

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

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2023**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2023

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2023 USD'000	Current Period 30 September 2023 TRY'000	Previous Period 31 December 2022 USD'000	Previous Period 31 December 2022 TRY'000
ASSETS					
CURRENT ASSETS		4.443.018	121.635.164	4.313.559	80.656.225
Cash and Cash Equivalents		713.983	19.546.494	812.184	15.186.458
Financial Investments		61.604	1.686.508	37.447	700.187
Trade Receivables		658.042	18.015.018	834.415	15.602.149
<i>Due From Related Parties</i>	3	21.259	581.994	35.457	662.994
<i>Other Trade Receivables from Third Parties</i>		636.783	17.433.024	798.958	14.939.155
Other Receivables		4.512	123.528	3.272	61.164
<i>Due From Related Parties</i>	3	432	11.838	387	7.227
<i>Other Receivables from Third Parties</i>		4.080	111.690	2.885	53.937
Financial Derivative Instruments		6.604	180.792	3.164	59.160
Inventories	4	2.289.265	62.672.512	2.361.306	44.152.408
Prepaid Expenses		82.749	2.265.404	46.494	869.363
<i>Prepaid Expenses to Related Parties</i>	3	1.905	52.153	2.205	41.233
<i>Other Prepaid Expenses to Third Parties</i>		80.844	2.213.251	44.289	828.130
Other Current Assets		626.259	17.144.908	215.277	4.025.336
NON CURRENT ASSETS		5.696.139	155.941.506	5.039.891	94.237.398
Financial Investments		4.623	126.560	6.833	127.774
Other Receivables		2.995	81.989	3.114	58.235
<i>Due From Related Parties</i>	3	2.550	69.804	2.518	47.083
<i>Other Receivables from Third Parties</i>		445	12.185	596	11.152
Investments Accounted for Using Equity Method	5	28.422	778.087	32.412	606.053
Investment Properties		138.119	3.781.239	48.378	904.591
Property, Plant and Equipment	6	4.694.502	128.519.983	4.316.732	80.715.554
Right of Use Assets		13.567	371.414	12.949	242.122
Intangible Assets		273.383	7.484.337	283.694	5.304.594
<i>Goodwill</i>		18.781	514.169	18.781	351.177
<i>Other Intangible Assets</i>	6	254.602	6.970.168	264.913	4.953.417
Prepaid Expenses		487.940	13.358.209	276.841	5.176.437
<i>Prepaid Expenses to Related Parties</i>	3	3.212	87.933	9.165	171.363
<i>Other Prepaid Expenses to Third Parties</i>		484.728	13.270.276	267.676	5.005.074
Deferred Tax Assets	11	17.859	488.923	13.068	244.350
Other Non Current Assets		34.729	950.765	45.870	857.688
TOTAL ASSETS		10.139.157	277.576.670	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 STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2023

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2023 USD'000	Current Period 30 September 2023 TRY'000	Previous Period 31 December 2022 USD'000	Previous Period 31 December 2022 TRY'000
LIABILITIES					
CURRENT LIABILITIES		2.800.189	76.797.997	1.916.965	35.908.584
Short Term Borrowings	7	1.462.606	40.113.421	994.478	18.628.567
Short Term Portion of Long Term Borrowings	7	380.621	10.438.900	135.796	2.543.723
Trade Payables		634.476	17.401.138	599.415	11.228.240
<i>Due to Related Parties</i>	3	33.507	918.963	33.712	631.491
<i>Other Trade Payables to Third Parties</i>		600.969	16.482.175	565.703	10.596.749
Payables for Employee Benefits	9	60.379	1.655.946	63.717	1.193.538
Other Payables		14.172	388.686	11.078	207.513
Financial Derivative Instruments		51	1.397	2.692	50.424
Deferred Revenue		71.003	1.947.328	54.397	1.018.967
Current Tax Liabilities	11	100.209	2.748.341	23.406	438.448
Short Term Provisions	8	23.333	639.926	27.730	519.432
Other Current Liabilities		53.339	1.462.914	4.256	79.732
NON CURRENT LIABILITIES		1.265.062	34.695.585	1.084.927	20.322.852
Long Term Borrowings	7	327.806	8.990.419	448.882	8.408.449
Long Term Provisions		162.182	4.448.004	183.531	3.437.905
<i>Long term provisions for employee benefits</i>	9	162.182	4.448.004	183.531	3.437.905
Deferred Tax Liabilities	11	774.630	21.244.999	451.889	8.464.781
Other Non Current Liabilities		444	12.163	625	11.717
EQUITY		6.073.906	166.083.088	6.351.558	118.662.187
Equity Attributable to Equity Holders of the Parent		5.914.048	161.817.534	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 (-)		(87.182)	(640.504)	(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)		(147.969)	62.863.302	(137.144)	43.443.497
<i>Revaluation Reserve of Tangible Assets</i>		10.107	310.598	10.168	208.674
<i>Actuarial (Loss) Gain funds</i>		(142.391)	(1.685.288)	(131.627)	(1.407.323)
<i>Foreign Currency Translation Reserves</i>		(15.685)	64.237.992	(15.685)	44.642.146
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(339.252)	1.080.560	(279.378)	2.035.446
<i>Foreign Currency Translation Reserves</i>		(342.705)	985.855	(279.701)	2.029.402
<i>Cash Flow Hedging Gain (Loss)</i>		3.453	94.705	323	6.044
Restricted Reserves Assorted from Profit		1.409.215	8.135.262	1.379.085	7.547.778
Retained Earnings		3.299.179	90.483.283	2.186.988	40.966.648
Net Profit (Loss) for the Period		(174.983)	(3.867.429)	1.142.321	18.005.034
Non-Controlling Interests		159.858	4.265.554	165.033	3.016.956
TOTAL LIABILITIES AND EQUITY		10.139.157	277.576.670	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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

		(Unaudited) Current Period 1 January - 30 September 2023	(Unaudited) Current Period 1 January - 30 September 2023	(Unaudited) Current Period 1 July- 30 September 2023	(Unaudited) Previous Period 1 January - 30 September 2022	(Unaudited) Previous Period 1 January - 30 September 2022	(Unaudited) Previous Period 1 July- 30 September 2022
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	4.570.251	101.010.326	37.390.394	6.343.282	100.535.316	36.722.563
Cost of Sales	13	(4.137.081)	(91.436.527)	(32.569.576)	(4.767.249)	(75.556.602)	(31.696.718)
GROSS PROFIT		433.170	9.573.799	4.820.818	1.576.033	24.978.714	5.025.845
Marketing Expenses	14	(36.756)	(812.365)	(280.293)	(33.705)	(534.189)	(198.262)
General Administrative Expenses	14	(81.987)	(1.812.061)	(584.047)	(65.489)	(1.037.946)	(409.618)
Research and Development Expenses		(5.695)	(125.862)	(42.079)	(4.325)	(68.540)	(27.377)
Other Operating Income	14	185.732	4.104.998	2.230.056	23.860	378.167	218.599
Other Operating Expenses	14	(56.124)	(1.240.429)	(119.544)	(25.078)	(397.460)	(197.346)
OPERATING PROFIT		438.340	9.688.080	6.024.911	1.471.296	23.318.746	4.411.841
Income from Investing Activities		10.263	226.824	132.661	3.846	60.961	26.999
Expenses from Investing Activities	14	(28.730)	(634.984)	(6.711)	(3.217)	(51.028)	(3.661)
Share of Investments' Profit (Loss) Accounted by Using The Equity Method	5	1.688	37.297	19.591	1.835	29.081	13.083
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		421.561	9.317.217	6.170.452	1.473.760	23.357.760	4.448.262
Finance Income	15	126.145	2.788.016	328.123	83.789	1.327.985	372.596
Finance Expense	15	(268.456)	(5.933.340)	(1.572.965)	(115.826)	(1.835.741)	(615.347)
PROFIT BEFORE TAX		279.250	6.171.893	4.925.610	1.441.723	22.850.004	4.205.511
Tax (Expense) Income	11	(452.403)	(9.998.866)	(4.765.085)	(468.149)	(7.419.731)	(1.525.783)
Current Corporate Tax (Expense) Income		(138.047)	(3.051.065)	(2.137.639)	(472.328)	(7.485.971)	(1.649.975)
Deferred Tax (Expense) Income		(314.356)	(6.947.801)	(2.627.446)	4.179	66.240	124.192
NET PROFIT (LOSS) FOR THE PERIOD		(173.153)	(3.826.973)	160.525	973.574	15.430.273	2.679.728
Non-Controlling Interests		1.830	40.456	119.157	37.853	599.933	114.869
Equity Holders of the Parent		(174.983)	(3.867.429)	41.368	935.721	14.830.340	2.564.859
EARNINGS PER SHARE (LOSS)			(1,1050)	0,0118		4,2372	0,7328
(TRY 1 Nominal value per share)							

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

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

	(Unaudited) Current Period 1 January - 30 September 2023 Note	(Unaudited) Current Period 1 January - 30 September 2023 TRY'000	(Unaudited) Current Period 1 July- 30 September 2023 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2022 USD'000	(Unaudited) Previous Period 1 January - 30 September 2022 TRY'000	(Unaudited) Previous Period 1 July- 30 September 2022 TRY'000
PROFIT (LOSS) FOR THE PERIOD		(173.153)	(3.826.973)	160.525	973.574	15.430.273
OTHER COMPREHENSIVE INCOME (LOSS)						
Not to be reclassified subsequently to profit or loss						
Increase (Decrease) in Revaluation Reserve of Tangible Assets		(67)	101.924	16.132	(491)	54.239
Actuarial Gain (Loss) of Defined Benefit Plans	9	(14.661)	(378.603)	-	(28.614)	(476.996)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	11	3.664	94.651	18.930	5.723	95.399
Foreign Currency Translation Gain (Loss)		-	42.394.050	6.535.296	-	21.452.312
To be reclassified subsequently to profit or loss						
Gain (Loss) in Cash Flow Hedging Reserves		4.177	117.699	109.737	2.611	72.751
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11	(1.001)	(27.493)	(26.334)	(566)	(10.485)
Foreign Currency Translation Gain (Loss)		(69.817)	9.469.918	2.576.106	(48.656)	8.916.080
OTHER COMPREHENSIVE INCOME (EXPENSE)		(77.705)	51.772.146	9.229.867	(69.993)	30.103.300
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(250.858)	47.945.173	9.390.392	903.581	45.533.573
Distribution of Total Comprehensive Income						
Non-controlling Interests		(5.175)	1.248.598	350.962	32.718	1.314.966
Equity Holders of the Parent		(245.683)	46.696.575	9.039.430	870.863	44.218.607

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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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 loss for the period		-	-	-	-	-	-	-	-	-	-	-	(3.867.429)	(3.867.429)	40.456	(3.826.973)	
Other comprehensive income (loss)		-	-	-	-	101.924	42.394.050	(277.965)	88.661	8.257.334	-	-	-	50.564.004	1.208.142	51.772.146	
Total comprehensive income (loss)		-	-	-	-	101.924	42.394.050	(277.965)	88.661	8.257.334	-	-	(3.867.429)	46.696.575	1.248.598	47.945.173	
Increase (Decrease) through Treasury Share Transactions (*)		-	-	(524.272)	-	-	-	-	-	-	524.272	(524.272)	-	(524.272)	-	(524.272)	
Transfers		-	-	-	-	-	-	-	-	-	63.212	17.941.822	(18.005.034)	-	-	-	
Increase (decrease) due to other changes (**)	2.1	-	-	-	-	-	(22.798.204)	-	-	(9.300.881)	-	32.099.085	-	-	-	-	
30 September 2023		3.500.000	156.613	(640.504)	106.447	310.598	64.237.992	(1.685.288)	94.705	985.855	8.135.262	90.483.283	(3.867.429)	161.817.534	4.265.554	166.083.088	
(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		-	-	-	-	-	-	-	-	-	-	-	14.830.340	14.830.340	599.933	15.430.273	
Other comprehensive income (loss)		-	-	-	-	54.239	21.452.312	(373.193)	62.474	8.192.435	-	-	-	29.388.267	715.033	30.103.300	
Total comprehensive income (loss)		-	-	-	-	54.239	21.452.312	(373.193)	62.474	8.192.435	-	-	14.830.340	44.218.607	1.314.966	45.533.573	
Dividends		-	-	-	-	-	-	-	-	-	-	(15.095.126)	-	(15.095.126)	(628.484)	(15.723.610)	
Transfers		-	-	-	-	-	-	-	-	-	2.559.574	12.967.508	(15.527.082)	-	-	-	
Increase (decrease) due to other changes (**)	2.1	-	-	-	-	-	(12.625.276)	-	-	(8.110.150)	-	20.735.426	-	-	-	-	
30 September 2022		3.500.000	156.613	(116.232)	106.447	202.044	44.497.161	(759.494)	126.304	752.190	7.547.778	40.573.223	14.830.340	111.416.374	2.941.193	114.357.567	

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

(*) Within the scope of the "Share Buy-back Program", which was approved at the Company's Ordinary General Assembly Meeting on 31 March 2023, 16.405.000 shares were repurchased in exchange for TRY 524.272 thousand. As of the reporting date, reserves equal to the repurchase price of the repurchased shares have been set aside and classified as restricted reserves under equity.

(**) Retained earnings; in the condensed consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed consolidated statement of financial position dated 30 September 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

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

		(Unaudited) Current Period 1 January - 30 September 2023	(Unaudited) Current Period 1 January - 30 September 2023	(Unaudited) Previous Period 1 January - 30 September 2022	(Unaudited) Previous Period 1 January - 30 September 2022
	Note	USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (Loss) for The Period		311.905	7.156.472	169.825	754.598
		(173.153)	(3.826.973)	973.574	15.430.273
Adjustments to Reconcile Profit (Loss)		480.932	10.440.551	567.028	8.879.250
Adjustments for Depreciation and Amortisation Expenses	6/13/14	163.681	3.617.629	166.702	2.642.081
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(19.284)	(426.211)	(1.380)	(21.873)
Adjustments for Provision (Reversal of Provision) for Receivables		(14.308)	(316.231)	22	341
Adjustments for Provision (Reversal of Provision) for Inventories	4	(31.805)	(702.941)	(1.402)	(22.214)
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	6/14	26.829	592.961	-	-
Adjustments for Provisions		64.030	1.415.176	43.013	681.695
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	52.557	1.161.594	32.475	514.687
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	11.473	253.582	10.538	167.008
Adjustments for Interest (Income) and Expenses		49.624	1.096.784	(18.626)	(295.212)
Adjustments for Interest Income	15	(88.813)	(1.962.911)	(64.431)	(1.021.179)
Adjustments for Interest Expense	15	156.148	3.451.136	65.055	1.031.070
Unearned Financial Income from Credit Sales		(17.711)	(391.441)	(19.250)	(305.103)
Adjustments for Unrealised Foreign Exchange Differences		(92.444)	(2.232.020)	(62.881)	(1.259.513)
Adjustments for Fair Value (Gains) Losses		(36.979)	(817.307)	(19.053)	(301.975)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	(36.979)	(817.307)	(19.053)	(301.975)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(1.688)	(37.297)	(1.835)	(29.081)
Adjustments for Tax (Income) Expenses	11	452.403	9.998.866	468.149	7.419.731
Other Adjustments from Non-Cash Items	14	(100.000)	(2.210.170)	-	-
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		1.589	35.101	2.738	43.397
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		1.589	35.101	2.738	43.397
Other Adjustments for Reconciliation of Profit (Loss)		-	-	(9.799)	-
Changes in Working Capital		93.367	2.605.601	(684.577)	(12.526.520)
Adjustments for Decrease (Increase) in Trade Receivables		215.573	5.901.678	(71.241)	(1.319.290)
Decrease (Increase) in Trade Receivables from Related Parties		14.198	388.695	(14.579)	(269.984)
Decrease (Increase) in Trade Receivables from Third Parties		201.375	5.512.983	(56.662)	(1.049.306)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(1.043)	(28.554)	1.585	29.352
Decrease (Increase) in Other Receivables from Operations from Third Parties		(1.043)	(28.554)	1.585	29.352
Decrease (Increase) in Derivative Financial Instruments		(3.440)	(94.176)	(6.594)	(122.113)
Adjustments for Decrease (Increase) in Inventories		107.566	2.944.802	(642.498)	(11.750.819)
Decrease (Increase) in Prepaid Expenses		(58.626)	(1.604.987)	4.920	91.112
Adjustments for Increase (Decrease) in Trade Payables		35.061	961.583	100.650	1.867.269
Increase (Decrease) in Trade Payable to Related Parties		(205)	(5.623)	5.764	106.935
Increase (Decrease) in Trade Payable to Third Parties		35.266	967.206	94.886	1.760.334
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(244)	(6.692)	2.096	38.885
Increase (Decrease) in Other Payables to Third Parties Related from Operations		(244)	(6.692)	2.096	38.885
Increase (Decrease) in Derivative Liabilities		38.531	1.056.751	10.577	196.226
Adjustments for Other Increase (Decrease) in Working Capital		(240.011)	(6.524.804)	(84.072)	(1.557.142)
Decrease (Increase) in Other Assets Related from Operations		(305.519)	(8.321.426)	(76.952)	(1.425.051)
Increase (Decrease) in Other Assets Related from Operations		65.508	1.796.622	(7.120)	(132.091)
Cash Flows Provided by Operating Activities		401.146	9.219.179	856.025	11.783.003
Payments Related to Provisions for Employee Termination Benefits	9	(25.028)	(553.154)	(8.287)	(131.345)
Payments Related to Other Provisions	8	(9,029)	(199,580)	(6,077)	(96,310)
Income Taxes Refund (Paid)	11	(55,184)	(1,309,973)	(671,836)	(10,800,750)
CASH FLOWS FROM INVESTING ACTIVITIES		(883.283)	(19.624.864)	(474.845)	(7.568.868)
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		5,379	122,290	2,849	45,000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(58,467)	(1,104,647)	(3,036)	(48,058)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		468	10,361	1,331	21,102
Cash Inflow from Sales of Property, Plant and Equipment		468	10,361	1,331	21,102
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(662,730)	(14,647,446)	(379,781)	(6,019,188)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(662,396)	(14,640,054)	(379,276)	(6,011,191)
Cash Outflow from Purchase of Intangible Assets	6	(334)	(7,392)	(505)	(7,997)
Cash Advances and Debts Given		(192,490)	(4,254,356)	(77,133)	(1,222,489)
Other Cash Advances and Debts Given to Related Parties		59,270	83,430	(10,544)	(650,728)
Other Cash Advances and Debts Given		(251,760)	(4,337,786)	(66,589)	(571,761)
Dividends Received	5	4,899	112,769	-	-
Other Cash Inflow (Outflows)		19,658	136,165	(19,075)	(345,235)
CASH FLOWS FROM FINANCING ACTIVITIES		567.066	12.595.821	(732.686)	(10.529.248)
Cash Outflows Related to Acquisition of Own Shares and Other Equity Instruments of the Entity		(26,795)	(524,272)	-	-
Cash Outflows from Acquisition of Own Shares of the Entity	12	(26,795)	(524,272)	-	-
Cash Inflow from Borrowings		1,428,230	31,566,312	1,087,566	17,236,948
Cash Inflow from Loans		1,428,230	31,566,312	1,087,566	17,236,948
Cash Outflow from Repayments of Borrowings		(777,211)	(17,177,684)	(801,837)	(12,708,386)
Cash Outflow from Loan Repayments		(720,027)	(16,077,684)	(801,837)	(12,708,386)
Cash Outflows from Repayments of Issued Debt Instruments	7	(57,184)	(1,100,000)	-	-
Cash Outflow from Debt Payments for Leasing Contracts		(3,009)	(66,514)	(4,824)	(76,451)
Dividends Paid		-	-	(1,061,705)	(15,720,510)
Interest Paid		(132,769)	(2,934,415)	(28,006)	(443,866)
Interest Received		78,620	1,732,394	76,120	1,183,017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(4,312)	127,429	(1,037,706)	(17,343,518)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(93,462)	4,236,813	(84,704)	5,555,652
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(97,774)	4,364,242	(1,122,410)	(11,787,866)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		811,320	15,170,298	1,733,765	23,109,359
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		713,546	19,534,540	611,355	11,321,493

- As of 30 September 2023, the Group's total amount of time deposit interest accrual is TRY 11.954 thousand (USD 437 thousand) (30 September 2022: TRY 56.236 thousand (USD 3.036 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.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 main parent and ultimate controlling party of the Group are ATAER Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

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

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

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

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

Name of the Company	Country of		2023	2022
	Operation	Operation	Effective Share Rate %	Effective Share Rate %
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	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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	30 September 2023 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	3.878	1.769	5.647
İskenderun Demir ve Çelik A.Ş.	2.978	1.515	4.493
Erdemir Madencilik San. ve Tic. A.Ş.	175	162	337
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	222	85	307
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	301	301
Erdemir Romania S.R.L.	211	40	251
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	503	140	643
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	11	3	14
Erdemir Enerji Üretim A.Ş.	-	5	5
	<u>7.978</u>	<u>4.021</u>	<u>11.999</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 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.

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

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

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

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.

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.

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

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

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.

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 TAS 21 (“The Effects of Changes in Foreign Exchange Rates”) financial statements, that are prepared in US Dollars for the Company, İsdemir, Ersem, Kümaş, EAPPL; in EUR for Erdemir Romania, have been translated in TRY as the following method:

- a) The assets on condensed consolidated statement of financial position as of 30 September 2023 are translated from US Dollars into TRY using the Central Bank of Turkey's buying exchange rates which is TRY 27,3767 = US \$ 1 and TRY 29,0305 = EUR 1 and the liabilities has been translated from into TRY using the Central Bank of Turkey's exchange selling rate which is TRY 27,4260 = US \$ 1 and TRY 29,0828 = 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 nine months period ended 30 September 2023, condensed consolidated statements of profit or loss are translated from average TRY 22,1017 = US \$ 1 and TRY 23,9612 = EUR 1 rates of 2023 January – September period (30 September 2022: TRY 15,8491= US \$ 1 and 16,8207 = EUR 1).
- c) Earnings of previous years are carried in US Dollar in the condensed consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of condensed consolidated financial position as of 30 September 2023 are presented by being translated at the TRY 27,4260 = US \$ 1 rate, which is the effective foreign currency selling rate as of 30 September 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.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 (cont’d)

- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the condensed consolidated statements of financial position as of 30 September 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 30 September 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.

Going concern

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

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 26 October 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. In the current year there is no reclassification in the condensed 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 30 September 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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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’d)

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 TAS 12	: <i>International Tax Reform — Pillar Two Model Rules</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.

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 TAS 12 *International Tax Reform — Pillar Two Model Rules*

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

Amendments that are mandatorily effective from 2023 (cont’d)

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

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

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 TAS 1	: <i>Non-current Liabilities with Covenants</i>
Amendments to TFRS 16	: <i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 7 and TFRS7	: <i>Supplier Finance Arrangements</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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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

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

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

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

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

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 and earlier applications are 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 and earlier application is permitted.

Amendments to TAS 7 and TFRS 7 *Supplier Finance Arrangements*

The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. 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 nine months period ended 30 September 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 nine months period ended 30 September 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 30 September 2023, from the interests reported as of 31 December 2022.

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

2.5 Restatement and Errors in the Accounting Policies and Estimates

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

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.

NOTE 3 – RELATED PARTY DISCLOSURES

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

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

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

	30 September 2023	31 December 2022
<u>Due from related parties (short term)</u>		
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	316.506	328.074
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	12.069	-
Miilux Poland Sp. Z.o.o. ⁽¹⁾	49.403	76.474
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	21.828	26.590
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	85.868	158.257
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	88.091	64.598
Denizli Çimento San. T.A.Ş. ⁽¹⁾	7.857	8.897
Other	372	104
	<u>581.994</u>	<u>662.994</u>

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

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

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NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

	30 September 2023	31 December 2022
<u>Other receivables from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	11.838	7.227
	<u>11.838</u>	<u>7.227</u>

	30 September 2023	31 December 2022
<u>Other receivables from related parties (long term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	69.804	47.083
	<u>69.804</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.

	30 September 2023	31 December 2022
<u>Prepaid expenses to related parties(short term)</u>		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	18.123	40.244
OYAK İnşaat A.Ş. ⁽¹⁾	29.255	-
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	2.431	989
Other	2.344	-
	<u>52.153</u>	<u>41.233</u>

	30 September 2023	31 December 2022
<u>Prepaid expenses to related parties (long term)</u>		
OYAK İnşaat A.Ş. ⁽¹⁾	-	135.121
OYAK Yenilenebilir Enerji A.Ş. ⁽¹⁾	33.969	-
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	53.964	36.242
	<u>87.933</u>	<u>171.363</u>

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

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

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

NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

	30 September 2023	31 December 2022
<u>Due to related parties (short term)</u>		
OYAK Yenilenebilir Enerji A.Ş. ⁽¹⁾	111.119	-
Omsan Lojistik A.Ş. ⁽¹⁾	312.584	161.648
Omsan Denizcilik A.Ş. ⁽¹⁾	-	7.239
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	148.653	69.013
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	54.003	36.147
Omsan Logistica SRL ⁽¹⁾	10.528	3.299
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	57.031	29.388
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	11.631	23.321
OYAK İnşaat A.Ş. ⁽¹⁾	40.935	116.929
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. ⁽¹⁾	3.118	3.617
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	10.484	5.115
Other	158.877	175.775
	<u>918.963</u>	<u>631.491</u>

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

	1 January - 30 September 2023	1 January - 30 September 2022
<u>Major sales to related parties</u>		
OYAK Birleşik Enerji A.Ş. ⁽¹⁾	-	996.348
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	1.122.032	653.503
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	268	1.023
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	3.195	1.930
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	156.321	143.520
Denizli Çimento Sanayi T.A.Ş. ⁽¹⁾	9.242	7.169
Likitgaz Dağıtım ve Endüstri A.Ş. ⁽¹⁾	33.585	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	2.263	1.523
İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	2.312.763	2.264.160
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	266.139	119.387
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	245.266	203.747
Other	5.201	70.076
	<u>4.156.275</u>	<u>4.462.386</u>

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

- (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)

	1 January - 30 September 2023	1 January - 30 September 2022
<u>Major purchases from related parties</u>		
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	9.139	2.136
Omsan Denizcilik A.Ş. ⁽¹⁾	456.653	305.980
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	625.951	292.221
Omsan Lojistik A.Ş. ⁽¹⁾	1.611.339	796.166
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	349.772	249.997
Omsan Logistica SRL ⁽¹⁾	73.715	69.434
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	309.114	267.811
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	88.058	91.843
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	388.654	296.069
OYAK İnşaat A.Ş. ⁽¹⁾	1.171.677	51.588
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	306.861	347.866
Güzel Enerji Akaryakıt A.Ş. ⁽¹⁾	8.564	7.054
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	6.988	4.413
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. ⁽¹⁾	6.711	-
OYAK Yenilenebilir Enerji A.Ş. ⁽¹⁾	1.481.558	-
Other	90.624	47.000
	<u>6.985.378</u>	<u>2.829.578</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

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

The period end balances are un-secured and their collections will be in cash. For the nine months period ended 30 September 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 nine months period ended 30 September 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 80.921 thousand (30 September 2022: TRY 58.434 thousand).

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NOTE 4 – INVENTORIES

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

	30 September 2023	31 December 2022
Raw materials	16.827.653	13.475.310
Work in progress	13.066.405	9.746.058
Finished goods	12.360.578	10.171.443
Spare parts	9.214.431	5.266.129
Goods in transit	8.529.872	4.357.075
Other inventories	4.805.758	3.188.149
Allowance for impairment on inventories (-)	(2.132.185)	(2.051.756)
	<u>62.672.512</u>	<u>44.152.408</u>

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

	1 January - 30 September 2023	1 January - 30 September 2022
Opening balance	2.051.756	1.024.586
Provision for the period	123.397	-
Provision released (-)	(826.338)	(22.214)
Translation difference	783.370	394.482
Closing balance	<u>2.132.185</u>	<u>1.396.854</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).

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	Right to vote ratio	30 September 2023	Right to vote ratio	31 December 2022	Business segment
	%		%		
<u>Joint Venture</u>					Industrial Gas
İsdemir Linde Gaz Ortaklığı A.Ş.	50	778.087	50	606.053	Production and Sale

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NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont’d)

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

	30 September 2023	31 December 2022
Total assets	1.668.903	1.299.886
Total liabilities	112.730	87.781
Net assets	1.556.173	1.212.105
Group's share on net assets	778.087	606.053

	30 September 2023	31 December 2022
Share capital	140.000	140.000

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş. dated 25 May 2023, 225.538 thousand TRY (the effect on the group cash flow statement is 112.769 thousand TRY) from net profit for the year 2022 and retained earnings cash dividends were approved unanimously. Dividend payment was completed in 8 June 2023.

İsdemir Linde Gaz Ortaklığı A.Ş., as an affiliate of the Group under joint management, has the right of to deduct TRY 176.494 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 (19.904) thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY (9.952) thousand) is included in the financial statements prepared as of reporting date.

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

	1 January – 30 September 2023	1 January – 30 September 2022
Revenue	422.331	356.589
Operating profit	125.465	72.910
Net profit (loss) for the period	74.593	58.162
Group's share on net profit (loss)	37.297	29.081

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	30 September 2023	30 September 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 (*)	15.002.940	5.875.425
Disposals (-)	(45.462)	(64.499)
<i>Cost of disposals</i>	(181.406)	(451.388)
<i>Accumulated depreciation of disposals</i>	135.944	386.889
Transfers to intangible assets	(2.212)	(4.723)
Transfers to investment properties (**)	(2.010.922)	-
Currency translation difference	38.822.117	20.146.290
<i>Cost currency translation difference</i>	92.178.662	51.051.356
<i>Accumulated depreciation currency translation difference</i>	(53.356.545)	(30.905.066)
Current period depreciation (-)	(3.369.071)	(2.512.327)
Impairment (-) (***)	(592.961)	-
Net book value at the end of the period	<u>128.519.983</u>	<u>74.465.284</u>
<u>Closing balance end of period</u>		
Cost	299.165.002	186.211.399
Accumulated depreciation	(170.645.019)	(111.746.115)
Net book value	<u>128.519.983</u>	<u>74.465.284</u>

(*)The amount of capitalized borrowing cost is TRY 362.886 thousand for the current period (30 September 2022: TRY (135.766) thousand).

(**) As of the reporting period, TRY (2.343.210) thousand was transferred from property, plant and equipment to investment properties, and TRY 332.288 thousand was transferred from investment properties to property, plant and equipment.

(***) Due to the earthquake on 6 February 2023; Production activities of İsdemir, one of the subsidiaries of the Group, had been suspended until the due diligence studies are completed. As a result of the due diligence studies carried out by the Group as of the reporting period, an impairment of (592.961) thousand TRY has been calculated for the assets that will be out of use. The calculated provision for impairment is recorded in the “Expenses from Investing Activities” account of the condensed consolidated statement of profit or loss (Note 14).

As of 30 September 2023, the Group has no collaterals or pledges on upon its tangible assets (30 September 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:

	30 September 2023	30 September 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	7.392	7.997
Transfers from tangible assets	2.212	4.723
Currency translation difference	2.241.713	1.401.760
<i>Cost currency translation difference</i>	3.393.715	2.002.431
<i>Accumulated depreciation currency translation difference</i>	(1.152.002)	(600.671)
Current period amortisation (-)	(234.566)	(192.939)
Net book value at the end of the period	<u>6.970.168</u>	<u>4.910.296</u>
<u>Closing balance end of period</u>		
Cost	10.683.865	7.135.915
Accumulated amortisation	(3.713.697)	(2.225.619)
Net book value	<u>6.970.168</u>	<u>4.910.296</u>

As of 30 September 2023, the Group has no collaterals or pledges on upon its intangible assets (30 September 2022: None).

The distribution of total depreciation and amortization expenses related to tangible, intangible assets, right of use assets amounting to TRY 67.760 thousand (30 September 2022: TRY 58.454 thousand) and investment properties amounting to TRY 27.501 thousand (30 September 2022: TRY 10.564 thousand) are as follows:

	1 January – 30 September 2023	1 January – 30 September 2022
Associated with cost of production	3.341.100	2.502.023
General administrative expenses	183.513	123.852
Marketing expenses	133.803	105.116
Research and development expenses	30.983	20.847
Other operating expenses	9.499	22.446
	<u>3.698.898</u>	<u>2.774.284</u>

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NOTE 7 – BORROWINGS

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

	30 September 2023	31 December 2022
Short term bank borrowings	38.956.142	16.657.875
Short term portion of long term bank borrowings	10.351.479	2.483.491
Long term bank borrowings	8.795.936	8.261.399
Total bank borrowings	<u>58.103.557</u>	<u>27.402.765</u>
Short term portion of short term corporate bonds issued	1.157.279	1.970.692
Total corporate bonds issued	<u>1.157.279</u>	<u>1.970.692</u>
Short term portion of long term lease payables	90.456	62.785
Cost of short term portion of long term lease payables (-)	(3.035)	(2.553)
Long term lease payables	682.374	475.999
Cost of long term lease payables (-)	(487.891)	(328.949)
Total lease payables	<u>281.904</u>	<u>207.282</u>
Total borrowings	<u><u>59.542.740</u></u>	<u><u>29.580.739</u></u>

As of 30 September 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	30 September 2023
Fixed	TRY	17,59	4.671.578	-	4.671.578
Fixed	US Dollars	9,83	37.126.804	-	37.126.804
Floating	TRY	TLREF+3,79	1.909.119	-	1.909.119
Floating	US Dollars	TERM SOFR+2,93	6.355.496	6.618.671	12.974.167
Floating	EURO	Euribor+0,48	401.903	2.177.265	2.579.168
			<u>50.464.900</u>	<u>8.795.936</u>	<u>59.260.836</u>

Group; as of 8 November 2022, it has issued financing bills amount of TRY 900.000 thousand with a maturity of 7 November 2023 with a simple annual interest rate of 32,50. The payment of the financing bill with a maturity of 7 April 2023 with a nominal value of TRY 1.100.000 thousand with issuance price of 89,188 was made.

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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:

	30 September 2023				31 December 2022			
	Bank Borrowings	Corporate Bonds	Lease Payables	Total Borrowings	Bank Borrowings	Corporate Bonds	Lease Payables	Total Borrowings
Within 1 year	49.307.621	1.157.279	87.421	50.552.321	19.141.366	1.970.692	60.232	21.172.290
Between 1-2 years	2.283.049	-	47.508	2.330.557	3.699.053	-	41.729	3.740.782
Between 2-3 years	1.610.307	-	21.910	1.632.217	962.263	-	21.946	984.209
Between 3-4 years	1.434.720	-	13.103	1.447.823	994.660	-	10.210	1.004.870
Between 4-5 years	832.656	-	11.474	844.130	755.436	-	8.987	764.423
Five years or more	2.635.204	-	100.488	2.735.692	1.849.987	-	64.178	1.914.165
	<u>58.103.557</u>	<u>1.157.279</u>	<u>281.904</u>	<u>59.542.740</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:

	30 September 2023	31 December 2022
Provision for lawsuits	483.520	368.664
Penalty provision for employment shortage of disabled personnel	7.073	9.291
Provision for state right on mining activities	99.280	94.172
Provision for land occupation	50.053	47.305
	<u>639.926</u>	<u>519.432</u>

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

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NOTE 8 – PROVISIONS (cont’d)

The movement of the provisions is as follows:

	1 January 2023	Change for the period	Payments	Provision released	Translation difference	30 September 2023
Provision for lawsuits	368.664	114.073	(41.334)	(14.840)	56.957	483.520
Penalty provision for employment shortage of disabled personnel	9.291	-	(665)	(1.688)	135	7.073
Provision for state right on mining activities	94.172	99.400	(79.089)	(19.307)	4.104	99.280
Provision for land occupation	47.305	76.026	(78.492)	(82)	5.296	50.053
	<u>519.432</u>	<u>289.499</u>	<u>(199.580)</u>	<u>(35.917)</u>	<u>66.492</u>	<u>639.926</u>

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

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits

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

	30 September 2023	31 December 2022
Lawsuits filed by the Group	2.494.377	1.877.331
Provision for lawsuits filed by the Group	32.560	289.132

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

	30 September 2023	31 December 2022
Lawsuits filed against the Group	365.031	280.974
Provision for lawsuits filed against the Group	483.520	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 (IFRS) 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.

CMB, prepared the Company’s consolidated financial statements as of 31 December 2005, which had been prepared according to the IFRS, 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 IFRS 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”.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

The 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 IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on “IFRS 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 “IFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 30 September 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 IFRS. 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. the Company has appealed on 3 March 2022. Upon the rejection of the Company’s appeal, the Company has applied for the revision of the decision. Currently, the case is at the stage of revision of the decision at the Supreme Court 11th Civil Chamber.

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 30 September 2023 and 31 December 2022.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

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

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. 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. 22. Civil Chamber of the Ankara Regional Court of Justice has sent the file back to the Kdz Ereğli 2. Civil Court of First Instance and requested from the court to send the file back to itself for re-examination after the court’s evaluation of the Company’s petition of correction. Therefore, Kdz. Ereğli 2. Civil Court of First Instance decided to make the hearing on 11 July 2023. At the hearing dated 11 July 2023, Kdz. Ereğli 2. Civil Court of First Instance has decided to correct the decision. A provision amounting to TRY 221.610 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.

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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)

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

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

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. 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.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

Lawsuits against Cease and Desist Orders and Zoning Administrative Fines of the Municipality of Kdz. Ereğli (cont’d)

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 the 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. Regional Administrative Court has decided to accept the appeals in 4 cases and has sent them back to the local court for a new decision to be given after a merits review. In the last filed case the Regional Administrative Court has definitely decided to annul the decision and partially accepted the case.

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

Provision for state right on mining activities

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

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:

	30 September 2023	31 December 2022
Due to personnel	758.424	957.083
Social security premiums payable	897.522	236.455
	<u>1.655.946</u>	<u>1.193.538</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	30 September 2023	31 December 2022
Provisions for employee termination benefits	3.657.583	2.922.934
Provisions for seniority incentive premium	269.702	225.046
Provision for unpaid vacations	520.719	289.925
	<u>4.448.004</u>	<u>3.437.905</u>

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

As of 30 September 2023, the employee termination benefit has been updated to a maximum of TRY 23.489,83 (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 30 September 2023 has been calculated by an independent actuary and projected unit credit method is used in the calculation. Actuarial assumptions used in calculating the present value of liabilities stated below.

	30 September 2023	31 December 2022
Discount rate	% 18,12	% 16,19
Inflation rate	% 16,30	% 14,23

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 September 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.

(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)

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

	1 January - 30 September 2023	1 January - 30 September 2022
Opening balance	2.922.934	1.282.538
Service cost	454.945	101.938
Interest cost	324.714	198.235
Actuarial loss/(gain)	378.603	476.996
Termination benefits paid	(456.253)	(103.495)
Translation difference	32.640	1.702
Closing balance	3.657.583	1.957.914

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

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

	1 January - 30 September 2023	1 January - 30 September 2022
Opening balance	225.046	183.800
Service cost	20.965	15.508
Interest cost	26.637	23.793
Actuarial loss/(gain)	57.208	34.229
Termination benefits paid	(52.083)	(13.093)
Translation difference	(8.071)	(227)
Closing balance	269.702	244.010

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

	1 January - 30 September 2023	1 January - 30 September 2022
Opening balance	289.925	139.012
Provision for the period	442.267	205.226
Vacation paid during the period (-)	(44.818)	(14.757)
Provisions released (-)	(165.142)	(64.242)
Translation difference	(1.513)	638
Closing balance	520.719	265.877

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NOTE 10 – COMMITMENTS

The guarantees received by the Group are as follows:

	30 September 2023	31 December 2022
Letters of guarantees received	14.707.822	12.825.995
	<u>14.707.822</u>	<u>12.825.995</u>

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

	30 September 2023	31 December 2022
A. Total CPM given for the Company's own legal entity	4.075.946	733.735
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	3.343.920	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>7.419.866</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 3.343.920 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 30 September 2023, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2022: 0%).

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

	30 September 2023	31 December 2022
US Dollars	5.298.733	1.269.039
Turkish Lira	531.073	646.853
EURO	1.590.060	1.175.398
	<u>7.419.866</u>	<u>3.091.290</u>

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NOTE 11 – TAX ASSETS AND LIABILITIES

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

	30 September 2023	31 December 2022
<u>Corporate tax payable:</u>		
Corporation tax for the year of 2022	3.954.588	-
Current corporate tax provision	3.619.866	9.150.847
Prepaid taxes and funds (-)	(4.826.113)	(8.712.399)
	<u>2.748.341</u>	<u>438.448</u>
	1 January - 30 September 2023	1 January - 30 September 2022
<u>Taxation:</u>		
Current corporate tax expense	3.051.065	7.485.971
Deferred tax (income) / expense	6.947.801	(66.240)
	<u>9.998.866</u>	<u>7.419.731</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.

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.

Institutions with the Law No. 7456 published in the Official Gazette dated 15 July 2023 by making changes in the first paragraph of Article 32 of the Tax Law, the year 2023 and the following the corporate tax rate for corporate earnings of taxation periods has been increased to 25%. As of reporting date, the corporate tax rate for the corporate earnings has been determined as 25% (31 December 2022: 22%).

With the Law No. 7456 published in the 32249 numbered Official Gazette dated 15 July 2023, the exemption rate to be applied to the gains arising from the sale of immovables which in companies' assets before 15 July 2023 has been determined as 25%, and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets are 18,75%.

The effective corporate tax rate in Turkey is 25%, 16% in Romania and 17% in Singapore as of 30 September 2023 (31 December 2022: in Turkey 23%, in Romania 16%, in Singapore 17%).

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

Corporate tax (cont’d)

The total amount of the corporate tax paid by the Group in nine months of 2023 is TRY 1.309.973 thousand (30 September 2022: TRY 10.800.750 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 30 November 2023. In this case, the terms of use of tax returns and notifications requiring force majeure have been extended until 15 December 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 25% 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 18,75% 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.

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.

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

Deferred tax (cont’d)

	30 September 2023	31 December 2022
<u>Deferred tax assets:</u>		
Tangible and intangible assets revaluation adjustment	7.908.974	4.467.303
Provisions for employee benefits	1.111.776	687.429
Investment incentive	15.571	30.629
Provision for lawsuits	120.156	70.743
Inventories	174.486	74.351
Tangible and intangible assets	353.112	192.158
Financial lease payables	70.476	41.456
Other	278.179	341.367
	<u>10.032.730</u>	<u>5.905.436</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(27.043.172)	(13.455.464)
Fair values of the derivative financial instruments	(43.033)	(5.223)
Amortized cost adjustment on loans	(91.515)	(57.161)
Right of use assets	(93.013)	(48.508)
Inventories	(2.750.998)	(499.773)
Other	(767.075)	(59.738)
	<u>(30.788.806)</u>	<u>(14.125.867)</u>
	<u>(20.756.076)</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 TFRS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries’ condensed consolidated financial statements.

The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

<u>Presentation of deferred tax assets/(liabilities):</u>	30 September 2023	31 December 2022
Deferred tax assets	488.923	244.350
Deferred tax (liabilities)	(21.244.999)	(8.464.781)
	<u>(20.756.076)</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 - 30 September 2023	1 January - 30 September 2022
Opening balance	(8.220.431)	(9.663.074)
Deferred tax income/(expense)	(6.947.801)	66.240
The amount in comprehensive income	67.158	84.914
Translation difference	(5.655.002)	(3.797.943)
Closing balance	<u>(20.756.076)</u>	<u>(13.309.863)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 September 2023	1 January - 30 September 2022
Profit before tax	6.171.893	22.850.004
Statutory tax rate	25%	22%
Calculated tax expense according to effective tax rate	(1.542.973)	(5.027.001)
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(86.239)	(70.426)
- Revaluation of reserve tangible assets	3.441.671	-
- Effect of currency translation not subject to tax	(11.237.102)	(2.396.149)
- Additional tax effect due to earthquake	(623.613)	-
- Investment incentive	47.288	73.835
- Effect of the different tax rates due to foreign subsidiaries	2.102	10
Total tax expense reported in the statement of income	<u>(9.998.866)</u>	<u>(7.419.731)</u>

NOTE 12 – EQUITY

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

<u>Shareholders</u>	30 September		31 December	
	(%)	2023	(%)	2022
ATAER Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,16	1.650.776	47,63	1.667.181
Erdemir's own shares	3,55	124.242	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 (-)		(640.504)		(116.232)
		<u>3.016.109</u>		<u>3.540.381</u>

Share Buy-back, within the scope of the "Share Buyback Program", which was approved at Company's Ordinary General Assembly Meeting dated 31 March 2023, 16.405.000 shares were repurchased in exchange for TRY 524.272 thousand. After the Company's share purchase, the shares held by the Company increased to 3,55%.

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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 1.861.955 thousand. Group plans to recognize related revenue amount as a revenue in a year.

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

	1 January - 30 September 2023	1 July- 30 September 2023	1 January - 30 September 2022	1 July- 30 September 2022
<u>Sales Revenue</u>				
Domestic sales	85.949.094	31.942.560	80.846.370	28.956.109
Export sales	9.991.111	4.036.407	15.065.496	6.056.731
Other revenues	4.342.757	1.158.876	4.078.219	1.431.721
Interest income from sales with maturities	898.211	337.552	676.479	316.975
Sales returns (-)	(94.133)	(62.666)	(11.597)	(4.127)
Sales discounts (-)	(76.714)	(22.335)	(119.651)	(34.846)
	<u>101.010.326</u>	<u>37.390.394</u>	<u>100.535.316</u>	<u>36.722.563</u>
<u>Cost of sales (-)</u>	<u>(91.436.527)</u>	<u>(32.569.576)</u>	<u>(75.556.602)</u>	<u>(31.696.718)</u>
Gross profit	<u>9.573.799</u>	<u>4.820.818</u>	<u>24.978.714</u>	<u>5.025.845</u>

The total amount of by product exports in other revenues is TRY 1.823.908 thousand (30 September 2022: TRY 1.787.137 thousand). Total interest income from export sales with maturities is TRY 7.683 thousand (30 September 2022: TRY 20.365 thousand).

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NOTE 13 – SALES AND COST OF SALES (cont’d)

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

	1 January - 30 September 2023	1 July- 30 September 2023	1 January - 30 September 2022	1 July- 30 September 2022
Raw material usage	(66.902.330)	(24.831.645)	(59.980.243)	(25.324.286)
Personnel costs	(5.712.973)	(2.010.983)	(3.079.424)	(1.229.131)
Energy costs	(9.247.297)	(2.212.584)	(6.995.660)	(3.012.432)
Depreciation and amortization expenses	(3.250.839)	(1.176.358)	(2.365.383)	(872.401)
Manufacturing overheads	(2.692.363)	(1.181.582)	(631.957)	(169.437)
Other cost of goods sold	(1.116.078)	(309.738)	(872.083)	(341.721)
Non-operating costs (*)	(1.825.173)	(313.406)	(172.912)	(91.417)
Freight costs for sales delivered to customers	(679.880)	(252.347)	(944.380)	(370.689)
Allowance expenses for impairment on inventories (Note 4)	(123.397)	(41.573)	-	-
Inventory provision released (Note 4)	826.338	15.013	22.214	5.011
Amortization of right of use assets	(8.992)	(3.244)	(4.437)	(1.828)
Other	(703.543)	(251.129)	(532.337)	(288.387)
	<u>(91.436.527)</u>	<u>(32.569.576)</u>	<u>(75.556.602)</u>	<u>(31.696.718)</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 (1.825.173) 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 - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Personnel expenses (-)	(327.902)	(111.747)	(198.074)	(79.354)
Depreciation and amortization (-)	(131.993)	(45.616)	(104.925)	(36.089)
Benefits and services from third parties (-)	(350.660)	(122.382)	(230.999)	(82.750)
Amortization of right of use assets (-)	(1.810)	(548)	(191)	(69)
	<u>(812.365)</u>	<u>(280.293)</u>	<u>(534.189)</u>	<u>(198.262)</u>

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

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Personnel expenses (-)	(765.759)	(230.776)	(473.418)	(193.039)
Depreciation and amortization (-)	(136.054)	(58.324)	(92.472)	(34.538)
Benefits and services from third parties (-)	(854.901)	(275.921)	(432.917)	(163.902)
Tax, duty and charges (-)	(19.024)	(8.715)	(7.418)	(2.552)
Provision/ Provision released for doubtful receivables (net)	11.136	7.420	(341)	(3.219)
Amortization of right of use assets (-)	(47.459)	(17.731)	(31.380)	(12.368)
	<u>(1.812.061)</u>	<u>(584.047)</u>	<u>(1.037.946)</u>	<u>(409.618)</u>

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

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

	1 January - 30 September 2023	1 July- 30 September 2023	1 January - 30 September 2022	1 July- 30 September 2022
<u>Other operating income</u>				
Prior period fixed asset damage indemnity income	678.715	4.073	-	-
Foreign exchange gain from trade receivables and payables (net)	589.372	(141.512)	-	-
Forfeit advances from customers	1.015	223	36.602	32.788
Discount income	238	63	229	74
Provisions released	16.528	6.752	14.365	10.308
Service income	105.259	48.231	50.639	22.397
Maintenance repair and rent income	18.654	6.731	18.418	6.719
Warehouse income	80.400	32.697	99.583	81.652
Indemnity and penalty detention income	14.454	6.455	10.898	3.458
Prior period insurance indemnity income	175.026	1.848	3.088	1.739
Lawsuit income	22.840	22.223	2.108	1.477
Overdue interest income	43.464	26.797	10.530	5.625
Current period insurance indemnity income	2.210.170	2.210.170	-	-
Other income and gains	148.863	5.305	131.707	52.362
	<u>4.104.998</u>	<u>2.230.056</u>	<u>378.167</u>	<u>218.599</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.

Due to the earthquake that occurred on 6 February 2023, an agreement was reached to collect the advance fee of TRY 2.210.170 thousand regarding the claim payment to be collected within the insurance scope of Company's subsidiary İskenderun Demir ve Çelik A.Ş. In line with the agreement, the amount of insurance damages to be compensated within the scope of the earthquake has been accounted in other operating income and income accruals accounts within other current assets as of the reporting period.

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

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

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
<u>Other operating expenses (-)</u>				
Provision expenses	(114.073)	(34.820)	(87.868)	(26.356)
Foreign exchange expenses from trade receivables and payables (net)	-	-	(91.584)	(80.409)
Lawsuit compensation expenses	(65.431)	(3.996)	(6.860)	(1.962)
Right of use assets amortization	(9.499)	(1.638)	(22.446)	(8.805)
Donation expenses	(805.020)	(31.830)	(47.899)	(30.293)
Service expenses	(60.929)	(20.107)	(53.759)	(21.030)
Penalty expenses	(100.533)	(1.453)	(1.013)	(677)
Other expenses and losses	(84.944)	(25.700)	(86.031)	(27.814)
	<u>(1.240.429)</u>	<u>(119.544)</u>	<u>(397.460)</u>	<u>(197.346)</u>

The Group's detail of the expenses from investment activities as of the reporting period are as follows:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
<u>Expenses from investment activities (-)</u>				
Loss on sales of tangible assets	(26.779)	(279)	(270)	(197)
Loss on disposal of tangible assets	(12.686)	(2.727)	(50.154)	(3.343)
Impairment of property, plant and equipment (Note 6)	(592.961)	(3.559)	-	-
Expenses from investment properties	(2.558)	(146)	(604)	(121)
	<u>(634.984)</u>	<u>(6.711)</u>	<u>(51.028)</u>	<u>(3.661)</u>

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NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
<u>Finance income</u>				
Interest income on bank deposits	1.962.454	287.095	1.019.319	206.761
Interest income from financial investments	457	3	1.860	881
Fair value differences of derivative financial instruments (net)	817.307	38.774	301.975	163.264
Other financial income	7.798	2.251	4.831	1.690
	<u>2.788.016</u>	<u>328.123</u>	<u>1.327.985</u>	<u>372.596</u>

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

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(3.427.576)	(1.170.705)	(986.828)	(510.534)
Foreign exchange loss (net)	(2.113.528)	(297.663)	(557.772)	19.292
Interest cost of employee benefits	(351.351)	(92.877)	(222.028)	(95.872)
Interest expenses on leasings	(23.560)	(7.465)	(44.242)	(16.403)
Other financial expenses	(17.325)	(4.255)	(24.871)	(11.830)
	<u>(5.933.340)</u>	<u>(1.572.965)</u>	<u>(1.835.741)</u>	<u>(615.347)</u>

During the period, the borrowing costs of TRY 362.886 thousand have been capitalized as part of the Group’s tangibles (30 September 2022: TRY (135.766) thousand).

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

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. Foreign currency position table represents foreign currencies other than each entity’s functional currency. As of 30 September 2023, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 September 2023				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	2.247.929	275.557	66.166	-	8.880
2a. Monetary financial assets	19.323.514	19.059.804	6.431	21	13.268
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	480.029	438.955	1.242	-	865
4. CURRENT ASSETS (1+2+3)	22.051.472	19.774.316	73.839	21	23.013
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.157.233	1.157.118	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	5.921.751	3.932.773	68.333	1.745	850
8. NON-CURRENT ASSETS (5+6+7)	7.078.984	5.089.891	68.337	1.745	850
9. TOTAL ASSETS (4+8)	29.130.456	24.864.207	142.176	1.766	23.863
10. Trade payables	9.194.891	5.058.995	141.519	38.927	2.203
11. Financial liabilities	7.060.153	6.656.978	13.863	-	-
12a. Other monetary financial liabilities	6.363.304	6.276.720	1.844	-	5.602
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	22.618.348	17.992.693	157.226	38.927	7.805
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.363.449	186.076	74.868	-	-
16a. Other monetary financial liabilities	4.302.912	4.300.412	-	-	425
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	6.666.361	4.486.488	74.868	-	425
18. TOTAL LIABILITIES (13+17)	29.284.709	22.479.181	232.094	38.927	8.230
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(917.785)	-	(31.615)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	917.785	-	31.615	-	-
20. Net foreign currency asset/liability position (9-18+19)	(1.072.038)	2.385.026	(121.533)	(37.161)	15.633
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(6.556.033)	(1.986.702)	(159.493)	(38.906)	13.918
22. Fair value of derivative financial instruments used in foreign currency hedge	36.433	-	1.255	-	-
23. Hedged foreign currency assets	917.785	-	31.615	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	11.822.702	-	-	-	-
26. Imports	54.081.333	-	-	-	-

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

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

Additional information about financial instruments (cont’d)

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

As of 30 September 2023 on condensed consolidated statement of financial position are translated by using the following exchange rates for assets TRY 27,3767 = US \$ 1, TRY 29,0305 = EUR 1, TRY 0,1833 = JPY 1 and TRY 5,8046 = RON 1; for liabilities TRY 27,4260 = US \$ 1, TRY 29,0828 = EUR 1, TRY 0,1845 = JPY 1 and TRY 5,8806 = 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
30 September 2023		
1- TRY net asset/liability	238.503	(238.503)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	238.503	(238.503)
5- RON net asset/liability	9.012	(9.012)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	9.012	(9.012)
9- Euro net asset/liability	(262.250)	262.250
10- Hedged portion from Euro risk (-)	(91.780)	91.780
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(354.030)	354.030
13- Jap. Yen net asset/liability	(686)	686
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(686)	686
TOTAL (4+8+12+16)	(107.201)	107.201

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

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

Additional information about financial instruments (cont’d)

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>

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
30 September 2023				
<u>Financial Assets</u>				
Cash and cash equivalents	19.546.494	-	-	19.546.494
Trade receivables	18.015.018	-	-	18.015.018
Financial investments	-	-	1.813.068	1.813.068
Other financial assets	205.517	-	-	205.517
Derivative financial instruments	-	125.284	55.508	180.792
<u>Financial Liabilities</u>				
Borrowings	59.542.740	-	-	59.542.740
Trade payables	17.401.138	-	-	17.401.138
Other liabilities	2.672.941	-	-	2.672.941
Derivative financial instruments	-	-	1.397	1.397
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>				
Borrowings	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.

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

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

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

Additional information about financial instruments (cont’d)

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

Financial asset and liabilities at fair value	30 September 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	1.242.994	-	1.242.994	-
Currency protected time deposits	569.062	-	569.062	-
Derivative financial assets	55.508	-	55.508	-
Derivative financial liabilities	(1.397)	-	(1.397)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	125.284	-	125.284	-
Total	1.991.451	-	1.991.451	-
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	-

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

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

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

Additional information about financial instruments (cont’d)

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

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

None.

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

Convenience translation to English:

As of 30 September 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.