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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023 AND INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

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

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3) Emphasis of Matters

Consolidated financial statements as of 31 December 2023 are subject to inflation adjustment in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies" within the scope of the "Announcement on the Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit" dated 23 November 2023 published by the POA. Accordingly, we draw attention to Note 2 of the consolidated financial statements, which describes the transition to inflation accounting. Our opinion is not modified in respect of this matter.

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

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4) Key Audit Matters

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

Key Audit Matter	**How the matter was addressed in the audit**
Revenue recognition While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer. The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales. In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management. Please refer to notes 2.8.1 and 25 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.	We performed the following procedures in relation to the revenue recognition: • The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed. • Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed. • For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested. In addition, we assessed the adequacy of the disclosures in Note 25 under TFRS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 22 February 2024.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2023 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

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

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

Volkan Becerik, SMMM
Partner

İstanbul, 22 February 2024

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

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

ASSETS	Note	(Audited) Current Period 31 December 2023 USD'000	(Audited) Current Period 31 December 2023 TRY'000	(Audited) Previous Period 31 December 2022 USD'000	(Audited) Previous Period 31 December 2022 TRY'000
CURRENT ASSETS		**4.569.509**	**134.518.116**	**4.313.559**	**80.656.225**
Cash and Cash Equivalents	4	817.746	24.072.967	812.184	15.186.458
Financial Investments	5	59.033	1.737.825	37.447	700.187
Trade Receivables		691.386	20.353.161	834.415	15.602.149
Due From Related Parties	*34*	*23.390*	*688.565*	*35.457*	*662.994*
Other Trade Receivables from Third Parties	*8*	*667.996*	*19.664.596*	*798.958*	*14.939.155*
Other Receivables		4.342	127.846	3.272	61.164
Due From Related Parties	*34*	*393*	*11.582*	*387*	*7.227*
Other Receivables from Third Parties	*9*	*3.949*	*116.264*	*2.885*	*53.937*
Financial Derivative Instruments	6	387	11.396	3.164	59.160
Inventories	10	2.285.354	67.276.704	2.361.306	44.152.408
Prepaid Expenses		69.601	2.048.925	46.494	869.363
Prepaid Expenses to Related Parties	*34*	*434*	*12.782*	*2.205*	*41.233*
Other Prepaid Expenses to Third Parties	*11*	*69.167*	*2.036.143*	*44.289*	*828.130*
Other Current Assets	22	641.660	18.889.292	215.277	4.025.336
NON CURRENT ASSETS		**5.962.156**	**175.515.133**	**5.039.891**	**94.237.398**
Financial Investments	5	5.502	161.973	6.833	127.774
Other Receivables		2.940	86.537	3.114	58.235
Due From Related Parties	*34*	*2.551*	*75.091*	*2.518*	*47.083*
Other Receivables from Third Parties	*9*	*389*	*11.446*	*596*	*11.152*
Investments Accounted for Using Equity Method	12	30.039	884.293	32.412	606.053
Investment Properties	13	149.725	4.407.645	48.378	904.591
Property, Plant and Equipment	14	5.007.614	147.415.137	4.316.732	80.715.554
Right of Use Assets	16	15.134	445.527	12.949	242.122
Intangible Assets		275.362	8.106.172	283.694	5.304.594
Goodwill	*17*	*18.781*	*552.886*	*18.781*	*351.177*
Other Intangible Assets	*15*	*256.581*	*7.553.286*	*264.913*	*4.953.417*
Prepaid Expenses		432.920	12.744.353	276.841	5.176.437
Prepaid Expenses to Related Parties	*34*	*6.214*	*182.922*	*9.165*	*171.363*
Other Prepaid Expenses to Third Parties	*11*	*426.706*	*12.561.431*	*267.676*	*5.005.074*
Deferred Tax Assets	32	8.639	254.324	13.068	244.350
Other Non Current Assets	22	34.281	1.009.172	45.870	857.688
TOTAL ASSETS		**10.531.665**	**310.033.249**	**9.353.450**	**174.893.623**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

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

LIABILITIES	Note	(Audited) Current Period 31 December 2023 USD'000	(Audited) Current Period 31 December 2023 TRY'000	(Audited) Previous Period 31 December 2022 USD'000	(Audited) Previous Period 31 December 2022 TRY'000
CURRENT LIABILITIES		**3.027.730**	**89.291.663**	**1.916.965**	**35.908.584**
Short Term Borrowings	7	1.560.968	46.034.968	994.478	18.628.567
Short Term Portion of Long Term Borrowings	7	363.704	10.726.115	135.796	2.543.723
Trade Payables		794.372	23.427.066	599.415	11.228.240
Due to Related Parties	*34*	*38.328*	*1.130.333*	*33.712*	*631.491*
Other Trade Payables to Third Parties	*8*	*756.044*	*22.296.733*	*565.703*	*10.596.749*
Payables for Employee Benefits	19	60.898	1.795.959	63.717	1.193.538
Other Payables	9	39.428	1.162.795	11.078	207.513
Financial Derivative Instruments	6	4.120	121.502	2.692	50.424
Deferred Revenue	23	44.553	1.313.940	54.397	1.018.967
Current Tax Liabilities	32	109.607	3.232.450	23.406	438.448
Short Term Provisions	20	23.689	698.605	27.730	519.432
Other Current Liabilities	22	26.391	778.263	4.256	79.732
NON CURRENT LIABILITIES		**990.553**	**29.212.704**	**1.084.927**	**20.322.852**
Long Term Borrowings	7	372.300	10.979.619	448.882	8.408.449
Financial Derivative Instruments	6	39	1.148	-	-
Long Term Provisions		189.292	5.582.475	183.531	3.437.905
Long term provisions for employee benefits	*19*	*189.292*	*5.582.475*	*183.531*	*3.437.905*
Deferred Tax Liabilities	32	428.353	12.632.683	451.889	8.464.781
Other Non Current Liabilities	22	569	16.779	625	11.717
EQUITY		**6.513.382**	**191.528.882**	**6.351.558**	**118.662.187**
Equity Attributable to Equity Holders of the Parent		**6.327.990**	**186.191.490**	**6.186.525**	**115.645.231**
Share Capital	24	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	24	81.366	156.613	81.366	156.613
Treasury Shares (-)	24	(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)		(172.837)	68.184.780	(137.144)	43.443.497
Revaluation Reserve of Tangible Assets		*11.401*	*373.251*	*10.168*	*208.674*
Actuarial (Loss) Gain funds		*(168.553)*	*(2.455.521)*	*(131.627)*	*(1.407.323)*
Foreign Currency Translation Reserves		*(15.685)*	*70.267.050*	*(15.685)*	*44.642.146*
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(287.653)	4.176.664	(279.378)	2.035.446
Foreign Currency Translation Reserves		*(285.380)*	*4.243.700*	*(279.701)*	*2.029.402*
Cash Flow Hedging Gain (Loss)		*(2.273)*	*(67.036)*	*323*	*6.044*
Restricted Reserves Assorted from Profit	24	1.448.797	9.302.588	1.379.085	7.547.778
Retained Earnings	24	3.301.713	97.371.813	2.186.988	40.966.648
Net Profit (Loss) for the Period		170.112	4.033.089	1.142.321	18.005.034
Non-Controlling Interests		**185.392**	**5.337.392**	**165.033**	**3.016.956**
TOTAL LIABILITIES AND EQUITY		**10.531.665**	**310.033.249**	**9.353.450**	**174.893.623**

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Note	(Audited) Current Period 1 January - 31 December 2023 USD'000	(Audited) Current Period 1 January - 31 December 2023 TRY'000	(Audited) Previous Period 1 January - 31 December 2022 USD'000	(Audited) Previous Period 1 January - 31 December 2022 TRY'000
Revenue	25	6.238.260	147.899.792	8.107.125	127.782.881
Cost of Sales	25	(5.637.556)	(133.658.002)	(6.486.828)	(102.244.085)
GROSS PROFIT		**600.704**	**14.241.790**	**1.620.297**	**25.538.796**
Marketing Expenses	27	(49.687)	(1.177.995)	(47.052)	(741.626)
General Administrative Expenses	27	(112.736)	(2.672.791)	(97.486)	(1.536.558)
Research and Development Expenses	27	(8.024)	(190.227)	(6.340)	(99.936)
Other Operating Income	28	193.666	4.591.521	60.091	947.150
Other Operating Expenses	28	(61.486)	(1.457.738)	(34.123)	(537.838)
OPERATING PROFIT		**562.437**	**13.334.560**	**1.495.387**	**23.569.988**
Income from Investing Activities	29	15.154	359.280	7.569	119.294
Expenses from Investing Activities	29	(22.975)	(544.735)	(7.004)	(110.401)
Share of Investments' Profit (Loss) Accounted by Using The Equity Method	12	3.305	78.356	4.631	72.996
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		**557.921**	**13.227.461**	**1.500.583**	**23.651.877**
Finance Income	30	139.046	3.296.577	95.380	1.503.360
Finance Expense	31	(353.421)	(8.379.073)	(193.049)	(3.042.783)
Monetary Gain/(Loss)		29.195	692.164	-	-
PROFIT BEFORE TAX		**372.741**	**8.837.129**	**1.402.914**	**22.112.454**
Tax (Expense) Income	32	(190.145)	(4.508.065)	(219.480)	(3.459.400)
Current Corporate Tax (Expense) Income		(200.828)	(4.761.341)	(493.562)	(7.779.424)
Deferred Tax (Expense) Income		10.683	253.276	274.082	4.320.024
NET PROFIT (LOSS) FOR THE PERIOD		**182.596**	**4.329.064**	**1.183.434**	**18.653.054**
Non-Controlling Interests		12.484	295.975	41.113	648.020
Equity Holders of the Parent		170.112	4.033.089	1.142.321	18.005.034
EARNINGS PER SHARE (LOSS)	33		1,1925		5,3078
(TRY 1 Nominal value per share)					

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

	Note	(Audited) Current Period 1 January - 31 December 2023 USD'000	(Audited) Current Period 1 January - 31 December 2023 TRY'000	(Audited) Previous Period 1 January - 31 December 2022 USD'000	(Audited) Previous Period 1 January - 31 December 2022 TRY'000
PROFIT (LOSS) FOR THE PERIOD		**182.596**	**4.329.064**	**1.183.434**	**18.653.054**
OTHER COMPREHENSIVE INCOME (LOSS)					
Not to be reclassified subsequently to profit or loss					
Increase (Decrease) in Revaluation Reserve of Tangible Assets		1.357	168.416	(249)	60.869
Actuarial Gain (Loss) of Defined Benefit Plans	19	(49.243)	(1.396.695)	(72.938)	(1.305.806)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	32	12.310	349.174	14.588	261.161
Foreign Currency Translation Gain (Loss)		-	52.023.347	-	21.490.402
To be reclassified subsequently to profit or loss					
Gain (Loss) in Cash Flow Hedging Reserves		(3.490)	(99.129)	(5.759)	(82.702)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	32	849	25.037	1.284	24.048
Foreign Currency Translation Gain (Loss)		(1.570)	16.640.701	(46.376)	10.737.167
OTHER COMPRHENSIVE INCOME (EXPENSE)		**(39.787)**	**67.710.851**	**(109.450)**	**31.185.139**
TOTAL COMPREHENSIVE INCOME (EXPENSE)		**142.809**	**72.039.915**	**1.073.984**	**49.838.193**
Distribution of Total Comprehensive Income					
Non-controlling Interests		15.976	2.191.103	35.229	1.390.729
Equity Holders of the Parent		126.833	69.848.812	1.038.755	48.447.464

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

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

						Other comprehensive income (expense) not to be reclassified subsequently to profit or loss			Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings				
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
1 January 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**
Inflation effect (*)	2.1	-	-	-	-	-	-	(20.333)	-	-	1.167.326	74.726	-	**1.221.719**	129.333	**1.351.052**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	4.033.089	**4.033.089**	295.975	**4.329.064**
Other comprehensive income (loss)		-	-	-	-	164.577	52.023.347	(1.027.865)	(73.080)	14.728.744	-	-	-	**65.815.723**	1.895.128	**67.710.851**
Total comprehensive income (loss)		-	-	-	-	164.577	52.023.347	(1.027.865)	(73.080)	14.728.744	-	-	4.033.089	**69.848.812**	2.191.103	**72.039.915**
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	-	-	-	-	-	(26.398.443)	-	-	(12.514.446)	-	38.912.889	-	-	-	-
31 December 2023		**3.500.000**	**156.613**	**(640.504)**	**106.447**	**373.251**	**70.267.050**	**(2.455.521)**	**(67.036)**	**4.243.700**	**9.302.588**	**97.371.813**	**4.033.089**	**186.191.490**	**5.337.392**	**191.528.882**
(Audited)																
1 January 2022		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**147.805**	**35.670.125**	**(386.301)**	**63.830**	**669.905**	**4.988.204**	**21.965.415**	**15.527.082**	**82.292.893**	**2.254.711**	**84.547.604**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	18.005.034	**18.005.034**	648.020	**18.653.054**
Other comprehensive income (loss)		-	-	-	-	60.869	21.490.402	(1.021.022)	(57.786)	9.969.967	-	-	-	**30.442.430**	742.709	**31.185.139**
Total comprehensive income (loss)		-	-	-	-	60.869	21.490.402	(1.021.022)	(57.786)	9.969.967	-	-	18.005.034	**48.447.464**	1.390.729	**49.838.193**
Dividends		-	-	-	-	-	-	-	-	-	-	(15.095.126)	-	**(15.095.126)**	(628.484)	**(15.723.610)**
Transfers		-	-	-	-	-	-	-	-	-	2.559.574	12.967.508	(15.527.082)	-	-	-
Increase (decrease) due to other changes (***)	2.1	-	-	-	-	-	(12.518.381)	-	-	(8.610.470)	-	21.128.851	-	-	-	-
31 December 2022		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**208.674**	**44.642.146**	**(1.407.323)**	**6.044**	**2.029.402**	**7.547.778**	**40.966.648**	**18.005.034**	**115.645.231**	**3.016.956**	**118.662.187**

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).

(*) Inflation adjustments were made in accordance with TMS 29 in the financial statements of subsidiaries that were subject to consolidation and whose functional currency was Turkish Lira.

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

	Note	(Audited) Current Period 1 January - 31 December 2023 USD'000	(Audited) Current Period 1 January - 31 December 2023 TRY'000	(Audited) Previous Period 1 January - 31 December 2022 USD'000	(Audited) Previous Period 1 January - 31 December 2022 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**557.746**	**13.068.139**	**607.334**	**8.940.221**
Profit (Loss) for The Period		**182.596**	**4.329.064**	**1.183.434**	**18.653.054**
Adjustments to Reconcile Profit (Loss)		**381.095**	**8.431.947**	**445.421**	**7.635.577**
Adjustments for Depreciation and Amortisation Expenses	25/27/28	226.616	5.372.718	221.665	3.493.831
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(27.796)	(659.014)	30.985	488.389
Adjustments for Provision (Reversal of Provision) for Receivables	*8*	*(14.212)*	*(336.934)*	*44*	*693*
Adjustments for Provision (Reversal of Provision) for Inventories	*10*	*(33.833)*	*(802.145)*	*32.877*	*518.203*
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	*14*	*20.249*	*480.065*	*(1.936)*	*(30.507)*
Adjustments for Provisions		75.080	1.780.028	60.430	952.507
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	*19*	*60.129*	*1.425.557*	*45.074*	*710.462*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	*20*	*14.951*	*354.471*	*15.356*	*242.045*
Adjustments for Interest (Income) and Expenses		94.343	2.236.731	4.229	66.659
Adjustments for Interest Income	*30*	*(103.715)*	*(2.458.925)*	*(80.649)*	*(1.271.181)*
Adjustments for Interest Expense	*31*	*215.522*	*5.109.707*	*108.001*	*1.702.305*
Unearned Financial Income from Credit Sales		*(17.464)*	*(414.051)*	*(23.123)*	*(364.465)*
Adjustments for Unrealised Foreign Exchange Differences		(77.475)	(2.069.308)	(69.039)	(627.777)
Adjustments for Fair Value (Gains) Losses		(34.879)	(826.923)	(14.330)	(225.864)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	*30*	*(34.879)*	*(826.923)*	*(14.330)*	*(225.864)*
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	(3.305)	(78.356)	(4.631)	(72.996)
Adjustments for Tax (Income) Expenses	32	190.145	4.508.065	219.480	3.459.400
Other Adjustments from Non-Cash Items		(35.205)	(1.042.088)	-	-
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		2.071	49.083	6.435	101.428
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	*29*	*2.071*	*49.083*	*6.435*	*101.428*
Other Adjustments for Reconciliation of Profit (Loss)		(28.500)	(838.989)	(9.803)	-
Changes in Working Capital		**140.399**	**4.147.211**	**(217.441)**	**(4.063.798)**
Adjustments for Decrease (Increase) in Trade Receivables		182.255	5.365.259	33.504	626.469
Decrease (Increase) in Trade Receivables from Related Parties		*12.067*	*355.231*	*(12.096)*	*(226.174)*
Decrease (Increase) in Trade Receivables from Third Parties		*170.188*	*5.010.028*	*45.600*	*852.643*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(856)	(25.199)	1.647	30.797
Decrease (Increase) in Other Receivables from Operations from Third Parties		*(856)*	*(25.199)*	*1.647*	*30.797*
Decrease (Increase) in Derivative Financial Instruments		2.777	81.750	8.891	166.246
Adjustments for Decrease (Increase) in Inventories		116.155	3.419.394	(215.896)	(4.036.888)
Decrease (Increase) in Prepaid Expenses		(39.235)	(1.155.008)	49.880	932.674
Adjustments for Increase (Decrease) in Trade Payables		194.957	5.749.536	95.220	1.783.661
Increase (Decrease) in Trade Payable to Related Parties		*4.616*	*136.132*	*18.553*	*347.535*
Increase (Decrease) in Trade Payable to Third Parties		*190.341*	*5.613.404*	*76.667*	*1.436.126*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		25.531	752.942	33.867	634.396
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*25.531*	*752.942*	*33.867*	*634.396*
Increase (Decrease) in Derivative Liabilities		32.874	969.497	(3.036)	(56.871)
Adjustments for Other Increase (Decrease) in Working Capital		(374.059)	(11.010.960)	(221.518)	(4.144.282)
Decrease (Increase) in Other Assets Related from Operations		*(386.294)*	*(11.371.786)*	*(154.135)*	*(2.882.063)*
Increase (Decrease) in Other Payables Related from Operations		*12.235*	*360.826*	*(67.383)*	*(1.262.219)*
Cash Flows Provided by Operating Activities		**704.090**	**16.908.222**	**1.411.414**	**22.224.833**
Payments Related to Provisions for Employee Termination Benefits	19	(28.193)	(668.425)	(12.898)	(203.283)
Payments Related to Other Provisions	20	(10.536)	(249.778)	(6.168)	(97.225)
Income Taxes Refund (Paid)	32	(107.615)	(2.921.880)	(785.014)	(12.984.104)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1.146.511)**	**(27.330.164)**	**(776.348)**	**(12.412.441)**
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		5.379	122.290	3.658	60.000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(58.572)	(1.107.696)	(10.600)	(189.379)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		16.895	400.563	2.724	42.941
Cash Inflow from Sales of Property, Plant and Equipment	14/15/29	*16.895*	*400.563*	*2.724*	*42.941*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(977.104)	(23.165.641)	(722.508)	(11.388.022)
Cash Outflow from Purchase of Property, Plant and Equipment	*14*	*(976.311)*	*(23.146.840)*	*(719.111)*	*(11.334.478)*
Cash Outflow from Purchase of Intangible Assets	*15*	*(793)*	*(18.801)*	*(3.397)*	*(53.544)*
Cash Outflow from Purchase of Investment Property	13	(12.738)	(302.007)	-	-
Cash Advances and Debts Given		(146.584)	(3.475.287)	(15.914)	(250.833)
Other Cash Advances and Debts Given to Related Parties		*2.951*	*(11.559)*	*78.486*	*996.938*
Other Cash Advances and Debts Given		*(149.535)*	*(3.463.728)*	*(94.400)*	*(1.247.771)*
Dividends Received		4.899	112.769	-	-
Other Cash Inflow (Outflows)		21.314	84.845	*(33.708)*	*(687.148)*
CASH FLOWS FROM FINANCING ACTIVITIES		**628.768**	**15.009.427**	**(674.030)**	**(9.627.701)**
Cash Outflows Related to Acquisition of Own Shares and Other Equity Instruments of the Entity		(26.795)	(524.272)	-	-
Cash Inflow from Borrowings		1.850.892	43.879.170	1.415.496	22.348.278
Cash Inflow from Loans	*7*	*1.850.892*	*43.879.170*	*1.314.210*	*20.467.210*
Cash Inflow from Issued Debt Instruments	*7*	-	-	*101.286*	*1.881.068*
Cash Outflow from Repayments of Borrowings		(1.105.496)	(26.209.649)	(1.070.622)	(16.874.937)
Cash Outflow from Loan Repayments	7	*(1.016.609)*	*(24.209.649)*	*(1.070.622)*	*(16.874.937)*
Cash Outflows from Repayments of Issued Debt Instruments	7	*(88.887)*	*(2.000.000)*	-	-
Cash Outflow from Debt Payments for Leasing Contracts		(3.576)	(84.789)	(4.469)	(70.439)
Dividends Paid		-	-	(1.061.705)	(15.720.713)
Interest Paid	7	(177.287)	(4.200.514)	(48.447)	(801.123)
Interest Received		91.030	2.149.481	95.717	1.491.233
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**40.003**	**747.402**	**(843.044)**	**(13.099.921)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(34.348)	8.132.559	(79.401)	5.160.860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**5.655**	**8.879.961**	**(922.445)**	**(7.939.061)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	811.320	15.170.298	1.733.765	23.109.359
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**816.975**	**24.050.259**	**811.320**	**15.170.298**

- As of 31 December 2023, the Group's total amount of time deposit interest accrual is TRY 22.708 thousand (USD 771 thousand) (31 December 2022: TRY 16.160 thousand (USD 864 thousand)).
- Currency protected time deposits with maturities of more than 3 months in financial investments in the consolidated statement of cash flow are reported in "Other Cash Inflows (Outflows)" under Cash Flows from Investing Activities. Changes in fair value are accounted for under income (expenses) from investing activities in the consolidated statement of profit or loss.
- Inflation accounting adjustments made to the non-monetary items of subsidiaries whose functional currency of the Group is Turkish Lira are reported in "Other Adjustments for Non-Cash Items" as of the reporting date.

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 Türkiye as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, cast and pressed steel, coke and their by-products.

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

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

Name of the Company	Country of Operation	Operation	2023 Effective Share Rate %	2022 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	Recycling, Special Purpose Entity	100	100

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

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

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

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

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2023 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.232	1.820	6.052
İskenderun Demir ve Çelik A.Ş.	3.069	1.463	4.532
Erdemir Madencilik San. ve Tic. A.Ş.	184	168	352
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	234	79	313
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	305	305
Erdemir Romania S.R.L.	208	42	250
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	522	141	663
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	11	3	14
Erdemir Enerji Üretim A.Ş.	-	5	5
	8.460	4.027	12.487

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

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Group's subsidiaries incorporated in Türkiye maintain their legal books of account and prepare their statutory financial statements in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

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

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

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

2.1 Basis of Presentation (cont'd)

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

<u>Functional and reporting presentation currency</u>

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

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

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

Functional currency for the foreign subsidiaries

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

Functional currency of the joint venture

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

<u>Adjustment of financial statements during periods of high inflation</u>

The Public Oversight, Accounting and Auditing Standards Authority ("POA") made a statement regarding the scope and application of TAS 29 on 23 November 2023. It has been stated that the financial statements of businesses applying Turkish Financial Reporting Standards for the annual reporting period ending on or after 31 December 2023 should be presented by adjusting for the effect of inflation in accordance with the relevant accounting principles in TAS 29.

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 (cont'd)

In accordance with CMB's decision dated 28 December 2023 and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards, starting from the annual financial reports for the accounting period ending as of 31 December 2023, has been decided to apply inflation accounting by applying articles of TAS 29.

TAS 29 applies to the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy, including consolidated financial statements. If hyperinflation exists in an economy, TAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be expressed in the measurement unit valid at the end of the reporting period.

As of the reporting date, the cumulative change in general purchasing power of the last three years according to the Consumer Price Index ("CPI") figure is over 100%, businesses operating in Türkiye are required to apply the TAS 29 "Financial Reporting in High-Inflation Economics" standard in reporting periods ending on or after 31 December 2023.

Accordingly, inflation adjustments were made in accordance with TAS 29 in the financial statements of Erdemir Madencilik San. ve Tic. A.Ş., Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş., Erdemir Enerji Üretim A.Ş. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş., which were subject to consolidation and whose functional currency is Turkish Lira.

All non-monetary assets and liabilities and profit or loss statements of subsidiaries whose functional currency of the Group is Turkish Lira have been adjusted using the Consumer Price Index. As a result of the correction made according to the inflation effect; The effect of TAS 29 indexation until 1 January 2023 is accounted under equity, and the effect of TAS 29 indexation from 1 January 2023 until 31 December 2023 is accounted for in the consolidated statement of profit or loss.

The company and its subsidiaries, İskenderun Demir ve Çelik A.Ş., Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.and Kümaş Manyezit Sanayi A.Ş., operating in Türkiye and whose functional currency is the US Dollar, do not need to make any adjustments within the scope of TAS 29 since their functional currencies are US Dollars in their financial statements to be prepared in accordance with TFRS.

Translation to presentation currency

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

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

2.2 Basis of Presentation (cont'd)

Translation to presentation currency (cont'd)

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

a) The assets in the consolidated statement of financial position as of 31 December 2023, has been translated into TL using the foreign exchange buying rates effective as of 31 December 2023 announced by the Central Bank of the Republic of Türkiye, TRY 29,4382 = US $ 1 and TRY 32,5739 = EUR 1 and the liabilities has been translated into TL using the foreign exchange selling rates effective as of 31 December 2023, which is also announced by the Central Bank of the Republic of Türkiye, TRY 29,4913 = US $ 1 and TRY 32,6326 = EUR 1 (31 December 2022: for asset balances: TRY 18,6983 = US $ 1, TRY 19,9349 = EUR 1, for liability balances: TRY 18,7320 = US $ 1, TRY 19,9708 = EUR 1).
b) Due to the significant fluctuation in the exchange rate in 2023, for the year ended 31 December 2023, statements of profit or loss are translated from the average exchange rates of the relevant month announced by the Central Bank of the monthly operating profits TRY 23,7085 = US $ 1 and TRY 25,6260 =EUR 1 (31 December 2022: TRY 15,7618 = US $ 1 TRY 17,3551 = 1 EUR).
c) Earnings of previous years are carried in US Dollar in the consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of consolidated financial position as of 31 December 2023 are presented by being translated at the TRY 29,4913 = US $ 1 rate, which is the effective foreign currency selling rate as of 31 December 2023 as announced by the Central Bank of the Republic of Türkiye (31 December 2022: TRY 18,7320 = US $ 1).
d) Exchange differences arising from translation to TRY presentation currency are shown in other comprehensive income as of foreign currency translation reserve.
e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the financial statements

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

Going concern

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

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 22 February 2024 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

2.2 Restatement and Errors In The Accounting Policies and Estimates

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

2.3 Consolidation Principles

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

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

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

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

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

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

The statement of financial position and statements profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its subsidiaries are eliminated on consolidation.

The carrying value of, and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

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

2.3 Consolidation Principles (cont'd)

The table below sets out all subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, (%) and their functional currencies as of reporting date.

	31 December 2023			31 December 2022		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	94,87	94,87	US Dollars	94,87	94,87
Ersem	US Dollars	100	100	US Dollars	100	100
Ermaden	Turkish Lira	90	90	Turkish Lira	90	90
Erdemir Mühendislik	Turkish Lira	100	100	Turkish Lira	100	100
Erdemir Romania S.R.L.	Euro	100	100	Euro	100	100
Erdemir Asia Pasific	US Dollars	100	100	US Dollars	100	100
Erdemir Enerji Üretim	Turkish Lira	100	100	Turkish Lira	100	100
İsdemir Linde Gaz	US Dollars	50	47	US Dollars	50	47
Kümaş	US Dollars	100	100	US Dollars	100	100
Yenilikçi	Turkish Lira	100	100	Turkish Lira	100	100

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

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

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

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

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

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

2.5.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements.

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

2.5.2 Deferred tax (cont'd)

The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. During the evaluation, the expiry dates of future profit projections, financial losses in the current period, unused carried forward financial losses and other tax assets are taken into consideration (Note 32).

2.5.3 Fair values of derivative financial instruments

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

2.5.4 Provision for expected credit losses

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

2.5.5 Provision for impairment of inventories

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

2.5.6 Provisions for employee benefits

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

2.5.7 Provision for lawsuits

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

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

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

2.5.8 Impairments on assets

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

2.5.9 Impairment on financial assets

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

2.5.10 Calculation of loss allowance

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

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

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

2.6 Offsetting

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

2.7 Adoption of New and Revised Financial Reporting Standards

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

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

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

Amendments that are mandatorily effective from 2023

Amendments to TAS 1	:Disclosure of Accounting Policies
Amendments to TAS 8	:Definition of Accounting Estimates
Amendments to TAS 12	:Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to TAS 12	**:**International Tax Reform **-** Pillar Two Model Rules

The effects of these standards and interpretations on the Group's 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.

The Group Management has evaluated that these amendments and interpretations, effective from 2023, have no impact on the Group's consolidated financial statements.

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

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

New and revised TFRSs in issue but not yet effective

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

TFRS 17	:Insurance Contracts
Amendments to TFRS 17	:Initial Application of TFRS 17 and TFRS 9 - Comparative Information
Amendments to TFRS 4	:Extension of the Temporary Exemption from Applying TFRS 9
Amendments to TAS 1	:Classification of Liabilities as Current or Non-Current
Amendments to TAS 1	:Non-current Liabilities with Covenants
Amendments to TFRS 16	:Lease Liability in a Sale and Leaseback
Amendments to TAS 7 and TFRS 7	:Supplier Finance Arrangements
TSRS 1	:General Requirements for Disclosure of Sustainability- related Financial Information
TSRS 2	:Climate-related Disclosures

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 has been deferred for insurance, reinsurance and pension companies for a further year and will replace TFRS 4 Insurance Contracts on 1 January 2025.

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

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

Amendments to TFRS 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.

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

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

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

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 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.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 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.

TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

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

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

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

TSRS 2 Climate-related Disclosures

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

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

2.8 Valuation Principles / Significant Accounting Policies Applied

Accounting policies implemented during preparation of financial statements as follows:

2.8.1 Revenue recognition

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

Group recognizes revenue based on the following main principles:

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

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

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

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

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

2.8.1 Revenue recognition (cont'd)

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

2.8.2 Inventories

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

2.8.3 Property, plant and equipment

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

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

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

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

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

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

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

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

2.8.3 Property, plant and equipment (cont'd)

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

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

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

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

2.8.4 Intangible assets

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

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

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

The amortization rates of the intangible assets are stated below:

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

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

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

2.8.5 Investment properties

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

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

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

2.8.6 Leases

The Group as lessee

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

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

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

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

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

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

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

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

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

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

The Group as lessor

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

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

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

2.8.6 Leases (cont'd)

The Group as lessor(cont'd)

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. If the Group is in the position of sub-lease, the main lease and sub-lease are recognized as two separate contracts. Sub-lease is classified as financial lease or operating lease regarding the right to use arising from the main lease.

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

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

2.8.7 Impairment on assets

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

2.8.8 Borrowing costs

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

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

2.8.9 Financial instruments

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

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

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

2.8.9 Financial instruments(cont'd)

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

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

(i) Amortised cost and effective interest method

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

(i) Amortised cost and effective interest method (cont'd)

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

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

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

(ii) Financial assets at FVTPL

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

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Equity instruments designated as at FVTOCI (cont'd)

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

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Measurement and recognition of expected credit losses

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows (all cash-deficiencies) that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate (or credit-based adjusted effective interest rate for financial assets with credit-value impairment when purchased or incurred).

Derecognition of financial assets

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

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

Financial liabilities

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

A financial liability is subsequently classified at amortized cost except:

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

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

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

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

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

The Entity does not reclassify any financial liability.

<u>Derecognition of financial liabilities</u>

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

Derivative financial instruments

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

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

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

Hedge accounting

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

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

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

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

Hedge accounting (cont'd)

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

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

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

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

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

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

2.8.10 The effects of foreign exchange rate changes

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

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

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

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

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

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

2.8.11 Earnings per share

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

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

2.8.12 Subsequent events

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

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

2.8.13 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.8.14 Related parties

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

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

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

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

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

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

2.8.15 Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis. Income tax expense represents the sum of the current tax and deferred tax.

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

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

2.8.15 Taxation and deferred income taxes (cont'd)

Current tax

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

Deferred tax

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

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

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

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

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

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

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

2.8.15 Taxation and deferred income taxes (cont'd)

Deferred tax (cont'd)

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

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

Current and deferred tax for the period

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

2.8.16 Employee benefits

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

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

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

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

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

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

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

2.8.17 Government grants and incentives

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

2.8.18 Statement of cash flows

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

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

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

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

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

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

2.8.19 Share capital and dividends

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

2.8.20 Repurchased shares (Erdemir shares)

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

2.8.21 Goodwill

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

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

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

2.8.21 Goodwill (cont'd)

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

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

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

2.8.22 Business Combinations

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

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

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

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

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

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

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

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

2.8.22 Business Combinations (cont'd)

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

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

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

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

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

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

NOTE 3 – SEGMENT REPORTING

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

NOTE 4 – CASH AND CASH EQUIVALENTS

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

	31 December 2023	31 December 2022
Cash	60	56
Banks – demand deposits	892.064	777.149
Banks – time deposits	23.180.843	14.409.253
	24.072.967	15.186.458
Time deposit interest accruals (-)	(22.708)	(16.160)
Cash and cash equivalents in the statement of cash flows	24.050.259	15.170.298

The details of demand deposits are presented below:

	31 December 2023	31 December 2022
US Dollars	203.262	378.139
Turkish Lira	637.374	277.321
EURO	35.745	112.195
Romanian Lei	8.486	7.840
Other	7.197	1.654
	892.064	777.149

The details of time deposits in banks as follows:

	31 December 2023	31 December 2022
US Dollars	19.789.210	7.744.097
Turkish Lira	3.255.433	6.627.464
EURO	134.888	26.178
Romanian Lei	1.312	11.514
	23.180.843	14.409.253

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

NOTE 5 – FINANCIAL INVESTMENTS

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

Financial assets shown at amortized value and fair value:

	31 December 2023	31 December 2022
Treasury bonds	-	14.894
Currency protected time deposits	619.393	685.293
Investment funds	1.118.432	-
	1.737.825	700.187

The Group made purchases from private sector funds traded on the stock exchange during the reporting period. As of December 31, 2023, the fair value changes of the relevant funds classified as financial investments in the statement of financial position have been accounted for in the consolidated statement of profit or loss.

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

As of reporting period long term financial investments as follows:

	31 December 2023	31 December 2022
Financial investment without an active market	1.089	692
Venture capital investment fund	160.884	127.082
	161.973	127.774

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

Company	Ratio %	31 December 2023	Ratio %	31 December 2022
Financial investments without an active market				
Teknopark Hatay A.Ş.	5	798	5	507
Seramik Araştırma Merkezi A.Ş.	4	291	4	185
		1.089		692

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2023		31 December 2022	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Forward contracts for fair value hedges of currency risk of sales	1.462	29.898	28.394	9.507
Forward contracts	2.142	1.601	-	-
	3.604	31.499	28.394	9.507
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	154	91.151	30.766	23.645
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	7.638	-	-	17.272
	7.792	91.151	30.766	40.917
	11.396	122.650	59.160	50.424

Derivative instruments for fair value hedge

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

31 December 2023		Assets Nominal value	Assets Fair Value	Liabilities Nominal value	Liabilities Fair Value
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	231.256	1.462	954.872	27.460
Buy USD/Sell EUR	Between 3 - 6 months	-	-	74.270	2.438
		231.256	1.462	1.029.142	29.898
Forward contracts					
Buy EUR/Sell USD	Between 3 - 6 months	73.844	2.142	-	-
Buy USD/Sell EUR	Between 3 - 6 months	-	-	72.955	1.601
		73.844	2.142	72.955	1.601
		305.100	3.604	1.102.097	31.499

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont’d)

Derivative instruments for fair value hedge (cont’d)

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

Derivative instruments for cash flow hedge

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

Buy USD – Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2024 and March 2025.

In respect of these contracts which has a nominal value of TRY 4.836.883 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY 98.118 thousand was included in consolidated other comprehensive income (31 December 2022: TRY 30.041 thousand).

In the current period, TRY 87.176 thousand resulting from the sales related forward contracts was accounted under the revenue account of the consolidated the profit or loss statement (31 December 2022: TRY 523.787 thousand).

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

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

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

As of 31 December 2023, reflected TRY 25.921 thousand from consolidated other comprehensive income to inventory cost thousand (31 December 2022: TRY 175.472 thousand).

NOTE 7 – BORROWINGS

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

	31 December 2023	31 December 2022
Short term bank borrowings	46.034.968	16.657.875
Short term portion of long term bank borrowings	10.617.843	2.483.491
Long term bank borrowings	10.747.946	8.261.399
Total bank borrowings	67.400.757	27.402.765
Short term portion of short term corporate bonds issued	-	1.970.692
Total corporate bonds issued	-	1.970.692
Short term portion of long term lease payables	113.262	62.785
Cost of short term portion of long term lease payables (-)	(4.990)	(2.553)
Long term lease payables	795.883	475.999
Cost of long term lease payables (-)	(564.210)	(328.949)
Total lease payables	339.945	207.282
Total borrowings	67.740.702	29.580.739

Group; has been paid its financing bonds, which issued on 8 November 2022 with a maturity of 7 April 2023, a nominal value of TRY 1.100.000 with an issue price of 89,188, and a maturity of 7 November 2023 with a simple annual interest rate of 32,50, TRY 900.000 thousand.

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

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 December 2023
Fixed	TRY	30,67	4.095.704	-	4.095.704
Fixed	US Dollars	9,94	42.350.022	-	42.350.022
Floating	TRY	TLREF+3,79	1.977.262	-	1.977.262
Floating	US Dollars	TERM SOFR+3,15	7.748.082	8.307.410	16.055.492
Floating	EURO	Euribor+0,48	481.741	2.440.536	2.922.277
			56.652.811	10.747.946	67.400.757

NOTE 7 – BORROWINGS (cont'd)

As of 31 December 2022, the breakdown of the Group's loans and issued bonds with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2022
Fixed	TRY	22,59	8.111.383	-	8.111.383
Fixed	US Dollars	8,62	11.814.528	912.104	12.726.632
Fixed	EURO	2,70	15.685	-	15.685
Floating	US Dollars	Libor+2,08	756.103	5.628.033	6.384.136
Floating	EURO	Euribor+0,59	414.359	1.721.262	2.135.621
			21.112.058	8.261.399	29.373.457

Maturity distribution of financial borrowings is as follows:

	31 December 2023			
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings
Within 1 year	56.652.811	-	108.272	56.761.083
Between 1-2 years	2.432.144	-	55.364	2.487.508
Between 2-3 years	2.510.568	-	24.623	2.535.191
Between 3-4 years	1.572.208	-	14.260	1.586.468
Between 4-5 years	1.118.965	-	12.516	1.131.481
Five years or more	3.114.061	-	124.910	3.238.971
	67.400.757	-	339.945	67.740.702

	31 December 2022			
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings
Within 1 year	19.141.366	1.970.692	60.232	21.172.290
Between 1-2 years	3.699.053	-	41.729	3.740.782
Between 2-3 years	962.263	-	21.946	984.209
Between 3-4 years	994.660	-	10.210	1.004.870
Between 4-5 years	755.436	-	8.987	764.423
Five years or more	1.849.987	-	64.178	1.914.165
	27.402.765	1.970.692	207.282	29.580.739

NOTE 7 – BORROWINGS (cont'd)

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

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	29.373.457	16.319.038
Interest expenses	5.074.609	1.650.583
Interest paid	(4.200.514)	(801.123)
Unrealised foreign exchange differences	(1.777.234)	(855.090)
Capitalized financing expense	241.045	(10.198)
Cash inflow from loans	43.879.170	20.467.210
Bonds issued	-	1.881.068
Cash outflow from loan repayments	(24.209.649)	(16.874.937)
Cash outflow for bonds	(2.000.000)	-
Translation difference	21.019.873	7.596.906
Closing balance	67.400.757	29.373.457

Reconciliation of net financial borrowings of financial leases as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	207.282	357.306
The effect of the increase (decrease) in the lease contract	180.339	(515.423)
Cash outflow effect	(84.789)	(70.439)
Increase in interest expenses	34.920	51.722
Foreign exchange effect	2.193	384.116
Closing balance	339.945	207.282

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

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

	31 December 2023	31 December 2022
Short term trade receivables		
Trade receivables	19.784.768	15.291.306
Due from related parties (Note 34)	688.565	662.994
Notes receivables	3.290	1.311
Expected credit loss provision (-)	(123.462)	(353.462)
	20.353.161	15.602.149

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

Movement of short term receivables credit loss provision as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	353.462	271.947
Provision for the period	8.873	6.983
Doubtful receivables collected (-)	-	(381)
Provision released (-)	(345.807)	(5.909)
Translation difference	106.934	80.822
Closing balance	123.462	353.462

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

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

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

Group's past due but not impaired receivable amount is TRY 59.468 thousand and the maturities of them are between 0 and 90 days (31 December 2022: TRY 107.465 thousand) (Note 35).

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

Short term trade payables	31 December 2023	31 December 2022
Trade payables	22.279.410	10.570.130
Due to related parties (Note 34)	1.130.333	631.491
Expense accruals	17.323	26.619
	23.427.066	11.228.240

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

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

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

Short term other receivables	31 December 2023	31 December 2022
Due From Related Parties (Note 34)	11.582	7.227
Receivables from water system construction	1.426	1.407
Deposits and guarantees given	19.786	8.893
Receivables from Privatization Authority	95.052	43.637
	127.846	61.164

Long term other receivables	31 December 2023	31 December 2022
Due From Related Parties (Note 34)	75.091	47.083
Receivables from water system construction	5.356	6.107
Deposits and guarantees given	6.090	5.045
	86.537	58.235

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

Short term other payables	31 December 2023	31 December 2022
Taxes payable	1.102.862	109.669
Deposits and guarantees received	49.989	87.797
Dividend payables to shareholders (*)	9.944	10.047
	1.162.795	207.513

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

NOTE 10 – INVENTORIES

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

	31 December 2023	31 December 2022
Raw materials	15.238.693	13.475.310
Work in progress	13.601.334	9.746.058
Finished goods	12.224.831	10.171.443
Spare parts	9.926.059	5.266.129
Goods in transit	13.439.537	4.357.075
Other inventories	5.081.116	3.188.149
Allowance for impairment on inventories (-)	(2.234.866)	(2.051.756)
	67.276.704	44.152.408

NOTE 10 – INVENTORIES (cont'd)

The movement of the provision for impairment on inventories:

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	2.051.756	1.024.586
Provision for the period	132.263	550.403
Provision released (-)	(934.408)	(32.200)
Translation difference	985.255	508.967
Closing balance	2.234.866	2.051.756

The Group has provided the provision for the impairment on the inventories of finished goods and work in progress within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 25). There is no stock impairment provision in the financial statements of subsidiaries whose functional currency is Turkish Lira subject to consolidation as of the reporting date.

NOTE 11 – PREPAID EXPENSES

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

	31 December 2023	31 December 2022
Insurance expenses	1.104.461	385.693
Order advances given	653.761	257.670
Due to related parties (Note 34)	12.782	41.233
Prepaid utility allowance to employees	107.462	62.307
Mine site permit fee	130.606	94.751
Other prepaid expenses	39.853	27.709
	2.048.925	869.363

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

	31 December 2023	31 December 2022
Order advances given	11.993.644	4.821.967
Due to related parties (Note 34)	182.922	171.363
Insurance expenses	389.948	-
Pickling expenses	172.237	171.284
Other prepaid expenses	5.602	11.823
	12.744.353	5.176.437

NOTE 12 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	Right to vote ratio %	31 December 2023	Right to vote ratio %	31 December 2022	Business segment
Joint Venture					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	884.293	50	606.053	Industrial Gas Production and Sale

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

	31 December 2023	31 December 2022
Total assets	1.913.261	1.299.886
Total liabilities	144.675	87.781
Net assets	1.768.586	1.212.105
Group's share on net assets	884.293	606.053

	31 December 2023	31 December 2022
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 228.207 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 31.809 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 15.905 thousand) is included in the financial statements prepared as of reporting date.

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.

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

	1 January – 31 December 2023	1 January – 31 December 2022
Revenue	636.746	532.431
Operating profit	212.611	117.241
Net profit (loss) for the period	156.712	145.992
Group's share on net profit (loss)	78.356	72.996

NOTE 13 – INVESTMENT PROPERTIES

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

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	545.048	436.696	981.744
Translation difference	313.065	823.688	1.136.753
Additions	-	302.007	302.007
Transfers (*)	-	2.068.387	2.068.387
Closing balance as of 31 December 2023	858.113	3.630.778	4.488.891
Accumulated Depreciation			
Opening balance as of 1 January	-	(77.153)	(77.153)
Translation difference	-	(36.487)	(36.487)
Charge for the period	-	(56.335)	(56.335)
Transfers (*)	-	88.729	88.729
Closing balance as of 31 December 2023	-	(81.246)	(81.246)
Net book value as of 31 December 2022	545.048	359.543	904.591
Net book value as of 31 December 2023	858.113	3.549.532	4.407.645

(*) As of the reporting period, TRY 2.513.561 thousand was transferred from property, plant and equipments to investment properties, and TRY (356.445) thousand was transferred from investment properties to property, plant and equipments.

The fair value of the Group's investment properties is TRY 6.974.198 thousand (31 December 2022: TRY 2.296.154 thousand) according to the most recent valuation reports. The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

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

The Group does not have contractual obligations regarding the purchase, construction or development of investment properties or maintenance, repair or improvement. For the year ended 31 December 2023, the Group generated rent income amounting to TRY 91.435 thousand (31 December 2022: TRY 29.622 thousand) from rented investment properties under operating leases (Note 29). The Group also has investment properties that do not generate rental income.

The Group has recognized TRY (3.180) thousand (31 December 2022: TRY (834) thousand) of estate tax expenses related to investment properties for the year ended 31 December 2023 under investment expenses (Note 29).

NOTE 13 – INVESTMENT PROPERTIES (cont'd)

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

Amortization distribution of investment properties is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Associated with cost of production	2.713	1.803
General administrative expenses	53.622	12.205
	56.335	14.008

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	1.599.301	16.880.927	26.971.279	118.198.399	6.089.864	3.079.308	1.227.271	20.048.876	194.095.225
Inflation effect	205.275	572.711	395.724	1.398.527	2.211.009	1.364.714	718.581	1.139.483	8.006.024
Translation difference	929.170	9.817.190	15.600.127	69.216.251	3.458.265	1.737.550	418.504	13.218.521	114.395.578
Additions (*)	50.960	226.808	33.284	1.449.293	207.078	154.268	56.814	21.209.380	23.387.885
Transfers from CIP (**)	59.735	1.195.955	75.421	6.972.405	23.743	80.887	107.276	(8.625.816)	(110.394)
Transfers to investment properties (**)	-	-	445.174	-	-	-	-	(2.513.561)	(2.068.387)
Disposals	-	(546.520)	(89.881)	(2.834.852)	(60.819)	(127.273)	(133.282)	(870)	(3.793.497)
Closing balance as of 31 December 2023	2.844.441	28.147.071	43.431.128	194.400.023	11.929.140	6.289.454	2.395.164	44.476.013	333.912.434
Accumulated Depreciation									
Opening balance as of 1 January	-	(13.064.331)	(20.307.001)	(73.318.684)	(3.908.808)	(1.811.423)	(667.874)	(301.550)	(113.379.671)
Inflation effect	-	(481.395)	(338.907)	(966.230)	(2.210.624)	(1.338.321)	(83.350)	-	(5.418.827)
Translation difference	-	(7.469.150)	(11.855.923)	(42.544.324)	(2.211.618)	(1.013.889)	(332.710)	(13.753)	(65.441.367)
Charge for the period	-	(347.488)	(673.136)	(3.477.632)	(240.513)	(203.658)	(90.062)	-	(5.032.489)
Impairment (***)	-	(160.409)	(85.122)	(167.151)	(9.448)	(1.028)	-	(56.907)	(480.065)
Disposals	-	546.460	86.268	2.400.438	54.660	122.777	133.248	-	3.343.851
Transfers to investment properties (**)	-	-	(88.729)	-	-	-	-	-	(88.729)
Closing balance as of 31 December 2023	-	(20.976.313)	(33.262.550)	(118.073.583)	(8.526.351)	(4.245.542)	(1.040.748)	(372.210)	(186.497.297)
Net book value as of 31 December 2022	1.599.301	3.816.596	6.664.278	44.879.715	2.181.056	1.267.885	559.397	19.747.326	80.715.554
Net book value as of 31 December 2023	2.844.441	7.170.758	10.168.578	76.326.440	3.402.789	2.043.912	1.354.416	44.103.803	147.415.137

(*) The amount of capitalized borrowing cost is TRY 241.045 thousand for the current period.
(**) TRY 110.394 thousand is transferred to intangible assets (Note 15), and TRY 2.157.116 thousand of net book value was transferred to investment properties (Note 13).
(***) Due to the earthquake on 6 February 2023; Production activities of İsdemir, one of the subsidiaries of the Group, have 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 TRY (480.065) thousand has been calculated for the assets that will be out of use. As of the reporting date, the impairment provision, recalculated in the functional currency and reported by converting it into the presentation currency, is recorded in the "Expenses from Investing Activities" account of the consolidated statement of profit or loss (Note 29).

As of 31 December 2023, the Group has no collaterals or pledges upon its property, plant and equipment.

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

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

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

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

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

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

	31 December 2023	31 December 2022
Associated with cost of production	4.660.441	2.989.726
General administrative expenses	137.211	77.579
Marketing, sales and distribution expenses	192.030	135.267
Research and development expenses	42.807	26.837
	5.032.489	3.229.409

NOTE 15 – INTANGIBLE ASSETS

	Rights	Customer Relationships	Other Intangible Assets	Total
Cost				
Opening balance as of 1 January	5.110.997	1.994.097	175.452	7.280.546
Inflation effect	30.855	-	15.010	45.865
Translation difference	2.972.401	1.151.158	105.085	4.228.644
Additions	17.554	-	1.247	18.801
Transfers from CIP	109.599	-	795	110.394
Closing balance as of 31 December 2023	8.241.406	3.145.255	297.589	11.684.250
Accumulated amortization				
Opening balance as of 1 January	(1.911.405)	(255.271)	(160.453)	(2.327.129)
Inflation effect	(21.230)	-	(14.809)	(36.039)
Translation difference	(1.148.735)	(187.542)	(100.621)	(1.436.898)
Charge for the period	(147.121)	(168.764)	(15.013)	(330.898)
Closing balance as of 31 December 2023	(3.228.491)	(611.577)	(290.896)	(4.130.964)
Net book value as of 31 December 2022	3.199.592	1.738.826	14.999	4.953.417
Net book value as of 31 December 2023	5.012.915	2.533.678	6.693	7.553.286

As of 31 December 2023, the Group has no collaterals or pledges upon its intangible assets.

NOTE 15 – INTANGIBLE ASSETS (cont'd)

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

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

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

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

	31 December 2023	31 December 2022
Associated with cost of production	299.254	239.241
General administrative expenses	29.876	22.555
Marketing, sales and distribution expenses	6	63
Research and development expenses	1.762	1.063
	330.898	262.922

NOTE 16 – RIGHT OF USE ASSETS

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

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January	147.349	194.902	342.251
Inflation effect	-	14.245	14.245
Additions to assets of operating lease	65.329	93.674	159.003
Disposals (-)	-	(27.086)	(27.086)
Translation difference	100.423	114.412	214.835
Closing balance as of 31 December 2023	313.101	390.147	703.248
Accumulated Amortization			
Opening balance as of 1 January	18.875	81.254	100.129
Inflation effect	-	5.649	5.649
Charge for the period	8.393	96.107	104.500
Disposals (-)	-	(24.600)	(24.600)
Translation difference	12.869	59.174	72.043
Closing balance as of 31 December 2023	40.137	217.584	257.721
Net book value as of 31 December 2022	128.474	113.648	242.122
Net book value as of 31 December 2023	272.964	172.563	445.527

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

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

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

	31 December 2023	31 December 2022
Amortization of assets to operating lease	104.500	74.973
Interest expense from lease transactions	35.098	51.722

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

	31 December 2023	31 December 2022
Right to use land	272.964	128.474
Vehicle leases	172.563	113.648
	445.527	242.122

The Group has usage permit agreements regarding the port areas of the General Directorate of National Real Estate. The values of tangibles with usage permit periods expiring in 2049 and 2071 are measured at their present value by reducing the borrowing rate by 11% - 16% at the initial calculation.

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

The Group has a usage permit agreement of regarding the forest land and energy transmission line of the General Directorate of Forestry. Forest land use permit will expire in 2039 - 2071, and the energy transmission line use permit will expire in 2064. The values of the immovable assets were measured at present value by reducing the borrowing rate in the first calculation with 10%-15% .

In addition, car lease contracts with useful lives between 2023 - 2026 and with borrowing rate reduced by 7% - 37% are measured at their present value.

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

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

	31 December 2023	31 December 2022
Associated with cost of production	16.836	6.007
General administration expenses	77.259	43.832
Marketing, sales and distribution expenses	2.585	283
Other operating expenses	7.820	24.851
	104.500	74.973

NOTE 17 – GOODWILL

The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş and its subsidiaries was completed on 3 February 2021. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand). As a result of the purchase; the part of the fair value of the acquired assets and liabilities amounting to USD 277.162 thousand (TRY 1.978.161 thousand) below the purchase price is recognized as goodwill amounting to USD 18.781 thousand (TRY 134.045 thousand)

As of the reporting date the movement of goodwill is as follows:

	31 December 2023	31 December 2022
Goodwill	552.886	351.177
	552.886	351.177

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	351.177	250.335
Translation difference	201.709	100.842
Closing balance	552.886	351.177

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

The below key assumptions are used in the calculation of the value in use as of 31 December 2023:

The projection period for the purposes of goodwill impairment testing is approved by the management as 7 years between 1 January 2024 and 31 December 2030. Cash flows for further periods (perpetuity) were extrapolated using the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 11,1% - 13,0% is used as after-tax discount rate in order to calculate the recoverable amount of the unit. As of the reporting period, no impairment has been determined in the amount of goodwill associated with the Group's activities.

NOTE 18 – GOVERNMENT GRANTS AND INCENTIVES

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

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

Research and development incentive premiums received amounts to TRY 53.218 thousand (31 December 2022: TRY 14.071 thousand) which are considered as a deduction subject in the calculation of corporate tax calculation.

NOTE 19 – EMPLOYEE BENEFITS

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

	31 December 2023	31 December 2022
Due to personnel	671.398	957.083
Social security premiums payable	1.124.561	236.455
	1.795.959	1.193.538

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

	31 December 2023	31 December 2022
Provisions for employee termination benefits	4.761.820	2.922.934
Provisions for seniority incentive premium	296.149	225.046
Provision for unpaid vacations	524.506	289.925
	5.582.475	3.437.905

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

As of 31 December 2023, the amount payable consists of one month's salary limited to a maximum of TRY 23.489,83 (31 December 2022: TRY 15.371,40) for each year of service. As of 1 January 2024, the employment termination benefit has been updated to a maximum of TRY 35.058,58.

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

The employment termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2023 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

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

	31 December 2023	31 December 2022
Interest rate	24,27%	16,19%
Inflation rate	21,02%	14,23%

NOTE 19 – EMPLOYEE BENEFITS (cont'd)

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

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2023, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	2.922.934	1.282.538
Service cost	511.408	146.603
Interest cost	433.718	273.778
Actuarial loss/(gain)	1.396.695	1.305.806
Termination benefits paid	(526.577)	(109.492)
Translation difference	23.642	23.701
Closing balance	4.761.820	2.922.934

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. All other variables were held constant, the sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2023 as follows:

	Interest rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	(194.960)	228.483

	Inflation rate	
Change in rate	1% increase	1% decrease
Change in employee benefits liability	233.085	(201.352)

NOTE 19 – EMPLOYEE BENEFITS (cont'd)

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

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

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	225.046	183.800
Service cost	30.182	19.468
Interest cost	36.929	32.034
Actuarial loss/(gain)	105.908	76.260
Termination benefits paid	(89.875)	(77.184)
Translation difference	(12.041)	(9.332)
Closing balance	296.149	225.046

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

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	289.925	139.012
Provision for the period	591.157	257.754
Vacation paid during the period (-)	(51.973)	(16.607)
Provisions released (-)	(283.745)	(95.435)
Translation difference	(20.858)	5.201
Closing balance	524.506	289.925

NOTE 20 – PROVISIONS

The Group's short term provisions are as follows:

	31 December 2023	31 December 2022
Provision for lawsuits	534.502	368.664
Penalty provision for employment shortage of disabled	6.637	9.291
Provision for state right on mining activities	129.992	94.172
Provision for land occupation	27.474	47.305
	698.605	519.432

NOTE 20 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	1 January 2023	Change for the period	Payments	Provision released	Translation difference	31 December 2023
Provision for lawsuits	368.664	161.832	(45.039)	(18.238)	67.283	534.502
Penalty provision for employment shortage of disabled personnel	9.291	11	(713)	(2.180)	228	6.637
Provision for state right on mining activities	94.172	130.564	(80.729)	(19.728)	5.713	129.992
Provision for land occupation	47.305	102.297	(123.297)	(87)	1.256	27.474
	519.432	394.704	(249.778)	(40.233)	74.480	698.605

	1 January 2022	Change for the period	Payments	Provision released	Translation difference	31 December 2022
Provision for lawsuits	247.419	112.338	(12.906)	(13.305)	35.118	368.664
Penalty provision for employment shortage of disabled personnel	11.117	3.869	(2.556)	(2.464)	(675)	9.291
Provision for state right on mining activities	39.248	98.443	(45.591)	-	2.072	94.172
Provision for land occupation	35.085	44.689	(36.172)	(1.525)	5.228	47.305
	332.869	259.339	(97.225)	(17.294)	41.743	519.432

NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits

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

	31 December 2023	31 December 2022
Lawsuits filed by the Group	1.080.796	1.877.331
Provision for lawsuits filed by the Group	32.590	289.132

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

	31 December 2023	31 December 2022
Lawsuits filed against the Group	393.968	280.974
Provision for lawsuits filed against the Group	534.502	368.664

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

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

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

NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the 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 TFRS on consolidated financial statements of 2005, although CMB had given the Company a 'permission' No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with 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 31 December 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. İn the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara, the court accepted the case subject to appeal, on 30 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 desicion at the Supreme Court 11th Civil Chamber.

NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

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

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

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. With the decision of the 22nd Civil Chamber of the Ankara Regional Court of Justice, the decision of the Karadeniz. Ereğli 2nd Civil Court of First Instance has been annulled. The file was sent to the Karadeniz. Ereğli 2nd Civil Court of First Instance to be send back to the Regional Court of Justice after the reasoned decision was written. At the hearing dated February 22, 2022, it was decided that the case was partially accepted and partially rejected, subject to appeal. 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. The 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. The file was sent to the Regional Court of Justice for the appeal. A provision amounting to TRY 231.284 thousand recognized on consolidated financial statements for the related lawsuit.

NOTE 20 – PROVISIONS (cont'd)

Resolution of Constitutional Court on Electric and Coal Gas Tax

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Consumption Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, the Company used its right to individual application at the Constitutional Court on 16 March 2015. In the General Assembly Resolution of Constitutional Court notified to the Company on 27 December 2018, it is decided that the property rights of the Company were violated, and retrial should be held in order to eliminate the consequences of the violation of the property rights for 15 cases which were brought together within the scope of Company's individual application.

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

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.

Decisions are made in favor of the Company regarding the ongoing cases.

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.

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

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee's decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court.

NOTE 20 – PROVISIONS (cont'd)

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

In all cases, the court decided to cancel the proceedings that were the subject of the lawsuit. The Municipality has appealed against these decisions. In 14 of the cases, the Regional Administrative Court decided to reject the appeal of Karadeniz Ereğli Municipality.

In 11 cases the Municipality has appealed to 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 Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3% of the minimum value which is the basis for the property tax of the land property.

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

NOTE 21 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2023	31 December 2022
Letters of guarantees received	17.058.993	12.825.995
	17.058.993	12.825.995

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

	31 December 2023	31 December 2022
A. Total CPM given for the Company's own legal entity	5.329.066	733.735
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	3.672.538	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	-	-
	9.001.604	3.091.290

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 3.672.538 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 31 December 2023, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2022: 0%).

	31 December 2023	31 December 2022
US Dollars	6.706.689	1.269.039
Turkish Lira	531.917	646.853
EURO	1.762.998	1.175.398
	9.001.604	3.091.290

NOTE 22 – OTHER ASSETS AND LIABILITIES

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

Other current assets

	31 December 2023	31 December 2022
Insurance income accruals	838.989	-
Other VAT receivable	16.612.894	1.813.456
Deferred VAT	1.284.784	1.996.360
Prepaid taxes and funds	67.246	49.439
Other current assets	85.379	166.081
	18.889.292	4.025.336

Insurance income accruals; It consists of the amount of receivables for which an agreement was made within the scope of insurance of İsdemir, one of the subsidiaries of the Company, due to the earthquake that occurred on February 6, 2023.

Other non-current assets

	31 December 2023	31 December 2022
Other VAT receivable	1.009.172	857.688
	1.009.172	857.688

Other current liabilities

	31 December 2023	31 December 2022
VAT payable	723.755	53.736
Other current liabilities	54.508	25.996
	778.263	79.732

Other non-current liabilities

	31 December 2023	31 December 2022
Other non-current liabilities	16.779	11.717
	16.779	11.717

NOTE 23 – DEFERRED INCOME

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

	31 December 2023	31 December 2022
Advances received	1.230.613	909.455
Deferred income	83.327	109.512
	1.313.940	1.018.967

NOTE 24 – EQUITY

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

Shareholders	(%)	31 December 2023	(%)	31 December 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)
		3.016.109		3.540.381

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

The issued capital of the Company consists of 350.000.000.000 lots of shares (31 December 2022: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Kurus) (31 December 2022: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

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

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

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

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" Erdemir, as of 31 December 2023, holds its own shares with a nominal value of TRY 124.242 thousand (31 December 2022: TRY 107.837 thousand).

NOTE 24 – EQUITY (cont'd)

Other Equity Items	31 December 2023	31 December 2022
Share Premium	106.447	106.447
Revaluation Reserves of Tangible Assets	373.251	208.674
- Revaluation Reserves of Tangible Assets	*373.251*	*208.674*
Cash Flow Hedging Reserves	(67.036)	6.044
Foreign Currency Translation Reserves	74.510.750	46.671.548
Actuarial (Loss)/ Gain Fund	(2.455.521)	(1.407.323)
Restricted Reserves Assorted from Profit	9.302.588	7.547.778
- Legal Reserves	*9.302.588*	*7.547.778*
Retained Earnings	97.371.813	40.966.648
	179.142.292	94.099.816

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

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

Other equity items are carried at the amounts that are valued based on the TFRS. Capital restatement differences may only be considered as part of the paid-up capital.

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

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

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

NOTE 24 – EQUITY (cont'd)

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

The Company's financial statements prepared in accordance with the Tax Procedure Law have been subject to inflation adjustment as of 31 December 2023, and the inflation differences of equity items (accumulated profits and resources that can be added to capital) have been recorded in the statutory financial statements as of the reporting date.

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

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

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

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

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

NOTE 25 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 1.230.613 thousand (Note 23). The Company plans to recognize related revenue amount as a revenue in a year.

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	124.640.941	102.953.785
Export sales	15.902.785	18.515.681
Other revenues	6.263.422	5.552.987
Interest income from sales with maturities	1.338.564	953.468
Sales returns (-)	(123.089)	(59.359)
Sales discounts (-)	(122.831)	(133.681)
	147.899.792	127.782.881
Cost of sales (-)	(133.658.002)	(102.244.085)
Gross profit	14.241.790	25.538.796

The total amount of product exports in other revenues is TRY 2.695.768 thousand (31 December 2022: TRY 2.374.772 thousand). Total interest income from export sales with maturities is TRY 12.714 thousand (31 December 2022: TRY 29.580 thousand).

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

	1 January - 31 December 2023	1 January - 31 December 2022
Raw material usage	(98.818.872)	(78.716.216)
Personnel costs	(8.227.579)	(4.411.212)
Energy costs	(12.311.205)	(10.807.920)
Depreciation and amortization expenses	(4.810.904)	(3.143.289)
Manufacturing overheads	(4.254.526)	(1.084.142)
Other cost of goods sold	(1.881.498)	(1.301.314)
Non-operating costs (*)	(2.003.011)	(253.925)
Freight costs for sales delivered to customers	(1.072.038)	(1.199.214)
Allowance expenses for impairment on inventories (Note 10)	(132.263)	(550.403)
Inventory provision released (Note 10)	934.408	32.200
Amortization of right of use assets	(16.836)	(6.007)
Other	(1.063.678)	(802.643)
	(133.658.002)	(102.244.085)

(*) Due to the earthquake that occurred on 6 February 2023, production activities of İsdemir, one of the subsidiaries of the Group, were suspended until the due diligence studies were completed. TRY (2.003.011) 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.

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

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

	1 January - 31 December 2023	1 January - 31 December 2022
Marketing expenses (-)	(1.177.995)	(741.626)
General administrative expenses (-)	(2.672.791)	(1.536.558)
Research and development expenses (-)	(190.227)	(99.936)
	(4.041.013)	(2.378.120)

NOTE 27 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

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

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses (-)	(456.437)	(287.819)
Depreciation and amortization (-)	(192.036)	(135.330)
Benefits and services from third parties (-)	(526.937)	(318.194)
Amortization of right of use assets (-)	(2.585)	(283)
	(1.177.995)	(741.626)

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

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses (-)	(1.161.570)	(705.297)
Depreciation and amortization (-)	(220.709)	(112.339)
Benefits and services from third parties (-)	(1.195.761)	(662.265)
Tax, duty and charges (-)	(27.959)	(12.132)
Provision/ Provision released for doubtful receivables (net)	10.467	(693)
Amortization of right of use assets (-)	(77.259)	(43.832)
	(2.672.791)	(1.536.558)

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

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expenses (-)	(89.943)	(48.586)
Depreciation and amortization (-)	(44.569)	(27.900)
Other (-)	(55.715)	(23.450)
	(190.227)	(99.936)

NOTE 27 – OPERATING EXPENSES ACCORDING TO THEIR NATURE (cont'd)

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

	1 January - 31 December 2023	1 January - 31 December 2022
Independent audit fee for reporting period	(6.516)	(3.843)
Fee for other assurance services	(235)	(185)
	(6.751)	(4.028)

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

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

	1 January - 31 December 2023	1 January - 31 December 2022
Prior period fixed asset damage indemnity income	727.981	-
Foreign exchange gain from trade receivables and payables	536.541	-
Forfeit advances from customers	2.055	38.297
Discount income	-	2.176
Provisions released	20.418	15.769
Service income	155.463	70.037
Maintenance repair and rent income	28.547	27.947
Warehouse income	105.842	57.046
Indemnity and penalty detention income	25.725	14.514
Prior period insurance indemnity income	207.873	510.091
Lawsuit income	25.116	2.204
Overdue interest income	122.926	16.876
Current period insurance indemnity income	2.370.850	-
Other income and gains	262.184	192.193
	4.591.521	947.150

Group recognized prior period fixed asset indemnity incomes obtained from lawsuit compensations in the current period 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 2.370.850 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 insurance income accruals accounts within other current assets (Note 22) as of the reporting period.

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

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

	1 January - 31 December 2023	1 January - 31 December 2022
Provision expenses	(161.843)	(116.207)
Foreign exchange expenses from trade receivables and payables	-	(114.684)
Lawsuit compensation expenses	(74.657)	(8.998)
Right of use assets amortization	(7.820)	(24.851)
Donation expenses	(868.937)	(93.487)
Service expenses	(95.253)	(69.098)
Penalty expenses	(109.604)	(1.439)
Other expenses and losses	(139.624)	(109.074)
	(1.457.738)	(537.838)

NOTE 29 –INCOME/(EXPENSES) FROM INVESMENT ACTIVITIES

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

Income from investment activities	1 January - 31 December 2023	1 January - 31 December 2022
Net gain/(loss) from İnvestments activities at fair value through profit or loss	255.436	51.026
Income from sales on tangible assets	12.409	8.139
Rent income from investment properties	91.435	29.622
Property,plant and equipment provisions released (Note 14)	-	30.507
	359.280	119.294

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

Expenses from investment activities (-)	1 January - 31 December 2023	1 January - 31 December 2022
Loss on sales of tangible assets	(29.056)	(14.046)
Loss on disposal of tangible assets	(32.436)	(95.521)
Impairment of property, plant and equipment (Note 14)	(480.065)	-
Expenses from investment properties	(3.180)	(834)
	(544.735)	(110.401)

Due to the earthquake on 6 February 2023; Production activities of İsdemir, one of the subsidiaries of the Group, have 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 TRY (480.065) thousand has been calculated for the assets that will be out of use (Note 14).

NOTE 30 – FINANCE INCOME

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

Finance income	31 December 2023	31 December 2022
Interest income on bank deposits	2.458.435	1.268.689
Interest income from financial investments	490	2.492
Fair value differences of derivative financial instruments	826.923	225.864
Other financial income	10.729	6.315
	3.296.577	1.503.360

NOTE 31 – FINANCE EXPENSES

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

Finance expenses (-)	1 January - 31 December 2023	1 January - 31 December 2022
Interest expenses on borrowings	(5.074.609)	(1.650.583)
Foreign exchange loss (net)	(2.774.644)	(1.006.173)
Interest cost of employee benefits	(469.499)	(305.812)
Interest expenses on leasings	(35.098)	(51.722)
Other financial expenses	(25.223)	(28.493)
	(8.379.073)	(3.042.783)

During the period, the interest expenses of TRY 241.045 thousand have been capitalized as part of the Group's property, plant and equipment (31 December 2022: TRY (10.198) thousand).

NOTE 32 – TAX ASSETS AND LIABILITIES

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

Corporate tax payable:	31 December 2023	31 December 2022
Corporation tax for the year of 2022	54.494	-
Current corporate tax provision	5.715.882	9.150.847
Prepaid taxes and funds (-)	(2.537.926)	(8.712.399)
	3.232.450	438.448

Taxation:	1 January - 31 December 2023	1 January - 31 December 2022
Current corporate tax expense	4.761.341	7.779.424
Deferred tax (income) / expense	(253.276)	(4.320.024)
	4.508.065	3.459.400

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

Corporate tax

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

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

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' assests 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 Türkiye is 25%, 16% in Romania and 17% in Singapore as of 31 December 2023 (31 December 2022: in Türkiye 23%, in Romania 16%, in Singapore 17%).

The total amount of the corporate tax paid by the Group in 2023 is TRY 2.921.880 thousand (31 December 2022: TRY 12.984.104 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 April 2024. In this case, the terms of use of tax returns and notifications requiring force majeure have been extended until 31 May 2024.

With the temporary article 33 of the Tax Procedure Law; It has been stipulated that no inflation adjustment will be made in the accounting periods of 2021 and 2022 and the provisional tax periods of 2023, regardless of whether the conditions in Article 298/A of the Tax Procedure Law are met, and that the financial statements dated 31 December 2023 will be subject to correction regardless of any conditions. In this context; The financial statements dated 31 December 2023, prepared in accordance with the Tax Procedure Law, have been subject to inflation correction.

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

Corporate tax (cont'd)

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

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

Investment discount application

In 2023, the corporate tax reduction incentive based on the regional priority investment incentive certificate received within the scope of article 17/g of the "Decision on State Aids in Investments" numbered 2012/3305 was utilized. The rate of contribution to investment is 40% within the scope of the mentioned decision, 5th region incentives are used.

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 Türkiye 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%)

The financial statements dated 31 December 2023, prepared in accordance with the Tax Procedure Law, have been subject to inflation adjustment. In this context, deferred tax assets have been recorded in the consolidated financial statements as a result of the inflation adjustment made in the statutory financial statements.

As the companies in Türkiye 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.

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

Deferred tax assets:	31 December 2023	31 December 2022
Tangible and intangible assets revaluation adjustment	7.908.974	4.467.303
Provisions for employee benefits	1.395.143	687.429
Investment incentive	15.571	30.629
Provision for lawsuits	131.128	70.743
Fair values of the derivative financial instruments	29.721	-
Inventories	128.251	74.351
Tangible and intangible assets	494.085	192.158
Financial lease payables	84.986	41.456
Other	593.229	341.367
	10.781.088	5.905.436
Deferred tax liabilities:		
Tangible and intangible assets	(21.889.743)	(13.455.464)
Fair values of the derivative financial instruments	-	(5.223)
Amortized cost adjustment on loans	(109.540)	(57.161)
Right of use assets	(109.429)	(48.508)
Inventories	(752.342)	(499.773)
Other	(298.393)	(59.738)
	(23.159.447)	(14.125.867)
	(12.378.359)	(8.220.431)

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

Presentation of deferred tax assets/(liabilities):	31 December 2023	31 December 2022
Deferred tax assets	254.324	244.350
Deferred tax (liabilities)	(12.632.683)	(8.464.781)
	(12.378.359)	(8.220.431)

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

Movements of deferred tax assets / (liabilities) as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	(8.220.431)	(9.663.074)
Additional in deferred tax assets due to acquisition of subsidiaries	(192.146)	-
Deferred tax income/(expense)	253.276	4.320.024
The amount in comprehensive income	374.211	285.209
Translation difference	(4.593.269)	(3.162.590)
Closing balance	(12.378.359)	(8.220.431)

Reconciliation of tax provision is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit before tax	8.837.129	22.112.454
Statutory tax rate	25%	22%
Calculated tax expense according to effective tax rate	(2.209.282)	(4.864.740)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(383.359)	(114.459)
- Revaluation of reserve tangible assets	-	4.467.303
- Effect of currency translation not subject to tax	(10.043.549)	(3.134.206)
- Inflation effect	8.682.788	-
- Additional tax effect due to earthquake	(623.613)	-
- Investment incentive	76.810	189.028
- Effect of the different tax rates due to foreign subsidiaries	(7.860)	(2.326)
Total tax expense reported in the statement of income	(4.508.065)	(3.459.400)

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

	1 January -31 December 2023		
Other comprehensive income/(loss) in current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	168.416	-	168.416
Change in actuarial (loss)/gain	(1.396.695)	349.174	(1.047.521)
Change in cash flow hedging reserves	(99.129)	25.037	(74.092)
Change in foreign currency translation reserves	68.664.048	-	68.664.048
	67.336.640	374.211	67.710.851

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

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

NOTE 33 – EARNINGS PER SHARE

	1 January - 31 December 2023	1 January- 31 December 2022
Number of shares outstanding	350.000.000.000	350.000.000.000
Number of shares outstanding after buyback	338.196.856.484	339.216.314.817
Net profit attributable to equity holders	4.033.089	18.005.034
Profit per share with 1 TRY nominal value TRY %	1,1925 / 119,25%	5,3078 / 530,78%

NOTE 34 – RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1). The transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note. Trade receivables and payables from related parties operated as current account. Debt collection and debt payment days are between 0 and 30.

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

Due from related parties (short term)	31 December 2023	31 December 2022
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	5.335	-
OYAK Renault Otomobil Fab. A.Ş.(2)	416.513	328.074
OYAK Birleşik Enerji A.Ş. (1)	8.849	-
Miilux Poland Sp. Z.o.o. (1)	47.878	76.474
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	16.278	26.590
OYAK Çimento Fabrikaları A.Ş. (1)	66.853	158.257
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	124.108	64.598
Denizli Çimento San. T.A.Ş.(1)	-	8.897
Other	2.751	104
	688.565	662.994

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 subsidiary
(4) Ultimate partner

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

Other receivables from related parties (short term)	31 December 2023	31 December 2022
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	11.582	7.227
	11.582	7.227

Other receivables from related parties (long term)	31 December 2023	31 December 2022
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	75.091	47.083
	75.091	47.083

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

Prepaid expenses to related parties(short term)	31 December 2023	31 December 2022
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	12.578	40.244
OYAK Çimento Fabrikaları A.Ş. (1)	-	989
Other	204	-
	12.782	41.233

Prepaid expenses to related parties (long term)	31 December 2023	31 December 2022
OYAK İnşaat A.Ş. (1)	126.851	135.121
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	56.071	36.242
	182.922	171.363

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

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

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

Due to related parties (short term)	31 December 2023	31 December 2022
OYAK Yenilenebilir Enerji A.Ş. [1]	57.264	-
Omsan Lojistik A.Ş.[1]	332.552	161.648
Omsan Denizcilik A.Ş.[1]	-	7.239
OYAK Pazarlama Hizmet ve Turizm A.Ş.[1]	137.198	69.013
OYAK Savunma ve Güvenlik Sistemleri A.Ş.[1]	95.369	36.147
Omsan Logistica SRL[1]	7.921	3.299
OYAK Denizcilik ve Liman İşletmeleri A.Ş. [1]	47.122	29.388
OYAK Elektrik Enerjisi Toptan Satış A.Ş.[1]	3.356	23.321
OYAK İnşaat A.Ş. [1]	69.850	116.929
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. [1]	10.919	3.617
Doco Petrol ve Danışmanlık A.Ş. [1]	11.294	5.115
Other	357.488	175.775
	1.130.333	631.491

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

Major sales to related parties	1 January - 31 December 2023	1 January - 31 December 2022
OYAK Birleşik Enerji A.Ş. [1]	-	894.699
OYAK Renault Otomobil Fab. A.Ş.[2]	1.935.118	878.749
OYAK Savunma ve Güvenlik Sistemleri A.Ş.[1]	392	1.253
OYAK Akaryakıt ve LPG Yatırımları A.Ş. [1]	7.916	2.417
OYAK Çimento Fabrikaları A.Ş.[1]	276.981	207.051
Denizli Çimento Sanayi T.A.Ş. [1]	-	12.177
Likitgaz Dağıtım ve Endüstri A.Ş. [1]	52.555	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş.[1]	5.833	2.063
İskenderun Enerji Üretim ve Ticaret A.Ş. [1]	3.487.755	2.531.242
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. [1]	459.949	157.827
İsdemir Linde Gaz Ortaklığı A.Ş.[3]	273.019	351.748
Other	59.849	66.542
	6.559.367	5.105.768

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 subsidiary
[4] Ultimate partner

NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

Major purchases from related parties	1 January - 31 December 2023	1 January - 31 December 2022
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	14.171	2.742
Omsan Denizcilik A.Ş.(1)	605.959	456.585
OYAK Pazarlama Hizmet ve Turizm A.Ş.(1)	834.315	417.172
Omsan Lojistik A.Ş.(1)	2.312.961	649.821
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	495.503	412.609
Omsan Logistica SRL(1)	104.574	86.184
OYAK Denizcilik ve Liman İşletmeleri A.Ş.(1)	423.404	374.394
Doco Petrol ve Danışmanlık A.Ş. (1)	124.730	123.307
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	482.662	495.019
OYAK İnşaat A.Ş. (1)	1.350.650	286.722
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	350.768	263.994
Güzel Enerji Akaryakıt A.Ş.(1)	13.063	10.045
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (1)	24.839	12.506
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş (1)	16.056	-
OYAK Yenilenebilir Enerji A.Ş. (1)	1.504.204	-
Other	275.724	133.266
	8.933.583	3.724.366

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

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

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

The period end balances are un-secured and their collections will be done in cash. As of 31 December 2023, the Group provides no provision for the receivables from related parties (31 December 2022: None).

Salaries, bonuses and other benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents the General Manager and Assistant General Managers. For the year ended 31 December 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 98.389 thousand (31 December 2022: TRY 71.965 thousand).

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

(a) Capital risk management

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

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

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

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

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

	Note	31 December 2023	31 December 2022
Total financial liabilities	7	67.740.702	29.580.739
Less: Cash and cash equivalents	4	24.072.967	15.186.458
Net (credit) debt		43.667.735	14.394.281
Total adjusted equity (*)		194.051.439	120.063.466
Total resources		237.719.174	134.457.747
Net (credit) debt/Total adjusted equity ratio		23%	12%
Distribution of net (credit) debt/ total adjusted equity		18/82	11/89

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

(b) Significant accounting policies

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

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

(c) Financial risk management objectives

The Group manages its financial instruments through a separate treasury function which was established for that purpose. The developments are followed on a real time basis. The Group's corporate treasury function manages the financial instruments through daily regular meetings by evaluating the domestic and international markets and by considering the daily cash inflows and outflows in accordance with the policies and regulations issued by the Group Risk Management Unit.

At the end of each day, each Group company prepares a "Daily Cash report" and Group Risk Management Unit calculates daily for cash and cash equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies.

Thus, all financial transactions of the Group are managed centrally. Additionally, the Group's annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

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

(d) Market risk

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

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

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

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

(e) Credit risk management

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

Credit risk of financial instruments	Receivables				Bank Deposits	Derivative Financial Instruments	Financial Instruments
	Trade Receivables		Other Receivables				
31 December 2023	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	688.565	19.664.596	86.673	127.710	24.072.907	11.396	619.393
- Secured part of the maximum credit risk exposure via collateral etc.	-	17.813.786	-	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	688.565	19.605.128	86.673	127.710	24.072.907	11.396	619.393
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	59.468	-	-	-	-	-
- secured part via collateral etc.	-	56.844	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	123.462	-	-	-	-	-
- Impairment (-)	-	(123.462)	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-	-

The maturity of TRY 59.468 thousand that is overdue but not impaired is in the range of 0-3 months.

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

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

(e) Credit risk management (cont'd)

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

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

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

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

(e) Credit risk management (cont'd)

Explanation on the credit risk which the Group is exposed:

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

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

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

Category	Description	Basis for recognizing expected credit losses
Secured receivables	Consist of secured receivables	Not generating credit losses
Recoverable receivables	The counterparty has a low risk of default and secured	Not generating credit losses
Doubtful or past due receivables	Amount is past due or there has been a significant	%100 allowance for unsecured receivables
Write-off	There is an evidence indicating that debtor is in serious financial distress and the Group has no expectation of collection of the relevant amounts	Amount is written off

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

(f) Foreign currency risk management

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

	31 December 2023				
	TRY (Reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	3.389.199	181.007	96.948	-	7.715
2a. Monetary financial assets	23.323.467	23.132.463	4.497	21	6.837
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	402.620	389.285	345	-	320
4. CURRENT ASSETS (1+2+3)	**27.115.286**	**23.702.755**	**101.790**	**21**	**14.872**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.255.417	1.255.288	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	5.149.331	3.295.756	56.709	-	972
8. NON-CURRENT ASSETS (5+6+7)	**6.404.748**	**4.551.044**	**56.713**	**-**	**972**
9. TOTAL ASSETS (4+8)	**33.520.034**	**28.253.799**	**158.503**	**21**	**15.844**
10. Trade payables	10.952.493	6.209.024	144.185	11.222	5.454
11. Financial liabilities	6.649.452	6.161.393	14.956	-	-
12a. Other monetary financial liabilities	7.243.941	7.119.241	2.733	-	5.386
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	**24.845.886**	**19.489.658**	**161.874**	**11.222**	**10.840**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.662.041	218.590	74.878	-	-
16a. Other monetary financial liabilities	5.402.788	5.397.499	-	-	802
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	**8.064.829**	**5.616.089**	**74.878**	**-**	**802**
18. TOTAL LIABILITIES (13+17)	**32.910.715**	**25.105.747**	**236.752**	**11.222**	**11.642**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(1.268.924)**	**-**	**(38.955)**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.268.924	-	38.955	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(659.605)**	**3.148.052**	**(117.204)**	**(11.201)**	**4.202**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(4.942.632)**	**(536.989)**	**(135.303)**	**(11.201)**	**2.910**
22. Fair value of derivative financial instruments used in foreign currency hedge	36.450	-	1.119	-	-
23. Hedged foreign currency assets	1.268.924	-	38.955	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	18.611.267				
26. Imports	76.061.063				

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

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

	31 December 2022				
	TRY (Reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	4.749.416	94.456	230.730	-	13.822
2a. Monetary financial assets	11.141.292	10.876.683	6.235	21	35.022
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	449.782	419.536	1.447	-	349
4. CURRENT ASSETS (1+2+3)	**16.340.490**	**11.390.675**	**238.412**	**21**	**49.193**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.042.755	1.042.676	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	2.366.826	963.114	70.204	-	1.051
8. NON-CURRENT ASSETS (5+6+7)	**3.409.581**	**2.005.790**	**70.208**	**-**	**1.051**
9. TOTAL ASSETS (4+8)	**19.750.071**	**13.396.465**	**308.620**	**21**	**50.244**
10. Trade payables	8.000.348	4.812.164	157.683	100.672	6.115
11. Financial liabilities	8.595.855	8.163.243	21.662	-	-
12a. Other monetary financial liabilities	2.690.978	2.619.301	2.429	-	5.707
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	**19.287.181**	**15.594.708**	**181.774**	**100.672**	**11.822**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.863.287	142.026	86.189	-	-
16a. Other monetary financial liabilities	3.339.739	3.335.948	-	-	934
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**5.203.026**	**3.477.974**	**86.189**	**-**	**934**
18. TOTAL LIABILITIES (13+17)	**24.490.207**	**19.072.682**	**267.963**	**100.672**	**12.756**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(918.894)**	**-**	**(46.095)**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	918.894	-	46.095	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(5.659.030)**	**(5.676.217)**	**(5.438)**	**(100.651)**	**37.488**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(7.556.744)**	**(7.058.867)**	**(30.994)**	**(100.651)**	**36.088**
22. Fair value of derivative financial instruments used in foreign currency hedge	155.592	-	7.805	-	-
23. Hedged foreign currency assets	918.894	-	46.095	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	20.920.033				
26. Imports	70.132.257				

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

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

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

As of 31 December 2023 asset balances are translated by using the following exchange rates; TRY 29,4382 = US $ 1, TRY 32,5739 = EUR 1, TRY 0,2075 = JPY 1 and 6,5113 TRY = RON 1 and liability are translated by using the following exchange rates; TRY 29,4913 = US $ 1,TRY 32,6326 = EUR 1, TRY 0,2088 = JPY 1 and 6,5965 TRY = RON 1 (31 December 2022: for asset balances: TRY 18,6983 = US $ 1,TRY 19,9349 = EUR 1, TRY 0,1413 = JPY 1 and TRY 4,0062 = RON 1, for liability balances: TRY 18,7320 = US $ 1, TRY 19,9708 = EUR 1, TRY 0,1422 = JPY 1 and TRY 4,0586 = RON 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2023	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	314.805	(314.805)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	314.805	(314.805)
5- RON net asset/liability	2.637	(2.637)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	2.637	(2.637)
9- Euro net asset/liability	(256.277)	256.277
10- Hedged portion from Euro risk (-)	(126.892)	126.892
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(383.169)	383.169
13- Jap. Yen net asset/liability	(234)	234
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(234)	234
TOTAL (4+8+12+16)	**(65.961)**	**65.961**

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

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

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

(g) Interest rate risk management

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

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

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

(g) Interest rate risk management(cont'd)

Interest rate sensivity

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

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

	31 December 2023	31 December 2022
Floating interest rate financial instruments		
Financial liabilities	20.955.031	8.519.757

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 87.116 thousand.

(h) Liquidity risk management

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

Liquidity risk tables

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

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

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

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

(h) Liquidity risk management (cont'd)

31 December 2023

Contractual maturity analysis	**Book value**	**Total cash outflow per agreement (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities						
Borrowings from banks	67.400.757	73.778.640	16.225.503	44.185.364	9.704.612	3.663.161
Financial lease payables	339.945	909.145	28.315	84.946	184.677	611.207
Trade payables	23.427.066	23.427.066	23.427.066	-	-	-
Other financial liabilities (*)	1.961.944	1.961.944	1.961.944	-	-	-
Total liabilities	**93.129.712**	**100.076.795**	**41.642.828**	**44.270.310**	**9.889.289**	**4.274.368**
Derivative financial liabilities						
Derivative cash inflows	11.396	6.265.695	3.309.769	2.803.329	152.597	-
Derivative cash outflows	(122.650)	(6.244.081)	(3.288.155)	(2.803.329)	(152.597)	-
	(111.254)	**21.614**	**21.614**	**-**	**-**	**-**

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

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

(h) Liquidity risk management (cont'd)

31 December 2022

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

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

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

Categories of the financial instruments and their fair values

31 December 2023	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value	Note
Financial Assets					
Cash and cash equivalents	24.072.967	-	-	24.072.967	4
Trade receivables	20.353.161	-	-	20.353.161	8
Financial investments	-	-	1.899.798	1.899.798	5
Other financial assets	214.383	-	-	214.383	9
Derivative financial instruments	-	7.792	3.604	11.396	6
Financial Liabilities					
Borrowings	67.740.702	-	-	67.740.702	7
Trade payables	23.427.066	-	-	23.427.066	8
Other liabilities	1.961.944	-	-	1.961.944	9/19/23
Derivative financial instruments	-	91.151	31.499	122.650	6
31 December 2022					
Financial Assets					
Cash and cash equivalents	15.186.458	-	-	15.186.458	4
Trade receivables	15.602.149	-	-	15.602.149	8
Financial investments	14.894	-	813.067	827.961	5
Other financial assets	119.399	-	-	119.399	9
Derivative financial instruments	-	30.766	28.394	59.160	6
Financial Liabilities					
Borrowings	29.580.739	-	-	29.580.739	7
Trade payables	11.228.240	-	-	11.228.240	8
Other liabilities	1.964.382	-	-	1.964.382	9/19/23
Derivative financial instruments	-	40.917	9.507	50.424	6

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

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

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

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

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

Financial assets

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

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

Financial liabilities

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

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

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2023	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital and financial investment fund	1.279.316	-	1.279.316	-
Currency protected time deposits	619.393	-	619.393	-
Derivative financial assets	3.604	-	3.604	-
Derivative financial liabilities	(31.499)	-	(31.499)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	7.792	-	7.792	-
Derivative financial liabilities	(91.151)	-	(91.151)	-
Total	1.787.455	-	1.787.455	-

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

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

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

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

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

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

NOTE 37 – SUBSEQUENT EVENTS

None.