	Production and Sale

Group’s share on net assets of investments accounted for using equity method is as follows:

	30 September 2022	31 December 2021
Total assets	1.180.074	778.957
Total liabilities	83.181	38.373
Net assets	1.096.893	740.584
Group's share on net assets	548.447	370.292

	30 September 2022	31 December 2021
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 176.510 thousand (31 December 2021: TRY 132.460 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 44.050 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 22.025 thousand) is included in the financial statements prepared as of reporting date.

Group’s share on profit of investments accounted for using equity method is as follows:

	1 January – 30 September 2022	1 January – 30 September 2021
Revenue	356.589	117.482
Operating profit	72.910	26.437
Net profit (loss) for the period	58.162	8.850
Group's share on net profit (loss)	29.081	4.425

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

As of reporting the date, the details of Group’s the movement of tangible assets is as follows:

	30 September 2022	30 September 2021
<u>Opening balance as of 1 January</u>		
Cost	129.740.729	68.046.557
Accumulated depreciation	(78.715.611)	(41.984.721)
Net book value	51.025.118	26.061.836
Net book value at the beginning of the period	51.025.118	26.061.836
Additional in property, plant and equivalent due to acquisition of subsidiaries	-	538.704
Additions (*)	5.875.425	2.275.365
Disposals (-)	(64.499)	(25.943)
<i>Cost of disposals</i>	(451.388)	(213.503)
<i>Accumulated depreciation of disposals</i>	386.889	187.560
Transfers to intangible assets	(4.723)	(231)
Currency translation difference	20.146.290	5.609.396
<i>Cost currency translation difference</i>	51.051.356	14.503.169
<i>Accumulated depreciation currency translation difference</i>	(30.905.066)	(8.893.773)
Current period depreciation (-)	(2.512.327)	(1.318.812)
Net book value at the end of the period	74.465.284	33.140.315
<u>Closing balance end of period</u>		
Cost	186.211.399	85.675.365
Accumulated depreciation	(111.746.115)	(52.535.050)
Net book value	74.465.284	33.140.315

(*)The amount of capitalized borrowing cost is TRY (135.766) thousand for the current period (30 September 2021: TRY (38.474) thousand).

As of 30 September 2022, the Group has no collaterals or pledges on upon its tangible assets (30 September 2021: None).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS (cont’d)

As of the reporting date, the details of Group’s the movement of intangible assets is as follows:

	30 September 2022	30 September 2021
<u>Opening balance as of 1 January</u>		
Cost	5.120.764	1.079.279
Accumulated amortisation	(1.432.009)	(668.564)
Net book value	<u>3.688.755</u>	<u>410.715</u>
Net book value at the beginning of the period	3.688.755	410.715
Additional in intangible assets due to acquisition of subsidiaries	-	834.339
Additions	7.997	16.950
Transfers from tangible assets	4.723	231
Currency translation difference	1.401.760	285.581
<i>Cost currency translation difference</i>	2.002.431	436.902
<i>Accumulated depreciation currency translation difference</i>	(600.671)	(151.321)
Current period amortisation (-)	(192.939)	(49.478)
Net book value at the end of the period	<u>4.910.296</u>	<u>1.498.338</u>
<u>Closing balance end of period</u>		
Cost	7.135.915	2.402.419
Accumulated amortisation	(2.225.619)	(904.081)
Net book value	<u>4.910.296</u>	<u>1.498.338</u>

As of 30 September 2022, the Group has no collaterals or pledges on upon its intangible assets (30 September 2021: None).

The distribution of total depreciation and amortization expenses related to tangible, intangible assets, right of use assets amounting to TRY 58.454 thousand (30 September 2021: TRY 20.037 thousand) and investment properties amounting to TRY 10.564 thousand (30 September 2021: TRY 5.391 thousand) are as follows:

	1 January – 30 September 2022	1 January – 30 September 2021
Associated with cost of production	2.502.023	1.266.744
General administrative expenses	123.852	51.585
Marketing expenses	105.116	56.957
Research and development expenses	20.847	8.192
Other operating expenses	22.446	10.240
	<u>2.774.284</u>	<u>1.393.718</u>

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NOTE 7 – BORROWINGS

The Group’s detail of the borrowings as of reporting date is as follows:

	30 September 2022	31 December 2021
Short term bank borrowings	16.893.188	6.423.861
Current portion of long term bank borrowings	1.598.346	3.228.161
Long term bank borrowings	8.782.203	6.667.016
Total bank borrowings	<u>27.273.737</u>	<u>16.319.038</u>
Current portion of long term lease payables	97.631	67.420
Cost of current portion of long term lease payables (-)	(4.081)	(3.769)
Long term lease payables	1.458.246	1.140.029
Cost of long term lease payables (-)	(1.082.913)	(846.374)
Total lease payables	<u>468.883</u>	<u>357.306</u>
Total borrowings	<u><u>27.742.620</u></u>	<u><u>16.676.344</u></u>

As of 30 September 2022, the breakdown of the Group’s loans with their original currency and weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	30 September 2022
Fixed	TRY	22,58	6.786.926	-	6.786.926
Fixed	US Dollars	7,51	8.655.641	1.814.361	10.470.002
Fixed	EURO	2,70	28.738	-	28.738
Floating	US Dollars	Libor+1,99	2.654.043	5.395.236	8.049.279
Floating	EURO	Euribor+0,59	366.186	1.572.606	1.938.792
			<u>18.491.534</u>	<u>8.782.203</u>	<u><u>27.273.737</u></u>

Regarding the decision of the Board of Directors dated 11 August 2022 and numbered 9847, in accordance with the provisions of the Capital Market Law and other relevant legislation, a total amount of up to TRY 2.000.000.000 is authorized to issue of debt instruments. After the approval of issue of debt instruments of the Capital Market Law dated in 22 September 2022, Company issued financial bill with a nominal value of TRY 1.100.000.000 with 177 day term, realized on 12 October 2022.

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(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 7– BORROWINGS (cont’d)

As of 31 December 2021, the breakdown of the Group’s loans with their original currency and their weighted average interest rates is as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2021
No interest	TRY	-	52.691	-	52.691
Fixed	TRY	18,19	24.892	-	24.892
Fixed	US Dollars	1,76	6.229.747	1.317.806	7.547.553
Fixed	EURO	2,70	24.051	11.536	35.587
Floating	US Dollars	Libor+2,17	2.966.079	3.906.098	6.872.177
Floating	EURO	Euribor+0,78	354.562	1.431.576	1.786.138
			<u>9.652.022</u>	<u>6.667.016</u>	<u>16.319.038</u>

Breakdown of loan repayments according to their maturities are as follows:

	30 September 2022			31 December 2021		
	Bank Borrowings	Lease Payables	Total Borrowings	Bank Borrowings	Lease Payables	Total Borrowings
Within 1 year	18.491.534	93.550	18.585.084	9.652.022	63.651	9.715.673
Between 1-2 years	4.547.190	71.929	4.619.119	835.273	54.751	890.024
Between 2-3 years	900.105	46.446	946.551	3.201.224	38.360	3.239.584
Between 3-4 years	881.595	35.026	916.621	612.632	27.196	639.828
Between 4-5 years	791.244	30.435	821.679	809.053	23.637	832.690
Five years or more	1.662.069	191.497	1.853.566	1.208.834	149.711	1.358.545
	<u>27.273.737</u>	<u>468.883</u>	<u>27.742.620</u>	<u>16.319.038</u>	<u>357.306</u>	<u>16.676.344</u>

NOTE 8 - PROVISIONS

As of reporting date the Group’s short term provisions are as follows:

	30 September 2022	31 December 2021
Provision for lawsuits	338.209	247.419
Penalty provision for employment shortage of disabled	9.603	11.117
Provision for state right on mining activities	51.427	39.248
Provision for land occupation	34.828	35.085
	<u>434.067</u>	<u>332.869</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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NOTE 8 – PROVISIONS (cont’d)

The movement of the provisions is as follows:

	1 January 2022	Additional in provisions due to acquisition of subsidiaries	Change for the period	Payments	Provision released	Translation difference	30 September 2022
Provision for lawsuits	247.419	-	84.028	(10.047)	(12.203)	29.012	338.209
Penalty provision for employment shortage of disabled	11.117	-	3.840	(2.570)	(2.162)	(622)	9.603
Provision for state right on mining activities	39.248	-	60.715	(47.320)	-	(1.216)	51.427
Provision for land occupation	35.085	-	34.324	(36.373)	(1.534)	3.326	34.828
	<u>332.869</u>	<u>-</u>	<u>182.907</u>	<u>(96.310)</u>	<u>(15.899)</u>	<u>30.500</u>	<u>434.067</u>

	1 January 2021	Additional in provisions due to acquisition of subsidiaries	Change for the period	Payments	Provision released	Translation difference	30 September 2021
Provision for lawsuits	195.355	1.400	33.630	(15.385)	(20.570)	9.244	203.674
Penalty provision for employment shortage of disabled	13.551	-	3.742	-	(43)	34	17.284
Provision for state right on mining activities	23.023	6.247	18.982	(22.024)	-	(371)	25.857
Provision for land occupation	21.695	-	22.151	(18.922)	(258)	2.225	26.891
	<u>253.624</u>	<u>7.647</u>	<u>78.505</u>	<u>(56.331)</u>	<u>(20.871)</u>	<u>11.132</u>	<u>273.706</u>

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits

As of reporting date, lawsuits filed by and against the Group are as follows:

	30 September 2022	31 December 2021
Lawsuits filed by the Group	1.817.496	1.460.069
Provision for lawsuits filed by the Group	267.727	227.346

The provision for the lawsuits filed by the Group represents the doubtful trade receivables and other receivables.

	30 September 2022	31 December 2021
Lawsuits filed against the Group	272.214	211.241
Provision for lawsuits filed against the Group	338.209	247.419

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB’s Communiqué Serial XI No 25 on “Accounting Standards to be implemented in Capital Markets” which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB’s letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the “Accounting Standards to be implemented in Capital Markets”), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company’s changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (TFRS) caused a decrease amounting to TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 October 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company’s lawyers on 16 July 2012.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

CMB, prepared the Company’s consolidated financial statements as of 31 December 2005, which had been prepared according to the TFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that “Article 726 and Temporary Provision 1 of CMB’s Communiqué Serial XI, No. 25 authorize the use of TFRS on consolidated financial statements of 2005, although CMB had given the Company a ‘permission’ No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending”. Company challenged CMB’s aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber’s decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB’s appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara’s judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company’s lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on “TFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with “TFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 30 September 2022 and 31 December 2021 will not be affected from the above mentioned disputes.

Company’s Shareholders’ General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals’ 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber’s decision on 18 February 2011. However, the Chamber rejected the Company’s appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber’s decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company’s request for revision of the decision has been rejected. At the hearing held on 30 December 2021, The 3rd Commercial Court of First Instance of Ankara has accepted the case file No. 2019/418 E. subject to appeal. The Company appealed this decision on 3 March 2022.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 30 September 2022 and 31 December 2021.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd. located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notification made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd. in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli Second Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli Second Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. The file was sent to the Karadeniz Ereğli 2nd Civil Court of First Instance to be send back to the Regional Court of Justice after the reasoned decision was written. At the hearing dated 7 December 2021, it was decided to postpone the judgement to 8 February 2022. At the hearing dated 8 February 2022, it was decided to postpone the trial to 22 February 2022. At the hearing dated 22 February 2022, the court has partially accepted the case subject to appeal. The Company has requested for appeal against the decisions of the court on 13 April 2022. A provision amounting to TRY 157.537 thousand recognized on consolidated financial statements for the related lawsuit.

Resolution of Constitutional Court on Electricity and Coal Gas Consumption Tax

The claims filed every month for refunding of taxes paid and deduction thereof from Electricity and Coal Gas Consumption Tax collected by the Municipality on the electricity and coal gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded against the company at the court of first instance and the Council of State.

Thereafter, the Company used its right to individual application at the Constitutional Court on 16 March 2015. In the General Assembly Resolution of Constitutional Court notified to the Company on 27 December 2018, it is decided that the property right of the Company was violated and retrial should be held in order to eliminate the consequences of the violation of the property right for 15 cases which were brought together within the scope of the Company’s individual application.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

Resolution of Constitutional Court on Electricity and Coal Gas Consumption Tax (cont’d)

Similarly, the Constitutional Court decided that the Company's property right was violated and retrial should be held in order to eliminate the consequences of the violation of the property right for 21 cases which were brought together within the scope of the Company’s individual application.

There are 3 applications for which the decisions are awaited from the Constitutional Court.

The aforementioned cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has accepted the cases in favor of the Company. 59 cases have been finalized in favor of the Company.

Regarding to ongoing cases, resolutions are given in favor of the Company.

Lawsuit against The Municipality of Kdz. Ereğli’s Tax Penalty Notifications

A real estate tax review was carried out by the Municipality of Kdz Ereğli under the name of "Real Estate Tax Determination Field Study" at Company’s Ereğli facilities in August 2019. As a result of this tax inspection, 1.924 tax penalty notifications were notified to the Company on 23 December 2019. With the 1.924 tax penalty notices, the building tax and related cultural assets contribution share has been levied for 2014 to 2019, as well as the tax loss penalty for the same periods. The amount of tax and related cultural assets contribution assessment is TRY 25.586 thousand and TRY 23.888 thousand tax loss penalty has been imposed.

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020. Zonguldak Tax Court has accepted the cases and decided to cancel such notifications. The Municipality of Kdz. Ereğli has requested for appeal against the decisions of the court. The Regional Administrative Court of Ankara has rejected the appeal of Municipality of Kdz. Ereğli subject to appeal to Council of State. The Municipality of Kdz. Ereğli has appealed to the Council of State against these decisions.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments for the tax, cultural assets contribution fee and tax penalty charged.

Lawsuits against Cease and Desist Orders and Zoning Administrative Fines of the Municipality of Kdz. Ereğli

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee’s decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In all lawsuits, the Court has decided to cancel proceedings subject to lawsuits. The Municipality has appealed against these decisions. In 14 cases, the Regional Administration Court has decided to reject the Municipality’s request for appeal. In 11 lawsuits, The Municipality has appealed to the Council of State against these decisions in 11 cases. 3 lawsuits have been finalized in favor of the Company without appeal to Council of State. In the last filed case the Regional Administration Court has definitely decided to annul the decision and partially accepted the case.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

Provision for state right on mining activities

According to “Mining Law” numbered 3213 and regulation on “Mining Law Enforcement” published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is calculated state right on mining activities based on the sales income.

Land occupation

The Group have land property within the Erdemir factory areas being within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3% of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision is recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

NOTE 9 – EMPLOYEE BENEFITS

The Group’s short term payables of the employee termination benefits are as follows:

	30 September 2022	31 December 2021
Due to personnel	427.720	236.301
Social security premiums payable	129.468	74.173
	<u>557.188</u>	<u>310.474</u>

The Group’s long term provisions of the employee termination benefits as of the reporting date are as follows:

	30 September 2022	31 December 2021
Provisions for employee termination benefits	1.957.914	1.282.538
Provisions for seniority incentive premium	244.010	183.800
Provision for unpaid vacations	265.877	139.012
	<u>2.467.801</u>	<u>1.605.350</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

According to the articles of Turkish Labor Law in force, the Group have obligation to pay the legal employee termination benefits to each employee whose are 25 years of working life by completing at least one year of service, leaving for military services and deceased.

As of 30 September 2022, the employee termination benefit has been updated to a maximum of TRY 15.371,40 (31 December 2021: TRY 8.284,51).

The employee termination benefit legally is not subject to any funding requirement

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Group’s obligation under defined benefit plans. The obligation as of 30 September 2022 has been calculated by an independent actuary.

	<u>30 September 2022</u>	<u>31 December 2021</u>
Discount rate	%20,80	%19,00
Inflation rate	%16,71	%15,00
Salary increase	real 1,5%	real 1,5%
Maximum liability increase	%16,71	%15,00

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 September 2022 fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. The anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

The movement of the provision for employee termination benefits is as follows:

	<u>1 January - 30 September 2022</u>	<u>1 January - 30 September 2021</u>
Opening balance	1.282.538	759.907
Additional in provisions due to acquisition of subsidiaries	-	17.312
Service cost	101.938	54.830
Interest cost	198.235	83.376
Actuarial loss/(gain)	476.996	103.399
Termination benefits paid	(103.495)	(37.341)
Translation difference	1.702	3.065
Closing balance	<u>1.957.914</u>	<u>984.548</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

According to the current labor agreement, employees completing their 5th, 10th, 15th and 20th service years receive seniority incentive premium payments.

The movement of the provision for seniority incentive premium is as follows:

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	183.800	108.316
Service cost	15.508	8.495
Interest cost	23.793	11.509
Actuarial loss/(gain)	34.229	10.323
Termination benefits paid	(13.093)	(9.497)
Translation difference	(227)	(366)
Closing balance	244.010	128.780

The movement of the provision for unused vacation is as follows:

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	139.012	99.913
Additional in provisions due to acquisition of subsidiaries	-	2.985
Provision for the period	205.226	105.326
Vacation paid during the period (-)	(14.757)	(4.969)
Provisions released (-)	(64.242)	(80.156)
Translation difference	638	2.277
Closing balance	265.877	125.376

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	30 September 2022	31 December 2021
Letters of guarantees received	14.158.885	9.218.182
	14.158.885	9.218.182

The breakdown of the Group’s collaterals according to their original currency is as follows:

	30 September 2022	31 December 2021
US Dollars	1.780.538	1.828.701
Turkish Lira	494.128	143.149
EURO	1.087.850	849.167
	3.362.516	2.821.017

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (cont’d)

The Collaterals, Pledges and Mortgages (CPM) given by the Group are as follows:

	30 September 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	584.231	194.489
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.778.285	2.626.528
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>3.362.516</u>	<u>2.821.017</u>

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 2.778.285 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 30 September 2022, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2021: 0%).

NOTE 11 – TAX ASSETS AND LIABILITIES

The details of the Group's tax expenses as of the reporting period are as follows:

	30 September 2022	31 December 2021
<u>Corporate tax payable:</u>		
Current corporate tax provision	8.657.952	8.963.309
Prepaid taxes and funds (-)	(6.529.045)	(4.691.604)
	<u>2.128.907</u>	<u>4.271.705</u>
	1 January - 30 September 2022	1 January - 30 September 2021
<u>Taxation:</u>		
Current corporate tax expense	7.485.971	4.682.162
Deferred tax (income) / expense	(66.240)	431.728
	<u>7.419.731</u>	<u>5.113.890</u>

Corporate tax

The Group, except its subsidiaries in Romania and Singapore, is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)

Corporate tax (cont’d)

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

Pursuant to the Provisional 7316 added with the Article 11 of the Law on Corporate Income Tax, published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate for the corporate earnings for the 2022 taxation period has been determined as 23%. With the amendment added to Article 32 of the Corporate Tax Law, these rates will be applied with a discount of 1 point to the earnings from production activities and earnings from exports.

Except for the changes in the corporate tax rate, the 50% exemption applied to the earnings generated from the sale of intangibles and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets are 10%.

The effective corporate tax rate in Turkey is 23%, 16% in Romania and 17% in Singapore as of 30 September 2022 (31 December 2021: in Turkey 25%, in Romania 16%, in Singapore 17%).

The total amount of the corporate tax paid by the Group in nine months of 2022 is TRY 10.800.750 thousand (30 September 2021: TRY 3.335.388 thousand).

In accordance with the Tax Procedure Law No. 7352 and the Law on the Amendment of the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the financial statements prepared according to the tax procedure law was postponed to 31 December 2023.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of income and expenses tax bases in different reporting periods in the financial statements prepared according to TFRS.

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 32 of Corporate Tax Law; corporate tax rate is 22% for the period of 2022, corporate tax rate will be 20% for the corporate earnings to be obtained in the taxation periods of 2023. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 2022 (31 December 2021: in Turkey 22%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate. (31 December 2021: 10%)

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NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)

Deferred tax (cont’d)

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.

	30 September 2022	31 December 2021
<u>Deferred tax assets:</u>		
Provisions for employee benefits	500.101	324.706
Investment incentive	8.367	21.937
Provision for lawsuits	73.816	53.874
Inventories	337.414	114.367
Tangible and intangible assets	39.790	28.991
Financial lease payables	94.009	70.115
Other	177.184	158.312
	<u>1.230.681</u>	<u>772.302</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(12.396.505)	(8.650.855)
Fair values of the derivative financial instruments	(71.684)	(34.049)
Amortized cost adjustment on loans	(48.344)	(35.996)
Right of use assets	(200.259)	(132.957)
Inventories	(1.776.760)	(1.534.789)
Other	(46.992)	(46.730)
	<u>(14.540.544)</u>	<u>(10.435.376)</u>
	<u>(13.309.863)</u>	<u>(9.663.074)</u>

In the financial statements which are prepared according to the TAS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries’ condensed consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

<u>Presentation of deferred tax assets/(liabilities):</u>	30 September 2022	31 December 2021
Deferred tax assets	390.034	184.646
Deferred tax (liabilities)	(13.699.897)	(9.847.720)
	<u>(13.309.863)</u>	<u>(9.663.074)</u>

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NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)

Deferred tax (cont’d)

	1 January - 30 September 2022	1 January - 30 September 2021
<u>Movements of deferred tax asset/(liability)</u>		
Opening balance	(9.663.074)	(3.583.177)
Additional in deferred tax assets due to acquisition of subsidiaries	-	(134.872)
Deferred tax income/(expense)	66.240	(431.728)
The amount in comprehensive income	84.914	27.462
Translation difference	(3.797.943)	(857.830)
Closing balance	<u>(13.309.863)</u>	<u>(4.980.145)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 September 2022	1 January - 30 September 2021
Profit before tax	22.850.004	16.376.685
Statutory tax rate	22%	25%
Calculated tax expense according to effective tax rate	(5.027.001)	(4.094.171)
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(70.426)	(44.358)
- Effect of currency translation not subject to tax	(2.396.149)	(1.021.213)
- Investment incentive	73.835	42.826
- Effect of the different tax rates due to foreign subsidiaries	10	3.026
Total tax expense reported in the statement of income	<u>(7.419.731)</u>	<u>(5.113.890)</u>

NOTE 12 – EQUITY

As of the reporting date the detail of the capital is as follows:

		30 September 2022		31 December 2021
<u>Shareholders</u>	(%)		(%)	
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares (-)		(116.232)		(116.232)
		<u>3.540.381</u>		<u>3.540.381</u>

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NOTE 13 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 1.723.126 thousand. Group plans to recognize related revenue amount as a revenue in a year.

As of the reporting date the detail of the sales revenue is as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
<u>Sales Revenue</u>				
Domestic sales	80.846.370	28.956.109	33.372.124	13.419.932
Export sales	15.065.496	6.056.731	7.969.145	4.155.968
Other revenues	4.078.219	1.431.721	1.608.790	624.135
Interest income from sales with maturities	676.479	316.975	166.303	68.179
Sales returns (-)	(11.597)	(4.127)	(13.709)	(4.043)
Sales discounts (-)	(119.651)	(34.846)	(42.346)	(1.430)
	<u>100.535.316</u>	<u>36.722.563</u>	<u>43.060.307</u>	<u>18.262.741</u>
<u>Cost of sales (-)</u>	<u>(75.556.602)</u>	<u>(31.696.718)</u>	<u>(26.789.372)</u>	<u>(11.028.836)</u>
Gross profit	<u>24.978.714</u>	<u>5.025.845</u>	<u>16.270.935</u>	<u>7.233.905</u>

The total amount of by product exports in other revenues is TRY 1.787.137 thousand (30 September 2021: TRY 676.816 thousand). Total interest income from export sales with maturities is TRY 20.365 thousand (30 September 2021: TRY 5.384 thousand)

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NOTE 13 – SALES AND COST OF SALES

As of the reporting date the detail of the cost of sales is as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
Raw material usage	(59.980.243)	(25.324.286)	(20.725.067)	(8.797.033)
Personnel costs	(3.079.424)	(1.229.131)	(1.804.684)	(646.965)
Energy costs	(6.995.660)	(3.012.432)	(1.419.545)	(552.151)
Depreciation and amortization expenses	(2.365.383)	(872.401)	(1.198.199)	(389.514)
Manufacturing overheads	(631.957)	(169.437)	(738.274)	(230.459)
Other cost of goods sold	(872.083)	(341.721)	(308.917)	(126.617)
Non-operating costs (*)	(172.912)	(91.417)	(23.164)	(13.936)
Freight costs for sales delivered to customers	(944.380)	(370.689)	(453.286)	(225.803)
Allowance expenses for impairment on inventories (Note 4)	-	-	(3.325)	(1.788)
Inventory provision released (Note 4)	22.214	5.011	16.260	3.568
Amortization of right of use assets	(4.437)	(1.828)	(652)	(652)
Other	(532.337)	(288.387)	(130.519)	(47.486)
	<u>(75.556.602)</u>	<u>(31.696.718)</u>	<u>(26.789.372)</u>	<u>(11.028.836)</u>

(*) Non-operating part costs amounting to TRY (172.912) thousand incurred due to planned and/or unplanned halt production in the Group's production facilities is not associated with the product cost and is directly recognized in the cost of sales (30 September 2021: TRY (23.164) thousand).

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NOTE 14 –EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / (EXPENSES)

The Group’s detail of marketing expenses according to their nature as of the reporting date are as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
Personnel expenses (-)	(198.074)	(79.354)	(103.250)	(37.320)
Depreciation and amortization (-)	(104.925)	(36.089)	(56.957)	(18.966)
Service expenses (-)	(230.999)	(82.750)	(87.633)	(25.389)
Amortization of right of use assets (-)	(191)	(69)	-	-
	<u>(534.189)</u>	<u>(198.262)</u>	<u>(247.840)</u>	<u>(81.675)</u>

The Group’s detail of the general administrative expenses according to their nature as of the reporting date are as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
Personnel expenses (-)	(473.418)	(193.039)	(213.989)	(78.391)
Depreciation and amortization (-)	(92.472)	(34.538)	(42.440)	(15.389)
Benefits and services from third parties (-)	(432.917)	(163.902)	(173.409)	(55.255)
Tax, duty and charges (-)	(7.418)	(2.552)	(11.805)	(4.257)
Provision/ Provision released for doubtful receivables (net)	(341)	(3.219)	21.095	79
Amortization of right of use assets (-)	(31.380)	(12.368)	(9.145)	(3.941)
	<u>(1.037.946)</u>	<u>(409.618)</u>	<u>(429.693)</u>	<u>(157.154)</u>

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NOTE 14 –EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / (EXPENSES)

The Group’s detail of the other operating income according to it’s nature as of the reporting date is as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
<u>Other operating income</u>				
Foreign exchange gain from trade receivables and payables (net)	-	-	61.150	4.585
Forfeit advances from customers	36.602	32.788	2.283	2.241
Discount income	229	74	142	49
Provisions released	14.365	10.308	20.613	7.150
Service income	50.639	22.397	16.591	7.266
Maintenance repair and rent income	18.418	6.719	14.678	5.168
Warehouse income	99.583	81.652	1.551	660
Indemnity and penalty detention income	10.898	3.458	5.793	2.264
Insurance indemnity income	3.088	1.739	2.132	682
Lawsuit income	2.108	1.477	161	56
Overdue interest income	10.530	5.625	2.075	322
Other income and gains	131.707	52.362	37.679	13.484
	<u>378.167</u>	<u>218.599</u>	<u>164.848</u>	<u>43.927</u>

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NOTE 14 –EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / (EXPENSES) (cont’d)

The Group’s detail of the other operating expenses according to it’s nature as of the reporting date are as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
<u>Other operating expenses (-)</u>				
Provision expenses	(87.868)	(26.356)	(37.372)	(9.591)
Foreign exchange expenses from trade receivables and payables (net)	(91.584)	(80.409)	-	-
Lawsuit compensation expenses	(6.860)	(1.962)	(11.652)	(1.575)
Right of use assets amortization	(22.446)	(8.805)	(10.240)	(3.739)
Donation expenses	(47.899)	(30.293)	(13.805)	(6.286)
Service expenses	(53.759)	(21.030)	(17.156)	(7.471)
Penalty expenses	(1.013)	(677)	(4.617)	(2.269)
Other expenses and losses	(86.031)	(27.814)	(31.216)	(9.857)
	<u>(397.460)</u>	<u>(197.346)</u>	<u>(126.060)</u>	<u>(40.790)</u>

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NOTE 15 – FINANCE INCOME AND EXPENSES

The Group’s detail of the financial income as of the reporting date is as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
<u>Finance income</u>				
Interest income on bank deposits	1.019.319	206.761	363.538	77.765
Foreign exchange gains (net)	-	-	559.038	(7.084)
Interest income from financial investments	1.860	881	2.299	494
Fair value differences of derivative financial instruments (net)	301.975	163.264	139.235	95.223
Other financial income	4.831	1.690	33.424	(700)
	<u>1.327.985</u>	<u>372.596</u>	<u>1.097.534</u>	<u>165.698</u>

The Group’s detail of the financial expenses as of the reporting date are as follows:

	1 January - 30 September 2022	1 July- 30 September 2022	1 January - 30 September 2021	1 July- 30 September 2021
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(986.828)	(510.534)	(195.155)	(53.374)
Foreign exchange loss (net)	(557.772)	19.292	-	-
Interest cost of employee benefits	(222.028)	(95.872)	(94.885)	(42.633)
Interest expenses on leasings	(44.242)	(16.403)	(31.825)	(11.636)
Other financial expenses	(24.871)	(11.830)	(3.508)	(2.360)
	<u>(1.835.741)</u>	<u>(615.347)</u>	<u>(325.373)</u>	<u>(110.003)</u>

During the period, the borrowing costs of TRY (135.766) thousand have been capitalized as part of the Group’s tangibles (30 September 2021: TRY (38.474) thousand).

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NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Foreign currency position table represents foreign currencies other than each entity’s functional currency. As of 30 September 2022, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 September 2022				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	4.370.012	131.666	231.394	-	11.242
2a. Monetary financial assets	6.363.983	6.117.894	7.522	21	30.086
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	322.608	284.397	1.906	-	996
4. CURRENT ASSETS (1+2+3)	11.056.603	6.533.957	240.822	21	42.324
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	852.930	852.858	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	2.342.158	879.712	80.511	-	554
8. NON-CURRENT ASSETS (5+6+7)	3.195.088	1.732.570	80.515	-	554
9. TOTAL ASSETS (4+8)	14.251.691	8.266.527	321.337	21	42.878
10. Trade payables	5.961.132	3.867.057	112.933	132.464	6.710
11. Financial liabilities	7.270.042	6.872.471	21.878	-	-
12a. Other monetary financial liabilities	4.681.430	4.573.506	4.802	-	5.597
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	17.912.604	15.313.034	139.613	132.464	12.307
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.943.711	371.105	86.539	-	-
16a. Other monetary financial liabilities	2.399.027	2.397.459	-	-	425
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	4.342.738	2.768.564	86.539	-	425
18. TOTAL LIABILITIES (13+17)	22.255.342	18.081.598	226.152	132.464	12.732
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(1.142.756)	-	(62.998)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.142.756	-	62.998	-	-
20. Net foreign currency asset/liability position (9-18+19)	(9.146.407)	(9.815.071)	32.187	(132.443)	30.146
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(10.668.417)	(10.979.180)	12.768	(132.443)	28.596
22. Fair value of derivative financial instruments used in foreign currency hedge	155.601	-	8.578	-	-
23. Hedged foreign currency assets	1.142.756	-	62.998	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	16.872.998				
26. Imports	58.482.506				

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NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). As of 31 December 2021, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2021				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	2.534.776	116.911	157.894	-	11.800
2a. Monetary financial assets	12.279.822	10.783.933	94.054	21	25.371
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	132.013	98.252	2.164	-	366
4. CURRENT ASSETS (1+2+3)	14.946.611	10.999.096	254.112	21	37.537
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	284.607	276.049	567	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	1.294.067	652.481	41.094	181.993	196
8. NON-CURRENT ASSETS (5+6+7)	1.578.674	928.530	41.661	181.993	196
9. TOTAL ASSETS (4+8)	16.525.285	11.927.626	295.773	182.014	37.733
10. Trade payables	3.205.113	1.784.014	89.297	433.292	6.870
11. Financial liabilities	494.330	113.738	25.182	-	-
12a. Other monetary financial liabilities	6.107.435	6.061.355	2.169	-	4.329
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	9.806.878	7.959.107	116.648	433.292	11.199
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.736.034	291.931	95.548	-	-
16a. Other monetary financial liabilities	1.563.630	1.561.589	-	-	665
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	3.299.664	1.853.520	95.548	-	665
18. TOTAL LIABILITIES (13+17)	13.106.542	9.812.627	212.196	433.292	11.864
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(1.788.390)	-	(118.541)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.788.390	-	118.541	-	-
20. Net foreign currency asset/liability position (9-18+19)	1.630.353	2.114.999	(34.964)	(251.278)	25.869
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	1.992.663	1.364.266	40.319	(433.271)	25.307
22. Fair value of derivative financial instruments used in foreign currency hedge	73.578	-	4.877	-	-
23. Hedged foreign currency assets	1.788.390	-	118.541	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	15.212.696	-	-	-	-
26. Imports	36.320.669	-	-	-	-

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**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)**

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

The following table shows the Group’s sensitivity to a 10% (+/-) change in the TRY, RON, EUR and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates.

As of 30 September 2022 on condensed consolidated statement of financial position are translated by using the following exchange rates for assets TRY 18,5187 = US \$ 1, TRY 18,1395 = EUR 1, TRY 0,1279 = JPY 1 and TRY 3,6445 = RON 1; for liabilities TRY 18,5521 = US \$ 1, TRY 18,1722 = EUR 1, TRY 0,1288 = JPY 1 and TRY 3,6922 = RON 1 ((Rates for assets and liabilities as of 31 December 2021: TRY 13,3290= US \$ 1, TRY 15,0867= EUR 1, TRY 0,1155 = JPY 1 and TRY 3,0316 = RON 1 ; TRY 13,3530= US \$ 1, TRY 15,1139= EUR 1, TRY 0,1163 = JPY 1 and TRY 3,0713 = RON 1 respectively).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2022		
1- TRY net asset/liability	(981.507)	981.507
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(981.507)	981.507
5- RON net asset/liability	10.926	(10.926)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	10.926	(10.926)
9- Euro net asset/liability	171.921	(171.921)
10- Hedged portion from Euro risk (-)	(114.275)	114.275
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	57.646	(57.646)
13- Jap. Yen net asset/liability	(1.705)	1.705
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(1.705)	1.705
TOTAL (4+8+12+16)	(914.640)	914.640

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)**

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021		
1- TRY net asset/liability	211.500	(211.500)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	211.500	(211.500)
5- RON net asset/liability	7.795	(7.795)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON Dollars net effect (5+6+7)	7.795	(7.795)
9- Euro net asset/liability	125.513	(125.513)
10- Hedged portion from Euro risk (-)	(178.839)	178.839
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(53.326)	53.326
13- Jap. Yen net asset/liability	(2.935)	2.935
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.935)	2.935
TOTAL (4+8+12+16)	163.034	(163.034)

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)**

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
30 September 2022				
<u>Financial Assets</u>				
Cash and cash equivalents	11.377.729	-	-	11.377.729
Trade receivables	17.412.683	-	-	17.412.683
Financial investments	374.040	-	685	374.725
Other financial assets	116.006	-	-	116.006
Derivative financial instruments	-	182.071	163.289	345.360
<u>Financial Liabilities</u>				
Financial liabilities	27.742.620	-	-	27.742.620
Trade payables	11.221.130	-	-	11.221.130
Other liabilities	2.251.379	-	-	2.251.379
Derivative financial instruments	-	59.587	-	59.587
31 December 2021				
<u>Financial Assets</u>				
Cash and cash equivalents	23.189.668	-	-	23.189.668
Trade receivables	11.413.658	-	-	11.413.658
Financial investments	9.862	-	493	10.355
Other financial assets	106.611	-	-	106.611
Derivative financial instruments	-	83.866	76.817	160.683
<u>Financial Liabilities</u>				
Financial liabilities	16.676.344	-	-	16.676.344
Trade payables	6.732.507	-	-	6.732.507
Other liabilities	1.753.415	-	-	1.753.415
Derivative financial instruments	-	186.790	3.606	190.396

Group management, considers that the fair values of financial assets and liabilities approximate book values.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)**

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values (cont’d)

Financial asset and liabilities at fair value	30 September 2022	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	163.289	-	163.289	-
Derivative financial liabilities	-	-	-	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	182.071	-	182.071	-
Derivative financial liabilities	(59.587)	-	(59.587)	-
Total	285.773	-	285.773	-

Financial asset and liabilities at fair value	31 December 2021	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	76.817	-	76.817	-
Derivative financial liabilities	(3.606)	-	(3.606)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	83.866	-	83.866	-
Derivative financial liabilities	(186.790)	-	(186.790)	-
Total	(29.713)	-	(29.713)	-

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)**

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values (cont’d)

First Level: Quoted (non adjusted) prices in active markets for identical assets or liabilities.

Second Level: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Third Level: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTE 17 – SUBSEQUENT EVENTS

None

**NOTE 18 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS
MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR,
UNDERSTANDABLE AND INTERPRETABLE PRESENTATION**

Convenience translation to English:

As of 30 September 2022, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.