

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

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2023**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2023

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2023 USD'000	Current Period 31 March 2023 TRY'000	Previous Period 31 December 2022 USD'000	Previous Period 31 December 2022 TRY'000
ASSETS					
CURRENT ASSETS		4.419.370	84.645.089	4.313.559	80.656.225
Cash and Cash Equivalents		1.048.499	20.082.113	812.184	15.186.458
Financial Investments		69.427	1.329.744	37.447	700.187
Trade Receivables		650.259	12.454.544	834.415	15.602.149
<i>Due From Related Parties</i>	3	29.797	570.704	35.457	662.994
<i>Other Trade Receivables from Third Parties</i>		620.462	11.883.840	798.958	14.939.155
Other Receivables		4.027	77.134	3.272	61.164
<i>Due From Related Parties</i>	3	434	8.316	387	7.227
<i>Other Receivables from Third Parties</i>		3.593	68.818	2.885	53.937
Financial Derivative Instruments		274	5.251	3.164	59.160
Inventories	4	2.320.427	44.443.601	2.361.306	44.152.408
Prepaid Expenses		35.513	680.187	46.494	869.363
<i>Prepaid Expenses to Related Parties</i>	3	2.080	39.833	2.205	41.233
<i>Other Prepaid Expenses to Third Parties</i>		33.433	640.354	44.289	828.130
Other Current Assets		290.944	5.572.515	215.277	4.025.336
NON CURRENT ASSETS		5.214.988	99.883.704	5.039.891	94.237.398
Financial Investments		6.627	126.929	6.833	127.774
Other Receivables		3.188	61.060	3.114	58.235
<i>Due From Related Parties</i>	3	2.609	49.962	2.518	47.083
<i>Other Receivables from Third Parties</i>		579	11.098	596	11.152
Investments Accounted for Using Equity Method	5	32.391	620.399	32.412	606.053
Investment Properties		48.156	922.343	48.378	904.591
Property, Plant and Equipment	6	4.433.293	84.911.742	4.316.732	80.715.554
Right of Use Assets		12.403	237.556	12.949	242.122
Intangible Assets		279.994	5.362.777	283.694	5.304.594
<i>Goodwill</i>		18.781	359.721	18.781	351.177
<i>Other Intangible Assets</i>	6	261.213	5.003.056	264.913	4.953.417
Prepaid Expenses		342.422	6.558.463	276.841	5.176.437
<i>Prepaid Expenses to Related Parties</i>	3	13.492	258.408	9.165	171.363
<i>Other Prepaid Expenses to Third Parties</i>		328.930	6.300.055	267.676	5.005.074
Deferred Tax Assets	11	12.788	244.933	13.068	244.350
Other Non Current Assets		43.726	837.502	45.870	857.688
TOTAL ASSETS		9.634.358	184.528.793	9.353.450	174.893.623

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

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

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2023

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2023 USD'000	Current Period 31 March 2023 TRY'000	Previous Period 31 December 2022 USD'000	Previous Period 31 December 2022 TRY'000
LIABILITIES					
CURRENT LIABILITIES		2.165.805	41.557.035	1.916.965	35.908.584
Short Term Borrowings	7	1.256.419	24.107.923	994.478	18.628.567
Short Term Portion of Long Term Borrowings	7	146.676	2.814.397	135.796	2.543.723
Trade Payables		571.129	10.958.708	599.415	11.228.240
<i>Due to Related Parties</i>	3	27.015	518.355	33.712	631.491
<i>Other Trade Payables to Third Parties</i>		544.114	10.440.353	565.703	10.596.749
Payables for Employee Benefits	9	46.132	885.173	63.717	1.193.538
Other Payables		21.249	407.718	11.078	207.513
Financial Derivative Instruments		2.040	39.143	2.692	50.424
Deferred Revenue		59.150	1.134.966	54.397	1.018.967
Current Tax Liabilities	11	24.793	475.720	23.406	438.448
Short Term Provisions	8	28.700	550.697	27.730	519.432
Other Current Liabilities		9.517	182.590	4.256	79.732
NON CURRENT LIABILITIES		1.118.635	21.464.146	1.084.927	20.322.852
Long Term Borrowings	7	487.466	9.353.393	448.882	8.408.449
Financial Derivative Instruments		1	17	-	-
Long Term Provisions		188.040	3.608.080	183.531	3.437.905
<i>Long term provisions for employee benefits</i>	9	188.040	3.608.080	183.531	3.437.905
Deferred Tax Liabilities	11	442.503	8.490.658	451.889	8.464.781
Other Non Current Liabilities		625	11.998	625	11.717
EQUITY		6.349.918	121.507.612	6.351.558	118.662.187
Equity Attributable to Equity Holders of the Parent		6.186.610	118.450.626	6.186.525	115.645.231
Share Capital	12	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(137.085)	42.133.118	(137.144)	43.443.497
<i>Revaluation Reserve of Tangible Assets</i>		10.227	215.236	10.168	208.674
<i>Actuarial (Loss) Gain funds</i>		(131.627)	(1.407.323)	(131.627)	(1.407.323)
<i>Foreign Currency Translation Reserves</i>		(15.685)	43.325.205	(15.685)	44.642.146
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(284.143)	1.151.255	(279.378)	2.035.446
<i>Foreign Currency Translation Reserves</i>		(283.660)	1.160.530	(279.701)	2.029.402
<i>Cash Flow Hedging Gain (Loss)</i>		(483)	(9.275)	323	6.044
Restricted Reserves Assorted from Profit		1.382.420	7.610.990	1.379.085	7.547.778
Retained Earnings		3.325.974	63.818.124	2.186.988	40.966.648
Net Profit for the Period		4.791	90.311	1.142.321	18.005.034
Non-Controlling Interests		163.308	3.056.986	165.033	3.016.956
TOTAL LIABILITIES AND EQUITY		9.634.358	184.528.793	9.353.450	174.893.623

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

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

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

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

CONDENSED CONSOLIDATED PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

		(Unaudited) Current Period 1 January - 31 March 2023 USD'000	(Unaudited) Current Period 1 January - 31 March 2023 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2022 USD'000	(Unaudited) Previous Period 1 January - 31 March 2022 TRY'000
	Note				
Revenue	13	1.393.838	26.273.984	2.100.714	29.204.128
Cost of Sales	13	(1.334.126)	(25.148.401)	(1.421.049)	(19.755.417)
GROSS PROFIT		59.712	1.125.583	679.665	9.448.711
Marketing Expenses	14	(9.935)	(187.274)	(10.946)	(152.166)
General Administrative Expenses	14	(27.966)	(527.161)	(21.235)	(295.215)
Research and Development Expenses		(1.699)	(32.017)	(1.381)	(19.198)
Other Operating Income	14	44.538	839.538	3.916	54.434
Other Operating Expenses	14	(41.521)	(782.682)	(11.982)	(166.572)
OPERATING PROFIT		23.129	435.987	638.037	8.869.994
Income from Investing Activities		2.268	42.761	1.206	16.770
Expenses from Investing Activities		(5.272)	(99.378)	(2.613)	(36.336)
Share of Investments' Profit (Loss) Accounted by Using The Equity	5	(21)	(391)	(165)	(2.287)
OPERATING PROFIT BEFORE FINANCE INCOME		20.104	378.979	636.465	8.848.141
Finance Income	15	40.944	771.802	45.393	631.055
Finance Expense	15	(61.794)	(1.164.858)	(51.592)	(717.232)
PROFIT BEFORE TAX		(746)	(14.077)	630.266	8.761.964
Tax (Expense) Income	11	4.243	79.996	(211.001)	(2.933.339)
Current Corporate Tax (Expense) Income		(4.985)	(93.961)	(229.013)	(3.183.740)
Deferred Tax (Expense) Income		9.228	173.957	18.012	250.401
NET PROFIT FOR THE PERIOD		3.497	65.919	419.265	5.828.625
Non-Controlling Interests		(1.294)	(24.392)	14.571	202.564
Equity Holders of the Parent		4.791	90.311	404.694	5.626.061
EARNINGS PER SHARE			0,0258		1,6074
(TRY 1 Nominal value per share)					

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

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

	(Unaudited) Current Period 1 January - 31 March 2023 USD'000	(Unaudited) Current Period 1 January - 31 March 2023 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2022 USD'000	(Unaudited) Previous Period 1 January - 31 March 2022 TRY'000
Note				
PROFIT FOR THE PERIOD	3.497	65.919	419.265	5.828.625
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss				
Increase (Decrease) in Revaluation Reserve of Tangible Assets	58	6.562	(74)	14.879
Foreign Currency Translation Gain (Loss)	-	7.110.258	-	6.441.939
To be reclassified subsequently to profit or loss				
Gain (Loss) in Cash Flow Hedging Reserves	(1.003)	(18.778)	3.436	56.122
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 197	3.781	(747)	(10.953)
Foreign Currency Translation Gain (Loss)	(4.390)	(4.322.317)	(21.238)	1.864.077
OTHER COMPREHENSIVE INCOME (LOSS)	(5.138)	2.779.506	(18.623)	8.366.064
TOTAL COMPREHENSIVE INCOME	(1.641)	2.845.425	400.642	14.194.689
Distribution of Total Comprehensive Income				
Non-controlling Interests	(1.725)	40.030	12.506	406.539
Equity Holders of the Parent	84	2.805.395	388.136	13.788.150

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

(Unaudited)	Note	Other comprehensive income (expense) not to be reclassified subsequently to profit or loss							Other comprehensive income (expense) to be reclassified subsequently to profit or loss		Retained Earnings			Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
		Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period			
1 January 2023		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
Net profit for the period		-	-	-	-	-	-	-	-	-	-	90.311	90.311	(24.392)	65.919	
Other comprehensive income (loss)		-	-	-	-	6.562	7.110.258	-	(15.319)	(4.386.417)	-	-	2.715.084	64.422	2.779.506	
Total comprehensive income (loss)		-	-	-	-	6.562	7.110.258	-	(15.319)	(4.386.417)	-	90.311	2.805.395	40.030	2.845.425	
Transfers		-	-	-	-	-	-	-	-	63.212	17.941.822	(18.005.034)	-	-	-	
Increase (decrease) due to other changes ^(*)	2.1	-	-	-	-	-	(8.427.199)	-	-	3.517.545	-	4.909.654	-	-	-	
31 March 2023		3.500.000	156.613	(116.232)	106.447	215.236	43.325.205	(1.407.323)	(9.275)	1.160.530	7.610.990	63.818.124	90.311	118.450.626	3.056.986	121.507.612
(Unaudited)																
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		-	-	-	-	-	-	-	-	-	-	5.626.061	5.626.061	202.564	5.828.625	
Other comprehensive income (loss)		-	-	-	-	14.879	6.441.939	-	45.979	1.659.292	-	-	8.162.089	203.975	8.366.064	
Total comprehensive income (loss)		-	-	-	-	14.879	6.441.939	-	45.979	1.659.292	-	5.626.061	13.788.150	406.539	14.194.689	
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	-	-	-	-	-	(10.127.065)	-	-	(2.104.039)	-	12.231.104	-	-	-	
31 March 2022		3.500.000	156.613	(116.232)	106.447	162.684	31.984.999	(386.301)	109.809	225.158	7.547.778	32.068.901	5.626.061	80.985.917	2.032.766	83.018.683

At the Ordinary General Assembly Meeting dated 31 March 2023, the decision not to distribute cash dividends was unanimously approved (17 March 2022: TRY 15.575.000 thousand).

(*) Retained earnings; in the condensed consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed consolidated statement of financial position dated 31 March 2023 by converting to US Dollars at historical rates, are explained in Note 2.1.

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period	Current Period	Previous Period	Previous Period
		1 January -	1 January -	1 January -	1 January -
		31 March 2023	31 March 2023	31 March 2022	31 March 2022
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (Loss) for The Period		209.521	4.007.685	238.209	3.538.617
Adjustments to Reconcile Profit (Loss)		3.497	65.919	419.265	5.828.625
Adjustments for Depreciation and Amortisation Expenses	6/13/14	15.453	279.323	210.447	3.021.011
Adjustments for Impairment Loss (Reversal of Impairment Loss)		53.594	1.010.246	56.258	782.075
Adjustments for Provision (Reversal of Provision) for Receivables		(49.929)	(941.171)	(556)	(7.734)
Adjustments for Provision (Reversal of Provision) for Inventories	4	(33)	(621)	(136)	(1.894)
Adjustments for Provisions		(49.896)	(940.550)	(420)	(5.840)
Adjustments for Interest (Income) and Expenses		19.841	374.021	13.959	194.072
Adjustments for Interest Income	9	15.554	293.200	10.281	142.938
Adjustments for Interest Expense	8	4.287	80.821	3.678	51.134
Adjustments for Fair Value (Gains) Losses		(2.937)	(55.345)	(36.697)	(510.165)
Adjustments for Unrealised Foreign Exchange Differences	15	(40.793)	(768.946)	(41.530)	(577.349)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	50.358	949.256	14.882	206.890
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(12.502)	(235.655)	(10.049)	(139.706)
Adjustments for Tax (Income) Expenses	11	154	2.903	(3.735)	(51.929)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		21	391	165	2.287
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		(4.243)	(79.996)	211.001	2.933.339
Other Adjustments for Reconciliation of Profit (Loss)		1.441	27.160	2.126	29.569
Changes in Working Capital		1.441	27.160	2.126	29.569
Adjustments for Decrease (Increase) in Trade Receivables		-	-	(9.726)	-
Decrease (Increase) in Trade Receivables from Related Parties		203.845	3.904.284	(5.698)	(83.402)
Decrease (Increase) in Trade Receivables from Third Parties		5.660	108.407	1.245	18.223
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		198.185	3.795.877	(6.943)	(101.625)
Decrease (Increase) in Derivative Financial Instruments		(690)	(13.217)	594	8.695
Adjustments for Decrease (Increase) in Inventories		(690)	(13.217)	594	8.695
Decrease (Increase) in Prepaid Expenses		2.890	55.352	(6.879)	(100.688)
Adjustments for Increase (Decrease) in Trade Payables		86.461	1.656.005	(315.005)	(4.610.822)
Increase (Decrease) in Trade Payable to Related Parties		11.861	227.177	4.209	61.068
Increase (Decrease) in Trade Payable to Third Parties		(28.286)	(542.746)	165.899	2.432.660
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(6.697)	(128.500)	(2.239)	(32.831)
Increase (Decrease) in Other Payables to Third Parties		(21.589)	(414.246)	168.138	2.465.491
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(7.414)	(142.259)	32.972	483.485
Increase (Decrease) in Derivative Liabilities		(7.414)	(142.259)	32.972	483.485
Adjustments for Other Increase (Decrease) in Working Capital		(1.790)	(34.347)	(5.968)	(88.066)
Decrease (Increase) in Other Assets Related from Operations		(63.509)	(1.216.054)	63.398	929.458
Increase (Decrease) in Other Payables Related from Operations		(73.523)	(1.408.200)	6.724	98.419
Cash Flows Provided by Operating Activities		10.014	192.146	56.674	831.039
Payments Related to Provisions for Employee Termination Benefits	9	222.318	4.239.437	563.234	7.882.024
Payments Related to Other Provisions	8	(6.483)	(122.203)	(1.899)	(26.408)
Income Taxes Refund (Paid)	11	(2.784)	(52.476)	(2.529)	(35.168)
CASH FLOWS FROM INVESTING ACTIVITIES		(3.530)	(57.073)	(320.597)	(4.281.831)
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(262.732)	(4.982.853)	(145.774)	(2.022.740)
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		800	15.000	1.099	15.000
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		(53.356)	(1.004.647)	(1.047)	(14.410)
Cash Inflow from Sales of Property, Plant and Equipment		439	8.294	1.010	14.033
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		439	8.294	1.010	14.033
Cash Outflow from Purchase of Property, Plant and Equipment		(160.741)	(3.029.984)	(84.991)	(1.181.549)
Cash Outflow from Purchase of Intangible Assets	6	(160.624)	(3.027.777)	(84.808)	(1.179.004)
Cash Advances and Debts Given	6	(117)	(2.207)	(183)	(2.545)
Other Cash Advances and Debts Given to Related Parties		(67.082)	(1.264.502)	(36.727)	(510.579)
Other Cash Advances and Debts Given		48.990	(87.045)	-	-
Other Cash Inflow (Outflows)		(116.072)	(1.177.457)	(36.727)	(510.579)
CASH FLOWS FROM FINANCING ACTIVITIES		17.208	292.986	(25.118)	(345.235)
Cash Inflow from Borrowings		294.323	5.547.089	(683.551)	(10.438.527)
Cash Inflow from Loans		559.679	10.549.999	449.697	6.243.784
Cash Outflow from Repayments of Borrowings		559.679	10.549.999	449.697	6.243.784
Cash Outflow from Debt Payments for Leasing Contracts		(253.379)	(4.776.220)	(146.839)	(2.041.353)
Dividends Paid		(253.379)	(4.776.220)	(146.839)	(2.041.353)
Interest Paid		(754)	(14.206)	(626)	(8.703)
Interest Received		-	-	(1.025.409)	(15.185.191)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(41.711)	(786.248)	(5.921)	(74.416)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		30.488	573.764	45.547	627.352
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		241.112	4.571.921	(591.116)	(8.922.650)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(6.574)	289.314	(66.487)	1.565.186
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		234.538	4.861.235	(657.603)	(7.357.464)
		811.320	15.170.298	1.733.765	23.109.359
		1.045.858	20.031.533	1.076.162	15.751.895

- As of 31 March 2023, the Group's total amount of time deposit interest accrual is TRY 50.580 thousand (USD 2.641 thousand) (31 March 2022: TRY 47.002 thousand (USD 3.211 thousand)).
- Currency protected time deposits with maturities of more than 3 months in financial investments in the condensed 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 condensed 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 condensed consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the condensed consolidated cash flow statements.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

Name of the Company	Country of		2023	2022
	Operation	Operation	Effective Sharehold Interest %	Effective Sharehold Interest %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Turkey	Magnesite Ore, Refractor	100	100
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Turkey	Recycling, Special Purpose Entity	100	100

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

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

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

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

	Paid Hourly Personnel	Paid Monthly Personnel	31 March 2023 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.190	1.793	5.983
İskenderun Demir ve Çelik A.Ş.	2.823	1.619	4.442
Erdemir Madencilik San. ve Tic. A.Ş.	181	164	345
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	226	84	310
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	300	300
Erdemir Romania S.R.L.	214	40	254
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	571	144	715
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	11	2	13
Erdemir Enerji Üretim A.Ş.	-	5	5
	<u>8.216</u>	<u>4.152</u>	<u>12.368</u>
	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
	<u>8.464</u>	<u>4.195</u>	<u>12.659</u>

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

In addition, the condensed interim consolidated financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

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

2.1 Basis of Presentation (cont’d)

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

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at 31 December 2022.

Functional and reporting presentation currency

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

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

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

Functional currency for the subsidiaries abroad

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

Functional currency of the joint venture

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

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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

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

2.1 Basis of Presentation (cont’d)

Presentation currency translation

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

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

- a) The assets on condensed consolidated statement of financial position as of 31 March 2023 are translated from US Dollars into TRY using the Central Bank of Turkey's buying exchange rates which is TRY 19,1532 = US \$ 1 and TRY 20,8450 = EUR 1 and the liabilities has been translated from into TRY using the Central Bank of Turkey's exchange selling rate which is TRY 19,1878 = US \$ 1 and TRY 20,8825 = EUR 1 on the balance sheet date (Rates for assets and liabilities as of 31 December 2022: TRY 18,6983 = US \$ 1, TRY 19,9349 = EUR 1 ; TRY 18,7320 = US \$ 1, TRY 19,9708 = EUR 1 respectively).
- b) For the three months period ended 31 March 2023, condensed consolidated statements of profit or loss are translated from the average TRY 18,8501 = US \$ 1 and TRY 20,2262 = EUR 1 rates of 2023 January – March period (31 March 2022: TRY 13,9020 = US \$ 1 TRY 15,6042 = 1 EUR).
- c) Earnings of previous years are carried in US Dollar in the condensed consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of condensed consolidated financial position as of 31 March 2023 are presented by being translated at the TRY 19,1878 = US \$ 1 rate, which is the effective foreign currency selling rate as of 31 March 2023 as announced by the Central Bank of the Republic of Turkey (31 December 2022: TRY 18,7320 = US \$ 1).
- d) Exchange differences arising from translation to TRY presentation currency are shown in other comprehensive income as of foreign currency translation reserve.
- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the condensed consolidated statements of financial position as of 31 March 2023 and 31 December 2022, condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the interim period ended 31 March 2023 and 2022 represent the condensed consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

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

2.1 Basis of Presentation (cont’d)

Going concern

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

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 2 May 2023 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

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

2.3 Adoption of New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as of 31 March 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2023 summarized below.

Amendments that are mandatorily effective from 2023

Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information</i>

The effects of these standards and interpretations on the Group's condensed consolidated financial statements and performance are explained in the relevant paragraphs.

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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

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

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

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

Amendments that are mandatorily effective from 2023 (cont’)

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

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

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

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

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application. The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before. Amendments are effective with the first application of TFRS 17.

The Group Management has evaluated that these amendments and interpretations, effective from 2023, have no impact on the Group's condensed 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	<i>Insurance Contracts</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2024 for insurance and reinsurance and pension companies.

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 insurance and reinsurance and pension companies would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2024 with the deferral of the effective date of TFRS 17.

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.

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

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

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

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

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

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

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current* (cont’)

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

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.

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the three months period ended 31 March 2023 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the three months period ended 31 March 2023, are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2022. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

As explained in Note 1 there has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 31 March 2023, from the interests reported as of 31 December 2022.

2.5 Restatement and Errors in the Accounting Policies and Estimates

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

2.6 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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

NOTE 3 – RELATED PARTY DISCLOSURES

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

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

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

	31 March 2023	31 December 2022
<u>Due from related parties (short term)</u>		
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	268.507	328.074
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	6.468	-
Miilux Poland Sp. Z.o.o. ⁽¹⁾	38.698	76.474
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	406	26.590
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	145.216	158.257
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	97.721	64.598
Denizli Çimento San. T.A.Ş. ⁽¹⁾	11.884	8.897
Other	1.804	104
	<u>570.704</u>	<u>662.994</u>

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

	31 March 2023	31 December 2022
<u>Other receivables from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	8.316	7.227
	<u>8.316</u>	<u>7.227</u>

	31 March 2023	31 December 2022
<u>Other receivables from related parties (long term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	49.962	47.083
	<u>49.962</u>	<u>47.083</u>

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

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

NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

	31 March 2023	31 December 2022
<u>Prepaid expenses to related parties(short term)</u>		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	15.185	40.244
OYAK İnşaat A.Ş. ⁽¹⁾	20.043	-
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	3.011	989
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	1.594	-
	<u>39.833</u>	<u>41.233</u>
	31 March 2023	31 December 2022
<u>Prepaid expenses to related parties (long term)</u>		
OYAK İnşaat A.Ş. ⁽¹⁾	170.074	135.121
Ayas Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	33.969	-
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	54.365	36.242
	<u>258.408</u>	<u>171.363</u>

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

	31 March 2023	31 December 2022
<u>Due to related parties (short term)</u>		
Omsan Lojistik A.Ş. ⁽¹⁾	197.795	161.648
Omsan Denizcilik A.Ş. ⁽¹⁾	-	7.239
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	74.488	69.013
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	29.094	36.147
Omsan Logistica SRL ⁽¹⁾	6.834	3.299
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	28.594	29.388
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	2.314	23.321
OYAK İnşaat A.Ş. ⁽¹⁾	120.744	116.929
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. ⁽¹⁾	-	3.617
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	5.512	5.115
Other	52.980	175.775
	<u>518.355</u>	<u>631.491</u>

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 the subsidiary
- (4) Ultimate partner

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NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

<u>Major sales to related parties</u>	1 January - 31 March 2023	1 January - 31 March 2022
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	316.529	165.379
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	1.005	637
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	56.864	39.448
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	-	27.102
Denizli Çimento Sanayi T.A.Ş. ⁽¹⁾	5.378	-
Likitgaz Dağıtım ve Endüstri A.Ş. ⁽¹⁾	11.679	-
İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	868.542	418.555
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	98.473	28.355
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	99.709	45.522
Other	3.575	1.472
	<u>1.461.754</u>	<u>726.470</u>

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

<u>Major purchases from related parties</u>	1 January - 31 March 2023	1 January - 31 March 2022
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	1.781	865
Omsan Denizcilik A.Ş. ⁽¹⁾	161.647	97.243
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	167.765	84.070
Omsan Lojistik A.Ş. ⁽¹⁾	401.136	148.019
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	75.220	33.018
Omsan Logistica SRL ⁽¹⁾	22.189	16.000
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	70.478	76.260
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	24.616	29.696
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	127.787	68.702
OYAK İnşaat A.Ş. ⁽¹⁾	329.248	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	158.987	112.912
Güzel Enerji Akaryakıt A.Ş. ⁽¹⁾	2.222	1.264
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	4.588	2.877
Ayas Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	140.021	-
Other	61.988	13.734
	<u>1.749.673</u>	<u>684.660</u>

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

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

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NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

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

The period end balances are un-secured and their collections will be in cash. For the three months period ended 31 March 2023, the Group did not set any provision for the receivables from related parties (31 December 2022: None).

Benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents, General Manager and Assistant General Managers. For the three months period ended 31 March 2023, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 48.868 thousand (31 March 2022: TRY 32.649 thousand).

NOTE 4 – INVENTORIES

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

	31 March 2023	31 December 2022
Raw materials	12.909.853	13.475.310
Work in progress	7.503.507	9.746.058
Finished goods	7.556.418	10.171.443
Spare parts	5.830.578	5.266.129
Goods in transit	8.427.632	4.357.075
Other inventories	3.361.712	3.188.149
Allowance for impairment on inventories (-)	(1.146.099)	(2.051.756)
	<u>44.443.601</u>	<u>44.152.408</u>

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

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	2.051.756	1.024.586
Provision released (-)	(940.550)	(5.840)
Translation difference	34.893	100.173
Closing balance	<u>1.146.099</u>	<u>1.118.919</u>

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 13).

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NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	Right to vote ratio %	31 March 2023	Right to vote ratio %	31 December 2022	Business segment
<i>Joint Venture</i>					Industrial Gas
İsdemir Linde Gaz Ortaklığı A.Ş.	50	620.399	50	606.053	Production and Sale

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

	31 March 2023	31 December 2022
Total assets	1.276.784	1.299.886
Total liabilities	35.986	87.781
Net assets	1.240.798	1.212.105
Group's share on net assets	620.399	606.053

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 183.112 thousand (31 December 2022: TRY 196.398 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 (13.286) thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY (6.643) thousand) is included in the financial statements prepared as of reporting date.

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

	1 January – 31 March 2023	1 January – 31 March 2022
Revenue	93.519	79.989
Operating profit	18.732	14.352
Net profit (loss) for the period	(782)	(4.573)
Group's share on net profit (loss)	(391)	(2.287)

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	31 March 2023	31 March 2022
<u>Opening balance as of 1 January</u>		
Cost	194.095.225	129.740.729
Accumulated depreciation	(113.379.671)	(78.715.611)
Net book value	<u>80.715.554</u>	<u>51.025.118</u>
Net book value at the beginning of the period	80.715.554	51.025.118
Additions (*)	3.093.822	1.168.224
Disposals (-)	(35.454)	(43.602)
<i>Cost of disposals</i>	(116.126)	(329.887)
<i>Accumulated depreciation of disposals</i>	80.672	286.285
Transfers to intangible assets	(983)	(2.913)
Currency translation difference	1.971.499	4.977.378
<i>Cost currency translation difference</i>	4.750.029	12.711.046
<i>Accumulated depreciation currency translation difference</i>	(2.778.530)	(7.733.668)
Current period depreciation (-)	(832.696)	(741.242)
Net book value at the end of the period	<u>84.911.742</u>	<u>56.382.963</u>
<u>Closing balance end of period</u>		
Cost	201.821.967	143.287.199
Accumulated depreciation	(116.910.225)	(86.904.236)
Net book value	<u>84.911.742</u>	<u>56.382.963</u>

(*)The amount of capitalized borrowing cost is TRY 66.045 thousand for the current period (31 March 2022: TRY (10.780) thousand).

As of 31 March 2023, the Group has no collaterals or pledges on upon its tangible assets (31 March 2022: None).

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

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

	31 March 2023	31 March 2022
<u>Opening balance as of 1 January</u>		
Cost	7.280.546	5.120.764
Accumulated amortisation	(2.327.129)	(1.432.009)
Net book value	<u>4.953.417</u>	<u>3.688.755</u>
Net book value at the beginning of the period	4.953.417	3.688.755
Additions	2.207	2.545
Transfers from tangible assets	983	2.913
Currency translation difference	119.204	356.801
<i>Cost currency translation difference</i>	<i>181.224</i>	<i>504.854</i>
<i>Accumulated depreciation currency translation difference</i>	<i>(62.020)</i>	<i>(148.053)</i>
Current period amortisation (-)	(72.755)	(56.092)
Net book value at the end of the period	<u>5.003.056</u>	<u>3.994.922</u>
<u>Closing balance end of period</u>		
Cost	7.464.960	5.631.076
Accumulated amortisation	(2.461.904)	(1.636.154)
Net book value	<u>5.003.056</u>	<u>3.994.922</u>

As of 31 March 2023, the Group has no collaterals or pledges on upon its intangible assets (31 March 2022: None).

The distribution of total depreciation and amortization expenses related to tangible, intangible assets, right of use assets amounting to TRY 19.381 thousand (31 March 2022: TRY 16.732 thousand) and investment properties amounting to TRY 4.188 thousand (31 March 2022: TRY 3.089 thousand) are as follows:

	1 January – 31 March 2023	1 January – 31 March 2022
Associated with cost of production	837.997	735.953
General administrative expenses	47.420	36.894
Marketing expenses	33.077	32.144
Research and development expenses	8.676	6.066
Other operating expenses	1.850	6.098
	<u>929.020</u>	<u>817.155</u>

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NOTE 7 – BORROWINGS

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

	31 March 2023	31 December 2022
Short term bank borrowings	22.007.947	16.657.875
Short term portion of long term bank borrowings	2.751.983	2.483.491
Long term bank borrowings	9.204.373	8.261.399
Total bank borrowings	<u>33.964.303</u>	<u>27.402.765</u>
Short term portion of short term corporate bonds issued	2.099.976	1.970.692
Total corporate bonds issued	<u>2.099.976</u>	<u>1.970.692</u>
Short term portion of long term lease payables	64.056	62.785
Cost of short term portion of long term lease payables (-)	(1.642)	(2.553)
Long term lease payables	486.509	475.999
Cost of long term lease payables (-)	(337.489)	(328.949)
Total lease payables	<u>211.434</u>	<u>207.282</u>
Total borrowings	<u><u>36.275.713</u></u>	<u><u>29.580.739</u></u>

As of 31 March 2023, the breakdown of the Group’s loans and issued bonds with their original currency and weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 March 2023
Fixed	TRY	19,61	6.808.389	-	6.808.389
Fixed	US Dollars	9,02	17.325.469	942.437	18.267.906
Fixed	EURO	2,70	16.517	-	16.517
Floating	TRY	TLREF+2,5	1.014.576	-	1.014.576
Floating	US Dollars	Libor+2,55	1.409.858	6.577.602	7.987.460
Floating	EURO	Euribor+0,48	285.097	1.684.334	1.969.431
			<u>26.859.906</u>	<u>9.204.373</u>	<u>36.064.279</u>

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 thousand with an issue price of 89,188, and as of 8 November 2022, it has issued financing bills with a maturity of 7 November 2023 with a simple annual interest rate of 32,50, TRY 900.000 thousand. The payment of the financing bill with a maturity of 7 April 2023 has been realized as of the report announcement date.

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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 as follows:

Interest Type	Type of Currency	Weighted Average Rate of 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
			<u>21.112.058</u>	<u>8.261.399</u>	<u>29.373.457</u>

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

	31 March 2023				31 December 2022			
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings
Within 1 year	24.759.930	2.099.976	62.414	26.922.320	19.141.366	1.970.692	60.232	21.172.290
Between 1-2 years	4.426.067	-	37.734	4.463.801	3.699.053	-	41.729	3.740.782
Between 2-3 years	1.075.113	-	18.003	1.093.116	962.263	-	21.946	984.209
Between 3-4 years	1.075.113	-	9.585	1.084.698	994.660	-	10.210	1.004.870
Between 4-5 years	694.823	-	8.329	703.152	755.436	-	8.987	764.423
Five years or more	1.933.257	-	75.369	2.008.626	1.849.987	-	64.178	1.914.165
	<u>33.964.303</u>	<u>2.099.976</u>	<u>211.434</u>	<u>36.275.713</u>	<u>27.402.765</u>	<u>1.970.692</u>	<u>207.282</u>	<u>29.580.739</u>

NOTE 8 - PROVISIONS

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

	31 March 2023	31 December 2022
Provision for lawsuits	371.127	368.664
Penalty provision for employment shortage of disabled personnel	8.852	9.291
Provision for state right on mining activities	142.470	94.172
Provision for land occupation	28.248	47.305
	<u>550.697</u>	<u>519.432</u>

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NOTE 8 – PROVISIONS (cont’d)

The movement of the provisions is as follows:

	1 January 2023	Change for the period	Payments	Provision released	Translation difference	31 March 2023
Provision for lawsuits	368.664	17.508	(8.286)	(9.556)	2.797	371.127
Penalty provision for employment shortage of disabled personnel	9.291	-	-	(437)	(2)	8.852
Provision for state right on mining activities	94.172	48.262	-	-	36	142.470
Provision for land occupation	47.305	25.114	(44.190)	(70)	89	28.248
	<u>519.432</u>	<u>90.884</u>	<u>(52.476)</u>	<u>(10.063)</u>	<u>2.920</u>	<u>550.697</u>

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

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits

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

	31 March 2023	31 December 2022
Lawsuits filed by the Group	1.802.356	1.877.331
Provision for lawsuits filed by the Group	300.699	289.132

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

	31 March 2023	31 December 2022
Lawsuits filed against the Group	287.089	280.974
Provision for lawsuits filed against the Group	371.127	368.664

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

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

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

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

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

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on “TFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with “TFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 31 March 2023 and 31 December 2022 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. In 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 December 2021. Erdemir has appealed on 3 March 2022.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 March 2023 and 31 December 2022.

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. 22nd Civil Chamber of the Ankara Regional Court of Justice has decided to revoke the court's decision without consideration of merits and to send the file back to the court in order to be written appropriate grounds in the judgment part. On 27 March 2023 Kdz. Ereğli 2nd Civil Court of First Instance has partially accepted the case subject to appeal. Our company has applied for the appeal against the decision on 27 April 2023. A provision amounting to TRY 167.150 thousand recognized on consolidated financial statements for the related lawsuit.

Resolution of Constitutional Court on Electricity and Coal Gas Consumption Tax

The claims filed every month for refunding of taxes paid and deduction thereof from 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.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

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

Similarly, the Constitutional Court 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.

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. 69 cases have been finalized 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. The Council of State rejected the appeal of Kdz. Ereğli Municipality. The cases have been finalized in favor of the Company.

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

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 7 cases out of 11 cases in favor of the Company. In 4 cases The Council of State accepted the appeal request and reversed the judgement and decided to send the cases to the Regional Administrative Court to be redecided. 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.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

Provision for state right on mining activities

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

Land occupation

The Group have land property within the Erdemir factory area being within the provision and possession of the state. General Communiqué 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 communiqué, 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 9 – EMPLOYEE BENEFITS

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

	31 March 2023	31 December 2022
Due to personnel	586.588	957.083
Social security premiums payable	298.585	236.455
	<u>885.173</u>	<u>1.193.538</u>

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

	31 March 2023	31 December 2022
Provisions for employee termination benefits	3.000.074	2.922.934
Provisions for seniority incentive premium	239.654	225.046
Provision for unpaid vacations	368.352	289.925
	<u>3.608.080</u>	<u>3.437.905</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

As of 31 March 2023, the employee termination benefit has been updated to a maximum of TRY 19.982,83 (31 December 2022: TRY 15.371,40).

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

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

The obligation as of 31 March 2023 has been calculated by an independent actuary and projected unit credit method is used in the calculation. The actuarial assumptions used in calculating the present value of the liabilities are the same as those used in the financial statements for the year ended 31 December 2022.

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 2023 fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	2.922.934	1.282.538
Service cost	86.093	29.062
Interest cost	108.977	55.423
Termination benefits paid	(116.751)	(23.524)
Translation difference	(1.179)	764
Closing balance	3.000.074	1.344.263

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

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

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

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	225.046	183.800
Service cost	6.652	4.836
Interest cost	7.898	7.166
Translation difference	58	149
Closing balance	239.654	195.951

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

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	289.925	139.012
Provision for the period	105.429	58.973
Vacation paid during the period (-)	(5.452)	(2.884)
Provisions released (-)	(21.849)	(12.522)
Translation difference	299	1.070
Closing balance	368.352	183.649

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 March 2023	31 December 2022
Letters of guarantees received	9.798.284	12.825.995
	9.798.284	12.825.995

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

	31 March 2023	31 December 2022
US Dollars	2.614.410	1.269.039
Turkish Lira	717.982	646.853
EURO	1.201.532	1.175.398
	4.533.924	3.091.290

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (cont’d)

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

	31 March 2023	31 December 2022
A. Total CPM given for the Company's own legal entity	2.123.014	733.735
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.410.910	2.357.555
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>4.533.924</u>	<u>3.091.290</u>

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 2.410.910 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 31 March 2023, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2022: 0%).

NOTE 11 – TAX ASSETS AND LIABILITIES

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

	31 March 2023	31 December 2022
<u>Corporate tax payable:</u>		
Corporation tax for the year of 2022	9.150.847	-
Current corporate tax provision	94.345	9.150.847
Prepaid taxes and funds (-)	(8.769.472)	(8.712.399)
	<u>475.720</u>	<u>438.448</u>
	1 January - 31 March 2023	1 January - 31 March 2022
<u>Taxation:</u>		
Current corporate tax expense	93.961	3.183.740
Deferred tax (income) / expense	(173.957)	(250.401)
	<u>(79.996)</u>	<u>2.933.339</u>

Corporate tax

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

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

Corporate tax (cont’d)

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

The corporate tax rate for the corporate earnings for the 2023 taxation period has been determined as 20%.

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

The effective corporate tax rate in Turkey is 20%, 16% in Romania and 17% in Singapore as of 31 March 2023 (31 December 2022: in Turkey 23%, in Romania 16%, in Singapore 17%).

The total amount of the corporate tax paid by the Group in three months of 2023 is TRY 57.073 thousand (31 March 2022: TRY 4.281.831 thousand).

By the Ministry of Treasury and Finance; it has been accepted that the obliged parties in the provinces affected by the earthquake were in force majeure between 6 February 2023 and 31 July 2023. In this case, the terms of use of tax returns and notifications requiring force majeure have been extended until August 15, 2023.

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

Deferred tax

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

The tax rate used in calculation of deferred tax assets and liabilities (excluding land) is 20% for the corporate earnings to be obtained in the taxation periods of 2023. The effective corporate tax rate is 16% in Romania and 17% in Singapore. (31 December 2022: in Turkey 20%, 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 2022: 10%)

Within the scope of the repeated article 298-Ç of the Tax Procedure Law; Income or corporate taxpayers, who are subject to full liability and keep their books on the balance sheet basis, are responsible for their depreciable economic assets included in their balance sheets and the depreciation shown in the liabilities of their balance sheets as of the end of the accounting periods (including temporary tax periods) in which the conditions for making inflation adjustments are not met in accordance with certain conditions are allowed to be revaluated. In this framework, revaluation has been made in the legal financial statements and the result of the revaluation has been recorded in the deferred tax assets in the condensed consolidated financial statements.

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

Deferred tax (cont’d)

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

	31 March 2023	31 December 2022
<u>Deferred tax assets:</u>		
Tangible and intangible assets revaluation adjustment	4.926.254	4.467.303
Provisions for employee benefits	721.488	687.429
Investment incentive	28.001	30.629
Provision for lawsuits	73.035	70.743
Fair values of the derivative financial instruments	6.780	-
Inventories	42.146	74.351
Unused Tax Losses	234.002	-
Tangible and intangible assets	233.436	192.158
Financial lease payables	42.286	41.456
Other	173.639	341.367
	<u>6.481.067</u>	<u>5.905.436</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(13.808.155)	(13.455.464)
Fair values of the derivative financial instruments	-	(5.223)
Amortized cost adjustment on loans	(64.685)	(57.161)
Right of use assets	(47.592)	(48.508)
Inventories	(726.296)	(499.773)
Other	(80.064)	(59.738)
	<u>(14.726.792)</u>	<u>(14.125.867)</u>
	<u>(8.245.725)</u>	<u>(8.220.431)</u>

Group Management; Evaluates that unused tax losses subject to deferred tax will be deducted within 1 year according to future profit projections.

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

<u>Presentation of deferred tax assets/(liabilities):</u>	31 March 2023	31 December 2022
Deferred tax assets	244.933	244.350
Deferred tax (liabilities)	(8.490.658)	(8.464.781)
	<u>(8.245.725)</u>	<u>(8.220.431)</u>

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

Deferred tax (cont’d)

Movements of deferred tax asset/(liability) is as follows:

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	(8.220.431)	(9.663.074)
Deferred tax income/(expense)	173.957	250.401
The amount in comprehensive income	3.781	(10.953)
Translation difference	(203.032)	(953.754)
Closing balance	(8.245.725)	(10.377.380)

Reconciliation of tax provision is as follows:

	1 January - 31 March 2023	1 January - 31 March 2022
Profit (Loss) before tax	(14.077)	8.761.964
Statutory tax rate	20%	22%
Calculated tax expense according to effective tax rate	2.815	(1.927.632)
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(46.610)	(14.517)
- Revaluation of reserve tangible assets	458.951	-
- Effect of currency translation not subject to tax	(581.115)	(1.008.379)
- Unused tax losses	234.002	-
- Investment incentive	11.417	17.761
- Effect of the different tax rates due to foreign subsidiaries	536	(572)
Total tax expense reported in the statement of income (expenses)	79.996	(2.933.339)

NOTE 12 – EQUITY

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

<u>Shareholders</u>	(%)	31 March 2023	(%)	31 December 2022
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

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NOTE 13 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 1.091.676 thousand. Group plans to recognize related revenue amount as a revenue in a year.

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

	1 January - 31 March 2023	1 January - 31 March 2022
<u>Sales Revenue</u>		
Domestic sales	22.389.402	23.390.190
Export sales	2.311.836	4.594.283
Other revenues	1.335.283	1.090.851
Interest income from sales with maturities	258.991	147.895
Sales returns (-)	(7.494)	8.519
Sales discounts (-)	(14.034)	(27.610)
	<u>26.273.984</u>	<u>29.204.128</u>
<u>Cost of sales (-)</u>	<u>(25.148.401)</u>	<u>(19.755.417)</u>
Gross profit	<u>1.125.583</u>	<u>9.448.711</u>

The total amount of by product exports in other revenues is TRY 524.457 thousand (31 March 2022: TRY 442.066 thousand). Total interest income from export sales with maturities is TRY 2.655 thousand (31 March 2022: TRY 5.008 thousand).

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

	1 January - 31 March 2023	1 January - 31 March 2022
Raw material usage	(17.560.580)	(15.657.907)
Personnel costs	(1.391.034)	(864.632)
Energy costs	(3.699.582)	(1.664.673)
Depreciation and amortization expenses	(916.786)	(699.785)
Manufacturing overheads	(630.340)	(280.147)
Other cost of goods sold	(276.232)	(174.020)
Non-operating costs (*)	(1.230.572)	(58.469)
Freight costs for sales delivered to customers	(177.152)	(261.051)
Inventory provision released (Note 4)	940.550	5.840
Amortization of right of use assets	(2.437)	(1.088)
Other	(204.236)	(99.485)
	<u>(25.148.401)</u>	<u>(19.755.417)</u>

(*) Production activities of İsdemir, one of the subsidiaries of the Group, were suspended until the due diligence studies were completed due to the earthquake. TRY (1.230.572) thousand of the non-working part expense due to unexpected shutdowns at İsdemir's production facilities due to earthquakes and planned shutdowns at the Group's other production facilities is not associated with the product cost and is directly accounted for in the cost of sales.

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

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

	1 January - 31 March 2023	1 January - 31 March 2022
Personnel expenses (-)	(77.093)	(54.999)
Depreciation and amortization (-)	(32.556)	(32.144)
Benefits and services from third parties (-)	(77.104)	(65.023)
Amortization of right of use assets (-)	(521)	-
	<u>(187.274)</u>	<u>(152.166)</u>

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

	1 January - 31 March 2023	1 January - 31 March 2022
Personnel expenses (-)	(199.576)	(142.820)
Depreciation and amortization (-)	(32.847)	(27.348)
Benefits and services from third parties (-)	(276.690)	(115.949)
Tax, duty and charges (-)	(4.096)	(1.446)
Provision/ Provision released for doubtful receivables (net)	621	1.894
Amortization of right of use assets (-)	(14.573)	(9.546)
	<u>(527.161)</u>	<u>(295.215)</u>

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

	1 January - 31 March 2023	1 January - 31 March 2022
<u>Other operating income</u>		
Prior period fixed asset damage indemnity income	578.863	-
Foreign exchange gain from trade receivables and payables	13.306	-
Forfeit advances from customers	210	376
Discount income	81	78
Provisions released	9.993	2.073
Service income	23.835	12.839
Maintenance repair and rent income	5.849	5.835
Warehouse income	32.473	6.975
Indemnity and penalty detention income	3.026	1.978
Prior period insurance indemnity income	140.576	1.113
Lawsuit income	392	98
Overdue interest income	5.832	1.037
Other income and gains	25.102	22.032
	<u>839.538</u>	<u>54.434</u>

As of the reporting period of the Group, prior period insurance claims income and prior period fixed asset indemnity income have been recognized under other operating income.

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

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

	1 January - 31 March 2023	1 January - 31 March 2022
<u>Other operating expenses (-)</u>		
Provision expenses	(17.508)	(32.005)
Foreign exchange expenses from trade receivables and payables	-	(68.106)
Lawsuit compensation expenses	(49.521)	(2.055)
Right of use assets amortization	(1.850)	(6.098)
Donation expenses	(653.228)	(11.054)
Service expenses	(19.731)	(10.676)
Penalty expenses	(845)	(136)
Other expenses and losses	(39.999)	(36.442)
	<u>(782.682)</u>	<u>(166.572)</u>

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 31 March 2023	1 January - 31 March 2022
<u>Finance income</u>		
Interest income on bank deposits	768.699	576.859
Interest income from financial investments	247	490
Fair value differences of derivative financial instruments (net)	-	51.929
Other financial income	2.856	1.777
	<u>771.802</u>	<u>631.055</u>

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

	1 January - 31 March 2023	1 January - 31 March 2022
<u>Finance expenses (-)</u>		
Interest expenses on borrowings	(941.835)	(194.159)
Foreign exchange loss (net)	(90.200)	(440.071)
Interest cost of employee benefits	(116.875)	(62.589)
Interest expenses on leasings	(7.421)	(12.731)
Fair value differences of derivative financial instruments (net)	(2.903)	-
Other financial expenses	(5.624)	(7.682)
	<u>(1.164.858)</u>	<u>(717.232)</u>

During the period, the borrowing costs of TRY 66.045 thousand have been capitalized as part of the Group’s tangibles (31 March 2022: TRY (10.780) thousand).

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

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Foreign currency position table represents foreign currencies other than each entity’s functional currency. As of 31 March 2023, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 March 2023				
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	4.500.165	74.559	209.276	-	15.104
2a. Monetary financial assets	19.679.270	19.472.921	6.599	21	16.427
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	387.226	349.584	1.429	-	1.874
4. CURRENT ASSEIS (1+2+3)	24.566.661	19.897.064	217.304	21	33.405
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.024.483	1.024.400	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	3.084.686	1.407.958	79.662	84.968	956
8. NON-CURRENT ASSEIS (5+6+7)	4.109.169	2.432.358	79.666	84.968	956
9. TOTAL ASSEIS (4+8)	28.675.830	22.329.422	296.970	84.989	34.361
10. Trade payables	6.116.587	3.351.658	131.202	86.302	2.983
11. Financial liabilities	8.180.274	7.876.554	14.544	-	-
12a. Other monetary financial liabilities	2.027.268	1.984.820	1.057	-	4.803
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	16.324.129	13.213.032	146.803	86.302	7.786
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.827.796	143.462	80.658	-	-
16a. Other monetary financial liabilities	3.497.767	3.495.061	-	-	638
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	5.325.563	3.638.523	80.658	-	638
18. TOTAL LIABILITIES (13+17)	21.649.692	16.851.555	227.461	86.302	8.424
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(961.737)	-	(46.138)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	961.737	-	46.138	-	-
20. Net foreign currency asset/liability position (9-18+19)	6.064.401	5.477.867	23.371	(1.313)	25.937
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	3.554.226	3.720.325	(11.582)	(86.281)	23.107
22. Fair value of derivative financial instruments used in foreign currency hedge	(12.486)	-	(599)	-	-
23. Hedged foreign currency assets	961.737	-	46.138	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	2.838.948	-	-	-	-
26. Imports	12.307.574	-	-	-	-

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). As of 31 December 2022, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2022				
	TRY reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original 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	-	-
20. Net foreign currency asset/liability position (9-18+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	-	-	-	-

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

As of 31 March 2023 on condensed consolidated statement of financial position are translated by using the following exchange rates for assets TRY 19,1532 = US \$ 1, TRY 20,8450 = EUR 1, TRY 0,1434 = JPY 1 and TRY 4,1875 = RON 1; for liabilities TRY 19,1878 = US \$ 1, TRY 20,8825 = EUR 1, TRY 0,1443 = JPY 1 and TRY 4,2423 = RON 1 (Rates for assets and liabilities as of 31 December 2022: TRY 18,6983 = US \$ 1, TRY 19,9349 = EUR 1, TRY 0,1413 = JPY 1 and TRY 4,0062 = RON 1 ; TRY 18,7320 = US \$ 1, TRY 19,9708 = EUR 1, TRY 0,1422 = JPY 1 and TRY 4,0586 = RON 1 respectively).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2023		
1- TRY net asset/liability	547.787	(547.787)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	547.787	(547.787)
5- RON net asset/liability	10.815	(10.815)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	10.815	(10.815)
9- Euro net asset/liability	144.039	(144.039)
10- Hedged portion from Euro risk (-)	(96.175)	96.175
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	47.864	(47.864)
13- Jap. Yen net asset/liability	(27)	27
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(27)	27
TOTAL (4+8+12+16)	606.439	(606.439)

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

31 December 2022	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	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)	<u>(567.622)</u>	<u>567.622</u>
5- RON net asset/liability	14.952	(14.952)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON Dollars net effect (5+6+7)	<u>14.952</u>	<u>(14.952)</u>
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)	<u>(11.803)</u>	<u>11.803</u>
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)	<u>(1.432)</u>	<u>1.432</u>
TOTAL (4+8+12+16)	<u>(565.905)</u>	<u>565.905</u>

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
31 March 2023				
<u>Financial Assets</u>				
Cash and cash equivalents	20.082.113	-	-	20.082.113
Trade receivables	12.454.544	-	-	12.454.544
Financial investments	4.792	-	1.451.881	1.456.673
Other financial assets	138.194	-	-	138.194
Derivative financial instruments	-	3.218	2.033	5.251
<u>Financial Liabilities</u>				
Financial liabilities	36.275.713	-	-	36.275.713
Trade payables	10.958.708	-	-	10.958.708
Other liabilities	1.779.243	-	-	1.779.243
Derivative financial instruments	-	14.793	24.367	39.160
31 December 2022				
<u>Financial Assets</u>				
Cash and cash equivalents	15.186.458	-	-	15.186.458
Trade receivables	15.602.149	-	-	15.602.149
Financial investments	14.894	-	813.067	827.961
Other financial assets	119.399	-	-	119.399
Derivative financial instruments	-	30.766	28.394	59.160
<u>Financial Liabilities</u>				
Financial liabilities	29.580.739	-	-	29.580.739
Trade payables	11.228.240	-	-	11.228.240
Other liabilities	1.964.382	-	-	1.964.382
Derivative financial instruments	-	40.917	9.507	50.424

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

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

Additional information about financial instruments (cont’d)

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

Financial asset and liabilities at fair value	31 March 2023	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital and financial investment fund	1.057.358	-	1.057.358	-
Currency protected time deposits	393.815	-	393.815	-
Derivative financial assets	2.033	-	2.033	-
Derivative financial liabilities	(24.367)	-	(24.367)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	3.218	-	3.218	-
Derivative financial liabilities	(14.793)	-	(14.793)	-
Total	1.417.264	-	1.417.264	-

Financial asset and liabilities at fair value	31 December 2022	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	127.082	-	127.082	-
Financial assets held for trading	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	-

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

Additional information about financial instruments (cont’d)

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

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

The production facilities of İsdemir, one of the subsidiaries of the Company, have started to be produced in a gradual and controlled manner, and the pre-earthquake production levels have been reached as of the reporting date. Insurance appraisal and damage assessment studies continue and İsdemir's damages due to earthquakes are within the scope of insurance coverage.

The share buy-back transactions of 7.500.000 shares were bought back from the price range TRY 32,94 – TRY 33,62 (average TRY 33,23) on 28 April 2023 based on the authorization given within the scope of the “Share Buy-Back Program”, approved at the Ordinary General Assembly meeting of company dated 31 March 2023 and the Board of Directors dated 27 April 2023. The total amount of share buy-back is TRY 249.204.914.

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

Convenience translation to English:

As of 31 March 2023, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.