

**(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 - 31 MARCH 2022**

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(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 31 March 2022

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2022 USD'000	Current Period 31 March 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>		<b>4.630.758</b>	<b>67.780.864</b>	<b>4.928.616</b>	<b>65.693.526</b>
Cash and Cash Equivalents		1.079.373	15.798.897	1.739.791	23.189.668
Financial Investments		26.192	383.374	740	9.862
Trade Receivables		870.964	12.748.393	856.302	11.413.658
<i>Due From Related Parties</i>	3	22.116	323.714	23.361	311.384
<i>Other Trade Receivables from Third Parties</i>		848.848	12.424.679	832.941	11.102.274
Other Receivables		3.621	52.988	3.900	51.981
<i>Due From Related Parties</i>	3	380	5.556	430	5.735
<i>Other Receivables from Third Parties</i>		3.241	47.432	3.470	46.246
Financial Derivative Instruments		18.922	276.961	12.055	160.683
Inventories	4	2.490.673	36.456.226	2.172.721	28.960.197
Prepaid Expenses		48.769	713.836	53.576	714.110
<i>Prepaid Expenses to Related Parties</i>	3	1.976	28.929	1.672	22.282
<i>Other Prepaid Expenses to Third Parties</i>		46.793	684.907	51.904	691.828
Other Current Assets		92.244	1.350.189	89.531	1.193.367
<b>NON CURRENT ASSETS</b>		<b>4.606.361</b>	<b>67.423.766</b>	<b>4.557.639</b>	<b>60.748.771</b>
Financial Investments		37	541	37	493
Other Receivables		3.606	52.786	4.098	54.630
<i>Due From Related Parties</i>	3	2.313	33.861	2.439	32.512
<i>Other Receivables from Third Parties</i>		1.293	18.925	1.659	22.118
Financial Derivative Instruments		12	180	-	-
Investments Accounted for Using Equity Method	5	27.616	404.225	27.781	370.292
Investment Properties		49.045	717.874	49.267	656.680
Property, Plant and Equipment	6	3.852.058	56.382.963	3.828.128	51.025.118
Right of Use Assets		49.078	718.366	49.530	660.189
Intangible Assets		291.712	4.269.825	295.528	3.939.090
<i>Goodwill</i>		18.781	274.903	18.781	250.335
<i>Other Intangible Assets</i>	6	272.931	3.994.922	276.747	3.688.755
Prepaid Expenses		308.686	4.518.233	271.936	3.624.633
<i>Prepaid Expenses to Related Parties</i>	3	87.651	1.282.957	87.651	1.168.301
<i>Other Prepaid Expenses to Third Parties</i>		221.035	3.235.276	184.285	2.456.332
Deferred Tax Assets	11	16.467	241.035	13.853	184.646
Other Non Current Assets		8.044	117.738	17.481	233.000
<b>TOTAL ASSETS</b>		<b>9.237.119</b>	<b>135.204.630</b>	<b>9.486.255</b>	<b>126.442.297</b>

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 31 March 2022

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2022 USD'000	Current Period 31 March 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>		<b>2.196.920</b>	<b>32.214.541</b>	<b>1.758.205</b>	<b>23.477.310</b>
Short Term Borrowings	7	836.165	12.261.103	481.080	6.423.861
Short Term Portion of Long Term Borrowings	7	180.777	2.650.827	246.522	3.291.812
Trade Payables		670.094	9.825.929	504.195	6.732.507
<i>Due to Related Parties</i>	3	12.920	189.454	15.159	202.414
<i>Other Trade Payables to Third Parties</i>		657.174	9.636.475	489.036	6.530.093
Payables for Employee Benefits	9	21.155	310.203	23.251	310.474
Other Payables		52.745	773.423	17.677	236.042
Financial Derivative Instruments		1.159	16.996	14.248	190.259
Deferred Revenue		163.057	2.390.980	111.626	1.490.544
Current Tax Liabilities	11	227.573	3.337.024	319.906	4.271.705
Short Term Provisions	8	24.187	354.666	24.928	332.869
Other Current Liabilities		20.008	293.390	14.772	197.237
<b>NON CURRENT LIABILITIES</b>		<b>1.361.981</b>	<b>19.971.406</b>	<b>1.379.269</b>	<b>18.417.383</b>
Long Term Borrowings	7	520.011	7.625.187	521.281	6.960.671
Financial Derivative Instruments		-	-	10	137
Long Term Provisions		117.561	1.723.863	120.224	1.605.350
<i>Long term provisions for employee benefits</i>	9	117.561	1.723.863	120.224	1.605.350
Deferred Tax Liabilities	11	724.139	10.618.415	737.491	9.847.720
Other Non Current Liabilities		270	3.941	263	3.505
<b>EQUITY</b>		<b>5.678.218</b>	<b>83.018.683</b>	<b>6.348.781</b>	<b>84.547.604</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>5.535.907</b>	<b>80.985.917</b>	<b>6.176.342</b>	<b>82.292.893</b>
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)		(79.940)	31.761.382	(79.868)	35.431.629
<i>Revaluation Reserve of Tangible Assets</i>		10.339	162.684	10.411	147.805
<i>Actuarial (Loss) Gain funds</i>		(74.594)	(386.301)	(74.594)	(386.301)
<i>Foreign Currency Translation Reserves</i>		(15.685)	31.984.999	(15.685)	35.670.125
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(249.573)	334.967	(233.088)	733.735
<i>Foreign Currency Translation Reserves</i>		(257.062)	225.158	(237.868)	669.905
<i>Cash Flow Hedging Gain (Loss)</i>		7.489	109.809	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	32.068.901	1.644.980	21.965.415
Net Profit for the Period		404.694	5.626.061	1.744.832	15.527.082
<b>Non-Controlling Interests</b>		<b>142.311</b>	<b>2.032.766</b>	<b>172.439</b>	<b>2.254.711</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9.237.119</b>	<b>135.204.630</b>	<b>9.486.255</b>	<b>126.442.297</b>

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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

		(Unaudited) Current Period 1 January - 31 March 2022 USD'000	(Unaudited) Current Period 1 January - 31 March 2022 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2021 USD'000	(Unaudited) Previous Period 1 January - 31 March 2021 TRY'000
	Note				
Revenue	13	2.100.714	29.204.128	1.420.821	10.464.203
Cost of Sales	13	(1.421.049)	(19.755.417)	(924.671)	(6.810.111)
<b>GROSS PROFIT</b>		<b>679.665</b>	<b>9.448.711</b>	<b>496.150</b>	<b>3.654.092</b>
Marketing Expenses	14	(10.946)	(152.166)	(10.009)	(73.714)
General Administrative Expenses	14	(21.235)	(295.215)	(17.505)	(128.925)
Research and Development Expenses		(1.381)	(19.198)	(1.089)	(8.022)
Other Operating Income	14	3.916	54.434	9.706	71.481
Other Operating Expenses	14	(11.982)	(166.572)	(6.221)	(45.808)
<b>OPERATING PROFIT</b>		<b>638.037</b>	<b>8.869.994</b>	<b>471.032</b>	<b>3.469.104</b>
Income from Investing Activities		1.206	16.770	660	4.860
Expenses from Investing Activities		(2.613)	(36.336)	(1.374)	(10.122)
Share of Investments' Profit Accounted by Using The Equity Method	5	(165)	(2.287)	(573)	(4.223)
<b>OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)</b>		<b>636.465</b>	<b>8.848.141</b>	<b>469.745</b>	<b>3.459.619</b>
Finance Income	15	45.393	631.055	79.508	686.897
Finance Expense	15	(51.592)	(717.232)	(14.344)	(105.642)
<b>PROFIT BEFORE TAX</b>		<b>630.266</b>	<b>8.761.964</b>	<b>534.909</b>	<b>4.040.874</b>
Tax (Expense) Income	11	(211.001)	(2.933.339)	(166.708)	(1.329.112)
Current Corporate Tax (Expense) Income		(229.013)	(3.183.740)	(105.429)	(877.800)
Deferred Tax (Expense) Income		18.012	250.401	(61.279)	(451.312)
<b>NET PROFIT FOR THE PERIOD</b>		<b>419.265</b>	<b>5.828.625</b>	<b>368.201</b>	<b>2.711.762</b>
Non-Controlling Interests		14.571	202.564	12.775	94.083
Equity Holders of the Parent		404.694	5.626.061	355.426	2.617.679
<b>EARNINGS PER SHARE</b>			1,6074		0,7479
(TRY 1 Nominal value per share)					

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(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 OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

	(Unaudited) Current Period 1 January - 31 March 2022 USD'000	(Unaudited) Current Period 1 January - 31 March 2022 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2021 USD'000	(Unaudited) Previous Period 1 January - 31 March 2021 TRY'000
Note				
<b>PROFIT FOR THE PERIOD</b>	<b>419.265</b>	<b>5.828.625</b>	<b>368.201</b>	<b>2.711.762</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Not to be reclassified subsequently to profit or loss</b>				
Increase (Decrease) in Revaluation Reserve of Tangible Assets	(74)	14.879	(198)	10.805
Foreign Currency Translation Gain (Loss)	-	6.441.939	-	3.423.737
<b>To be reclassified subsequently to profit or loss</b>				
Gain (Loss) in Cash Flow Hedging Reserves	3.436	56.122	10.095	81.452
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 (747)	(10.953)	(2.019)	(16.290)
Foreign Currency Translation Gain (Loss)	(21.238)	1.864.077	(25.827)	1.511.688
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(18.623)</b>	<b>8.366.064</b>	<b>(17.949)</b>	<b>5.011.392</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>400.642</b>	<b>14.194.689</b>	<b>350.252</b>	<b>7.723.154</b>
<b>Distribution of Total Comprehensive Income</b>				
Non-controlling Interests	12.506	406.539	10.249	232.498
Equity Holders of the Parent	388.136	13.788.150	340.003	7.490.656

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

### CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 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				
<b>1 January 2022</b>		<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>147.805</b>	<b>35.670.125</b>	<b>(386.301)</b>	<b>63.830</b>	<b>669.905</b>	<b>4.988.204</b>	<b>21.965.415</b>	<b>15.527.082</b>	<b>82.292.893</b>	<b>2.254.711</b>	<b>84.547.604</b>	
Net profit for the period		-	-	-	-	-	-	-	-	-	-	5.626.061	<b>5.626.061</b>	202.564	<b>5.828.625</b>		
Other comprehensive income (loss)		-	-	-	-	14.879	6.441.939	-	45.979	1.659.292	-	-	-	<b>8.162.089</b>	203.975	<b>8.366.064</b>	
Total comprehensive income (loss)		-	-	-	-	14.879	6.441.939	-	45.979	1.659.292	-	5.626.061	-	<b>13.788.150</b>	406.539	<b>14.194.689</b>	
Dividends (*)		-	-	-	-	-	-	-	-	-	(15.095.126)	-	-	<b>(15.095.126)</b>	(628.484)	<b>(15.723.610)</b>	
Transfers		-	-	-	-	-	-	-	-	2.559.574	12.967.508	(15.527.082)	-	-	-	-	
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(10.127.065)	-	-	(2.104.039)	-	12.231.104	-	-	-	-	
<b>31 March 2022</b>		<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>162.684</b>	<b>31.984.999</b>	<b>(386.301)</b>	<b>109.809</b>	<b>225.158</b>	<b>7.547.778</b>	<b>32.068.901</b>	<b>5.626.061</b>	<b>80.985.917</b>	<b>2.032.766</b>	<b>83.018.683</b>	
(Unaudited)																	
<b>1 January 2021 (Previously reported)</b>		<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>77.866</b>	<b>17.198.251</b>	<b>(115.606)</b>	<b>(15.481)</b>	<b>7.628.480</b>	<b>3.597.448</b>	<b>4.482.548</b>	<b>3.309.093</b>	<b>39.809.427</b>	<b>1.312.149</b>	<b>41.121.576</b>	
Effect of change in accounting principle		-	-	-	-	-	(4.092.745)	-	-	(7.371.786)	-	11.464.531	-	-	-	-	
<b>1 January 2021 (Previously reported)</b>		<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>77.866</b>	<b>13.105.506</b>	<b>(115.606)</b>	<b>(15.481)</b>	<b>256.694</b>	<b>3.597.448</b>	<b>15.947.079</b>	<b>3.309.093</b>	<b>39.809.427</b>	<b>1.312.149</b>	<b>41.121.576</b>	
Net profit for the period		-	-	-	-	-	-	-	-	-	-	2.617.679	<b>2.617.679</b>	94.083	<b>2.711.762</b>		
Other comprehensive income (loss)		-	-	-	-	10.805	3.423.737	-	65.162	1.373.273	-	-	-	<b>4.872.977</b>	138.415	<b>5.011.392</b>	
Total comprehensive income (loss)		-	-	-	-	10.805	3.423.737	-	65.162	1.373.273	-	2.617.679	-	<b>7.490.656</b>	232.498	<b>7.723.154</b>	
Dividends (*)		-	-	-	-	-	-	-	-	-	(6.275.502)	-	-	<b>(6.275.502)</b>	(256.300)	<b>(6.531.802)</b>	
Transfers		-	-	-	-	-	-	-	-	1.031.135	2.277.958	(3.309.093)	-	-	-	-	
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(679.344)	-	-	(1.287.383)	-	1.966.727	-	-	-	-	
<b>31 March 2021</b>		<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>88.671</b>	<b>15.849.899</b>	<b>(115.606)</b>	<b>49.681</b>	<b>342.584</b>	<b>4.628.583</b>	<b>13.916.262</b>	<b>2.617.679</b>	<b>41.024.581</b>	<b>1.288.347</b>	<b>42.312.928</b>	

(\*) 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 31 March 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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period 1 January - 31 March 2022	Current Period 1 January - 31 March 2022	Previous Period 1 January - 31 March 2021	Previous Period 1 January - 31 March 2021
		USD'000	TRY'000	USD'000	TRY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit (Loss) for The Period		238.209	3.538.617	272.906	2.396.006
Adjustments to Reconcile Profit (Loss)		419.265	5.828.625	368.201	2.711.762
Adjustments for Depreciation and Amortisation Expenses	6/13/14	210.447	3.021.011	123.821	1.431.517
Adjustments for Impairment Loss (Reversal of Impairment Loss)		56.258	782.075	55.648	409.835
Adjustments for Provision (Reversal of Provision) for Receivables		(556)	(7.734)	(1.019)	(7.506)
Adjustments for Provision (Reversal of Provision) for Inventories	4	(136)	(1.894)	242	1.779
Adjustments for Provisions		(420)	(5.840)	(1.261)	(9.285)
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	13.959	194.072	10.669	78.574
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	10.281	142.938	6.887	50.719
Adjustments for Interest (Income) and Expenses		3.678	51.134	3.782	27.855
Adjustments for Interest Income	15	(36.697)	(510.165)	(21.530)	(158.564)
Adjustments for Interest Expense	15	(41.530)	(577.349)	(26.627)	(196.108)
Unearned Financial Income from Credit Sales		14.882	206.890	10.898	80.266
Adjustments for Unrealised Foreign Exchange Differences		(10.049)	(139.706)	(5.801)	(42.722)
Adjustments for Fair Value (Gains) Losses		(22.348)	(350.503)	(25.813)	(200.472)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	(3.735)	(51.929)	(4.408)	(32.466)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(3.735)	(51.929)	(4.408)	(32.466)
Adjustments for Tax (Income) Expenses	11	211.001	2.933.339	166.708	1.329.112
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		2.126	29.569	1.192	8.781
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		2.126	29.569	1.192	8.781
Other Adjustments for Reconciliation of Profit (Loss)		(9.726)	-	(58.199)	-
<b>Changes in Working Capital</b>		<b>(66.478)</b>	<b>(967.612)</b>	<b>(138.731)</b>	<b>(1.155.104)</b>
Adjustments for Decrease (Increase) in Trade Receivables		(5.698)	(83.402)	(36.727)	(305.785)
Decrease (Increase) in Trade Receivables from Related Parties		1.245	18.223	17.757	147.845
Decrease (Increase) in Trade Receivables from Third Parties		(6.943)	(101.625)	(54.484)	(453.630)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		594	8.695	(1.359)	(11.317)
Decrease (Increase) in Other Receivables from Operations from Third Parties		594	8.695	(1.359)	(11.317)
Decrease (Increase) in Derivative Financial Instruments		(6.879)	(100.688)	(8.900)	(74.101)
Adjustments for Decrease (Increase) in Inventories		(315.005)	(4.610.822)	(126.412)	(1.052.506)
Decrease (Increase) in Prepaid Expenses		4.209	61.068	(846)	(7.046)
Adjustments for Increase (Decrease) in Trade Payables		165.899	2.432.660	(7.759)	(64.600)
Increase (Decrease) in Trade Payable to Related Parties		(2.239)	(32.831)	(6.455)	(53.745)
Increase (Decrease) in Trade Payable to Third Parties		168.138	2.465.491	(1.304)	(10.855)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		32.972	483.485	1.517	12.627
Increase (Decrease) in Other Payables to Third Parties Related from Operations		32.972	483.485	1.517	12.627
Increase (Decrease) in Derivative Liabilities		(5.968)	(88.066)	7.416	61.745
Adjustments for Other Increase (Decrease) in Working Capital		63.398	929.458	34.339	285.879
Decrease (Increase) in Other Assets Related from Operations		6.724	98.419	17.599	146.506
Increase (Decrease) in Other Payables Related from Operations		56.674	831.039	16.740	139.373
<b>Cash Flows Provided by Operating Activities</b>		<b>563.234</b>	<b>7.882.024</b>	<b>353.291</b>	<b>2.988.175</b>
Payments Related to Provisions for Employee Termination Benefits	9	(1.899)	(26.408)	(1.794)	(13.214)
Payments Related to Other Provisions	8	(2.529)	(35.168)	(3.466)	(25.527)
Income Taxes Refund (Paid)	11	(320.597)	(4.281.831)	(75.125)	(553.428)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(145.774)</b>	<b>(2.022.740)</b>	<b>(378.951)</b>	<b>(2.957.870)</b>
Cash Outflow Due to Share Purchases of Subsidiaries' not End Up with Losing Control		-	-	(296.980)	(2.119.605)
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		1.099	15.000	6.675	50.000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(1.047)	(14.410)	(2.611)	(19.320)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		1.010	14.033	521	3.841
Cash Inflow from Sales of Property, Plant and Equipment		1.010	14.033	521	3.841
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(84.991)	(1.181.549)	(81.020)	(596.708)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(84.808)	(1.179.004)	(80.689)	(594.267)
Cash Outflow from Purchase of Intangible Assets	6	(183)	(2.545)	(331)	(2.441)
Cash Advances and Debts Given		(36.727)	(510.579)	(6.395)	(282.470)
Other Cash Advances and Debts Given		(36.727)	(510.579)	(6.395)	(282.470)
Dividends Received		-	-	859	6.392
Other Cash Inflow (Outflows)		(25.118)	(345.235)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(683.551)</b>	<b>(10.438.527)</b>	<b>(726.011)</b>	<b>(5.617.551)</b>
Cash Inflow from Borrowings		449.697	6.243.784	163.354	1.194.173
Cash Inflow from Loans		449.697	6.243.784	163.354	1.194.173
Cash Outflow from Repayments of Borrowings		(146.839)	(2.041.353)	(82.040)	(586.518)
Cash Outflow from Loan Repayments		(146.839)	(2.041.353)	(82.040)	(586.518)
Cash Outflow from Debt Payments for Leasing Contracts		(626)	(8.703)	(484)	(3.561)
Dividends Paid		(1.025.409)	(15.185.191)	(826.514)	(6.365.243)
Interest Paid		(5.921)	(74.416)	(12.656)	(93.213)
Interest Received		45.547	627.352	32.329	236.811
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(591.116)</b>	<b>(8.922.650)</b>	<b>(832.056)</b>	<b>(6.179.415)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(66.487)	1.565.186	(26.241)	847.150
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(657.603)</b>	<b>(7.357.464)</b>	<b>(858.297)</b>	<b>(5.332.265)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>1.733.765</b>	<b>23.109.359</b>	<b>1.840.609</b>	<b>13.510.993</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1.076.162</b>	<b>15.751.895</b>	<b>982.312</b>	<b>8.178.728</b>

- As of 31 March 2022, the Group's total amount of time deposit interest accrual is TRY 47.002 thousand (USD 3.211 thousand) (31 March 2021: TRY 5.509 thousand (USD 662 thousand)).
- "Currency Protected Deposits" with maturities of more than 3 months in financial investments are reported in condensed consolidated statement of cash flow 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 THREE MONTHS PERIOD ENDED 31 MARCH 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 main parent and ultimate controlling party of the Group are ATAER Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

Ordu Yardımlaşma Kurumu (OYAK) was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an “aid and retirement fund” for Turkish Armed Forces’ members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website ([www.oyak.com.tr](http://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		2022	2021
	Operation	Operation	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	100
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Turkey	Special Purpose Entity	100	100

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 THREE MONTHS PERIOD ENDED 31 MARCH 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	31 March 2022 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.258	1.797	6.055
İskenderun Demir ve Çelik A.Ş.	3.101	1.666	4.767
Erdemir Madencilik San. ve Tic. A.Ş.	155	156	311
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	233	80	313
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	301	301
Erdemir Romania S.R.L.	214	40	254
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	574	123	697
Odak Refrakter ve Madencilik San. Tic. A.Ş.	8	3	11
Erdemir Enerji Üretim A.Ş.	-	4	4
	<u>8.543</u>	<u>4.171</u>	<u>12.714</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.

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022**

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

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#### **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” and Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş., Erdemir Enerji Üretim A.Ş., Odak Refrakter ve Madencilik San. Tic. 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.

##### Translation to 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.

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022**

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

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

##### **2.1 Basis of Presentation (cont’d)**

###### Presentation currency translation (cont’d)

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 31 March 2022 are translated from US Dollars into TRY using the Central Bank of Turkey's buying exchange rates which is TRY 14,6371= US \$ 1 and TRY 16,2855= EUR 1 and the liabilities has been translated from into TRY using the Central Bank of Turkey's exchange selling rate which is TRY 14,6635= US \$ 1 and TRY 16,3148= 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 three months period ended 31 March 2022, condensed consolidated statements of profit or loss are translated from the average TRY 13,9020 = US \$ 1 and TRY 15,6042 =EUR 1 rates of 2022 January – March period (31 March 2021: TRY 7,3649 = US \$ 1 TRY 8,8852 = 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 31 March 2022 are presented by being translated at the TRY 14,6635 = US \$ 1 rate, which is the effective foreign currency selling rate as of 31 March 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 31 March 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 31 March 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.

###### 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 27 April 2022 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 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)**

##### **2.2 Restatement and Errors In The Accounting Policies and Estimates**

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 Financial Reporting Standards**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as of 31 March 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.

##### **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.

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022**

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

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

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

###### **Amendments that are mandatorily effective from 2022 (cont’)**

###### **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**

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

##### **2.3 Adoption of New and Revised Financial Reporting (cont’d)**

###### **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 Financial Reporting (cont’d)**

###### **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 three months period ended 31 March 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 three months period ended 31 March 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 31 March 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:

<b>Account name</b>	(Previously reported)	(Restated)	(Change)
	31 December 2020	31 December 2020	31 December 2020
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	<u>(7.371.786)</u>
			<u>-</u>

**2.6 Significant changes in current period**

The expanding sanctions regime with the participation of the G-7 and EU countries under the leadership of the USA and the UK in response to the military operation launched by the Armed Forces of the Russian Federation against Ukraine, aims to completely isolate Russia from the global system and its transportation, communication, culture and art networks. The imposed sanctions had significant effects on the global economy and financial markets. OYAK closely follows developments related to the effects of sanctions. The effects of sanctions and war on Group companies that have economic relations with Russia and Ukraine are analyzed in terms of supply chains, sales channels, supplier and customer portfolio. The uncertainties and risks of both the relevant Group companies and the top management continue to be determined by the necessary risk management and stress tests, and their effects on the profitability, capital, liquidity and operations of the Group companies continue to be measured.

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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#### 2.7 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.

#### 2.8 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.

#### 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:

	31 March 2022	31 December 2021
<u>Due from related parties (short term)</u>		
OYAK Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	204.274	212.106
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	18.537	12.569
OYAK Çimento Fabrikaları A.Ş. <sup>(1)</sup>	76.123	66.851
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. <sup>(1)</sup>	23.701	17.454
Other	1.079	2.404
	<u>323.714</u>	<u>311.384</u>

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

	31 March 2022	31 December 2021
<u>Other receivables from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	5.556	5.735
	<u>5.556</u>	<u>5.735</u>

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

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

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**NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)**

	31 March 2022	31 December 2021
<u>Other receivables from related parties (long term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	33.861	32.512
	<u>33.861</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.

	31 March 2022	31 December 2021
<u>Prepaid expenses to related parties(short term)</u>		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	22.485	15.838
OYAK Akaryakıt ve LPG Yatırımları A.Ş. <sup>(1)</sup>	6.444	6.444
	<u>28.929</u>	<u>22.282</u>

	31 March 2022	31 December 2021
<u>Prepaid expenses to related parties (long term)</u>		
Ordu Yardımlaşma Kurumu <sup>(4)</sup>	1.219.775	1.110.765
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	63.182	57.536
	<u>1.282.957</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.

	31 March 2022	31 December 2021
<u>Due to related parties (short term)</u>		
Omsan Lojistik A.Ş. <sup>(1)</sup>	70.072	47.093
Omsan Denizcilik A.Ş. <sup>(1)</sup>	2.903	-
OYAK Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	34.626	30.607
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	15.792	21.539
Omsan Logistica SRL <sup>(1)</sup>	5.937	5.473
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	37.434	39.159
Doco Petrol ve Danışmanlık A.Ş. <sup>(1)</sup>	6.397	3.230
Other	16.293	55.313
	<u>189.454</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
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- (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 - 31 March 2022	1 January - 31 March 2021
OYAK Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	165.379	94.127
OYAK Çimento Fabrikaları A.Ş. <sup>(1)</sup>	39.448	17.898
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	27.102	4.836
İskenderun Enerji Üretim ve Ticaret A.Ş. <sup>(1)</sup>	418.555	161.573
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. <sup>(1)</sup>	28.355	13.729
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	45.522	16.461
Other	2.109	1.122
	<u>726.470</u>	<u>309.746</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 - 31 March 2022	1 January - 31 March 2021
Omsan Denizcilik A.Ş. <sup>(1)</sup>	97.243	46.861
OYAK Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	84.070	43.647
Omsan Lojistik A.Ş. <sup>(1)</sup>	148.019	55.997
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	33.018	24.503
Omsan Logistica SRL <sup>(1)</sup>	16.000	8.430
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	76.260	39.427
Doco Petrol ve Danışmanlık A.Ş. <sup>(1)</sup>	29.696	7.565
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	68.702	30.041
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	112.912	6.889
Other	18.740	6.251
	<u>684.660</u>	<u>269.611</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 three months period ended 31 March 2022, the Group provides no 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 the General Manager and Assistant General Managers. For the three months period ended 31 March 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 32.649 thousand (31 March 2021: TRY 4.477 thousand).

#### NOTE 4 – INVENTORIES

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

	31 March 2022	31 December 2021
Raw materials	10.133.614	7.217.219
Work in progress	6.814.376	6.749.579
Finished goods	8.543.037	6.410.581
Spare parts	3.704.803	3.313.741
Goods in transit	6.460.117	4.737.221
Other inventories	1.919.198	1.556.442
Allowance for impairment on inventories (-)	(1.118.919)	(1.024.586)
	<u>36.456.226</u>	<u>28.960.197</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	1.024.586	547.779
Additional in provisions due to acquisition of subsidiaries	-	42.732
Provision for the period	-	1.031
Provision released (-)	(5.840)	(10.316)
Translation difference	100.173	79.330
Closing balance	<u>1.118.919</u>	<u>660.556</u>

The Group has made a provision for impairment on inventories considered to be not usable within the framework of 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 %	31 March 2022	Right to vote ratio %	31 December 2021	Business segment
<i>Joint Venture</i>					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	404.225	50	370.292	Industrial Gas Production and Sale

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

	31 March 2022	31 December 2021
Total assets	854.398	778.957
Total liabilities	45.948	38.373
Net assets	808.450	740.584
Group's share on net assets	404.225	370.292

	31 March 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 142.727 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 10.267 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 5.134 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 – 31 March 2022	1 January – 31 March 2021
Revenue	79.989	33.535
Operating profit	14.352	7.635
Net profit (loss) for the period	(4.573)	(8.446)
Group's share on net profit	(2.287)	(4.223)

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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:

	31 March 2022	31 March 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	<u>51.025.118</u>	<u>26.061.836</u>
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 (*)	1.168.224	572.291
Disposals (-)	(43.602)	(12.622)
<i>Cost of disposals</i>	(329.887)	(52.807)
<i>Accumulated depreciation of disposals</i>	286.285	40.185
Transfers to intangible assets	(2.913)	-
Currency translation difference	4.977.378	3.564.672
<i>Cost currency translation difference</i>	12.711.046	9.244.969
<i>Accumulated depreciation currency translation difference</i>	(7.733.668)	(5.680.297)
Current period depreciation (-)	(741.242)	(405.951)
Net book value at the end of the period	<u>56.382.963</u>	<u>30.318.930</u>
<u>Closing balance end of period</u>		
Cost	143.287.199	78.875.018
Accumulated depreciation	(86.904.236)	(48.556.088)
Net book value	<u>56.382.963</u>	<u>30.318.930</u>

(\*)The amount of capitalized borrowing cost is TRY (10.780) thousand for the current period (31 March 2021: TRY (21.976) thousand).

As of 31 March 2022, the Group has no collaterals or pledges upon its tangible assets (31 March 2021: None).

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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:

	31 March 2022	31 March 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	2.545	2.441
Transfers from tangible assets	2.913	-
Currency translation difference	356.801	192.251
<i>Cost currency translation difference</i>	504.854	288.020
<i>Accumulated depreciation currency translation difference</i>	(148.053)	(95.769)
Current period amortisation (-)	(56.092)	(12.087)
Net book value at the end of the period	<u>3.994.922</u>	<u>1.427.659</u>
<u>Closing balance end of period</u>		
Cost	5.631.076	2.238.797
Accumulated amortisation	(1.636.154)	(811.138)
Net book value	<u>3.994.922</u>	<u>1.427.659</u>

As of 31 March 2022, the Group has no collaterals or pledges upon its intangible assets (31 March 2021: None).

The distribution of total depreciation and amortization expenses related to tangible, intangible assets, right of use assets amounting to TRY 16.732 thousand (31 March 2021: TRY 5.343 thousand) and investment properties amounting to TRY 3.089 thousand (31 March 2021: TRY 1.636 thousand) are as follows:

	1 January – 31 March 2022	1 January – 31 March 2021
Associated with cost of production	735.953	387.402
General administrative expenses	36.894	14.675
Marketing expenses	32.144	17.763
Research and development expenses	6.066	2.228
Other operating expenses	6.098	2.949
	<u>817.155</u>	<u>425.017</u>

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

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**NOTE 7 – BORROWINGS**

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

	31 March 2022	31 December 2021
Short term bank borrowings	12.261.103	6.423.861
Current portion of long term bank borrowings	2.580.679	3.228.161
Long term bank borrowings	7.321.128	6.667.016
Total bank borrowings	<u>22.162.910</u>	<u>16.319.038</u>
Current portion of long term lease payables	72.722	67.420
Cost of current portion of long term lease payables (-)	(2.574)	(3.769)
Long term lease payables	1.145.260	1.140.029
Cost of long term lease payables (-)	(841.201)	(846.374)
Total lease payables	<u>374.207</u>	<u>357.306</u>
Total borrowings	<u>22.537.117</u>	<u>16.676.344</u>

As of 31 March 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	31 March 2022
No interest	TRY	-	57.028	-	57.028
Fixed	TRY	21,81	2.752.075	-	2.752.075
Fixed	US Dollars	1,86	8.303.239	1.458.763	9.762.002
Fixed	EURO	2,70	26.145	12.541	38.686
Floating	US Dollars	Libor+2,12	3.266.866	4.447.964	7.714.830
Floating	EURO	Euribor+0,69	436.429	1.401.860	1.838.289
			<u>14.841.782</u>	<u>7.321.128</u>	<u>22.162.910</u>

(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

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#### 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:

	31 March 2022			31 December 2021		
	Bank Borrowings	Lease Payables	Total Borrowings	Bank Borrowings	Lease Payables	Total Borrowings
Within 1 year	14.841.782	70.148	14.911.930	9.652.022	63.651	9.715.673
Between 1-2 years	789.883	57.903	847.786	835.273	54.751	890.024
Between 2-3 years	3.565.762	38.673	3.604.435	3.201.224	38.360	3.239.584
Between 3-4 years	718.167	28.141	746.308	612.632	27.196	639.828
Between 4-5 years	837.282	24.457	861.739	809.053	23.637	832.690
Five years or more	1.410.034	154.885	1.564.919	1.208.834	149.711	1.358.545
	<u>22.162.910</u>	<u>374.207</u>	<u>22.537.117</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:

	31 March 2022	31 December 2021
Provision for lawsuits	280.462	247.419
Penalty provision for employment shortage of disabled	12.249	11.117
Provision for state right on mining activities	47.910	39.248
Provision for land occupation	14.045	35.085
	<u>354.666</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	31 March 2022
Provision for lawsuits	247.419	-	30.512	(3.854)	(1.699)	8.084	280.462
Penalty provision for employment shortage of disabled	11.117	-	1.493	-	(374)	13	12.249
Provision for state right on mining activities	39.248	-	10.177	-	-	(1.515)	47.910
Provision for land occupation	35.085	-	11.270	(31.314)	(245)	(751)	14.045
	<u>332.869</u>	<u>-</u>	<u>53.452</u>	<u>(35.168)</u>	<u>(2.318)</u>	<u>5.831</u>	<u>354.666</u>

	1 January 2021	Additional in provisions due to acquisition of subsidiaries	Change for the period	Payments	Provision released	Translation difference	31 March 2021
Provision for lawsuits	195.355	1.400	15.849	(8.296)	(1.739)	6.498	209.067
Penalty provision for employment shortage of disabled	13.551	-	1.311	-	-	49	14.911
Provision for state right on mining activities	23.023	6.247	6.690	-	-	1.269	37.229
Provision for land occupation	21.695	-	5.979	(17.231)	(235)	294	10.502
	<u>253.624</u>	<u>7.647</u>	<u>29.829</u>	<u>(25.527)</u>	<u>(1.974)</u>	<u>8.110</u>	<u>271.709</u>

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

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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:

	31 March 2022	31 December 2021
Lawsuits filed by the Group	1.580.549	1.460.069
Provision for lawsuits filed by the Group	243.807	227.346

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

	31 March 2022	31 December 2021
Lawsuits filed against the Group	228.129	211.241
Provision for lawsuits filed against the Group	280.462	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 31 March 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.

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

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#### **NOTE 8 – PROVISIONS (cont’d)**

##### **Provision for lawsuits (cont’d)**

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir.

Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notification made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. 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. A provision amounting to TRY 126.587 thousand recognized on consolidated financial statements for the related lawsuit.

##### **Resolution of Constitutional Court on Electric and Coal Gas Tax**

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, on 16 March 2015, the Company used its right to apply the Constitutional Court individually. In the General Assembly Resolution adopted by the Constitutional Court notified to the Company on 27 December 2018, it is stated that the property rights of the Company were violated, and retrial was decided for the applicable claims to eliminate the consequences of the violation of the property rights regarding to consolidated 15 cases.

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#### **NOTE 8 – PROVISIONS (cont’d)**

##### **Provision for lawsuits (cont’d)**

##### **Resolution of Constitutional Court on Electric and Coal Gas Tax (cont’d)**

Similarly, in the consolidated 21 cases subject to Company’s application, the Constitutional Court has decided for retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

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 resolved in favor of the Company. 31 cases have been finalized in favor of the Company.

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

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

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

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020. 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.

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 the last filed case, the decision has not been notified. 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.

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

In current period, land occupation provision 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:

	31 March 2022	31 December 2021
Due to personnel	178.455	236.301
Social security premiums payable	131.748	74.173
	<u>310.203</u>	<u>310.474</u>

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

	31 March 2022	31 December 2021
Provisions for employee termination benefits	1.344.263	1.282.538
Provisions for seniority incentive premium	195.951	183.800
Provision for unpaid vacations	183.649	139.012
	<u>1.723.863</u>	<u>1.605.350</u>

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

As of 31 March 2022, the employee termination benefit has been updated to a maximum of TRY 10.848,59 (31 December 2021: TRY 8.284,51).

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

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**NOTE 9 – EMPLOYEE BENEFITS (cont’d)**

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 31 March 2022 has been calculated by an independent actuary.

The actuarial assumptions used in the calculation of the present value of the future probable obligation same as previous period.

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 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:

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	1.282.538	759.907
Additional in provisions due to acquisition of subsidiaries	-	17.312
Service cost	29.062	16.963
Interest cost	55.423	21.911
Termination benefits paid	(23.524)	(11.967)
Translation difference	764	2.099
Closing balance	<u>1.344.263</u>	<u>806.225</u>

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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 - 31 March 2022	1 January - 31 March 2021
Opening balance	183.800	108.316
Service cost	4.836	2.645
Interest cost	7.166	3.173
Termination benefits paid	-	(83)
Translation difference	149	207
Closing balance	<u>195.951</u>	<u>114.258</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	139.012	99.913
Additional in provisions due to acquisition of subsidiaries	-	2.985
Provision for the period	58.973	16.245
Vacation paid during the period (-)	(2.884)	(1.164)
Provisions released (-)	(12.522)	(10.218)
Translation difference	1.070	921
Closing balance	<u>183.649</u>	<u>108.682</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The guarantees received by the Group are as follows:

	31 March 2022	31 December 2021
Letters of guarantees received	<u>10.247.512</u>	<u>9.218.182</u>
	<u>10.247.512</u>	<u>9.218.182</u>

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

	31 March 2022	31 December 2021
US Dollars	1.366.138	1.828.701
Turkish Lira	147.812	143.149
EURO	926.369	849.167
	<u>2.440.319</u>	<u>2.821.017</u>

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES (cont’d)**

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

	31 March 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	233.933	194.489
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.206.386	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>2.440.319</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 2.206.386 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 31 March 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:

	31 March 2022	31 December 2021
<u>Corporate tax payable:</u>		
Corporation tax for the year of 2021	8.963.309	-
Current corporate tax provision	3.347.150	8.963.309
Prepaid taxes and funds (-)	(8.973.435)	(4.691.604)
	<u>3.337.024</u>	<u>4.271.705</u>
	1 January - 31 March 2022	1 January - 31 March 2021
<u>Taxation:</u>		
Current corporate tax expense	3.183.740	877.800
Deferred tax (income) / expense	(250.401)	451.312
	<u>2.933.339</u>	<u>1.329.112</u>

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

##### Corporate tax

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

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

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 75% exemption applied to the earnings generated from the sale of intangibles is reduced to 50% and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets, 10% instead of 5%.

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

The total amount of the corporate tax paid by the Group in three months of 2022 is TRY 4.281.831 thousand (31 March 2021: TRY 553.428 thousand).

##### 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 31 March 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.

	31 March 2022	31 December 2021
<u>Deferred tax assets:</u>		
Provisions for employee benefits	349.300	324.706
Investment incentive	15.654	21.937
Provision for lawsuits	61.145	53.874
Inventories	208.446	114.367
Tangible and intangible assets	33.625	28.991
Financial lease payables	73.381	70.115
Other	112.274	158.312
	<u>853.825</u>	<u>772.302</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(9.585.937)	(8.650.855)
Fair values of the derivative financial instruments	(40.322)	(34.049)
Amortized cost adjustment on loans	(43.989)	(35.996)
Right of use assets	(144.494)	(132.957)
Inventories	(1.358.477)	(1.534.789)
Other	(57.986)	(46.730)
	<u>(11.231.205)</u>	<u>(10.435.376)</u>
	<u>(10.377.380)</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.

	31 March 2022	31 December 2021
Deferred tax assets	241.035	184.646
Deferred tax (liabilities)	<u>(10.618.415)</u>	<u>(9.847.720)</u>
	<u>(10.377.380)</u>	<u>(9.663.074)</u>

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

##### Deferred tax (cont’d)

	1 January - 31 March 2022	1 January - 31 March 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 (expense)/income	250.401	(451.312)
The amount in comprehensive income	(10.953)	(16.290)
Translation difference	(953.754)	(572.515)
Closing balance	<u>(10.377.380)</u>	<u>(4.758.166)</u>

Reconciliation of tax provision is as follows:

	1 January - 31 March 2022	1 January - 31 March 2021
Profit before tax	8.761.964	4.040.874
Statutory tax rate	22%	20%
Calculated tax expense according to effective tax rate	(1.927.632)	(808.175)
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(14.517)	(11.775)
- Effect of currency translation not subject to tax	(1.008.379)	(509.873)
- Investment incentive	17.761	585
- Effect of the different tax rates due to foreign subsidiaries	(572)	126
Total tax expense reported in the statement of income	<u>(2.933.339)</u>	<u>(1.329.112)</u>

#### NOTE 12 – EQUITY

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

	31 March 2022	31 December 2021
<u>Shareholders</u>	(%)	(%)
Ataer Holding A.Ş.	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181
Erdemir's own shares	3,08	107.837
Historical capital	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 2.225.418 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 - 31 March 2022	1 January - 31 March 2021
<u>Sales Revenue</u>		
Domestic sales	23.390.190	8.981.961
Export sales	4.594.283	1.199.307
Other revenues	1.090.851	259.358
Interest income from sales with maturities	147.895	44.350
Sales returns (-)	8.519	(2.240)
Sales discounts (-)	(27.610)	(18.533)
	<u>29.204.128</u>	<u>10.464.203</u>
<u>Cost of sales (-)</u>	<u>(19.755.417)</u>	<u>(6.810.111)</u>
Gross profit	<u>9.448.711</u>	<u>3.654.092</u>

The total amount of by product exports in other revenues is TRY 442.066 thousand (31 March 2021: TRY 86.729 thousand). Total interest income from export sales with maturities is TRY 5.008 thousand (31 March 2021: TRY 1.447 thousand)

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

	1 January - 31 March 2022	1 January - 31 March 2021
Raw material usage	(15.657.907)	(5.079.118)
Personnel costs	(864.632)	(520.948)
Energy costs	(1.664.673)	(402.815)
Depreciation and amortization expenses	(699.785)	(372.220)
Manufacturing overheads	(280.147)	(195.292)
Other cost of goods sold	(174.020)	(114.352)
Non-operating costs (*)	(58.469)	(2.979)
Freight costs for sales delivered to customers	(261.051)	(90.311)
Allowance expenses for impairment on inventories (Note 4)	-	(1.031)
Inventory provision released (Note 4)	5.840	10.316
Amortization of right of use assets	(1.088)	-
Other	(99.485)	(41.361)
	<u>(19.755.417)</u>	<u>(6.810.111)</u>

(\*) Non-operating part costs amounting to (58.469) thousand TRY 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 (31 March 2021: TRY (2.979) 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 - 31 March 2022	1 January - 31 March 2021
Personnel expenses (-)	(54.999)	(28.490)
Depreciation and amortization (-)	(32.144)	(17.763)
Service expenses (-)	(65.023)	(27.461)
	<u>(152.166)</u>	<u>(73.714)</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses (-)	(142.820)	(58.036)
Depreciation and amortization (-)	(27.348)	(12.281)
Benefits and services from third parties (-)	(115.949)	(50.917)
Tax, duty and charges (-)	(1.446)	(3.518)
Provision/ Provision released for doubtful receivables (net)	1.894	(1.779)
Amortization of right of use assets (-)	(9.546)	(2.394)
	<u>(295.215)</u>	<u>(128.925)</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Other operating income</u>		
Foreign exchange gain from trade receivables and payables (net)	-	43.544
Forfeit advances from customers	376	33
Discount income	78	48
Provisions released	2.073	1.739
Service income	12.839	4.473
Maintenance repair and rent income	5.835	4.598
Warehouse income	6.975	430
Indemnity and penalty detention income	1.978	1.485
Insurance indemnity income	1.113	1.077
Lawsuit income	98	47
Overdue interest income	1.037	1.629
Other income and gains	22.032	12.378
	<u>54.434</u>	<u>71.481</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 - 31 March 2022	1 January - 31 March 2021
<u>Other operating expenses (-)</u>		
Provision expenses	(32.005)	(17.160)
Foreign exchange expenses from trade receivables and payables (net)	(68.106)	-
Lawsuit compensation expenses	(2.055)	(5.604)
Right of use assets amortization	(6.098)	(2.949)
Donation expenses	(11.054)	(4.687)
Service expenses	(10.676)	(4.599)
Penalty expenses	(136)	(659)
Other expenses and losses	(36.442)	(10.150)
	<u>(166.572)</u>	<u>(45.808)</u>

#### NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Finance income</u>		
Interest income on bank deposits	576.859	194.802
Foreign exchange gains (net)	-	430.412
Interest income from financial investments	490	1.306
Fair value differences of derivative financial instruments (net)	51.929	32.466
Other financial income	1.777	27.911
	<u>631.055</u>	<u>686.897</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Finance expenses (-)</u>		
Interest expenses on borrowings	(194.159)	(70.331)
Foreign exchange loss (net)	(440.071)	-
Interest cost of employee benefits	(62.589)	(25.084)
Interest expenses on leasings	(12.731)	(9.935)
Other financial expenses	(7.682)	(292)
	<u>(717.232)</u>	<u>(105.642)</u>

During the period, the borrowing costs of TRY (10.780) thousand have been capitalized as part of the Group’s tangibles (31 March 2021: TRY (21.976) 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 31 March 2022, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 March 2022				
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	1.790.799	78.371	103.038	-	10.509
2a. Monetary financial assets	5.361.992	5.003.411	15.755	21	31.162
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	170.605	135.142	1.899	-	1.387
<b>4. CURRENT ASSETS (1+2+3)</b>	<b>7.323.396</b>	<b>5.216.924</b>	<b>120.692</b>	<b>21</b>	<b>43.058</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	169.218	162.244	428	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	1.691.717	668.071	61.414	192.505	122
<b>8. NON-CURRENT ASSETS (5+6+7)</b>	<b>1.860.935</b>	<b>830.315</b>	<b>61.842</b>	<b>192.505</b>	<b>122</b>
<b>9. TOTAL ASSETS (4+8)</b>	<b>9.184.331</b>	<b>6.047.239</b>	<b>182.534</b>	<b>192.526</b>	<b>43.180</b>
10. Trade payables	4.022.346	2.353.548	98.311	362.750	6.360
11. Financial liabilities	3.340.943	2.876.083	28.493	-	-
12a. Other monetary financial liabilities	6.537.571	6.358.277	9.432	-	7.664
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES (10+11+12)</b>	<b>13.900.860</b>	<b>11.587.908</b>	<b>136.236</b>	<b>362.750</b>	<b>14.024</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.717.438	303.036	86.694	-	-
16a. Other monetary financial liabilities	1.676.556	1.674.607	-	-	588
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. NON-CURRENT LIABILITIES (14+15+16)</b>	<b>3.393.994</b>	<b>1.977.643</b>	<b>86.694</b>	-	<b>588</b>
<b>18. TOTAL LIABILITIES (13+17)</b>	<b>17.294.854</b>	<b>13.565.551</b>	<b>222.930</b>	<b>362.750</b>	<b>14.612</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(1.256.477)</b>	-	<b>(77.153)</b>	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.256.477	-	77.153	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(9.367.000)</b>	<b>(7.518.312)</b>	<b>(117.549)</b>	<b>(170.224)</b>	<b>28.568</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(9.972.845)</b>	<b>(8.321.525)</b>	<b>(103.709)</b>	<b>(362.729)</b>	<b>27.059</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	30.714	-	1.886	-	-
23. Hedged foreign currency assets	1.256.477	-	77.153	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	5.041.357	-	-	-	-
26. Imports	16.191.176	-	-	-	-

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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:

	<b>31 December 2021</b>				
	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
<b>4. CURRENT ASSETS (1+2+3)</b>	<b>14.946.611</b>	<b>10.999.096</b>	<b>254.112</b>	<b>21</b>	<b>37.537</b>
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
<b>8. NON-CURRENT ASSETS (5+6+7)</b>	<b>1.578.674</b>	<b>928.530</b>	<b>41.661</b>	<b>181.993</b>	<b>196</b>
<b>9. TOTAL ASSETS (4+8)</b>	<b>16.525.285</b>	<b>11.927.626</b>	<b>295.773</b>	<b>182.014</b>	<b>37.733</b>
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	-	-	-	-	-
<b>13. CURRENT LIABILITIES (10+11+12)</b>	<b>9.806.878</b>	<b>7.959.107</b>	<b>116.648</b>	<b>433.292</b>	<b>11.199</b>
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	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>3.299.664</b>	<b>1.853.520</b>	<b>95.548</b>	<b>-</b>	<b>665</b>
<b>18. TOTAL LIABILITIES (13+17)</b>	<b>13.106.542</b>	<b>9.812.627</b>	<b>212.196</b>	<b>433.292</b>	<b>11.864</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(1.788.390)</b>	<b>-</b>	<b>(118.541)</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.788.390	-	118.541	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>1.630.353</b>	<b>2.114.999</b>	<b>(34.964)</b>	<b>(251.278)</b>	<b>25.869</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>1.992.663</b>	<b>1.364.266</b>	<b>40.319</b>	<b>(433.271)</b>	<b>25.307</b>
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 31 March 2022 on condensed consolidated statement of financial position are translated by using the following exchange rates for assets TRY 14,6371 = US \$ 1, TRY 16,2855 = EUR 1, TRY 0,1199 = JPY 1 and TRY 3,2735 = RON 1; for liabilities TRY 14,6635 = US \$ 1, TRY 16,3148 = EUR 1, TRY 0,1207 = JPY 1 and TRY 3,3163 = 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
<b>31 March 2022</b>		
1- TRY net asset/liability	(751.831)	751.831
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(751.831)	751.831
5- RON net asset/liability	9.289	(9.289)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	9.289	(9.289)
9- Euro net asset/liability	(66.440)	66.440
10- Hedged portion from Euro risk (-)	(125.648)	125.648
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(192.088)	192.088
13- Jap. Yen net asset/liability	(2.070)	2.070
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.070)	2.070
<b>TOTAL (4+8+12+16)</b>	<b>(936.700)</b>	<b>936.700</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED 31 March 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
<b>31 December 2021</b>		
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
<b>TOTAL (4+8+12+16)</b>	<b>163.034</b>	<b>(163.034)</b>

(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  
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(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 comprehen- sive income	Derivative financial instruments through profit/loss	Carrying value
<b>31 March 2022</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	15.798.897	-	-	15.798.897
Trade receivables	12.748.393	-	-	12.748.393
Financial investments	383.374	-	541	383.915
Other financial assets	105.774	-	-	105.774
Derivative financial instruments	-	246.058	31.083	277.141
<b><u>Financial Liabilities</u></b>				
Financial liabilities	22.537.117	-	-	22.537.117
Trade payables	9.825.929	-	-	9.825.929
Other liabilities	2.492.471	-	-	2.492.471
Derivative financial instruments	-	16.624	372	16.996
<b>31 December 2021</b>				
<b><u>Financial Assets</u></b>				
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
<b><u>Financial Liabilities</u></b>				
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  
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(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)

<b>Financial asset and liabilities at fair value</b>	<b>31 March 2022</b>	<b>Fair value level as of reporting date</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets and liabilities at fair value through profit/loss</b>				
Derivative financial assets	31.083	-	31.083	-
Derivative financial liabilities	(372)	-	(372)	-
<b>Financial assets and liabilities at fair value through other comprehensive income/expense</b>				
Derivative financial assets	246.058	-	246.058	-
Derivative financial liabilities	(16.624)	-	(16.624)	-
<b>Total</b>	<b>260.145</b>	<b>-</b>	<b>260.145</b>	<b>-</b>
<b>Financial asset and liabilities at fair value</b>				
	<b>31 December 2021</b>			
<b>Financial assets and liabilities at fair value through profit/loss</b>				
Derivative financial assets	76.817	-	76.817	-
Derivative financial liabilities	(3.606)	-	(3.606)	-
<b>Financial assets and liabilities at fair value through other comprehensive income/expense</b>				
Derivative financial assets	83.866	-	83.866	-
Derivative financial liabilities	(186.790)	-	(186.790)	-
<b>Total</b>	<b>(29.713)</b>	<b>-</b>	<b>(29.713)</b>	<b>-</b>

(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 THREE MONTHS PERIOD ENDED 31 March 2022**

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

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#### **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**

The Amendment Communiqué (Numbered: 2022-32/66) on the Amendment to the Communiqué on Decree No. 32 on the Protection of the Value of Turkish Currency (No: 2008-32/34)” has been published in the Official Gazette on 19 April 2022 and entered into force on the same date. Accordance with the amendment, the value and any other payment liabilities arising from the movable properties’ sales contracts (except for vehicle sale contracts) which are executed among Turkish residents may be denominated in a foreign currency or foreign currency indexed value. However, the payment obligations of the contract are required to be fulfilled and accepted in Turkish currency.

#### **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 31 March 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.