(CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH- SEE NOTE 38)

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022 AND INDEPENDENT AUDITOR’S REPORT

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34398
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6020
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Revenue recognition

While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer.

The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales.

In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management.

Please refer to notes 2.8.1 and 25 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.</td><td>We performed the following procedures in relation to the revenue recognition:

• The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed.
• Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed.
• For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested.

In addition, we assessed the adequacy of the disclosures in Note 25 under TFRS.</td></tr>
</table>

4) Emphasis of Matter

Without qualifying our opinion, we draw attention to the matter in Note 20 to the accompanying consolidated financial statements. The court cases related to Capital Market Board's ("CMB") claim that the Company had prepared its 31 December 2005 financial statements in accordance with International Financial Reporting Standards instead of Communique Serial XI, No: 25 on "Accounting Standards in Capital Markets" without taking the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions declared to the Company via notifications sent in July 2012. On 1 August 2012, the Company applied to the Administrative Court to remove the conflicting decisions of this court, but the Administrative Court decided to reject the application by the notification made on 17 February 2014. For the lawsuit filed by the Republic of Turkey Prime Ministry Privatization Administration ("PA") decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017. The decision of reversal has been notified to the Company on 2 August 2017. The Company has applied for rectification. With the decision of the 11th Civil Chamber of the Supreme Court dated 27 June 2019, which was notified to the Company on 28 August 2019, it was reported that the Company's application for rectification of the decision has been rejected. The case has been accepted on 30 December 2021 by the 3rd Commercial Court of First Instance of Ankara with subject to appeal. The Company appealed this decision on 3 March 2022. Legal process is ongoing as of the date of audit report and our opinion is not qualified in respect of this matter.

The explanations regarding suspension of the production activities of the Group's subsidiary İskenderun Demir ve Çelik A.Ş., due to the earthquake in our country on 6 February 2023 are disclosed in Note 37 and our opinion is not qualified in respect of this matter.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 3 March 2023.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2022 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

Additional Paragraph for Convenience Translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Volkan Becerik, SMMM
Partner

İstanbul, 3 March 2023

TABLE OF CONTENTS **Page**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

ASSETS	Note	(Audited) Current Period 31 December 2022 USD'000	(Audited) Current Period 31 December 2022 TRY'000	(Audited) Previous Period 31 December 2021 USD'000	(Audited) Previous Period 31 December 2021 TRY'000
CURRENT ASSETS		**4.313.559**	**80.656.225**	**4.928.616**	**65.693.526**
Cash and Cash Equivalents	4	812.184	15.186.458	1.739.791	23.189.668
Financial Investments	5	37.447	700.187	740	9.862
Trade Receivables		834.415	15.602.149	856.302	11.413.658
Due From Related Parties	*34*	*35.457*	*662.994*	*23.361*	*311.384*
Other Trade Receivables from Third Parties	*8*	*798.958*	*14.939.155*	*832.941*	*11.102.274*
Other Receivables		3.272	61.164	3.900	51.981
Due From Related Parties	*34*	*387*	*7.227*	*430*	*5.735*
Other Receivables from Third Parties	*9*	*2.885*	*53.937*	*3.470*	*46.246*
Financial Derivative Instruments	6	3.164	59.160	12.055	160.683
Inventories	10	2.361.306	44.152.408	2.172.721	28.960.197
Prepaid Expenses		46.494	869.363	53.576	714.110
Prepaid Expenses to Related Parties	*34*	*2.205*	*41.233*	*1.672*	*22.282*
Other Prepaid Expenses to Third Parties	*11*	*44.289*	*828.130*	*51.904*	*691.828*
Other Current Assets	22	215.277	4.025.336	89.531	1.193.367
NON CURRENT ASSETS		**5.039.891**	**94.237.398**	**4.557.639**	**60.748.771**
Financial Investments	5	6.833	127.774	37	493
Other Receivables		3.114	58.235	4.098	54.630
Due From Related Parties	*34*	*2.518*	*47.083*	*2.439*	*32.512*
Other Receivables from Third Parties	*9*	*596*	*11.152*	*1.659*	*22.118*
Investments Accounted for Using Equity Method	12	32.412	606.053	27.781	370.292
Investment Properties	13	48.378	904.591	49.267	656.680
Property, Plant and Equipment	14	4.316.732	80.715.554	3.828.128	51.025.118
Right of Use Assets	16	12.949	242.122	49.530	660.189
Intangible Assets	15	283.694	5.304.594	295.528	3.939.090
Goodwill	*17*	*18.781*	*351.177*	*18.781*	*250.335*
Other Intangible Assets	*15*	*264.913*	*4.953.417*	*276.747*	*3.688.755*
Prepaid Expenses		276.841	5.176.437	271.936	3.624.633
Prepaid Expenses to Related Parties	*34*	*9.165*	*171.363*	*87.651*	*1.168.301*
Other Prepaid Expenses to Third Parties	*11*	*267.676*	*5.005.074*	*184.285*	*2.456.332*
Deferred Tax Assets	32	13.068	244.350	13.853	184.646
Other Non Current Assets	22	45.870	857.688	17.481	233.000
TOTAL ASSETS		**9.353.450**	**174.893.623**	**9.486.255**	**126.442.297**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

LIABILITIES	Note	(Audited) Current Period 31 December 2022 USD'000	(Audited) Current Period 31 December 2022 TRY'000	(Audited) Previous Period 31 December 2021 USD'000	(Audited) Previous Period 31 December 2021 TRY'000
CURRENT LIABILITIES		**1.916.965**	**35.908.584**	**1.758.205**	**23.477.310**
Short Term Borrowings	7	994.478	18.628.567	481.080	6.423.861
Short Term Portion of Long Term Borrowings	7	135.796	2.543.723	246.522	3.291.812
Trade Payables		599.415	11.228.240	504.195	6.732.507
Due to Related Parties	*34*	*33.712*	*631.491*	*15.159*	*202.414*
Other Trade Payables to Third Parties	*8*	*565.703*	*10.596.749*	*489.036*	*6.530.093*
Payables for Employee Benefits	19	63.717	1.193.538	23.251	310.474
Other Payables	9	11.078	207.513	17.677	236.042
Financial Derivative Instruments	6	2.692	50.424	14.248	190.259
Deferred Revenue	23	54.397	1.018.967	111.626	1.490.544
Current Tax Liabilities	32	23.406	438.448	319.906	4.271.705
Short Term Provisions	20	27.730	519.432	24.928	332.869
Other Current Liabilities	22	4.256	79.732	14.772	197.237
NON CURRENT LIABILITIES		**1.084.927**	**20.322.852**	**1.379.269**	**18.417.383**
Long Term Borrowings	7	448.882	8.408.449	521.281	6.960.671
Financial Derivative Instruments	6	-	-	10	137
Long Term Provisions		183.531	3.437.905	120.224	1.605.350
Long term provisions for employee benefits	*19*	*183.531*	*3.437.905*	*120.224*	*1.605.350*
Deferred Tax Liabilities	32	451.889	8.464.781	737.491	9.847.720
Other Non Current Liabilities	22	625	11.717	263	3.505
EQUITY		**6.351.558**	**118.662.187**	**6.348.781**	**84.547.604**
Equity Attributable to Equity Holders of the Parent		**6.186.525**	**115.645.231**	**6.176.342**	**82.292.893**
Share Capital	24	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	24	81.366	156.613	81.366	156.613
Treasury Shares (-)	24	(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)		(137.144)	43.443.497	(79.868)	35.431.629
Revaluation Reserve of Tangible Assets		*10.168*	*208.674*	*10.411*	*147.805*
Actuarial (Loss) Gain funds		*(131.627)*	*(1.407.323)*	*(74.594)*	*(386.301)*
Foreign Currency Translation Reserves		*(15.685)*	*44.642.146*	*(15.685)*	*35.670.125*
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(279.378)	2.035.446	(233.088)	733.735
Foreign Currency Translation Reserves		*(279.701)*	*2.029.402*	*(237.868)*	*669.905*
Cash Flow Hedging Gain (Loss)		*323*	*6.044*	*4.780*	*63.830*
Restricted Reserves Assorted from Profit	24	1.379.085	7.547.778	1.204.833	4.988.204
Retained Earnings	24	2.186.988	40.966.648	1.644.980	21.965.415
Net Profit for the Period		1.142.321	18.005.034	1.744.832	15.527.082
Non-Controlling Interests		**165.033**	**3.016.956**	**172.439**	**2.254.711**
TOTAL LIABILITIES AND EQUITY		**9.353.450**	**174.893.623**	**9.486.255**	**126.442.297**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Note	(Audited) Current Period 1 January - 31 December 2022 USD'000	(Audited) Current Period 1 January - 31 December 2022 TRY'000	(Audited) Previous Period 1 January - 31 December 2021 USD'000	(Audited) Previous Period 1 January - 31 December 2021 TRY'000
Revenue	25	8.107.125	127.782.881	7.666.948	68.227.404
Cost of Sales	25	(6.486.828)	(102.244.085)	(4.799.581)	(42.710.993)
GROSS PROFIT		**1.620.297**	**25.538.796**	**2.867.367**	**25.516.411**
Marketing Expenses	27	(47.052)	(741.626)	(42.655)	(379.587)
General Administrative Expenses	27	(97.486)	(1.536.558)	(75.664)	(673.322)
Research and Development Expenses	27	(6.340)	(99.936)	(5.353)	(47.633)
Other Operating Income	28	60.091	947.150	75.859	675.061
Other Operating Expenses	28	(34.123)	(537.838)	(24.661)	(219.458)
OPERATING PROFIT		**1.495.387**	**23.569.988**	**2.794.893**	**24.871.472**
Income from Investing Activities	29	7.569	119.294	3.108	27.655
Expenses from Investing Activities	29	(7.004)	(110.401)	(3.066)	(27.283)
Share of Investments' Profit (Loss) Accounted by Using The Equity	12	4.631	72.996	(679)	(6.044)
OPERATING PROFIT BEFORE FINANCE INCOME		**1.500.583**	**23.651.877**	**2.794.256**	**24.865.800**
Finance Income	30	95.380	1.503.360	81.753	727.511
Finance Expense	31	(193.049)	(3.042.783)	(188.406)	(1.676.598)
PROFIT BEFORE TAX		**1.402.914**	**22.112.454**	**2.687.603**	**23.916.713**
Tax (Expense) Income	32	(219.480)	(3.459.400)	(880.800)	(7.838.155)
Current Corporate Tax (Expense) Income		(493.562)	(7.779.424)	(693.733)	(6.173.465)
Deferred Tax (Expense) Income		274.082	4.320.024	(187.067)	(1.664.690)
NET PROFIT FOR THE PERIOD		**1.183.434**	**18.653.054**	**1.806.803**	**16.078.558**
Non-Controlling Interests		41.113	648.020	61.971	551.476
Equity Holders of the Parent		1.142.321	18.005.034	1.744.832	15.527.082
EARNINGS PER SHARE	33		5,1443		4,4363
(TRY 1 Nominal value per share)					

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Not	(Audited) Current Period 1 January - 31 December 2022 USD'000	(Audited) Current Period 1 January - 31 December 2022 TRY'000	(Audited) Previous Period 1 January - 31 December 2021 USD'000	(Audited) Previous Period 1 January - 31 December 2021 TRY'000
PROFIT FOR THE PERIOD		**1.183.434**	**18.653.054**	**1.806.803**	**16.078.558**
OTHER COMPREHENSIVE INCOME					
Not to be reclassified subsequently to profit or loss					
Increase (Decrease) in Revaluation Reserve of Tangible Assets		(249)	60.869	(451)	69.939
Actuarial Gain (Loss) of Defined Benefit Plans	19	(72.938)	(1.305.806)	(30.563)	(346.030)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	32	14.588	261.161	6.113	69.206
Foreign Currency Translation Gain (Loss)		-	21.490.402	-	23.579.856
To be reclassified subsequently to profit or loss					
Gain (Loss) in Cash Flow Hedging Reserves		(5.759)	(82.702)	8.818	105.065
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	32	1.284	24.048	(1.887)	(25.200)
Foreign Currency Translation Gain (Loss)		(46.376)	10.737.167	(150.396)	10.722.309
OTHER COMPRHENSIVE INCOME (LOSS)		**(109.450)**	**31.185.139**	**(168.366)**	**34.175.145**
TOTAL COMPREHENSIVE INCOME		**1.073.984**	**49.838.193**	**1.638.437**	**50.253.703**
Distribution of Total Comprehensive Income					
Non-controlling Interests		35.229	1.390.729	47.059	1.494.735
Equity Holders of the Parent		1.038.755	48.447.464	1.591.378	48.758.968

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

						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				
(Audited)	Note	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	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
1 January 2022		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**147.805**	**35.670.125**	**(386.301)**	**63.830**	**669.905**	**4.988.204**	**21.965.415**	**15.527.082**	**82.292.893**	**2.254.711**	**84.547.604**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	18.005.034	**18.005.034**	648.020	**18.653.054**
Other comprehensive income (loss)		-	-	-	-	60.869	21.490.402	(1.021.022)	(57.786)	9.969.967	-	-	-	**30.442.430**	742.709	**31.185.139**
Total comprehensive income (loss)		-	-	-	-	60.869	21.490.402	(1.021.022)	(57.786)	9.969.967	-	-	18.005.034	**48.447.464**	1.390.729	**49.838.193**
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(15.095.126)	-	**(15.095.126)**	(628.484)	**(15.723.610)**
Transfers		-	-	-	-	-	-	-	-	-	2.559.574	12.967.508	(15.527.082)	-	-	-
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(12.518.381)	-	-	(8.610.470)	-	21.128.851	-	-	-	-
31 December 2022		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**208.674**	**44.642.146**	**(1.407.323)**	**6.044**	**2.029.402**	**7.547.778**	**40.966.648**	**18.005.034**	**115.645.231**	**3.016.956**	**118.662.187**
(Audited)																
1 January 2021 (Previously reported)		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**77.866**	**17.198.251**	**(115.606)**	**(15.481)**	**7.628.480**	**3.597.448**	**4.482.548**	**3.309.093**	**39.809.427**	**1.312.149**	**41.121.576**
Effect of change in accounting principle	2.2	-	-	-	-	-	(4.092.745)	-	-	(7.371.786)	-	11.464.531	-	-	-	-
1 January 2021		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**77.866**	**13.105.506**	**(115.606)**	**(15.481)**	**256.694**	**3.597.448**	**15.947.079**	**3.309.093**	**39.809.427**	**1.312.149**	**41.121.576**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	15.527.082	**15.527.082**	551.476	**16.078.558**
Other comprehensive income (loss)		-	-	-	-	69.939	23.579.856	(270.695)	79.311	9.773.475	-	-	-	**33.231.886**	943.259	**34.175.145**
Total comprehensive income (loss)		-	-	-	-	69.939	23.579.856	(270.695)	79.311	9.773.475	-	-	15.527.082	**48.758.968**	1.494.735	**50.253.703**
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(6.275.502)	-	**(6.275.502)**	(552.173)	**(6.827.675)**
Transfers		-	-	-	-	-	-	-	-	-	1.390.756	1.918.337	(3.309.093)	-	-	-
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(1.015.237)	-	-	(9.360.264)	-	10.375.501	-	-	-	-
31 December 2021		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**147.805**	**35.670.125**	**(386.301)**	**63.830**	**669.905**	**4.988.204**	**21.965.415**	**15.527.082**	**82.292.893**	**2.254.711**	**84.547.604**

(*) 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 552.173 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 consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the consolidated statement of financial position dated 31 December 2022 by converting to US Dollars at historical rates, are explained in Note 2.1.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

	Note	(Audited) Current Period 1 January - 31 December 2022 USD'000	(Audited) Current Period 1 January - 31 December 2022 TRY'000	(Audited) Previous Period 1 January - 31 December 2021 USD'000	(Audited) Previous Period 1 January - 31 December 2021 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**607.334**	**8.940.221**	**1.321.815**	**5.716.945**
Profit (Loss) for The Period		**1.183.434**	**18.653.054**	**1.806.803**	**16.078.558**
Adjustments to Reconcile Profit (Loss)		**445.421**	**7.635.577**	**1.039.017**	**9.455.509**
Adjustments for Depreciation and Amortisation Expenses	25/27/28	221.665	3.493.831	230.583	2.051.931
Adjustments for Impairment Loss (Reversal of Impairment Loss)		30.985	488.389	(7.173)	(63.834)
Adjustments for Provision (Reversal of Provision) for Receivables	*8*	*44*	*693*	*(3.153)*	*(28.058)*
Adjustments for Provision (Reversal of Provision) for Inventories	*10*	*32.877*	*518.203*	*(3.718)*	*(33.086)*
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	*14*	*(1.936)*	*(30.507)*	*(302)*	*(2.690)*
Adjustments for Provisions		60.430	952.507	47.779	425.189
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	*19*	*45.074*	*710.462*	*37.488*	*333.605*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	*20*	*15.356*	*242.045*	*10.291*	*91.584*
Adjustments for Interest (Income) and Expenses		4.229	66.659	(36.762)	(327.138)
Adjustments for Interest Income	*30*	*(80.649)*	*(1.271.181)*	*(64.399)*	*(573.078)*
Adjustments for Interest Expense	*31*	*108.001*	*1.702.305*	*37.296*	*331.898*
Unearned Financial Income from Credit Sales		*(23.123)*	*(364.465)*	*(9.659)*	*(85.958)*
Adjustments for Unrealised Foreign Exchange Differences		(69.039)	(627.777)	(7.331)	(375.826)
Adjustments for Fair Value (Gains) Losses		(14.330)	(225.864)	(13.204)	(117.502)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	*30*	*(14.330)*	*(225.864)*	*(13.204)*	*(117.502)*
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	(4.631)	(72.996)	679	6.044
Adjustments for Tax (Income) Expenses	32	219.480	3.459.400	880.800	7.838.155
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		6.435	101.428	2.078	18.490
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	*29*	*6.435*	*101.428*	*2.078*	*18.490*
Other Adjustments for Reconciliation of Profit (Loss)		(9.803)	-	(58.432)	-
Changes in Working Capital		**(217.441)**	**(4.063.798)**	**(1.084.330)**	**(14.453.489)**
Adjustments for Decrease (Increase) in Trade Receivables		33.504	626.469	(296.698)	(3.954.683)
Decrease (Increase) in Trade Receivables from Related Parties		*(12.096)*	*(226.174)*	*11.921*	*158.895*
Decrease (Increase) in Trade Receivables from Third Parties		*45.600*	*852.643*	*(308.619)*	*(4.113.578)*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		1.647	30.797	2.090	27.853
Decrease (Increase) in Other Receivables from Operations from Third Parties		*1.647*	*30.797*	*2.090*	*27.853*
Decrease (Increase) in Derivative Financial Instruments		8.891	166.246	(6.945)	(92.570)
Adjustments for Decrease (Increase) in Inventories		(215.896)	(4.036.888)	(754.273)	(10.053.702)
Decrease (Increase) in Prepaid Expenses		49.880	932.674	(46.001)	(613.241)
Adjustments for Increase (Decrease) in Trade Payables		95.220	1.783.661	(25.572)	(341.459)
Increase (Decrease) in Trade Payable to Related Parties		*18.553*	*347.535*	*(2.733)*	*(36.493)*
Increase (Decrease) in Trade Payable to Third Parties		*76.667*	*1.436.126*	*(22.839)*	*(304.966)*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		33.867	634.396	(40.794)	(544.729)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*33.867*	*634.396*	*(40.794)*	*(544.729)*
Increase (Decrease) in Derivative Liabilities		(3.036)	(56.871)	28.121	375.499
Adjustments for Other Increase (Decrease) in Working Capital		(221.518)	(4.144.282)	55.742	743.543
Decrease (Increase) in Other Assets Related from Operations		*(154.135)*	*(2.882.063)*	*30.740*	*409.696*
Increase (Decrease) in Other Payables Related from Operations		*(67.383)*	*(1.262.219)*	*25.002*	*333.847*
Cash Flows Provided by Operating Activities		**1.411.414**	**22.224.833**	**1.761.490**	**11.080.578**
Payments Related to Provisions for Employee Termination Benefits	19	(12.898)	(203.283)	(7.634)	(67.937)
Payments Related to Other Provisions	20	(6.168)	(97.225)	(7.572)	(67.377)
Income Taxes Refund (Paid)	32	(785.014)	(12.984.104)	(424.469)	(5.228.319)
CASH FLOWS FROM INVESTING ACTIVITIES		**(776.348)**	**(12.412.441)**	**(736.790)**	**(7.520.856)**
Cash Ouflow Due to Share Purchases of Subsidiaries' not End Up with Losing Control		-	-	(293.791)	(2.096.850)
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures'		-	-	1.971	17.500
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		3.658	60.000	9.891	80.000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(10.600)	(189.379)	(5.694)	(48.123)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		2.724	42.941	2.505	22.282
Cash Inflow from Sales of Property, Plant and Equipment	14/15/29	*2.724*	*42.941*	*2.505*	*22.282*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(722.508)	(11.388.022)	(433.992)	(3.862.055)
Cash Outflow from Purchase of Property, Plant and Equipment	*14*	*(719.111)*	*(11.334.478)*	*(427.915)*	*(3.807.977)*
Cash Outflow from Purchase of Intangible Assets	*15*	*(3.397)*	*(53.544)*	*(6.077)*	*(54.078)*
Cash Advances and Debts Given		(15.914)	(250.833)	(18.539)	(1.640.002)
Other Cash Advances and Debts Given to Related Parties		*78.486*	*996.938*	*(5)*	*(67)*
Other Cash Advances and Debts Given		*(94.400)*	*(1.247.771)*	*(18.534)*	*(1.639.935)*
Dividends Received		-	-	859	6.392
Other Cash Inflow (Outflows)		(33.708)	(687.148)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(674.030)**	**(9.627.701)**	**(532.058)**	**(3.425.756)**
Cash Inflow from Borrowings		1.415.496	22.348.278	1.018.916	9.162.437
Cash Inflow from Loans	7	*1.314.210*	*20.467.210*	*1.018.916*	*9.162.437*
Cash Inflow from Issued Debt Instruments	7	*101.286*	*1.881.068*	-	-
Cash Outflow from Repayments of Borrowings		(1.070.622)	(16.874.937)	(668.549)	(5.949.348)
Cash Outflow from Loan Repayments	7	*(1.070.622)*	*(16.874.937)*	*(603.324)*	*(5.399.348)*
Cash Outflows from Repayments of Issued Debt Instruments		-	-	*(65.225)*	*(550.000)*
Cash Outflow from Debt Payments for Leasing Contracts		(4.469)	(70.439)	(7.242)	(64.445)
Dividends Paid		(1.061.705)	(15.720.713)	(906.580)	(6.824.686)
Interest Paid	7	(48.447)	(801.123)	(33.540)	(294.446)
Interest Received		95.717	1.491.233	64.937	544.732
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**(843.044)**	**(13.099.921)**	**52.967**	**(5.229.667)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(79.401)	5.160.860	(159.811)	14.828.033
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(922.445)**	**(7.939.061)**	**(106.844)**	**9.598.366**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1.733.765	23.109.359	1.840.609	13.510.993
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**811.320**	**15.170.298**	**1.733.765**	**23.109.359**

- As of 31 December 2022, the Group's total amount of time deposit interest accrual is TRY 16.160 thousand (USD 864 thousand) (31 December 2021: TRY 80.309 thousand (USD 6.026 thousand)).
- Currency protected time deposits with maturities of more than 3 months in financial investments in the consolidated statement of cash flow are reported in "Other Cash Inflow (Outflows)" under Cash Flows from Investing Activities. Changes in fair value are accounted for under income from investing activities in the consolidated statement of profit or loss.
- 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 consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the consolidated cash flow statements.

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).

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

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

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

Name of the Company	Country of Operation	Operation	2022 Share (%)	2021 Share (%)
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 Mühendilik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Turkey	Magnesite Ore, Refractor	100	100
Odak Refrakter ve Madencilik San. Tic. A.Ş.	Turkey	Recycling	-	100
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Turkey	Special Purpose Entity	100	100

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

The joint venture of the Group, Isdemir Linde Gaz Ortaklığı A.Ş., is accounted for using the equity method in the accompanying consolidated financial statements.

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

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

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

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2022 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.217	1.801	6.018
İskenderun Demir ve Çelik A.Ş.	3.017	1.650	4.667
Erdemir Madencilik San. ve Tic. A.Ş.	164	165	329
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	227	84	311
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	302	302
Erdemir Romania S.R.L.	213	41	254
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	615	143	758
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	11	3	14
Erdemir Enerji Üretim A.Ş.	-	5	5
	8.464	4.195	12.659

	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
	8.585	4.203	12.788

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 in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying 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 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 consolidated financial statements are presented in accordance with "Announcement regarding with TFRS Taxonomy" which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB.

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.

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" and 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. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş. are Turkish Lira.

The accompanying 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 foreign subsidiaries

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited "EAPPL" is US Dollars; Erdemir Romania S.R.L is EURO.

Functional currency of the joint venture

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

Adjustment of financial statements during periods of high inflation

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

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

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

2.1 Basis of Presentation (cont'd)

Translation to presentation currency

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 consolidated financial statements based on the current buying and selling rates effective as of the end of the reporting period, and translated them into the presentation currency at the same exchange rates.

Presentation currency of the consolidated financial statements is Turkish Lira. According to TMS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in USD Dollars for the Company, İsdemir, Ersem, Kümaş and EAPPL; in EURO for Erdemir Romania, have been translated in Turkish Lira as the with following method:

a) The assets in the consolidated statement of financial position as of 31 December 2022, has been translated into TL using the foreign exchange buying rates effective as of 31 December 2022 announced by the Central Bank of the Republic of Turkey, TRY 18,6983 = US $ 1 and TRY 19,9349 = EUR 1 and the liabilities has been translated into TL using the foreign exchange selling rates effective as of 31 December 2022, which is also announced by the Central Bank of the Republic of Turkey, TRY 18,7320 = US $ 1 and TRY 19,9708 = EUR 1 (31 December 2021: for asset balances: TRY 13,3290= US $ 1, TRY 15,0867= EUR 1, for liability balances: TRY 13,3530 = US $ 1, TRY 15,1139 = EUR 1).
b) Due to the significant fluctuation in the exchange rate in 2022, for the year ended 31 December 2022, statements of profit or loss are translated from the average exchange rates of the relevant month announced by the Central Bank of the monthly net profits TRY 15,7618 = US $ 1 and TRY 17,3551 =EUR 1 (31 December 2021: TRY 8,8989 = US $ 1 TRY 10,4161 = 1 EUR).
c) Earnings of previous years are carried in US Dollar in the 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 consolidated financial position as of 31 December 2022 are presented by being translated at the TRY 18,7320 = US $ 1 rate, which is the effective foreign currency selling rate as of 31 December 2022 as announced by the Central Bank of the Republic of Turkey (31 December 2021: TRY 13,3550 = 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 financial statements

The figures in USD amounts presented in the accompanying consolidated financial statements comprising the statements of financial position as of 31 December 2022 and 31 December 2021, consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2022 represent the consolidated financial statements 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.

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

2.1 Basis of Presentation (cont'd)

Going concern

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

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 3 March 2023 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 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, if any, is made either retrospectively or prospectively. 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 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 consolidated statement of financial position are translated into US Dollars at historical rates and followed as US Dollars in accordance with TAS 21. For a meaningful representation of the translation of prior years' profit followed in US Dollars into Turkish Lira, the presentation currency, the differences arising from the translation of "Prior Years' Profit or Loss" into Turkish Lira at the closing rates announced by the Central Bank of the Republic of Turkey as of the relevant reporting period are recognized under the "Foreign Currency Translation Differences".

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

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

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

2.3 Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are included in the scope of consolidation from the date on which control over their activities is transferred to the Group, and are excluded from the scope of consolidation on the date when control disappears.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company;

(i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee; (iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The statement of financial position and statements profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its subsidiaries are eliminated on consolidation. The carrying value of, and the dividends arising from, shares held by Erdemir in its subsidiaries are eliminated from shareholders' equity and income for the year, respectively. The table below sets out all subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, (%) and their functional currencies as of reporting date.

	31 December 2022			31 December 2021		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	94,87	94,87	US Dollars	94,87	94,87
Ersem	US Dollars	100	100	US Dollars	100	100
Ermaden	Turkish Lira	90	90	Turkish Lira	90	90
Erdemir Mühendislik	Turkish Lira	100	100	Turkish Lira	100	100
Erdemir Romania S.R.L	Euro	100	100	Euro	100	100
Erdemir Asia Pasific	US Dollars	100	100	US Dollars	100	100
Erdemir Enerji Üretim	Turkish Lira	100	100	Turkish Lira	100	100
İsdemir Linde Gaz	US Dollars	50	47	US Dollars	50	47
Kümaş	US Dollars	100	100	US Dollars	100	100
Odak	Turkish Lira	-	-	Turkish Lira	100	100
Yenilikçi	Turkish Lira	100	100	Turkish Lira	100	100

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

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

The Group's 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.

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies

The Group, according to TFRS makes estimates and assumptions prospectively while preparing its consolidated financial statements. These accounting estimates are rarely identical to the actual results. The estimates and assumptions that may cause significant adjustments to the carrying values of assets and liabilities in the following reporting periods are listed below.

2.5.1 Useful lives of property, plant and equipment and intangible assets

The Group calculates depreciation for the property, plant and equipment by taking into account their production amounts on the basis of cash flow unit set by independent valuation firm and useful lives that are stated in Note 2.8.3 and 2.8.4 (Note 14, Note 15).

2.5.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. During the evaluation, the expiry dates of future profit projections, financial losses in the current period, unused carried forward financial losses and other tax assets are taken into consideration (Note 32).

2.5.3 Fair values of derivative financial instruments

The Group evaluates its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the reporting date (Note 6).

2.5.4 Provision for expected credit losses

Provision for expected credit losses reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credibility in the current market, their performance after the reporting date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. As of reporting date the provision for expected credit losses is presented in Note 8.

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

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.5 Provision for impairment of inventories

During the assessment of the provision for impairment of inventories the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to provision for inventories accounting policy of the Company. Sales prices listed and related data by sales prices of realized sales after reporting date, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of these studies, provision is made for inventories whose net realizable value is below the cost value and for slow moving inventories are presented in Note 10.

2.5.6 Provisions for employee benefits

The Group makes various actuarial assumptions such as the discount rate, inflation rate, real salary increase rate, and the voluntarily leave the job in the calculation of its liabilities regarding benefits provided to employees. The details related to employee benefits plans are stated in Note 19.

2.5.7 Provision for lawsuits

The Group reliably determines the probability of losing the lawsuits and the liabilities that will arise in case of loss, based on the possible cash outflows based on the best estimation of the Management, taking into account the opinions of the Group Legal Consultancy and external expert lawyers for ongoing lawsuits. As of reporting date, provision for lawsuits is stated in Note 20.

2.5.8 Impairments on assets

The Group, performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment tests performed by the Group, additional impairment is estimated in the accompanying financial statements for the non-financial assets recognized in expenses from investment activities (Note 29). The Group recognized the amount of provisions released in income from investment activities (Note 29).

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

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.9 Impairment on financial assets

The impairment for financial assets are based on assumptions about risk of default and expected losses rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.5.10 Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

2.6 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the financial position statement where either there is a legally enforceable right to offset the recognized amounts or there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2022 summarized below.

Amendments that are mandatorily effective from 2022

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

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

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

Amendments that are mandatorily effective from 2022 (cont'd)

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.

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.

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

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021 (cont'd)*

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.

New and revised TFRSs in issue but not yet effective

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

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Definition of Accounting Estimates*
Amendments to TAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to TFRS 17	*Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)*
Amendments to TFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to TAS 1	*Non-current Liabilities with Covenants*

<u>TFRS 17 Insurance Contracts</u>

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.

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

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

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

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.

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.

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

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

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

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.

Amendments to TFRS 16 *Lease Liability in a Sale and Leaseback*

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

2.8 Valuation Principles / Significant Accounting Policies Applied

Accounting policies implemented during preparation of financial statements as follows:

2.8.1 Revenue recognition

Group recognizes revenue when the goods or services are transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to the customer. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, steel and pig iron castings, cast and pressed products and their by-products.

Group recognizes revenue based on the following main principles:

a) Identification of customer contracts,
b) Identification of performance obligations,
c) Determination of transaction price in the contract,
d) Allocation of price to performance obligations,
e) Recognition of revenue when the performance obligations are fulfilled.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.1 Revenue recognition (cont'd)

Group recognized revenue from its customers only when all of the following criteria are met:

a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
b) Group can identify each party's rights regarding the goods or services to be transferred,
c) Group can identify the payment terms for the goods or services to be transferred;
d) The contract has commercial substance,
e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Interest income is accrued in the relevant period in proportion to the remaining principal balance and the effective interest rate that reduces the estimated cash inflows to be obtained from the relevant financial asset to the book value of the asset. Interest income from the Group's time deposit investments are recognized under finance income, maturities sales interest income from trade receivables are recognized in revenue.

2.8.2 Inventories

Inventories are valued at the lower of cost or net realizable value. The costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority valued by using the monthly weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.8.3 Property, plant and equipment

Property, plant and equipment stated through the value of determined by using the historical cost approach that reflects the cost of the assets in purchase date adjusted for impairment and accumulated depreciation. Lands are not subject to depreciation and are shown over the amount after accumulated impairment is deducted from their cost values.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Provision for impairment are recognized in the consolidated statement of profit or loss.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.3 Property, plant and equipment (cont'd)

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives or production amount, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The rates that are used to depreciate the property, plant and equipment are as follows:

	Rates
Buildings	2-16%
Land improvements	2-33% and units of production level
Machinery and equipment	3-50% and units of production level
Vehicles	5-25% and units of production level
Furniture and fixtures	5-33%
Exploration costs and other fixed assets with speacial useful lifes	5-10% and units of production level
Other tangible fixed assets	5-25%

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Property, plant and equipment are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment (cash-generating unit).

Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the consolidated statement of profit or loss of the related period. The Group omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under construction in progress.

2.8.4 Intangible assets

Out of the purchased intangible fixed assets, those with a finite life are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized principally on a straight-line basis over their estimated useful lives and production amounts. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate are accounted for on a prospective basis.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.4 Intangible assets (cont'd)

The customer relationships acquired as a part of the business combinations are reflected in the financial statements at fair value at the acquisition date. The customer relationships have finite useful lives and are measured at cost less accumulated amortization. The amortization of the customer relationships is calculated on a straight-line basis over their estimated useful lives.

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%
Other intangible fixed assets	20-33%
Customer relationship	6,6%

2.8.5 Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation are measured initially at cost less any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss under income (expense) from investment activities.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.8.6 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group has disclosed the changes made in the consolidated financial statements during the periods presented in Note 16 with details.

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments incurred on or before the lease actually commences, and other direct initial costs. These assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. (Note 16).

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

If the Group is in the position of sub-lease, the main lease and sub-lease are recognized as two separate contracts. Sub-lease is classified as financial lease or operating lease regarding the right to use arising from the main lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

2.8.7 Impairment on assets

Assets subject to depreciation and amortization are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. Recoverable amounts are estimated at the lowest level for individual assets (for the cash-generating unit). Non-financial assets that are impaired are evaluated for reversal of impairment amount at each reporting date.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Investment revenues arising from the temporary utilization of the unused portion of facility loans are netted off from the costs eligible for capitalization.

All other borrowing costs are recognized directly in the consolidated statement of profit or loss of the period in which they are incurred.

2.8.9 Financial instruments

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

Financial assets

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

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

<u>Classification of financial assets</u>

Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

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

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

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

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

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

(i) Amortised cost and effective interest method

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

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

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

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 30).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Equity instruments designated as at FVTOCI (cont'd)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Foreign exchange gains and losses

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

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

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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

Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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

Financial liabilities

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

A financial liability is subsequently classified at amortized cost except:

a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

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

The Entity does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 6.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

Hedge accounting (cont'd)

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge).

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 6 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in Note 6.

2.8.10 The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Each subsidiaries' financial conditions and performance results stated as Turkish Lira in presentation currency in consolidated financial statements.

The Group records foreign currency (currencies other than the functional currency of the related company) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in consolidated statement of profit or loss. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to consolidated statement of profit or loss.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.10 The effects of foreign exchange rate changes (cont'd)

Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

2.8.11 Earnings per share

Earnings/loss per share, disclosed in the consolidated statement of profit or loss, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares.

2.8.12 Subsequent events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date. Post period end events that are not adjusting events are disclosed in the notes when material.

2.8.13 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past legal or subtle event, where it is probable that the Group will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

When the Group's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Group discloses this fact in the notes.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.14 Related parties

A related party is a person or entity that is related to (reporting entity), the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

2.8.15 Taxation and deferred income taxes

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.

Income tax expense represents the sum of the current tax and deferred tax.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.15 Taxation and deferred income taxes (cont'd)

<u>Current tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in future and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

<u>Deferred tax</u>

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates.

Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.15 Taxation and deferred income taxes (cont'd)

Deferred tax (cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the consolidated statement of profit or loss, except when they relate to the items credited or debited directly to the equity (in this case the deferred tax related to these items is also recognized directly in the equity), or where they arise from the initial accounting of a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.8.16 Employee benefits

According to the Turkish and Romanian law and union agreements, employee termination payments are made to employees in the case of retiring or involuntarily leaving. Such payments are considered as a part of defined retirement benefit plan in accordance with TAS 19 (revised) *Employee Benefits* ("TAS 19").

The termination indemnities accounted in the balance sheet and seniority incentive premium in accordance with the union agreements in force represent the present value of the residual obligation. Actuarial gains and losses, on the other hand, are recognized in the statement of other comprehensive income.

The Group makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of profit or loss. The details related with the defined benefit plans are stated in Note 19.

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.16 Employee benefits (cont'd)

The Group companies operating in Turkey are required to pay social insurance premiums to the Social Security Instituion. As long as it pays these insurance premiums, the Group does not have any further obligation. These premiums are reflected in the payroll expenses incurred in the period.

2.8.17 Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Group has met all conditions required. Government grants and incentives related to costs are recognized as revenue during the periods they are matched with the costs they will cover.

2.8.18 Statement of cash flows

Cash flows during the period are classified and reported as operating, investing and financing activities in the consolidated statement of cash flows.

Cash flows arising from operating activities represent the cash flows that are used in or provided by the Group's steel products and metal sales activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Group.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprises of the cash on hand, the demand deposits and highly liquid other short-term investments which their maturities are three months or less from the date of acquisition, are readily convertible to cash and are not subject to a significant risk of changes in value.

The translation difference that occurs due to translation from functional currency to presentation currency is shown as translation difference on cash flow statement.

2.8.19 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.8.20 Repurchased shares (Erdemir shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings or accumulated losses.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.21 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the consolidated profit or loss on disposal.

2.8.22 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.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.22 Business Combinations (cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

2.8 Valuation Principles / Significant Accounting Policies Applied (cont'd)

2.8.22 Business Combinations (cont'd)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is measured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The Company has purchased the total shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) on 3 February 2021 from Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand).

NOTE 3 – 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 4 – CASH AND CASH EQUIVALENTS

As of reporting date the detail of cash and cash equivalents as follows:

	31 December 2022	31 December 2021
Cash	56	26
Banks – demand deposits	777.149	546.480
Banks – time deposits	14.409.253	22.643.162
	15.186.458	23.189.668
Time deposit interest accruals (-)	(16.160)	(80.309)
Cash and cash equivalents in the statement of cash flows	15.170.298	23.109.359

The details of demand deposits are presented below:

	31 December 2022	31 December 2021
US Dollars	378.139	402.245
Turkish Lira	277.321	70.130
EURO	112.195	64.542
Romanian Lei	7.840	8.972
Other	1.654	591
	777.149	546.480

The details of time deposits in banks as follows:

	31 December 2022	31 December 2021
US Dollars	7.744.097	11.728.238
Turkish Lira	6.627.464	9.533.650
EURO	26.178	1.380.608
Romanian Lei	11.514	666
	14.409.253	22.643.162

Group's bank deposits consist of deposits with maturity from 1 day to 3 months depending on immediate cash needs. Interest is received based on current short-term rates on the market.

NOTE 5 – FINANCIAL INVESTMENTS

As of reporting date the detail of financial investments as follows:

Financial assets shown at amortized value:

	31 December 2022	31 December 2021
Treasury bonds	14.894	9.862
Currency protected time deposits	685.293	-
	700.187	9.862

Group, has made securities investment in order to obtain the return fixed income issued by banks and the private sector in Turkey. These fixed income securities held by the Group under the business model for collection of contractual cash flows that includes principal and interest payments related with principal amount.

As of reporting period long term financial investments as follows:

	31 December 2022	31 December 2021
Financial investment without an active market	692	493
Venture capital investment fund	127.082	-
	127.774	493

As of reporting date, financial investments, investment ratios and amounts as follows:

Company	Ratio %	31 December 2022	Ratio %	31 December 2021
Financial investments without an active market				
Teknopark Hatay A.Ş.	5	507	5	361
Seramik Araştırma Merkezi A.Ş.	4	185	4	132
		692		493

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

As of reporting date the detail of financial derivative instruments as follows:

	31 December 2022		31 December 2021	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Forward contracts for fair value hedges of currency risk of sales	28.394	9.507	76.817	513
Forward contracts	-	-	-	3.093
	28.394	9.507	76.817	3.606
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	30.766	23.645	39.248	2.086
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	-	17.272	44.618	184.704
	30.766	40.917	83.866	186.790
	59.160	50.424	160.683	190.396

Derivative instruments for fair value hedge

As of reporting date, the details of forward, swap and cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
31 December 2022		Nominal value	Fair Value	Nominal value	Fair Value
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	711.106	28.394	245.304	9.507
		711.106	28.394	245.304	9.507

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge (cont'd)

		Assets		Liabilities	
31 December 2021		Nominal value	Fair Value	Nominal value	Fair Value
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	1.692.236	76.817	247.788	513
		1.692.236	76.817	247.788	513
Forward contracts					
Buy EUR/Sell USD	Less than 3 months	-	-	112.094	3.093
		-	-	112.094	3.093
		1.692.236	76.817	359.882	3.606

Derivative instruments for cash flow hedge

Forward contracts for cash flow hedges of currency risk of sales:

Buy USD – Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2023 and October 2023.

In respect of these contracts which has a nominal value of TRY 1.565.955 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY 30.041 thousand was included in consolidated other comprehensive income (31 December 2021: TRY (70.204) thousand).

In the current period, TRY 523.787 thousand resulting from the sales related forward contracts was accounted under the revenue account of the consolidated the profit or loss statement (31 December 2021: TRY 133.263 thousand).

The terms and conditions of the forward contracts match the terms and conditions of the expected highly probable forecast sales in EUR. As a result, no hedge ineffectiveness arises requiring recognition and is tracked under other comprehensive income accounts since the aforementioned derivative transaction is a cash flow hedge derivative transaction until the sales is realized in accordance with hedge accounting. After the revenue is recognized, those derivative transactions are recognized in the profit or loss table as fair value hedges until the receivable amounts are collected.

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for cash flow hedge (cont'd)

Commodity swap contracts for hedges of price risk of raw material purchases:

The Group purchases iron ore and coal on an ongoing basis as its operating activities. The Group has concluded iron ore swap contracts in order to be protected from price risk of iron ore which shall be supplied in future and shall be used in the production of related sales in line with its contracted sales. Group's iron ore forward contracts measured at fair value through other comprehensive income/expense match iron ore price risk associated with future long term sales contracts. The terms and conditions of the iron ore swap contracts made for these sales transactions match the terms and conditions of the sales transactions. Therefore, it is not possible to record any income or expense arising from the ineffectiveness of the protection process.

As of 31 December 2022, reflected TRY 175.472 thousand from consolidated other comprehensive income to inventory cost thousand (31 December 2021: TRY 184.192 thousand).

NOTE 7 – BORROWINGS

As of reporting date details of borrowings disclosed at amortized are as follows:

	31 December 2022	31 December 2021
Short term bank borrowings	16.657.875	6.423.861
Short term portion of long term bank borrowings	2.483.491	3.228.161
Long term bank borrowings	8.261.399	6.667.016
Total bank borrowings	27.402.765	16.319.038
Short term portion of short term corporate bonds issued	1.970.692	-
Total corporate bonds issued	1.970.692	-
Short term portion of long term lease payables	62.785	67.420
Cost of short term portion of long term lease payables (-)	(2.553)	(3.769)
Long term lease payables	475.999	1.140.029
Cost of long term lease payables (-)	(328.949)	(846.374)
Total lease payables	207.282	357.306
Total borrowings	29.580.739	16.676.344

NOTE 7 – BORROWINGS (cont'd)

As of 31 December 2022, the breakdown of the Group's loans and issued bonds with their original currency and their 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 December 2022
Fixed	TRY	22,59	8.111.383	-	8.111.383
Fixed	US Dollars	8,62	11.814.528	912.104	12.726.632
Fixed	EURO	2,70	15.685	-	15.685
Floating	US Dollars	Libor+2,08	756.103	5.628.033	6.384.136
Floating	EURO	Euribor+0,59	414.359	1.721.262	2.135.621
			21.112.058	8.261.399	29.373.457

Group; As of 12 October 2022, it has issued financing bills with a maturity of 7 April 2023, a nominal value of TRY 1.100.000 with an issue price of 89,188, and a maturity of 7 November 2023 with a maturity of 8 November 2022, with a simple annual interest rate of 32,50, TRY 900.000 thousand.

As of 31 December 2021, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented 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
			9.652.022	6.667.016	16.319.038

Maturity distribution of financial borrowings is as follows:

	31 December 2022				31 December 2021		
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings	Bank Borrowings	Lease Payables	Total Borrowings
Within 1 year	19.141.366	1.970.692	60.232	21.172.290	9.652.022	63.651	9.715.673
Between 1-2 years	3.699.053	-	41.729	3.740.782	835.273	54.751	890.024
Between 2-3 years	962.263	-	21.946	984.209	3.201.224	38.360	3.239.584
Between 3-4 years	994.660	-	10.210	1.004.870	612.632	27.196	639.828
Between 4-5 years	755.436	-	8.987	764.423	809.053	23.637	832.690
Five years or more	1.849.987	-	64.178	1.914.165	1.208.834	149.711	1.358.545
	27.402.765	1.970.692	207.282	29.580.739	16.319.038	357.306	16.676.344

NOTE 7 – BORROWINGS (cont'd)

Movement of net financial borrowings of bank loans and issued bonds as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	16.319.038	6.319.736
Additional in borrowings due to acquisition of subsidiaries	-	71.372
Interest expenses	1.650.583	287.171
Interest paid	(801.123)	(294.446)
Unrealised foreign exchange differences	(855.090)	(80.694)
Capitalized financing expense	(10.198)	8.338
Cash inflow from loans	20.467.210	9.162.437
Bonds issued	1.881.068	-
Cash outflow from loan repayments	(16.874.937)	(5.949.348)
Translation difference	7.596.906	6.794.472
Closing balance	29.373.457	16.319.038

Reconciliation of net financial borrowings of financial leases as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	357.306	278.535
Additional in the leases due to acquisition of subsidiaries	-	1.549
The effect of the increase (decrease) in the lease contract liab	(515.423)	103.157
Cash outflow effect	(70.439)	(64.445)
Increase in interest expenses	51.722	44.727
Foreign exchange effect	384.116	(6.217)
Closing balance	207.282	357.306

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's trade receivables are as follows:

	31 December 2022	31 December 2021
Short term trade receivables		
Trade receivables	15.291.306	11.350.733
Due from related parties (Note 34)	662.994	311.384
Notes receivables	1.311	23.488
Expected credit loss provision (-)	(353.462)	(271.947)
	15.602.149	11.413.658

NOTE 8 – TRADE RECEIVABLES AND PAYABLES (cont'd)

As of the reporting date, the details of the Group's trade receivables are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	271.947	179.711
Additional in provisions due to acquisition of subsidiaries	-	20.996
Provision for the period	6.983	1.043
Doubtful receivables collected (-)	(381)	(202)
Provision released (-)	(5.909)	(28.899)
Translation difference	80.822	99.298
Closing balance	353.462	271.947

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 40-45 days and therefore are all classified as current. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

According to the market conditions and product types, a certain interest charge is applied for deferred trade receivables and overdue interest is applied for overdue trade receivables.

As the Group provides services and products to a large number of customers, collection risk is widely distributed amongst these customers and there is no significant credit risk exposure. Therefore, the Group does not provide for any further provision beyond the expected credit losses provisions that the Group has already provided for in the consolidated financial statements. The detail of overdue receivables included in trade receivables as of the reporting date is disclosed in the management of credit risk management. Other disclosures as to the Group's credit risk are given in Note 35. The Group provides provision according to the balances of all unsecured receivables under legal follow up.

Group's past due but not impaired receivable amount is TRY 107.465 thousand and the maturities of them are between 0 and 90 days (31 December 2021: TRY 41.653 thousand) (Note 35).

As of the balance sheet date, the details of the Group's trade payables are as follows:

Short term trade payables	31 December 2022	31 December 2021
Trade payables	10.570.130	6.500.856
Due to related parties (Note 34)	631.491	202.414
Expense accruals	26.619	29.237
	11.228.240	6.732.507

Trade payables consist of payables to sellers for products or services purchased in the ordinary course of business. The average credit period on purchases of certain goods is between 35-40 days.

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's other receivables are as follows:

Short term other receivables	31 December 2022	31 December 2021
Due From Related Parties (Note 34)	7.227	5.735
Receivables from water system construction	1.407	1.351
Deposits and guarantees given	8.893	7.100
Receivables from Privatization Authority	43.637	37.795
	61.164	51.981

Long term other receivables	31 December 2022	31 December 2021
Due From Related Parties (Note 34)	47.083	32.512
Receivables from water system construction	6.107	5.900
Deposits and guarantees given	5.045	16.218
	58.235	54.630

As of the reporting date, the details of the Group's short term other payables are as follows:

Short term other payables	31 December 2022	31 December 2021
Taxes payable	109.669	99.943
Deposits and guarantees received	87.797	128.948
Dividend payables to shareholders (*)	10.047	7.151
	207.513	236.042

(*) Dividend payable represents the uncollected balances by shareholders related to the prior years.

NOTE 10 – INVENTORIES

As of the reporting date, the details of the Group's inventories are as follows:

	31 December 2022	31 December 2021
Raw materials	13.475.310	7.217.219
Work in progress	9.746.058	6.749.579
Finished goods	10.171.443	6.410.581
Spare parts	5.266.129	3.313.741
Goods in transit	4.357.075	4.737.221
Other inventories	3.188.149	1.556.442
Allowance for impairment on inventories (-)	(2.051.756)	(1.024.586)
	44.152.408	28.960.197

NOTE 10 – INVENTORIES (cont'd)

The movement of the provision for impairment on inventories:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	1.024.586	547.779
Additional in provisions due to acquisition of subsidiaries	-	42.732
Provision for the period	550.403	1.147
Provision released (-)	(32.200)	(34.233)
Translation difference	508.967	467.161
Closing balance	2.051.756	1.024.586

The Group has provided the provision for the impairment on the inventories of finished goods and work in progress within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 25).

NOTE 11 – PREPAID EXPENSES

As of the reporting date, the details of the Group's short term prepaid expenses are as follows:

	31 December 2022	31 December 2021
Insurance expenses	385.693	580.959
Order advances given	257.670	23.856
Due to related parties (Note 34)	41.233	22.282
Prepaid utility allowance to employees	62.307	25.029
Mine site permit fee	94.751	33.703
Other prepaid expenses	27.709	28.281
	869.363	714.110

As of the reporting date, the details of the Group's long term prepaid expenses are as follows:

	31 December 2022	31 December 2021
Order advances given	4.821.967	2.179.055
Due to related parties (Note 34)	171.363	1.168.301
Insurance expenses	-	157.797
Pickling expenses	171.284	116.339
Other prepaid expenses	11.823	3.141
	5.176.437	3.624.633

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The details of the Group's financial investments accounted for using equity method are as follows:

	Right to vote ratio %	31 December 2022	Right to vote ratio %	31 December 2021	Business segment
Joint Venture					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	606.053	50	370.292	Industrial Gas Production and Sale

The Group's shares on assets of investments accounted for using equity method are as follows:

	31 December 2022	31 December 2021
Total assets	1.299.886	778.957
Total liabilities	87.781	38.373
Net assets	1.212.105	740.584
Group's share on net assets	606.053	370.292

	31 December 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 196.398 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 63.938 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 31.969 thousand) is included in the financial statements prepared as of reporting date.

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont'd)

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

	1 January – 31 December 2022	1 January – 31 December 2021
Revenue	532.431	174.954
Operating profit	117.241	39.648
Net profit (loss) for the period	145.992	(12.088)
Group's share on net profit (loss)	72.996	(6.044)

NOTE 13 – INVESTMENT PROPERTIES

The details of the Group's investments properties are as follows:

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	388.535	311.297	699.832
Translation difference	156.513	125.399	281.912
Closing balance as of 31 December 2022	545.048	436.696	981.744
Accumulated Depreciation			
Opening balance as of 1 January	-	(43.152)	(43.152)
Translation difference	-	(19.993)	(19.993)
Charge for the period	-	(14.008)	(14.008)
Closing balance as of 31 December 2022	-	(77.153)	(77.153)
Net book value as of 31 December 2021	388.535	268.145	656.680
Net book value as of 31 December 2022	545.048	359.543	904.591

The fair value of the Group's investment properties is TRY 2.296.154 thousand (31 December 2021: TRY 1.300.780 thousand) according to the most recent valuation reports. The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

All investment properties of the Group consist of land and buildings. The fair value level of these real estates is evaluated as level 2.

The Group does not have contractual obligations regarding the purchase, construction or development of investment properties or maintenance, repair or improvement. For the year ended 31 December 2022, the Group generated rent income amounting to TRY 29.622 thousand (31 December 2021: TRY 18.366 thousand) from rented investment properties under operating leases (Note 29). The Group also has investment properties that do not generate rental income.

NOTE 13 – INVESTMENT PROPERTIES (cont'd)

The Group has recognized (834) thousand TRY (31 December 2021: (2.194) thousand TRY) of estate tax expenses related to investment properties for the year ended 31 December 2022 under investment expenses (Note 29).

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	213.972	171.436	385.408
Translation difference	174.563	139.861	314.424
Closing balance as of 31 December 2021	388.535	311.297	699.832
Accumulated Depreciation			
Opening balance as of 1 January	-	(17.240)	(17.240)
Translation difference	-	(18.003)	(18.003)
Charge for the period	-	(7.909)	(7.909)
Closing balance as of 31 December 2021	-	(43.152)	(43.152)
Net book value as of 31 December 2020	213.972	154.196	368.168
Net book value as of 31 December 2021	388.535	268.145	656.680

Amortization distribution of investment properties is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Associated with cost of production	1.803	1.019
General administrative expenses	12.205	6.890
	14.008	7.909

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	1.148.988	11.834.555	19.124.700	82.399.862	4.270.343	2.157.457	598.966	8.205.858	129.740.729
Translation difference	452.656	4.793.427	7.717.961	33.639.852	1.687.646	843.744	181.054	4.531.205	53.847.545
Additions (*)	252	4.979	3.833	572.668	106.209	90.366	159.134	10.386.839	11.324.280
Transfers from CIP (**)	-	251.006	218.616	2.180.314	61.504	43.366	295.589	(3.075.026)	(24.631)
Disposals	(2.595)	(3.040)	(93.831)	(594.297)	(35.838)	(55.625)	(7.472)	-	(792.698)
Closing balance as of 31 December 2022	1.599.301	16.880.927	26.971.279	118.198.399	6.089.864	3.079.308	1.227.271	20.048.876	194.095.225
Accumulated Depreciation									
Opening balance as of 1 January	-	(9.113.462)	(14.191.948)	(50.768.210)	(2.702.378)	(1.245.197)	(480.133)	(214.283)	(78.715.611)
Translation difference	-	(3.701.979)	(5.774.260)	(20.853.192)	(1.060.080)	(482.473)	(154.236)	(87.267)	(32.113.487)
Charge for the period	-	(251.753)	(433.756)	(2.202.298)	(167.364)	(133.686)	(40.552)	-	(3.229.409)
Impairment (***)	-	-	177	30.330	-	-	-	-	30.507
Disposals	-	2.863	92.786	474.686	21.014	49.933	7.047	-	648.329
Closing balance as of 31 December 2022	-	(13.064.331)	(20.307.001)	(73.318.684)	(3.908.808)	(1.811.423)	(667.874)	(301.550)	(113.379.671)
Net book value as of 31 December 2021	1.148.988	2.721.093	4.932.752	31.631.652	1.567.965	912.260	118.833	7.991.575	51.025.118
Net book value as of 31 December 2022	1.599.301	3.816.596	6.664.278	44.879.715	2.181.056	1.267.885	559.397	19.747.326	80.715.554

(*) The amount of capitalized borrowing cost is TRY (10.198) thousand for the current period.
(**) TRY 24.631 thousand is transferred to intangible assets (Note 15).
(***) The Group reviewed recoverable amounts for the property,plant and equipment that will be out of use and will not generate independent cash flow. The recovareble amounts of propert, plant and equipment are reviewed based on management's forecasts for following period. As a result of the review, for non used asset, an impairment loss of TRY 30.507 thousand is recognised that on satement of profit or loss under incomes from investment activities (Note 29).

As of 31 December 2022, the Group has no collaterals or pledges upon its property, plant and equipment.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

Cost	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Opening balance as of 1 January	467.275	6.467.731	10.311.218	44.350.949	2.377.927	1.189.476	364.647	2.517.334	68.046.557
Additional in property, plant and equipment due to acquisition of subsidiaries	160.933	12.129	82.202	421.654	7.627	2.968	2.454	11.022	700.989
Translation difference	510.589	5.268.174	8.552.415	37.047.266	1.852.464	919.816	193.292	3.128.974	57.472.990
Additions (*)	3.985	2.617	652	241.596	34.457	54.102	41.245	3.437.661	3.816.315
Transfers from CIP (**)	6.206	86.688	181.537	565.988	20.465	11.163	1.348	(889.133)	(15.738)
Disposals	-	(2.784)	(3.324)	(227.591)	(22.597)	(20.068)	(4.020)	-	(280.384)
Closing balance as of 31 December 2021	1.148.988	11.834.555	19.124.700	82.399.862	4.270.343	2.157.457	598.966	8.205.858	129.740.729
Accumulated Depreciation									
Opening balance as of 1 January	-	(4.897.124)	(7.618.710)	(26.896.522)	(1.488.292)	(675.938)	(291.183)	(116.952)	(41.984.721)
Translation difference	-	(4.051.821)	(6.330.585)	(22.725.973)	(1.140.090)	(511.653)	(165.894)	(97.331)	(35.023.347)
Charge for the period	-	(164.686)	(243.154)	(1.346.376)	(96.593)	(74.896)	(24.143)	-	(1.949.848)
Impairment (***)	-	-	59	2.627	-	4	-	-	2.690
Disposals	-	169	442	198.034	22.597	17.286	1.087	-	239.615
Closing balance as of 31 December 2021	-	(9.113.462)	(14.191.948)	(50.768.210)	(2.702.378)	(1.245.197)	(480.133)	(214.283)	(78.715.611)
Net book value as of 31 December 2020	467.275	1.570.607	2.692.508	17.454.427	889.635	513.538	73.464	2.400.382	26.061.836
Net book value as of 31 December 2021	1.148.988	2.721.093	4.932.752	31.631.652	1.567.965	912.260	118.833	7.991.575	51.025.118

(*) The amount of capitalized borrowing cost is TRY 8.338 thousand for the current period.
(**) TRY 15.738 thousand is transferred to intangible assets (Note 15).
(***) The Group reviewed recoverable amounts for the property,plant and equipment that will be out of use and will not generate independent cash flow. As a result of the review, for Kümaş Manyezit Sanayi A.Ş.'s non used assets, an impairment loss of TRY (5.652) thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 29), for Ereğli Demir ve Çelik Fabrikaları T.A.Ş.'s no longer required impairment profit of TRY 8.342 thousand is recognised that on statement of profit or loss under incomes from investment activities (Note 29)

As of 31 December 2021, the Group has no collaterals or pledges upon its tangible assets.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of depreciation expenses related to property, plant and equipment is as follows:

	31 December 2022	31 December 2021
Associated with cost of production	2.989.726	1.806.762
General administrative expenses	77.579	45.781
Marketing, sales and distribution expenses	135.267	84.665
Research and development expenses	26.837	12.640
	3.229.409	1.949.848

NOTE 15 – INTANGIBLE ASSETS

	Rights	Customer Relationships	Other Intangible Assets	Total
Cost				
Opening balance as of 1 January	3.573.421	1.424.105	123.238	5.120.764
Translation difference	1.460.471	569.992	51.144	2.081.607
Additions	52.474	-	1.070	53.544
Transfers from CIP	24.631	-	-	24.631
Closing balance as of 31 December 2022	5.110.997	1.994.097	175.452	7.280.546
Accumulated amortization				
Opening balance as of 1 January	(1.241.721)	(87.028)	(103.260)	(1.432.009)
Translation difference	(535.044)	(50.458)	(46.696)	(632.198)
Charge for the period	(134.640)	(117.785)	(10.497)	(262.922)
Closing balance as of 31 December 2022	(1.911.405)	(255.271)	(160.453)	(2.327.129)
Net book value as of 31 December 2021	2.331.700	1.337.077	19.978	3.688.755
Net book value as of 31 December 2022	3.199.592	1.738.826	14.999	4.953.417

As of 31 December 2022, the Group has no collaterals or pledges upon its intangible assets.

NOTE 15 – INTANGIBLE ASSETS (cont'd)

	Rights	Customer Relationships	Other Intangible Assets	Total
Cost				
Opening balance as of 1 January	1.015.080	-	64.199	1.079.279
Additional in intangible assets due to acquisition of subsidiaries	863.557	762.557	6.548	1.632.662
Translation difference	1.627.020	661.548	50.444	2.339.012
Additions	53.250	-	828	54.078
Transfers from CIP	14.519	-	1.219	15.738
Disposals	(5)	-	-	(5)
Closing balance as of 31 December 2021	3.573.421	1.424.105	123.238	5.120.764
Accumulated amortization				
Opening balance as of 1 January	(619.101)	-	(49.463)	(668.564)
Translation difference	(555.872)	(28.925)	(48.119)	(632.916)
Charge for the period	(66.750)	(58.103)	(5.678)	(130.531)
Disposals	2	-	-	2
Closing balance as of 31 December 2021	(1.241.721)	(87.028)	(103.260)	(1.432.009)
Net book value as of 31 December 2020	395.979	-	14.736	410.715
Net book value as of 31 December 2021	2.331.700	1.337.077	19.978	3.688.755

Customer relationships acquired as a part of business combinations are reflected in the consolidated financial statements over their fair values as of the acquisition date. Amortization of customer relationships is accounted for using the straight-line method over their estimated useful lives.

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2022	31 December 2021
Associated with cost of production	239.241	115.473
General administrative expenses	22.555	14.888
Marketing, sales and distribution expenses	63	22
Research and development expenses	1.063	148
	262.922	130.531

NOTE 16 – RIGHT OF USE ASSETS

As of the reporting date the movement of right of use assets are as follows:

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January	647.264	114.859	762.123
Additions to assets of operating lease	96.108	60.088	156.196
Disposals (-)	-	(29.773)	(29.773)
Effect of liability decrease in lease agreements	(737.302)	-	(737.302)
Translation difference	141.279	49.728	191.007
Closing balance as of 31 December 2022	147.349	194.902	342.251
Accumulated Amortization			
Opening balance as of 1 January	61.241	40.693	101.934
Charge for the period	25.157	49.816	74.973
Disposals (-)	-	(29.030)	(29.030)
Effect of liability decrease in lease agreements	(81.665)	-	(81.665)
Translation difference	14.142	19.775	33.917
Closing balance as of 31 December 2022	18.875	81.254	100.129
Net book value as of 31 December 2021	586.023	74.166	660.189
Net book value as of 31 December 2022	128.474	113.648	242.122

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January	327.672	29.620	357.292
Additional in right of use assets due to acquisition of subsidiaries	-	2.072	2.072
Additions to assets of operating lease	34.898	55.140	90.038
Disposals (-)	-	(18.470)	(18.470)
Translation difference	284.694	46.497	331.191
Closing balance as of 31 December 2021	647.264	114.859	762.123
Accumulated Amortization			
Opening balance as of 1 January	20.996	18.652	39.648
Charge for the period	15.433	18.876	34.309
Disposals (-)	-	(16.283)	(16.283)
Translation difference	24.812	19.448	44.260
Closing balance as of 31 December 2021	61.241	40.693	101.934
Net book value as of 31 December 2020	306.676	10.968	317.644
Net book value as of 31 December 2021	586.023	74.166	660.189

NOTE 16 – RIGHT OF USE ASSETS (cont'd)

The items right of use assets recognized in profit or loss is as follows:

	31 December 2022	31 December 2021
Amortization of assets to operating lease	74.973	34.309
Interest expense from lease transactions (Note 31)	51.722	44.727

The net book value of the right-of-use assets acquired through the lease is as follows:

	31 December 2022	31 December 2021
Right to use land	128.474	586.023
Car leases	113.648	74.166
	242.122	660.189

The Group has usage permit agreements regarding the port areas of the General Directorate of National Real Estate. The values of tangibles with usage permit periods expiring in 2049 and 2071 are measured at their present value by reducing the borrowing rate by 12% - 16% at the initial calculation.

The area where İsdemir's location and port facilities are located; Within the scope of Law No. 4737, İskenderun Demir ve Çelik A.Ş. Hatay Özel Endüstri Bölgesi has been declared as "Isdemir ÖEB". In 2022, according to the 34th article of the Industrial Zones Regulation and the 12th article of the Regulation on the Administration of Treasury Immovables, the usage permits of the ports and filling areas within the borders of İsdemir ÖEB, which are under the jurisdiction and disposal of the state, have been revised in terms of time and cost for 49 years from contract revision date.

The Group has a usage permit agreement of regarding the forest land and energy transmission line of the General Directorate of Forestry. Forest land use permit will expire in 2039 - 2068, and the energy transmission line use permit will expire in 2064. The values of the immovable assets were measured at present value by reducing the borrowing rate in the first calculation with 12%-15% .

In addition, car lease contracts with useful lives between 2022 - 2025 and with borrowing rate reduced by 7% - 27% are measured at their present value.

Lease agreements are accounted for in the consolidated statement of financial position in the notes of right of use assets and borrowing in accordance with the above explanations (Note 7).

The distribution of amortization expenses related to right of use assets is as follows:

	31 December 2022	31 December 2021
Associated with cost of production	6.007	633
General administration expenses	43.832	18.345
Marketing, sales and distribution expenses	283	97
Other operating expenses	24.851	15.234
	74.973	34.309

NOTE 17 – GOODWILL

The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş and its subsidiaries was completed on 3 February 2021. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand).

As a result of the purchase; the part of the fair value of the acquired assets and liabilities amounting to USD 277.162 thousand (TRY 1.978.161 thousand) below the purchase price is recognized as goodwill amounting to USD 18.781 thousand (TRY 134.045 thousand) (Note 2.8.22).

	31 December 2022	31 December 2021
Goodwill	351.177	250.335
	351.177	250.335

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	250.335	-
Due to acquisition of subsidiaries during the year	-	134.045
Translation difference	100.842	116.290
Closing balance	351.177	250.335

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis. Value in use is determined by discounting the expected future cash flows to be generated by the cashgenerating unit.

The below key assumptions are used in the calculation of the value in use as of 31 December 2022:

The projection period for the purposes of goodwill impairment testing is approved by the management as 4 years between 1 January 2023 and 31 December 2026. Cash flows for further periods (perpetuity) were extrapolated using the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 13,8% - 17,8% is used as after-tax discount rate in order to calculate the recoverable amount of the unit. As of the reporting period, no impairment has been determined in the amount of goodwill associated with the Group's activities.

NOTE 18 – GOVERNMENT GRANTS AND INCENTIVES

These grants and incentives can be used by all companies, which meet the related legislative requirements and those grants have no sectoral differences:

- ✓ Incentives under the jurisdiction of the research and development law (100% corporate tax exemption etc.)
- ✓ Support in cash from Tubitak – Teydeb, in return for research and devolopment expenditures,
- ✓ Inward processing permission certificates,
- ✓ Social Security Institution incentives
- ✓ Insurance premium employer share incentive.

Research and development incentive premiums received amounts to TRY 14.071 thousand (31 December 2021: TRY 3.879 thousand) which are considered as a deduction subject in the calculation of corporate tax for the year ended 31 December 2022.

NOTE 19 – EMPLOYEE BENEFITS

The Group's short term payables for employee benefits are as follows:

	31 December 2022	31 December 2021
Due to personnel	957.083	236.301
Social security premiums payable	236.455	74.173
	1.193.538	310.474

As of the reporting date long term provisions of the employee benefits of the Group are as follows:

	31 December 2022	31 December 2021
Provisions for employee termination benefits	2.922.934	1.282.538
Provisions for seniority incentive premium	225.046	183.800
Provision for unpaid vacations	289.925	139.012
	3.437.905	1.605.350

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 December 2022, the amount payable consists of one month's salary limited to a maximum of TRY 15.371,40 (31 December 2021: TRY 8.284,51) for each year of service. As of 1 January 2023, the employment termination benefit has been updated to a maximum of TRY 19.982,83.

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

The employment 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 December 2022 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 December 2022	31 December 2021
Discount rate	%16,19	%19,00
Inflation rate	%14,23	%15,00

NOTE 19 – EMPLOYEE BENEFITS (cont'd)

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 December 2022, a 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. In the actuarial calculation as of 31 December 2022, 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 December 2022	1 January - 31 December 2021
Opening balance	1.282.538	759.907
Additional in provisions due to acquisition of subsidiaries	-	17.312
Service cost	146.603	80.464
Interest cost	273.778	122.174
Actuarial loss/(gain)	1.305.806	346.030
Termination benefits paid	(109.492)	(47.199)
Translation difference	23.701	3.850
Closing balance	2.922.934	1.282.538

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. All other variables were held constant, the sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2022 as follows:

	Interest rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	(222.184)	256.082

	Inflation rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	258.355	(227.574)

NOTE 19 – EMPLOYEE BENEFITS (cont'd)

According to the current collective 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 December 2022	1 January - 31 December 2021
Opening balance	183.800	108.316
Service cost	19.468	13.708
Interest cost	32.034	17.041
Actuarial loss/(gain)	76.260	60.829
Termination benefits paid	(77.184)	(14.434)
Translation difference	(9.332)	(1.660)
Closing balance	225.046	183.800

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

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	139.012	99.913
Additional in provisions due to acquisition of subsidiaries	-	2.985
Provision for the period	257.754	143.380
Vacation paid during the period (-)	(16.607)	(6.304)
Provisions released (-)	(95.435)	(103.991)
Translation difference	5.201	3.029
Closing balance	289.925	139.012

NOTE 20 – PROVISIONS

The Group's short term provisions are as follows:

	31 December 2022	31 December 2021
Provision for lawsuits	368.664	247.419
Penalty provision for employment shortage of disabled personnel	9.291	11.117
Provision for state right on mining activities	94.172	39.248
Provision for land occupation	47.305	35.085
	519.432	332.869

NOTE 20 – PROVISIONS (cont'd)

The movement of the short term 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 December 2022
Provision for lawsuits	247.419	-	112.338	(12.906)	(13.305)	35.118	368.664
Penalty provision for employment shortage of disabled personnel	11.117	-	3.869	(2.556)	(2.464)	(675)	9.291
Provision for state right on mining activities	39.248	-	98.443	(45.591)	-	2.072	94.172
Provision for land occupation	35.085	-	44.689	(36.172)	(1.525)	5.228	47.305
	332.869	-	259.339	(97.225)	(17.294)	41.743	519.432

	1 January 2021	Additional in provisions due to acquisition of subsidiaries	Change for the period	Payments	Provision released	Translation difference	31 December 2021
Provision for lawsuits	195.355	1.410	60.401	(19.954)	(32.306)	42.513	247.419
Penalty provision for employment shortage of disabled personnel	13.551	-	5.036	(3.755)	(1.478)	(2.237)	11.117
Provision for state right on mining activities	23.023	6.295	29.485	(22.848)	-	3.293	39.248
Provision for land occupation	21.695	-	30.730	(20.820)	(284)	3.764	35.085
	253.624	7.705	125.652	(67.377)	(34.068)	47.333	332.869

NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits

As of 31 December 2022 and 31 December 2021, lawsuits filed by and against the Group are as follows:

	31 December 2022	31 December 2021
Lawsuits filed by the Group	1.877.331	1.460.069
Provision for lawsuits filed by the Group	289.132	227.346

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

	31 December 2022	31 December 2021
Lawsuits filed against the Group	280.974	211.241
Provision for lawsuits filed against the Group	368.664	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.

NOTE 20 – 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 December 2021 and 31 December 2020 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. İn the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara, the court accepted the case subject to appeal, on 30.12.2021. Erdemir has appealed on 03.03.2022.

NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 December 2021 and 31 December 2020.

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. With the decision of the 22nd Civil Chamber of the Ankara Regional Court of Justice, the decision of the Karadeniz. Ereğli 2nd Civil Court of First Instance has been annulled. 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 February 22, 2022, it was decided that the case was partially accepted and partially rejected, subject to appeal. Our company has appealed against this decision on April 13, 2022. A provision amounting to TRY 162.315 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 Consumption 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, the Company used its right to individual application at the Constitutional Court on 16 March 2015. In the General Assembly Resolution of Constitutional Court notified to the Company on 27 December 2018, it is decided that the property rights of the Company were violated, and retrial should be held in order to eliminate the consequences of the violation of the property rights for 15 cases which were brought together within the scope of Company's individual application.

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

NOTE 20 – PROVISIONS (cont'd)

Resolution of Constitutional Court on Electric and Coal Gas Tax (cont'd)

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

The 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. 68 cases have been finalized in favor of the Company.

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

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

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

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

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 cases, the court decided to cancel the proceedings that were the subject of the lawsuit. The Municipality has appealed against these decisions. In 14 of the cases, the Regional Administrative Court decided to reject the appeal of Karadeniz Ereğli Municipality. In 11 cases the Municipality has appealed to te Council of State against these decisions. 3 cases were finalized in favor of the Company without appeal. Council of State has decided to approve definitely the 2 cases out of 11 cases in favor of the Company. 9 cases are under appellate review. In the last filed case the Regional Administrative Court has definitely decided to annul the decision and partially accepted the case.

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

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 and recognized provision on financial statements.

NOTE 20 – PROVISIONS (cont'd)

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 recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2022	31 December 2021
Letters of guarantees received	12.825.995	9.218.182
	12.825.995	9.218.182

The Collaterals, pledges and mortgages (CPM) given by the Group are as follows:

	31 December 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	733.735	194.489
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.357.555	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	-	-
	3.091.290	2.821.017

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TL 2.357.555 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 31 December 2022, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2021: 0%).

NOTE 21 – COMMITMENTS AND CONTINGENCIES (cont'd)

The breakdown of the Group's collaterals given regarding service purchases according to their TRY equivalents of foreign currency is as follows:

	31 December 2022	31 December 2021
US Dollars	1.269.039	1.828.701
Turkish Lira	646.853	143.149
EURO	1.175.398	849.167
	3.091.290	2.821.017

NOTE 22 – OTHER ASSETS AND LIABILITIES

As of the reporting date, the details of the Group's other assets and liabilities are as follows:

Other current assets

	31 December 2022	31 December 2021
Other VAT receivable	1.813.456	1.026.994
Deferred VAT	1.996.360	116.126
Prepaid taxes and funds	49.439	11.363
Other current assets	166.081	38.884
	4.025.336	1.193.367

Other non-current assets

	31 December 2022	31 December 2021
Other VAT receivable	857.688	233.000
	857.688	233.000

Other current liabilities

	31 December 2022	31 December 2021
VAT payable	53.736	192.800
Other current liabilities	25.996	4.437
	79.732	197.237

Other non-current liabilities

	31 December 2022	31 December 2021
Other non-current liabilities	11.717	3.505
	11.717	3.505

NOTE 23 – DEFERRED INCOME

As of the reporting date, the details of the Group's short term deferred income are as follows:

	31 December 2022	31 December 2021
Advances received	909.455	1.381.015
Deferred income	109.512	109.529
	1.018.967	1.490.544

NOTE 24 – EQUITY

As of the Group's reporting date the capital structure is as follows:

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

The capital of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. is subject to the registered capital limit. The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kurus) up to the amount of the registered capital, which is TRY 7.000.000.000.

The issued capital of the Company consists of 350.000.000.000 lots of shares (31 December 2021: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (31 December 2021: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

The Board of Directors consists of 9 members 3 of which are independent. The number and qualifications of independent members are ascertained in compliance with the CMB's Communique numbered II-17,1 on Corporate Governance Principles.

The General Assembly has to choose one member to the Board of Directors from the nominees of the Privatization Administration as the beneficiary owner representing A Group shares. In case, the Board member representing the A Group shares leaves the board within the chosen period, a new board member is obliged to be chosen from the nominees of the Privatization Administration as the beneficiary owner. For decisions to be taken about the rights assigned to A Group shares, the board member representing A Group shares is also obliged to use an affirmative vote.

NOTE 24 – EQUITY (cont'd)

The decisions to change the Articles of Association of the Company that will have an effect on the board of directors' meeting and decision quorum, rights assigned to A Group shares, rights assigned to A Group shares in relation to investments and employment decisions and any other changes in the Articles of Association of the Company which will directly or indirectly affect the rights of A Group shares, have to receive an affirmative vote of the beneficiary owner representing the A Group shares. Otherwise, the decisions are accepted as invalid.

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" Erdemir, as of 31 December 2022, holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2021: TRY 107.837 thousand). Erdemir's own shares have been reclassified with its inflation adjusted value in the consolidated balance sheet as a deduction under equity.

Other Equity Items	31 December 2022	31 December 2021
Share Premium	106.447	106.447
Revaluation Reserves of Tangible Assets	208.674	147.805
-Revaluation Reserves of Tangible Assets	*208.674*	*147.805*
Cash Flow Hedging Reserves	6.044	63.830
Foreign Currency Translation Reserves	46.671.548	36.340.030
Actuarial (Loss)/ Gain Fund	(1.407.323)	(386.301)
Restricted Reserves Assorted from Profit	7.547.778	4.988.204
-Legal Reserves	*7.547.778*	*4.988.204*
Retained Earnings	40.966.648	21.965.415
	94.099.816	63.225.430

However, in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") on 13 June 2013 which is published on Official Gazette numbered 28676, "Paid-in capital", "Restricted profit reserves" and "Share premium" should be presented by using their registered amounts in the statutory records. The restatement differences (e.g. inflation restatement differences) arising from the application of this Communiqué should be associated with the:

- "Capital restatement differences" item following the "paid-in capital" line item in the financial statements, if the differences are caused by "paid-in capital" and have not been added to capital yet;
- "Retained earnings", if the differences are arising from "restricted profit reserves" and "share premium" and have not been associated with either profit distribution or capital increase yet.

Other equity items are carried at the amounts that are valued based on the TFRS.

Capital restatement differences may only be considered as part of the paid-up capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

NOTE 24 – EQUITY (cont'd)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate for the publicly-held subsidiaries. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used as an internal source of capital increase, dividend distribution in cash or the net off from prior period losses. In case of usage of the inflation adjustment differences in dividend distribution in cash, it is subject to corporate tax.

As of the reporting period, the total amount of resources that can be subject to dividend distribution, including the retained earnings of 3.145.526 thousand TRY and the net profit for the period of 24.264.662 thousand TRY which are in the statutory books of the company is 27.410.188 thousand TRY.

The legal reserves and the share premium, which is regarded as legal reserve in accordance with TCC Article 466, are presented using their amounts in statutory records. In this context, the difference of inflation restatements in accordance with TFRS framework, that are not subject to profit distribution or capital increase as of the date of financial statements, is associated with the prior periods' profit or loss.

According to the first paragraph of Article 519 numbered 6102 of the Turkish Commercial Code ("TCC"), 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. First dividend is appropriated for shareholders after deducting from the profit. Following the deduction of the amounts from the "profit", General Assembly of Shareholders is authorized to decide whether shall be the remaining balance shall be fully or totally placed in extraordinary legal reserves or whether it is distributed, also taking into consideration the Company's profit distribution policy. According to the sub-clause 3 of the clause 2 of Article 519 of the Turkish Commercial Code, after deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; ten percent of the remaining balance shall be appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

According to the CMB Communiqué, until the Company's Article of Association was revised on 31 March 2008, an amount equal to the first dividend distributed to shareholders is allocated as status reserves in order to be used in the plant expansion. Also according to the 13th Article of Association before the revision on 31 March 2008, 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital. The reserve amount that exceeds the 20% of the legal reserves, defined by the Article 519 of TCC, is recorded as status reserve. Status reserves could be used for free capital increases and profit distribution.

NOTE 24 – EQUITY (cont'd)

Cash flow hedging reserve arises from the recognition of the changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows directly in equity. The amounts deferred in equity are recognized in the consolidated statement of profit or loss in the same period, if the hedged item affects profit or loss.

Since the fair values of the assets could not be reasonably determined during the transfer of the subsidiaries to the Group, the assets of each of the Company were revalued during the initial acquisition and the difference between the cost value of the Company's revaluated fair value and the cost value of initial recognition is recorded in the tangible asset revaluation increases (decreases) fund.

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of profit or loss. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Actuarial (Loss)/Gain Funds" under the equity. The funds for actuarial gains/ (losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

As it stated in Note 2.1, foreign currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 25 – 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 990.455 thousand (Note 23). The Company plans to recognize related revenue amount as a revenue in a year.

	1 January - 31 December 2022	1 January - 31 December 2021
Sales Revenue		
Domestic sales	102.953.785	51.422.587
Export sales	18.515.681	14.038.005
Other revenues	5.552.987	2.614.668
Interest income from sales with maturities	953.468	256.594
Sales returns (-)	(59.359)	(33.613)
Sales discounts (-)	(133.681)	(70.837)
	127.782.881	68.227.404
Cost of sales (-)	(102.244.085)	(42.710.993)
Gross profit	25.538.796	25.516.411

NOTE 25 – SALES AND COST OF SALES (cont'd)

The total amount of product exports in other revenues is TRY 2.374.772 thousand (31 December 2021: TRY 1.166.539 thousand). Total interest income from export sales with maturities is TRY 29.580 thousand (31 December 2021: TRY 8.152 thousand).

As of Group's reporting date, the detail of cost of sales is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Raw material usage	(78.716.216)	(33.309.122)
Personnel costs	(4.411.212)	(2.619.796)
Energy costs	(10.807.920)	(2.334.373)
Depreciation and amortization expenses	(3.143.289)	(1.852.588)
Manufacturing overheads	(1.084.142)	(1.070.334)
Other cost of goods sold	(1.301.314)	(496.353)
Non-operating costs (*)	(253.925)	(51.677)
Freight costs for sales delivered to customers	(1.199.214)	(778.108)
Allowance expenses for impairment on inventories (Note 10)	(550.403)	(1.147)
Inventory provision released (Note 10)	32.200	34.233
Amortization of right of use assets	(6.007)	(633)
Other	(802.643)	(231.095)
	(102.244.085)	(42.710.993)

(*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (253.925) thousand, has been accounted directly under cost of sales (31 December 2021: TRY (51.677) thousand).

NOTE 26 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Marketing expenses (-)	(741.626)	(379.587)
General administrative expenses (-)	(1.536.558)	(673.322)
Research and development expenses (-)	(99.936)	(47.633)
	(2.378.120)	(1.100.542)

NOTE 27 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses (-)	(287.819)	(148.659)
Depreciation and amortization (-)	(135.330)	(84.687)
Benefits and services from third parties (-)	(318.194)	(146.144)
Amortization of right of use assets (-)	(283)	(97)
	(741.626)	(379.587)

As of Group's reporting date, the detail of general administrative expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses (-)	(705.297)	(311.470)
Depreciation and amortization (-)	(112.339)	(67.559)
Benefits and services from third parties (-)	(662.265)	(287.318)
Tax, duty and charges (-)	(12.132)	(16.688)
Provision/ Provision released for doubtful receivables (net)	(693)	28.058
Amortization of right of use assets (-)	(43.832)	(18.345)
	(1.536.558)	(673.322)

As of Group's reporting date, the detail of research and development expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses (-)	(48.586)	(26.101)
Depreciation and amortization (-)	(27.900)	(12.788)
Other (-)	(23.450)	(8.744)
	(99.936)	(47.633)

Group, Based on the Board Decision of the Public Oversight, Accounting and Auditing Standards Authority published in the "KGK" Official Gazette, the fees related to the services received from the independent auditor/independent audit firm as of the reporting period are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Independent audit fee for reporting period	(3.843)	(1.751)
Fee for other assurance services	(185)	-
	(4.028)	(1.751)

NOTE 28 – OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

As of Group's reporting date, the detail of other operating income is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating income		
Foreign exchange gain from trade receivables and payables (net)	-	489.659
Forfeit advances from customers	38.297	2.512
Discount income	2.176	-
Provisions released	15.769	33.784
Service income	70.037	25.916
Maintenance repair and rent income	27.947	20.602
Warehouse income	57.046	5.083
Indemnity and penalty detention income	14.514	8.585
Insurance indemnity income	510.091	14.154
Lawsuit income	2.204	701
Overdue interest income	16.876	4.974
Other income and gains	192.193	69.091
	947.150	675.061

As of Group's reporting date, the detail of other operating expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating expenses (-)		
Provision expenses	(116.207)	(65.437)
Foreign exchange expenses from trade receivables and payables (net)	(114.684)	-
Lawsuit compensation expenses	(8.998)	(15.119)
Right of use assets amortization	(24.851)	(15.234)
Donation expenses	(93.487)	(19.413)
Service expenses	(69.098)	(25.176)
Penalty expenses	(1.439)	(7.650)
Discount expenses	-	(1.729)
Other expenses and losses	(109.074)	(69.700)
	(537.838)	(219.458)

NOTE 29 –INCOME/(EXPENSES) FROM INVESMENT ACTIVITIES

As of Group's reporting date, the detail of income from investment activities is as follows:

Income From Investment Activities	1 January - 31 December 2022	1 January - 31 December 2021
Net gain/(loss) from financial asset at fair value through profit or loss	51.026	-
Income from sales on tangible assets	8.139	947
Rent income from investment properties	29.622	18.366
Property,plant and equipment provisions released (Note 14)	30.507	8.342
	119.294	27.655

As of Group's reporting date, the detail of expenses from investment activities is as follows:

Expenses From Investment Activities (-)	1 January - 31 December 2022	1 January - 31 December 2021
Loss on sales of tangible assets	(14.046)	(1.801)
Loss on disposal of tangible assets	(95.521)	(17.636)
Impairment of property, plant and equipment (Note 14)	-	(5.652)
Expenses from investment properties (-)	(834)	(2.194)
	(110.401)	(27.283)

NOTE 30 – FINANCE INCOME

As of Group's reporting date, the detail of finance income is as follows:

Finance income	1 January - 31 December 2022	1 January - 31 December 2021
Interest income on bank deposits	1.268.689	570.203
Interest income from financial investments	2.492	2.875
Fair value differences of derivative financial instruments (net)	225.864	117.502
Other financial income	6.315	36.931
	1.503.360	727.511

NOTE 31 – FINANCE EXPENSES

As of Group's reporting date, the breakdown of finance expenses is as follows:

Finance expenses (-)	1 January - 31 December 2022	1 January - 31 December 2021
Interest expenses on borrowings	(1.650.583)	(287.171)
Foreign exchange loss (net)	(1.006.173)	(1.197.305)
Interest cost of employee benefits	(305.812)	(139.215)
Interest expenses on leasings	(51.722)	(44.727)
Other financial expenses	(28.493)	(8.180)
	(3.042.783)	(1.676.598)

During the period, the interest expenses of TRY (10.198) thousand have been capitalized as part of the Group's property, plant and equipment (31 December 2021: TRY 8.338 thousand).

NOTE 32 – TAX ASSETS AND LIABILITIES

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

Corporate tax payable:	31 December 2022	31 December 2021
Current corporate tax provision	9.150.847	8.963.309
Prepaid taxes and funds (-)	(8.712.399)	(4.691.604)
	438.448	4.271.705

	1 January - 31 December 2022	1 January - 31 December 2021
Taxation:		
Current corporate tax expense	7.779.424	6.173.465
Deferred tax (income) / expense	(4.320.024)	1.664.690
	3.459.400	7.838.155

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.

NOTE 32 – TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax (cont'd)

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.

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

The total amount of the corporate tax paid by the Group in 2022 is TRY 12.984.104 thousand (31 December 2021: TRY 5.228.319 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2022 has been calculated over the corporate earnings using the rate 23%, during the temporary taxation period. (31 December 2021: 25%).

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

Losses can be carried forward to offset the future taxable income for up to maximum 5 years (Romania: 7 years). However, losses cannot be carried back to offset the profits of the previous periods, retrospectively.

In Turkey, a definite and distinct reconciliation procedure for tax assessment does not exist. Companies file their tax returns between 1 April - 25 April following the closing period of the related year's accounts. Tax returns and related accounting records may be examined and revised within five years.

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

Investment discount application

In 2022, the corporate tax reduction incentive based on the regional priority investment incentive certificate received within the scope of article 17 / g of the "Decision on State Aids in Investments" numbered 2012/3305 was utilized. The rate of contribution to investment is 40% within the scope of the mentioned decision, 5th region incentives are used.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, except for the dividends distributed to fully fledged taxpayer companies receiving and declaring these dividends and to Turkish branches of foreign companies. As of 22 December 2021, with the President's Decision No. 4936, income tax withholding is applied as 10%. Undistributed dividends incorporated in share capital are not subject to the income withholding taxes.

NOTE 32 – TAX ASSETS AND LIABILITIES (cont'd)

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 corporate earnings to be obtained in the taxation periods of 2022, 20% for 2023 and upcoming years. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 31 December 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%)

Provisional Article 32 of the Tax Procedure Law and repeated Article 298-Ç; Taxpayers are allowed to revaluate their depreciable economic assets and immovables with tax as of 31 December 2021 and tax-free in the following period, respectively. In this framework, a revaluation has been made in the legal financial statements, and as a result of the revaluation, a deferred tax asset of TRY 4.467,303 thousand has been recorded in the consolidated financial statements.

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.

Deferred tax assets:	31 December 2022	31 December 2021
Tangible and intangible assets revaluation adjustment	4.467.303	-
Provisions for employee benefits	687.429	324.706
Investment incentive	30.629	21.937
Provision for lawsuits	70.743	53.874
Inventories	74.351	114.367
Tangible and intangible assets	192.158	28.991
Financial lease payables	41.456	70.115
Other	341.367	158.312
	5.905.436	772.302
Deferred tax liabilities:		
Tangible and intangible assets	(13.455.464)	(8.650.855)
Fair values of the derivative financial instruments	(5.223)	(34.049)
Amortized cost adjustment on loans	(57.161)	(35.996)
Right of use assets	(48.508)	(132.957)
Inventories	(499.773)	(1.534.789)
Other	(59.738)	(46.730)
	(14.125.867)	(10.435.376)
	(8.220.431)	(9.663.074)

NOTE 32 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

In the financial statements which are prepared according to the TFRS, 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' 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.

Presentation of deferred tax assets/(liabilities):	31 December 2022	31 December 2021
Deferred tax assets	244.350	184.646
Deferred tax (liabilities)	(8.464.781)	(9.847.720)
	(8.220.431)	(9.663.074)

Movements of deferred tax asset/(liability)	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance	(9.663.074)	(3.583.177)
Additional in deferred tax assets due to acquisition of subsidiaries	-	(325.814)
Deferred tax income/(expense)	4.320.024	(1.664.690)
The amount in comprehensive income	285.209	44.006
Translation difference	(3.162.590)	(4.133.399)
Closing balance	(8.220.431)	(9.663.074)

Reconciliation of tax provision is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	22.112.454	23.916.713
Statutory tax rate	22%	25%
Calculated tax expense according to effective tax rate	(4.864.740)	(5.979.178)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(114.459)	(49.187)
- Revaluation of reserve tangible assets	4.467.303	-
- Effect of currency translation not subject to tax	(3.134.206)	(1.895.357)
- Investment incentive	189.028	82.627
- Effect of the different tax rates due to foreign subsidiaries	(2.326)	2.940
Total tax expense reported in the statement of income	(3.459.400)	(7.838.155)

NOTE 32 – TAX ASSETS AND LIABILITIES (cont'd)

As of Group's reporting date, the details of the tax income/(expense) of the other comprehensive income/(loss) are as follows:

	1 January -31 December 2022		
Other comprehensive income/(loss) in current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	60.869	-	60.869
Change in actuarial (loss)/gain	(1.305.806)	261.161	(1.044.645)
Change in cash flow hedging reserves	(82.702)	24.048	(58.654)
Change in foreign currency translation reserves	32.227.569	-	32.227.569
	30.899.930	285.209	31.185.139

	1 January -31 December 2021		
Other comprehensive income/(loss) in current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	69.939	-	69.939
Change in actuarial (loss)/gain	(346.030)	69.206	(276.824)
Change in cash flow hedging reserves	105.065	(25.200)	79.865
Change in foreign currency translation reserves	34.302.165	-	34.302.165
	34.131.139	44.006	34.175.145

NOTE 33 – EARNINGS PER SHARE

	1 January - 31 December 2022	1 January- 31 December 2021
Number of shares outstanding	350.000.000.000	350.000.000.000
Net profit attributable to equity holders	18.005.034	15.527.082
Profit per share with 1 TRY nominal value TRY %	5,1443 / %514,43	4,4363 / %443,63

NOTE 34 – RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent 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.

Trade receivables and payables from related parties operated as current account. Debt collection and debt payment days are between 0 and 30.

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

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

Due from related parties (short term)	31 December 2022	31 December 2021
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	-	2.240
OYAK Renault Otomobil Fab. A.Ş.(2)	328.074	212.106
Miilux Poland Sp. Z.o.o. (1)	76.474	-
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	26.590	12.569
OYAK Çimento Fabrikaları A.Ş. (1)	158.257	66.851
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	64.598	17.454
Denizli Çimento San. T.A.Ş.(1)	8.897	-
Other	104	164
	662.994	311.384

The trade receivables from related parties mainly arise from sales of iron, energy, service and by-products.

Other receivables from related parties (short term)	31 December 2022	31 December 2021
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	7.227	5.735
	7.227	5.735

Other receivables from related parties (long term)	31 December 2022	31 December 2021
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	47.083	32.512
	47.083	32.512

According to TFRS 16 provision, other short term and long term receivables from related parties arise from monetary receivables under the sub-lease transactions.

Prepaid expenses to related parties(short term)	31 December 2022	31 December 2021
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	40.244	15.838
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (1)	-	6.444
OYAK Çimento Fabrikaları A.Ş. (1)	989	-
	41.233	22.282

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

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

Prepaid expenses to related parties (long term)	31 December 2022	31 December 2021
OYAK İnşaat A.Ş. (1)	135.121	-
Ordu Yardımlaşma Kurumu (4)	-	1.110.765
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (1)	36.242	57.536
	171.363	1.168.301

Prepaid expenses generally related with port services and advance transactions of fixed assets.

Due to related parties (short term)	31 December 2022	31 December 2021
Omsan Lojistik A.Ş. (1)	161.648	47.093
Omsan Denizcilik A.Ş. (1)	7.239	-
OYAK Pazarlama Hizmet ve Turizm A.Ş. (1)	69.013	30.607
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (1)	36.147	21.539
Omsan Logistica SRL (1)	3.299	5.473
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (1)	29.388	39.159
OYAK Elektrik Enerjisi Toptan Satış A.Ş. (1)	23.321	285
OYAK İnşaat A.Ş. (1)	116.929	360
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. (1)	3.617	-
Doco Petrol ve Danışmanlık A.Ş. (1)	5.115	3.230
Other	175.775	54.668
	631.491	202.414

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

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

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

Major sales to related parties	1 January - 31 December 2022	1 January - 31 December 2021
Miilux Poland Sp. Z.o.o. (1)	55.166	-
OYAK Renault Otomobil Fab. A.Ş.(2)	878.749	434.763
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	1.253	1.329
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (1)	2.417	-
OYAK Çimento Fabrikaları A.Ş.(1)	207.051	72.152
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	-	24.981
Denizli Çimento Sanayi T.A.Ş. (1)	12.177	535
OYAK Birleşik Enerji A.Ş. (1)	894.699	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş.(1)	2.063	1.674
İskenderun Enerji Üretim ve Ticaret A.Ş. (1)	2.531.242	699.708
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	157.827	77.603
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	351.748	90.866
Other	11.376	3.755
	5.105.768	1.407.366

Major purchases from related parties	1 January - 31 December 2022	1 January - 31 December 2021
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	2.742	8.519
Omsan Denizcilik A.Ş.(1)	456.585	205.501
OYAK Pazarlama Hizmet ve Turizm A.Ş.(1)	417.172	200.176
Omsan Lojistik A.Ş.(1)	649.821	395.423
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	412.609	131.480
Omsan Logistica SRL(1)	86.184	41.152
OYAK Denizcilik ve Liman İşletmeleri A.Ş.(1)	374.394	206.399
Doco Petrol ve Danışmanlık A.Ş. (1)	123.307	34.834
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	495.019	153.925
OYAK İnşaat A.Ş. (1)	286.722	765
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	263.994	145.857
Güzel Enerji Akaryakıt A.Ş.(1)	10.045	1.967
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (1)	12.506	-
Other	133.266	21.574
	3.724.366	1.547.572

The major purchases from related parties are generally due to the purchase of services, fixed assets and energy.

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

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

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

The period end balances are un-secured and their collections will be done in cash. As of 31 December 2022, the Group provides no provision for the receivables from related parties (31 December 2021: None).

Salaries, bonuses and other 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 year ended 31 December 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 71.965 thousand (31 December 2021: TRY 36.605 thousand).

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital through the optimization of the debt and the equity balance that minimizes the financial risk.

Through the forecasts regularly prepared by the Group, the future capital amount, debt to equity ratio and similar ratios are forecasted and required precautions are taken to strengthen the capital.

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 24.

The Group's Board of Directors analyze the capital structure in regular meetings. During these analyses, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Group, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

As of reporting date the net (credit) debt /equity ratio is as follows:

	Note	31 December 2022	31 December 2021
Total financial liabilities	7	29.580.739	16.676.344
Less: Cash and cash equivalents	4	15.186.458	23.189.668
Net (credit) debt		14.394.281	(6.513.324)
Total adjusted equity (*)		120.063.466	84.870.075
Total resources		134.457.747	78.356.751
Net (credit) debt/Total adjusted equity ratio		12%	-8%
Distribution of net (credit) debt/ total adjusted equity		11/89	-8/108

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial gain/(loss) fund and adding non-controlling interests.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Significant accounting policies

The Group's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.8.9 Financial Instruments".

(c) Financial risk management objectives

The Group manages its financial instruments through a separate treasury function which was established for that purpose. The developments are followed on a real time basis. The Group's corporate treasury function manages the financial instruments through daily regular meetings by evaluating the domestic and international markets and by considering the daily cash inflows and outflows in accordance with the policies and regulations issued by the Group Risk Management Unit. At the end of each day, each Group company prepares a "Daily Cash report" and Group Risk Management Unit calculates daily for cash and cash equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies. Thus, all financial transactions of the Group are managed centrally. Additionally, the Group's annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

The Group utilizes derivative financial instruments as required and within the terms and conditions determined by the Group Risk Management Unit. Instruments that are highly liquid and securing a high-level yield are preferred when determining the financial instruments. In that respect, the Group has a right to claim the accrued interest on time deposits when withdraw before the predetermined maturity.

(d) Market risk

The Group is exposed primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group utilizes the following financial instruments to manage the risks associated with the foreign exchange rates and interest rates. Also, the Group follows price changes and market conditions regularly and takes action in pricing instantaneously.

The Group prefers floating interest rates for long term borrowings. To hedge against the interest risk the Group uses interest swap contracts for some of its borrowings.

In the current period, there is no significant change in the Group's exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

(e) Credit risk management

Trade receivables include a large number of customers scattered in various sectors and regions. There is no risk concentration on a specific customer or a group of customers. The majority trade receivables are assured by bank letters of guarantee and/or credit limits. The credit reviews are performed continuously over the accounts receivable balance of the customers. The Group does not have a significant credit risk arising from any customer.

Credit risk of financial instruments	Receivables				Bank Deposits	Derivative Financial Instruments	Financial Instruments
	Trade Receivables		Other Receivables				
31 December 2022	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	662.994	14.939.155	54.310	65.089	15.186.402	59.160	685.293
- Secured part of the maximum credit risk exposure via collateral etc.	-	13.931.035	-	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	662.994	14.831.690	54.310	65.089	15.186.402	59.160	685.293
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	107.465	-	-	-	-	-
- secured part via collateral etc.	-	101.642	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	353.462	-	-	-	-	-
- Impairment (-)	-	(353.462)	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-	-

The maturity of 107.465 thousand TRY that is overdue but not impaired is in the range of 0-3 months.

(*) The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables					Derivative financial instruments
	Trade Receivables		Other Receivables		Bank Deposits	
31 December 2021	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	311.384	11.102.274	38.247	68.364	23.189.642	160.683
- Secured part of the maximum credit risk exposure via collateral etc.	-	9.570.442	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	311.384	11.060.621	38.247	68.364	23.189.642	160.683
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	41.653	-	-	-	-
- secured part via collateral etc.	-	16.352	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	271.947	-	-	-	-
- Impairment (-)	-	(271.947)	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

The maturity of 41.653 thousand TRY that is overdue but not impaired is in the range of 0-3 months.

(*)The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Explanation on the credit risk which the Group is exposed:

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties.

The Group's current credit risk rating methodology includes the following categories:

Category	Description	Basis for recognizing expected credit losses
Secured receivables	Consist of secured receivables	Not generating credit losses
Recoverable receivables	The counterparty has a low risk of default and secured	Not generating credit losses
Doubtful or past due receivables	Amount is past due or there has been a significant	%100 allowance for unsecured receivables
Write-off	There is evidence indicating the asset is credit-impaired	Amount is written off

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management

As of reporting period, stated in Note 2.8.9 the foreign currency position of the Group in terms of original currency is calculated as follows:

31 December 2022

	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON currency
1. Trade Receivables	4.749.416	94.456	230.730	-	13.822
2a. Monetary financial assets	11.141.292	10.876.683	6.235	21	35.022
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	449.782	419.536	1.447	-	349
4. CURRENT ASSETS (1+2+3)	**16.340.490**	**11.390.675**	**238.412**	**21**	**49.193**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.042.755	1.042.676	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	2.366.826	963.114	70.204	-	1.051
8. NON-CURRENT ASSETS (5+6+7)	**3.409.581**	**2.005.790**	**70.208**	**-**	**1.051**
9. TOTAL ASSETS (4+8)	**19.750.071**	**13.396.465**	**308.620**	**21**	**50.244**
10. Trade payables	8.000.348	4.812.164	157.683	100.672	6.115
11. Financial liabilities	8.595.855	8.163.243	21.662	-	-
12a. Other monetary financial liabilities	2.690.978	2.619.301	2.429	-	5.707
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	**19.287.181**	**15.594.708**	**181.774**	**100.672**	**11.822**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.863.287	142.026	86.189	-	-
16a. Other monetary financial liabilities	3.339.739	3.335.948	-	-	934
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	**5.203.026**	**3.477.974**	**86.189**	**-**	**934**
18. TOTAL LIABILITIES (13+17)	**24.490.207**	**19.072.682**	**267.963**	**100.672**	**12.756**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(918.894)**	**-**	**(46.095)**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	918.894	-	46.095	-	-
18+19)	**(5.659.030)**	**(5.676.217)**	**(5.438)**	**(100.651)**	**37.488**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(7.556.744)**	**(7.058.867)**	**(30.994)**	**(100.651)**	**36.088**
22. Fair value of derivative financial instruments used in foreign currency hedge	155.592	-	7.805	-	-
23. Hedged foreign currency assets	918.894	-	46.095	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	20.920.033				
26. Imports	70.132.257				

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

31 December 2021

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

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

The following table shows the Group's sensitivity to a 10% (+/-) change in the TRY, EURO 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 December 2022 asset balances are translated by using the following exchange rates; TRY 18,6983 = US $ 1, TRY 19,9349 = EUR 1, TRY 0,1413 = JPY 1 and 4,0062 TRY = RON 1 and liability are translated by using the following exchange rates; TRY 18,7320 = US $ 1,TRY 19,9708 = EUR 1, TRY 0,1422 = JPY 1 and 4,0586 TRY = RON 1 (31 December 2021: for asset balances: TRY 13,3290 = US $ 1,TRY 15,0867 = EUR 1, TRY 0,1155 = JPY 1 and TRY 3,0316 = RON 1, for liability balances: TRY 13,3550 = US $ 1, TRY 15,1139 = EUR 1, TRY 0,1163 = JPY 1 and TRY 3,0713 = RON 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2022	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(567.622)	567.622
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(567.622)	567.622
5- RON net asset/liability	14.952	(14.952)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	14.952	(14.952)
9- Euro net asset/liability	80.087	(80.087)
10- Hedged portion from Euro risk (-)	(91.890)	91.890
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(11.803)	11.803
13- Jap. Yen net asset/liability	(1.432)	1.432
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(1.432)	1.432
TOTAL (4+8+12+16)	**(565.905)**	**565.905**

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

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

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(g) Interest rate risk management

Some of the Group's borrowings are based on floating interest rate terms. In order to manage the exposure to interest rate movements on certain portion of the bank borrowings, the Group uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of deposits in which the Group has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Group minimizes the interest rate risk by increasing the share of floating rate denominated assets in its consolidated the balance sheet. Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Group minimizes its interest rate risk by leveraging in foreign currencies that bear lower interest rate. In addition, a higher interest rate is applied to the trade receivables with a maturity when compared to the interest rate exposed for trade payables.

Interest rate sensivity

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Group's sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 0,25% for Jap.Yen and 1,00% for TRY denominated interest rates.

Since the principal payments of the loans with floating interest rates are not affected from changes in interest rates, the risk exposure of the Group loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

Interest position table

	31 December 2022	31 December 2021
Floating interest rate financial instruments		
Financial liabilities	8.519.757	8.658.315

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 31.150 thousand.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities and maintaining adequate funds and reserves.

Liquidity risk tables

Conservative liquidity risk management includes maintaining sufficient cash, availability of sufficient amount of borrowings and funds and ability to settle market positions.

The Group manages its funding of actual and forecasted financial obligations by maintaining the availability of sufficient number of high quality loan providers.

The following table details the Group's expected maturity for its derivative and non derivative financial liabilities. Interests which will be paid on borrowings in the future are included in the relevant columns in the following table.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2022

Contractual maturity analysis	**Book value**	**Total cash outflow per agreement (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities						
Borrowings from banks, issued bonds	29.373.457	32.062.141	5.383.664	17.164.771	7.389.849	2.123.857
Financial lease payables	207.282	538.784	15.651	46.954	115.768	360.411
Trade payables	11.228.240	11.228.240	11.228.240	-	-	-
Other financial liabilities (*)	1.964.382	1.964.382	1.964.382	-	-	-
Total liabilities	**42.773.361**	**45.793.547**	**18.591.937**	**17.211.725**	**7.505.617**	**2.484.268**
Derivative financial liabilities						
Derivative cash inflows	59.160	2.522.365	1.753.173	769.192	-	-
Derivative cash outflows	(50.424)	(2.416.375)	(1.647.183)	(769.192)	-	-
	8.736	**105.990**	**105.990**	**-**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2021

Contractual maturity analysis	**Book value**	**Total cash outflow per agreement (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities						
Borrowings from banks	16.319.038	17.103.196	2.019.882	7.827.117	5.738.936	1.517.261
Financial lease payables	357.306	1.207.449	16.896	50.688	226.634	913.231
Trade payables	6.732.507	6.732.507	6.732.507	-	-	-
Other financial liabilities (*)	1.753.415	1.753.415	1.753.415	-	-	-
Total liabilities	**25.162.266**	**26.796.567**	**10.522.700**	**7.877.805**	**5.965.570**	**2.430.492**
Derivative financial liabilities						
Derivative cash inflows	160.683	5.048.336	2.859.997	2.158.493	29.846	-
Derivative cash outflows	(190.396)	(4.350.764)	(2.408.629)	(1.912.289)	(29.846)	-
	(29.713)	**697.572**	**451.368**	**246.204**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 36 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Categories of the financial instruments and their fair values

31 December 2022	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value	Note
Financial Assets					
Cash and cash equivalents	15.186.458	-	-	15.186.458	4
Trade receivables	15.602.149	-	-	15.602.149	8
Financial investments	14.894	-	813.067	827.961	5
Other financial assets	119.399	-	-	119.399	9
Derivative financial instruments	-	30.766	28.394	59.160	6
Financial Liabilities					
Financial liabilities	29.580.739	-	-	29.580.739	7
Trade payables	11.228.240	-	-	11.228.240	8
Other liabilities	1.964.382	-	-	1.964.382	9/19/23
Derivative financial instruments	-	40.917	9.507	50.424	6
31 December 2021					
Financial Assets					
Cash and cash equivalents	23.189.668	-	-	23.189.668	4
Trade receivables	11.413.658	-	-	11.413.658	8
Financial investments	9.862	-	493	10.355	5
Other financial assets	106.611	-	-	106.611	9
Derivative financial instruments	-	83.866	76.817	160.683	6
Financial Liabilities					
Financial liabilities	16.676.344	-	-	16.676.344	7
Trade payables	6.732.507	-	-	6.732.507	8
Other liabilities	1.753.415	-	-	1.753.415	9/19/23
Derivative financial instruments	-	186.790	3.606	190.396	6

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

NOTE 36 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

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

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2022	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	127.082	-	127.082	-
Currency protected time deposits	685.293	-	685.293	-
Derivative financial assets	28.394	-	28.394	-
Derivative financial liabilities	(9.507)	-	(9.507)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	30.766	-	30.766	-
Derivative financial liabilities	(40.917)	-	(40.917)	-
Total	821.111	-	821.111	-

NOTE 36 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

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

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

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 37 – SUBSEQUENT EVENTS

Due to the earthquake disaster in our country on February 6, 2023, production was suspended at the Company's subsidiary İskenderun Demir ve Çelik A.Ş. "Isdemir" until the completion of the due diligence studies. Damages caused by earthquakes are within the scope of insurance coverage, and it is considered that such damages are not at a level that will significantly affect the Company's financial statements. It is planned to restart production in a gradual and controlled manner after the completion of process-based works at İsdemir facilities.

Based on the authorization given under the "Share Buyback Program" approved at the Company's Ordinary General Assembly Meeting dated 14 July 2020 and numbered 76, and the Board of Directors decision dated 14 February 2023; It has been decided to set aside a maximum of TRY 2.000.000.000 in funds. As of the reporting date, no share repurchase has been made.

NOTE 38 – 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 December 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 ("TFRS") 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 TFRS.