

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2024**

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2024

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period	Current Period	Previous Period	Previous Period
		31 March	31 March	31 December	31 December
		2024	2024	2023	2023
		USD'000	TRY'000	USD'000	TRY'000
ASSETS					
CURRENT ASSETS		4.713.751	152.185.324	4.569.509	134.518.116
Cash and Cash Equivalents		756.717	24.430.907	817.746	24.072.967
Financial Investments		56.671	1.829.647	59.033	1.737.825
Trade Receivables		713.900	23.048.572	691.386	20.353.161
<i>Due From Related Parties</i>	3	21.382	690.341	23.390	688.565
<i>Other Trade Receivables from Third Parties</i>		692.518	22.358.231	667.996	19.664.596
Other Receivables		4.269	137.821	4.342	127.846
<i>Due From Related Parties</i>	3	410	13.227	393	11.582
<i>Other Receivables from Third Parties</i>		3.859	124.594	3.949	116.264
Financial Derivative Instruments		1.998	64.509	387	11.396
Inventories	4	2.420.218	78.137.696	2.285.354	67.276.704
Prepaid Expenses		81.160	2.620.299	69.601	2.048.925
<i>Prepaid Expenses to Related Parties</i>	3	774	24.990	434	12.782
<i>Other Prepaid Expenses to Third Parties</i>		80.386	2.595.309	69.167	2.036.143
Other Current Assets		678.818	21.915.873	641.660	18.889.292
NON CURRENT ASSETS		6.123.353	197.694.900	5.962.156	175.515.133
Financial Investments		5.052	163.098	5.502	161.973
Other Receivables		2.809	90.671	2.940	86.537
<i>Due From Related Parties</i>	3	2.454	79.217	2.551	75.091
<i>Other Receivables from Third Parties</i>		355	11.454	389	11.446
Investments Accounted for Using Equity Method	5	31.435	1.014.877	30.039	884.293
Investment Properties		148.507	4.794.622	149.725	4.407.645
Property, Plant and Equipment	6	5.124.120	165.434.257	5.007.614	147.415.137
Right of Use Assets		17.524	565.764	15.134	445.527
Intangible Assets		272.963	8.812.716	275.362	8.106.172
<i>Goodwill</i>		18.781	606.360	18.781	552.886
<i>Other Intangible Assets</i>	6	254.182	8.206.356	256.581	7.553.286
Prepaid Expenses		468.694	15.132.010	432.920	12.744.353
<i>Prepaid Expenses to Related Parties</i>	3	4.573	147.643	6.214	182.922
<i>Other Prepaid Expenses to Third Parties</i>		464.121	14.984.367	426.706	12.561.431
Deferred Tax Assets	11	10.221	329.994	8.639	254.324
Other Non Current Assets		42.028	1.356.891	34.281	1.009.172
TOTAL ASSETS		10.837.104	349.880.224	10.531.665	310.033.249

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

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

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2024

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2024 USD'000	Current Period 31 March 2024 TRY'000	Previous Period 31 December 2023 USD'000	Previous Period 31 December 2023 TRY'000
LIABILITIES					
CURRENT LIABILITIES		3.148.213	101.824.534	3.027.730	89.291.663
Short Term Borrowings	7	1.638.348	52.990.065	1.560.968	46.034.968
Short Term Portion of Long Term Borrowings	7	398.948	12.903.420	363.704	10.726.115
Trade Payables		739.434	23.915.951	794.372	23.427.066
<i>Due to Related Parties</i>	3	30.760	994.881	38.328	1.130.333
<i>Other Trade Payables to Third Parties</i>		708.674	22.921.070	756.044	22.296.733
Payables for Employee Benefits	9	76.391	2.470.765	60.898	1.795.959
Other Payables		65.879	2.130.759	39.428	1.162.795
Financial Derivative Instruments		2.545	82.313	4.120	121.502
Deferred Revenue		37.267	1.205.354	44.553	1.313.940
Current Tax Liabilities	11	133.542	4.319.245	109.607	3.232.450
Short Term Provisions	8	27.470	888.471	23.689	698.605
Other Current Liabilities		28.389	918.191	26.391	778.263
NON CURRENT LIABILITIES		1.049.452	33.943.052	990.553	29.212.704
Long Term Borrowings	7	456.073	14.751.035	372.300	10.979.619
Financial Derivative Instruments		-	-	39	1.148
Long Term Provisions		179.835	5.816.514	189.292	5.582.475
<i>Long term provisions for employee benefits</i>	9	179.835	5.816.514	189.292	5.582.475
Deferred Tax Liabilities	11	413.022	13.358.612	428.353	12.632.683
Other Non Current Liabilities		522	16.891	569	16.779
EQUITY		6.639.439	214.112.638	6.513.382	191.528.882
Equity Attributable to Equity Holders of the Parent		6.444.893	207.965.236	6.327.990	186.191.490
Share Capital	12	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(108.569)	(1.315.022)	(87.182)	(640.504)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(172.855)	75.916.673	(172.837)	68.184.780
<i>Revaluation Reserve of Tangible Assets</i>		11.383	410.175	11.401	373.251
<i>Actuarial (Loss) Gain funds</i>		(168.553)	(2.455.521)	(168.553)	(2.455.521)
<i>Foreign Currency Translation Reserves</i>		(15.685)	77.962.019	(15.685)	70.267.050
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(299.396)	3.438.867	(287.653)	4.176.664
<i>Foreign Currency Translation Reserves</i>		(299.193)	3.445.448	(285.380)	4.243.700
<i>Cash Flow Hedging Gain (Loss)</i>		(203)	(6.581)	(2.273)	(67.036)
Restricted Reserves Assorted from Profit		1.487.838	10.545.759	1.448.797	9.302.588
Retained Earnings		3.401.444	110.014.976	3.301.713	97.371.813
Net Profit (Loss) for the Period		181.391	5.600.923	170.112	4.033.089
Non-Controlling Interests		194.546	6.147.402	185.392	5.337.392
TOTAL LIABILITIES AND EQUITY		10.837.104	349.880.224	10.531.665	310.033.249

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

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

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

CONDENSED CONSOLIDATED PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

		(Unaudited) Current Period 1 January - 31 March 2024 USD'000	(Unaudited) Current Period 1 January - 31 March 2024 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2023 USD'000	(Unaudited) Previous Period 1 January - 31 March 2023 TRY'000
Revenue	13	1.611.118	49.747.633	1.393.838	26.273.984
Cost of Sales	13	(1.383.469)	(42.718.340)	(1.334.126)	(25.148.401)
GROSS PROFIT		227.649	7.029.293	59.712	1.125.583
Marketing Expenses	14	(13.967)	(431.256)	(9.935)	(187.274)
General Administrative Expenses	14	(32.549)	(1.005.053)	(27.966)	(527.161)
Research and Development Expenses		(2.093)	(64.630)	(1.699)	(32.017)
Other Operating Income	14	114.515	3.535.969	44.538	839.538
Other Operating Expenses	14	(8.209)	(253.490)	(41.521)	(782.682)
OPERATING PROFIT		285.346	8.810.833	23.129	435.987
Income from Investing Activities		3.557	109.826	2.268	42.761
Expenses from Investing Activities		(982)	(30.311)	(5.272)	(99.378)
Share of Investments' Profit (Loss) Accounted by Using The Equity Method	5	1.396	43.092	(21)	(391)
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		289.317	8.933.440	20.104	378.979
Finance Income	15	20.495	632.844	40.944	771.802
Finance Expense	15	(101.777)	(3.142.642)	(61.794)	(1.164.858)
Monetary Gain (Loss)		(1.975)	(60.974)	-	-
PROFIT BEFORE TAX		206.060	6.362.668	(746)	(14.077)
Tax (Expense) Income	11	(16.702)	(515.730)	4.243	79.996
Current Corporate Tax (Expense) Income		(35.208)	(1.087.151)	(4.985)	(93.961)
Deferred Tax (Expense) Income		18.506	571.421	9.228	173.957
NET PROFIT (LOSS) FOR THE PERIOD		189.358	5.846.938	3.497	65.919
Non-Controlling Interests		7.967	246.015	(1.294)	(24.392)
Equity Holders of the Parent		181.391	5.600.923	4.791	90.311
EARNINGS PER SHARE (LOSS) (TRY 1 Nominal value per share)			1,6665		0,0258

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

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

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

	(Unaudited) Current Period 1 January - 31 March 2024 USD'000	(Unaudited) Current Period 1 January - 31 March 2024 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2023 USD'000	(Unaudited) Previous Period 1 January - 31 March 2023 TRY'000
Note				
PROFIT (LOSS) FOR THE PERIOD	189.358	5.846.938	3.497	65.919
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified subsequently to profit or loss				
Increase (Decrease) in Revaluation Reserve of Tangible Assets	(11)	37.547	58	6.562
Foreign Currency Translation Gain (Loss)	-	30.499.852	-	7.110.258
To be reclassified subsequently to profit or loss				
Gain (Loss) in Cash Flow Hedging Reserves	2.818	82.330	(1.003)	(18.778)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 (705)	(20.583)	197	3.781
Foreign Currency Translation Gain (Loss)	(12.948)	(12.192.713)	(4.390)	(4.322.317)
OTHER COMPREHENSIVE INCOME (EXPENSE)	(10.846)	18.406.433	(5.138)	2.779.506
TOTAL COMPREHENSIVE INCOME (EXPENSE)	178.512	24.253.371	(1.641)	2.845.425
Distribution of Total Comprehensive Income				
Non-controlling Interests	8.882	800.841	(1.725)	40.030
Equity Holders of the Parent	169.630	23.452.530	84	2.805.395

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

(Unaudited)	Note				Other comprehensive income (expense) not to be reclassified subsequently to profit or loss			Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings			Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
		Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period			
1 January 2024		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
Inflation effect (**)	2.1	-	-	-	-	-	-	-	-	-	219.112	457.091	-	676.203	83.506	759.709
Net loss for the period		-	-	-	-	-	-	-	-	-	-	-	5.600.923	5.600.923	246.015	5.846.938
Other comprehensive income (loss)		-	-	-	-	36.924	30.499.852	-	60.455	(12.745.624)	-	-	-	17.851.607	554.826	18.406.433
Total comprehensive income (loss)		-	-	-	-	36.924	30.499.852	-	60.455	(12.745.624)	-	-	5.600.923	23.452.530	800.841	24.253.371
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(1.680.469)	-	(1.680.469)	(74.337)	(1.754.806)
Increase (Decrease) through Treasury Share Transactions (***)		-	-	(674.518)	-	-	-	-	-	-	674.518	(674.518)	-	(674.518)	-	(674.518)
Transfers		-	-	-	-	-	-	-	-	-	349.541	3.683.548	(4.033.089)	-	-	-
Increase (decrease) due to other changes (****)	2.1	-	-	-	-	-	(22.804.883)	-	-	11.947.372	-	10.857.511	-	-	-	-
31 March 2024		3.500.000	156.613	(1.315.022)	106.447	410.175	77.962.019	(2.455.521)	(6.581)	3.445.448	10.545.759	110.014.976	5.600.923	207.965.236	6.147.402	214.112.638
(Unaudited)																
1 January 2023		3.500.000	156.613	(116.232)	106.447	208.674	44.642.146	(1.407.323)	6.044	2.029.402	7.547.778	40.966.648	18.005.034	115.645.231	3.016.956	118.662.187
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	90.311	90.311	(24.392)	65.919
Other comprehensive income (loss)		-	-	-	-	6.562	7.110.258	-	(15.319)	(4.386.417)	-	-	-	2.715.084	64.422	2.779.506
Total comprehensive income (loss)		-	-	-	-	6.562	7.110.258	-	(15.319)	(4.386.417)	-	-	90.311	2.805.395	40.030	2.845.425
Transfers		-	-	-	-	-	-	-	-	-	63.212	17.941.822	(18.005.034)	-	-	-
Increase (decrease) due to other changes (****)	2.1	-	-	-	-	-	(8.427.199)	-	-	3.517.545	-	4.909.654	-	-	-	-
31 March 2023		3.500.000	156.613	(116.232)	106.447	215.236	43.325.205	(1.407.323)	(9.275)	1.160.530	7.610.990	63.818.124	90.311	118.450.626	3.056.986	121.507.612

(*) At Annual General Assembly dated 28 March 2024, dividend distribution (gross dividend per share: TRY 0,50) amounting to TRY 1.750.000 thousand from 2023 net profit was approved by majority of votes. As of 28 March 2024, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3,97% of its own shares with a nominal value of 1 TRY, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 16 April 2024. The Group approved TRY 74.337 thousand dividend to non-controlling shares on Isdemir, which is subsidiary of the Group.

(**) 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, 14.820.000 shares were repurchased in exchange for TRY 674.518 thousand. As of the reporting date, reserves equal to the repurchase price of the repurchased shares have been set aside and classified as restricted reserves under equity.

(****) Retained earnings; in the condensed consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed consolidated statement of financial position dated 31 March 2024 by converting to US Dollars at historical rates, are explained in Note 2.1.

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period	Current Period	Previous Period	Previous Period
		1 January - 31 March 2024	1 January - 31 March 2024	1 January - 31 March 2023	1 January - 31 March 2023
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
		92.137	2.562.131	209.521	4.007.685
Profit (Loss) for The Period		189.358	5.846.938	3.497	65.919
Adjustments to Reconcile Profit (Loss)		12.449	245.386	15.453	279.323
Adjustments for Depreciation and Amortisation Expenses	6/13/14	64.398	1.988.437	53.594	1.010.246
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(743)	(22.938)	(49.929)	(941.171)
Adjustments for Provision (Reversal of Provision) for Receivables		(57)	(1.769)	(33)	(621)
Adjustments for Provision (Reversal of Provision) for Inventories	4	(686)	(21.169)	(49.896)	(940.550)
Adjustments for Provisions		21.299	657.640	19.841	374.021
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	15.136	467.385	15.554	293.200
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	6.163	190.255	4.287	80.821
Adjustments for Interest (Income) and Expenses		39.456	1.218.306	(2.937)	(55.345)
Adjustments for Interest Income	15	(19.443)	(600.361)	(40.793)	(768.946)
Adjustments for Interest Expense	15	73.211	2.260.584	50.358	949.256
Unearned Financial Income from Credit Sales		(14.312)	(441.917)	(12.502)	(235.655)
Adjustments for Unrealised Foreign Exchange Differences		(14.693)	(580.011)	(2.489)	(58.886)
Adjustments for Fair Value (Gains) Losses		(903)	(27.876)	154	2.903
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	(903)	(27.876)	154	2.903
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(1.396)	(43.092)	21	391
Adjustments for Tax (Income) Expenses	11	16.702	515.730	(4.243)	(79.996)
Other Adjustments from Non-Cash Items		(7.604)	(247.449)	-	-
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		933	28.798	1.441	27.160
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		933	28.798	1.441	27.160
Other Adjustments for Reconciliation of Profit (Loss)	14	(105.000)	(3.242.159)	-	-
Changes in Working Capital		(99.983)	(3.231.100)	203.368	3.894.195
Adjustments for Decrease (Increase) in Trade Receivables		(8.242)	(266.096)	203.845	3.904.284
Decrease (Increase) in Trade Receivables from Related Parties		2.008	64.829	5.660	108.407
Decrease (Increase) in Trade Receivables from Third Parties		(10.250)	(330.925)	198.185	3.795.877
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		123	3.971	(690)	(13.217)
Decrease (Increase) in Other Receivables from Operations from Third Parties		123	3.971	(690)	(13.217)
Decrease (Increase) in Derivative Financial Instruments		(1.611)	(52.012)	2.890	55.352
Adjustments for Decrease (Increase) in Inventories		(130.069)	(4.199.330)	86.461	1.656.005
Decrease (Increase) in Prepaid Expenses		(4.056)	(130.950)	11.861	227.177
Adjustments for Increase (Decrease) in Trade Payables		(54.938)	(1.776.892)	(28.286)	(542.746)
Increase (Decrease) in Trade Payable to Related Parties		(7.568)	(244.776)	(6.697)	(128.500)
Increase (Decrease) in Trade Payable to Third Parties		(47.370)	(1.532.116)	(21.589)	(414.246)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		41.944	1.356.620	(7.414)	(142.259)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		41.944	1.356.620	(7.414)	(142.259)
Increase (Decrease) in Derivative Liabilities		2.108	65.977	(1.790)	(34.347)
Adjustments for Other Increase (Decrease) in Working Capital		54.758	1.767.612	(63.509)	(1.216.054)
Decrease (Increase) in Other Assets Related from Operations		60.093	1.940.165	(73.523)	(1.408.200)
Increase (Decrease) in Other Payables Related from Operations		(5.335)	(172.553)	10.014	192.146
Cash Flows Provided by Operating Activities		101.824	2.861.224	222.318	4.239.437
Payments Related to Provisions for Employee Termination Benefits	9	(7.632)	(235.660)	(6.483)	(122.203)
Payments Related to Other Provisions	8	(562)	(17.346)	(2.784)	(52.476)
Income Taxes Refund (Paid)	11	(1.493)	(46.087)	(3.530)	(57.073)
CASH FLOWS FROM INVESTING ACTIVITIES		(213.780)	(6.541.487)	(262.732)	(4.982.853)
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		-	-	800	15.000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		-	-	(53.356)	(1.004.647)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		116	3.595	439	8.294
Cash Inflow from Sales of Property, Plant and Equipment		116	3.595	439	8.294
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(167.253)	(5.164.382)	(160.741)	(3.029.984)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(167.072)	(5.158.808)	(160.624)	(3.027.777)
Cash Outflow from Purchase of Intangible Assets	6	(181)	(5.574)	(117)	(2.207)
Cash Advances and Debts Given		(46.888)	(1.447.794)	(67.082)	(1.264.502)
Other Cash Advances and Debts Given to Related Parties		1.641	35.279	48.990	(87.045)
Other Cash Advances and Debts Given		(48.529)	(1.483.073)	(116.072)	(1.177.457)
Other Cash Inflow (Outflows)		245	67.094	17.208	292.986
CASH FLOWS FROM FINANCING ACTIVITIES		134.742	4.144.093	294.323	5.547.089
Cash Outflows Related to Acquisition of Own Shares and Other Equity Instruments of the Entity		(21.388)	(674.518)	-	-
Cash Outflows from Acquisition of Own Shares of the Entity	12	(21.388)	(674.518)	-	-
Cash Inflow from Borrowings		698.213	21.559.203	559.679	10.549.999
Cash Inflow from Loans		698.213	21.559.203	559.679	10.549.999
Cash Outflow from Repayments of Borrowings		(489.354)	(15.110.116)	(253.379)	(4.776.220)
Cash Outflow from Loan Repayments		(489.354)	(15.110.116)	(253.379)	(4.776.220)
Cash Outflow from Debt Payments for Leasing Contracts		(1.085)	(33.514)	(754)	(14.206)
Dividends Paid		-	-	-	-
Interest Paid		(70.469)	(2.175.936)	(41.711)	(786.248)
Interest Received		18.825	578.974	30.488	573.764
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		13.099	164.737	241.112	4.571.921
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(74.214)	188.258	(6.574)	289.314
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(61.115)	352.995	234.538	4.861.235
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		816.975	24.050.259	811.320	15.170.298
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		755.860	24.403.254	1.045.858	20.031.533

- As of 31 March 2024, the Group's total amount of time deposit interest accrual is TRY 27.653 thousand (USD 857 thousand) (31 March 2023: TRY 50.580 thousand (USD 2.641 thousand)).
- Currency protected time deposits with maturities of more than 3 months in financial investments in the condensed consolidated statement of cash flow are reported in "Other Cash Inflow (Outflows)" under "Cash Flows from Investing Activities". Changes in fair value are accounted for under income from investing activities in the condensed consolidated statement of profit or loss.
- Current period insurance indemnity income accrued in other operating income in the condensed consolidated statement of profit or loss has been accounted in "Other Adjustments Related to Profit (Loss) Reconciliation".

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. was incorporated in 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		2024	2023
	Operation	Operation	Effective Share Rate %	Effective Share Rate %
İskenderun Demir ve Çelik A.Ş.	Türkiye	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Türkiye	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Türkiye	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Türkiye	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.	Türkiye	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Türkiye	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Türkiye	Magnesite Ore, Refractor	100	100
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Türkiye	Recycling, Special Purpose Entity	100	100

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

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

	Paid Hourly Personnel	Paid Monthly Personnel	31 March 2024 Personnel
Ereğli Demir ve Çelik Fab. T.A.Ş.	4.000	1.818	5.818
İskenderun Demir ve Çelik A.Ş.	3.029	1.456	4.485
Erdemir Madencilik San. ve Tic. A.Ş.	185	168	353
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	240	80	320
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	310	310
Erdemir Romania S.R.L.	206	42	248
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	534	143	677
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	11	3	14
Erdemir Enerji Üretim A.Ş.	-	5	5
	<u>8.205</u>	<u>4.026</u>	<u>12.231</u>
	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
	<u>8.460</u>	<u>4.027</u>	<u>12.487</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

2.1 Basis of Presentation (cont’d)

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

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

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as at 31 December 2023.

Functional and reporting presentation currency

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

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

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

Functional currency for the subsidiaries abroad

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

Functional currency of the joint venture

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

2.1 Basis of Presentation (cont’d)

Adjustment of financial statements during periods of high inflation

The Public Oversight, Accounting and Auditing Standards Authority (“POA”) made 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.

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.

Since the Company's functional currency is a non-inflationary currency; no adjustments made within the scope of inflation accounting for the amounts for the comparative periods presented in the attached condensed consolidated financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

2.1 Basis of Presentation (cont’d)

Presentation currency translation

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

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

- a) The assets on condensed consolidated statement of financial position as of 31 March 2024 are translated from US Dollars into TRY using the Central Bank of the Republic of Türkiye's buying exchange rates which is TRY 32,2854 = US \$ 1 and TRY 34,8023 = EUR 1 and the liabilities has been translated from into TRY using the Central Bank of Türkiye's exchange selling rate which is TRY 32,3436 = US \$ 1 and TRY 34,8650 = EUR 1 on the balance sheet date (Rates for assets and liabilities as of 31 December 2023: TRY 29,4382 = US \$ 1, TRY 32,5739 = EUR 1 ; TRY 29,4913 = US \$ 1, TRY 32,6326 = EUR 1 respectively).
- b) For the three months period ended 31 March 2024, condensed consolidated statements of profit or loss are translated from average TRY 30,8777 = US \$ 1 and TRY 33,5350 = EUR 1 rates of 2024 January – March period (31 March 2023: TRY 18,8501= US \$ 1 and 20,2262 = EUR 1).
- c) Earnings of previous years are carried in US Dollar in the condensed consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of condensed consolidated financial position as of 31 March 2024 are presented by being translated at the TRY 32,3436 = US \$ 1 rate, which is the effective foreign currency selling rate as of 31 March 2024 as announced by the Central Bank of the Republic of Türkiye (31 December 2023: TRY 29,4913 = 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

2.1 Basis of Presentation (cont’d)

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the condensed consolidated statements of financial position as of 31 March 2024 and 31 December 2023, condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the interim period ended 31 March 2024 and 2023 represent the condensed consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 9 May 2024 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

The Group’s condensed consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period consolidated financial statements. In the current year there is no reclassification in the condensed consolidated financial statements.

2.3 Adoption of New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as of 31 March 2024 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS standards and TFRS interpretations effective as of 1 January 2024 summarized below.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

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

Amendments that are mandatorily effective from 2024

Amendments to TAS 1	:Classification of Liabilities as Current or Non-Current
Amendments to TFRS 16	:Lease Liability in a Sale and Leaseback
Amendments to TAS 1	:Non-current Liabilities with Covenants
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

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 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 TFRS 16 Lease Liability in a Sale and Leaseback

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

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

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

Amendments that are mandatorily effective from 2024 (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 Management has evaluated that these amendments and interpretations, effective from 2024, have no impact on the Group’s consolidated financial statements.

New and revised TFRSs in issue but not yet effective

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

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

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2025 for insurance and reinsurance and pension companies.

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

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

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

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the three months period ended 31 March 2024 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the three months period ended 31 March 2024, are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2023. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

2.4 Summary of Significant Accounting Policies(cont’d)

As explained in Note 1 there has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 31 March 2024, from the interests reported as of 31 December 2023.

2.5 Restatement and Errors in the Accounting Policies and Estimates

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

2.6 Segment Reporting

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

NOTE 3 – RELATED PARTY DISCLOSURES

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

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

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

	31 March 2024	31 December 2023
<u>Due from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	5.547	5.335
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	405.974	416.513
OYAK Birleşik Enerji A.Ş. ⁽¹⁾	8.849	8.849
Miilux Poland Sp. Z.o.o. ⁽¹⁾	43.071	47.878
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	22.301	16.278
OYAK Çimento Fabrikaları A.Ş. ⁽²⁾	93.026	66.853
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	98.396	124.108
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	7.663	-
Diğer	5.514	2.751
	<u>690.341</u>	<u>688.565</u>

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

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

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NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

	31 March 2024	31 December 2023
<u>Other receivables from related parties (short term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	13.227	11.582
	<u>13.227</u>	<u>11.582</u>

	31 March 2024	31 December 2023
<u>Other receivables from related parties (long term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾	79.217	75.091
	<u>79.217</u>	<u>75.091</u>

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

	31 March 2024	31 December 2023
<u>Prepaid expenses to related parties(short term)</u>		
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. ⁽¹⁾	20.367	12.578
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. ⁽¹⁾	4.623	204
	<u>24.990</u>	<u>12.782</u>

	31 March 2024	31 December 2023
<u>Prepaid expenses to related parties (long term)</u>		
OYAK İnşaat A.Ş. ⁽¹⁾	93.974	126.851
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	53.669	56.071
	<u>147.643</u>	<u>182.922</u>

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

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

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NOTE 3 – RELATED PARTY DISCLOSURES (cont'd)

	31 March 2024	31 December 2023
<u>Due to related parties (short term)</u>		
OYAK Yenilenebilir Enerji A.Ş. ⁽¹⁾	-	57.264
Omsan Lojistik A.Ş. ⁽¹⁾	401.413	332.552
Omsan Denizcilik A.Ş. ⁽¹⁾	32.049	-
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	160.486	137.198
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	75.031	95.369
Omsan Logistica SRL ⁽¹⁾	25.268	7.921
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	110.566	47.122
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. ⁽¹⁾	19.863	3.356
OYAK İnşaat A.Ş. ⁽¹⁾	57.370	69.850
Satem Grup Gıda Dağıtım ve Pazarlama A.Ş. ⁽¹⁾	-	10.919
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	5.876	11.294
Other	106.959	357.488
	<u>994.881</u>	<u>1.130.333</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
<u>Major sales to related parties</u>		
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	485.634	316.529
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	2.797	1.005
OYAK Çimento Fabrikaları A.Ş. ⁽²⁾	102.862	56.864
Denizli Çimento Sanayi T.A.Ş. ⁽¹⁾	-	5.378
Likitgaz Dağıtım ve Endüstri A.Ş. ⁽¹⁾	9.553	11.679
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	2.103	-
İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	1.504.224	868.542
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	96.301	98.473
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	98.787	99.709
Other	36.132	3.575
	<u>2.338.393</u>	<u>1.461.754</u>

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

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

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NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

<u>Major purchases from related parties</u>	1 January - 31 March 2024	1 January - 31 March 2023
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	3.451	1.781
Omsan Denizcilik A.Ş. ⁽¹⁾	139.814	161.647
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	363.273	167.765
Omsan Lojistik A.Ş. ⁽¹⁾	970.648	401.136
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	419.625	75.220
Omsan Logistica SRL ⁽¹⁾	61.692	22.189
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	227.690	70.478
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	54.874	24.616
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	184.991	127.787
OYAK Çimento Fabrikaları A.Ş. ⁽²⁾	105.141	2.008
OYAK İnşaat A.Ş. ⁽¹⁾	121.732	329.248
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. ⁽¹⁾	138.634	158.987
Güzel Enerji Akaryakıt A.Ş. ⁽¹⁾	4.679	2.222
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	7.208	4.588
OYAK Yenilenebilir Enerji A.Ş. ⁽¹⁾	2.088	140.021
Other	71.361	59.980
	<u>2.876.901</u>	<u>1.749.673</u>

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

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

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

The period end balances are un-secured and their collections will be in cash. For the three months period ended 31 March 2024, the Group did not set any provision for the receivables from related parties (31 December 2023: None).

Benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents, General Manager and Assistant General Managers. For the three months period ended 31 March 2024, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 21.746 thousand (31 March 2023: TRY 48.868 thousand).

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NOTE 4 – INVENTORIES

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

	31 March 2024	31 December 2023
Raw materials	15.499.333	15.238.693
Work in progress	15.496.570	13.601.334
Finished goods	15.640.018	12.224.831
Spare parts	11.268.931	9.926.059
Goods in transit	17.079.083	13.439.537
Other inventories	5.582.068	5.081.116
Allowance for impairment on inventories (-)	(2.428.307)	(2.234.866)
	<u>78.137.696</u>	<u>67.276.704</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	2.234.866	2.051.756
Provision released (-)	(21.169)	(940.550)
Translation difference	214.610	34.893
Closing balance	<u>2.428.307</u>	<u>1.146.099</u>

The Group has provided the provision for the impairment on the inventories of finished goods and work in progress within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 13).

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	Right to vote ratio	31 March 2024	Right to vote ratio	31 December 2023	Business segment
	%		%		
<i>Joint Venture</i>					Industrial Gas
İsdemir Linde Gaz Ortaklığı A.Ş.	50	1.014.877	50	884.293	Production and Sale

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

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

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

	31 March 2024	31 December 2023
Total assets	2.195.590	1.913.261
Total liabilities	165.836	144.675
Net assets	2.029.754	1.768.586
Group's share on net assets	1.014.877	884.293

	31 March 2024	31 December 2023
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 218.863 thousand (31 December 2023: TRY 228.207 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 (9.344) thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY (4.672) thousand) is included in the financial statements prepared as of reporting date.

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

	1 January – 31 March 2024	1 January – 31 March 2023
Revenue	224.785	93.519
Operating profit	86.027	18.732
Net profit (loss) for the period	86.184	(782)
Group's share on net profit (loss)	43.092	(391)

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	31 March 2024	31 March 2023
<u>Opening balance as of 1 January</u>		
Cost	333.912.434	194.095.225
Accumulated depreciation	(186.497.297)	(113.379.671)
Net book value	<u>147.415.137</u>	<u>80.715.554</u>
Net book value at the beginning of the period	147.415.137	80.715.554
Inflation effect	1.001.452	-
Additions (*)	5.174.392	3.093.822
Disposals (-)	(32.393)	(35.454)
<i>Cost of disposals</i>	(470.860)	(116.126)
<i>Accumulated depreciation of disposals</i>	438.467	80.672
Transfers to intangible assets	(27.307)	(983)
Currency translation difference	13.837.676	1.971.499
<i>Cost currency translation difference</i>	31.355.146	4.750.029
<i>Accumulated depreciation currency translation difference</i>	(17.517.470)	(2.778.530)
Current period depreciation (-)	(1.934.700)	(832.696)
Net book value at the end of the period	<u>165.434.257</u>	<u>84.911.742</u>
<u>Closing balance end of period</u>		
Cost	371.852.907	201.821.967
Accumulated depreciation	(206.418.650)	(116.910.225)
Net book value	<u>165.434.257</u>	<u>84.911.742</u>

(*) The amount of capitalized borrowing cost is TRY 15.584 thousand for the current period (31 March 2023: TRY 66.045 thousand).

As of 31 March 2024, the Group has no collaterals or pledges on upon its tangible assets (31 March 2023: None).

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

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

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

	31 March 2024	31 March 2023
<u>Opening balance as of 1 January</u>		
Cost	11.684.250	7.280.546
Accumulated amortisation	(4.130.964)	(2.327.129)
Net book value	<u>7.553.286</u>	<u>4.953.417</u>
Net book value at the beginning of the period	7.553.286	4.953.417
Inflation effect	2.392	-
Additions	5.574	2.207
Transfers from tangible assets	27.307	983
Currency translation difference	719.998	119.204
<i>Cost currency translation difference</i>	<i>1.127.850</i>	<i>181.224</i>
<i>Accumulated depreciation currency translation difference</i>	<i>(407.852)</i>	<i>(62.020)</i>
Current period amortisation (-)	(102.201)	(72.755)
Net book value at the end of the period	<u>8.206.356</u>	<u>5.003.056</u>
<u>Closing balance end of period</u>		
Cost	12.854.090	7.464.960
Accumulated amortisation	(4.647.734)	(2.461.904)
Net book value	<u>8.206.356</u>	<u>5.003.056</u>

As of 31 March 2024, the Group has no collaterals or pledges on upon its intangible assets (31 March 2023: None).

The distribution of total depreciation and amortization expenses related to tangible, intangible assets, right of use assets amounting to TRY 40.201 thousand (31 March 2023: TRY 19.381 thousand) and investment properties amounting to TRY 37.606 thousand (31 March 2023: TRY 4.188 thousand) are as follows:

	1 January – 31 March 2024	1 January – 31 March 2023
Associated with cost of production	1.902.580	837.997
General administrative expenses	128.812	47.420
Marketing expenses	65.750	33.077
Research and development expenses	14.660	8.676
Other operating expenses	2.906	1.850
	<u>2.114.708</u>	<u>929.020</u>

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NOTE 7 – BORROWINGS

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

	31 March 2024	31 December 2023
Short term bank borrowings	52.990.065	46.034.968
Short term portion of long term bank borrowings	12.778.434	10.617.843
Long term bank borrowings	14.435.745	10.747.946
Total bank borrowings	<u>80.204.244</u>	<u>67.400.757</u>
Short term portion of long term lease payables	130.229	113.262
Cost of short term portion of long term lease payables (-)	(5.243)	(4.990)
Long term lease payables	1.208.465	795.883
Cost of long term lease payables (-)	(893.175)	(564.210)
Total lease payables	<u>440.276</u>	<u>339.945</u>
Total borrowings	<u><u>80.644.520</u></u>	<u><u>67.740.702</u></u>

As of 31 March 2024, the breakdown of the Group’s loans with their original currency and weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 March 2024
Fixed	TRY	46,67	8.470.902	-	8.470.902
Fixed	US Dollars	9,42	46.857.738	2.002.249	48.859.987
Floating	US Dollars	TERM SOFR+3,02	9.975.470	9.987.081	19.962.551
Floating	EURO	Euribor+0,47	464.389	2.446.415	2.910.804
			<u>65.768.499</u>	<u>14.435.745</u>	<u>80.204.244</u>

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

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NOTE 7– BORROWINGS (cont’d)

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

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 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
			<u>56.652.811</u>	<u>10.747.946</u>	<u>67.400.757</u>

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

	31 March 2024			31 December 2023		
	Bank Borrowings	Lease Payables	Total Borrowings	Bank Borrowings	Lease Payables	Total Borrowings
Within 1 year	65.768.499	124.986	65.893.485	56.652.811	108.272	56.761.083
Between 1-2 years	3.461.901	59.942	3.521.843	2.432.144	55.364	2.487.508
Between 2-3 years	5.285.593	33.109	5.318.702	2.510.568	24.623	2.535.191
Between 3-4 years	1.576.571	24.265	1.600.836	1.572.208	14.260	1.586.468
Between 4-5 years	1.202.262	19.885	1.222.147	1.118.965	12.516	1.131.481
Five years or more	2.909.418	178.089	3.087.507	3.114.061	124.910	3.238.971
	<u>80.204.244</u>	<u>440.276</u>	<u>80.644.520</u>	<u>67.400.757</u>	<u>339.945</u>	<u>67.740.702</u>

NOTE 8 - PROVISIONS

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

	31 March 2024	31 December 2023
Provision for lawsuits	628.275	534.502
Penalty provision for employment shortage of disabled personnel	6.572	6.637
Provision for state right on mining activities	186.292	129.992
Provision for land occupation	67.332	27.474
	<u>888.471</u>	<u>698.605</u>

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – PROVISIONS (cont’d)

The movement of the provisions is as follows:

	1 January 2024	Change for the period	Payments	Provision released	Translation difference	31 March 2024
Provision for lawsuits	534.502	97.012	(17.346)	(3.644)	17.751	628.275
Penalty provision for employment shortage of disabled personnel	6.637	266	-	(319)	(12)	6.572
Provision for state right on mining activities	129.992	57.521	-	-	(1.221)	186.292
Provision for land occupation	27.474	39.680	-	(261)	439	67.332
	<u>698.605</u>	<u>194.479</u>	<u>(17.346)</u>	<u>(4.224)</u>	<u>16.957</u>	<u>888.471</u>

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

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits

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

	31 March 2024	31 December 2023
Lawsuits filed by the Group	1.330.739	1.080.796
Provision for lawsuits filed by the Group	32.589	32.590

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

	31 March 2024	31 December 2023
Lawsuits filed against the Group	453.149	393.968
Provision for lawsuits filed against the Group	628.275	534.502

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

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

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

CMB, prepared the Company’s consolidated financial statements as of 31 December 2005, which had been prepared according to the IFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that “Article 726 and Temporary Provision 1 of CMB’s Communiqué Serial XI, No. 25 authorize the use of IFRS on consolidated financial statements of 2005, although CMB had given the Company a ‘permission’ No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending”.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

The Company challenged CMB’s aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber’s decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB’s appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara’s judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company’s lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on “IFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with “IFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 31 March 2024 and 31 December 2023 will not be affected from the above mentioned disputes.

Company’s Shareholders’ General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals’ 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber’s decision on 18 February 2011. However, the Chamber rejected the Company’s appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber’s decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company’s request for revision of the decision has been rejected. In the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara, the court accepted the case subject to appeal, on 30 December 2021. the Company has appealed on 3 March 2022. Upon the rejection of the Company’s appeal, the Company has applied for the revision of the decision. Currently, the case is at the stage of revision of the decision at the Supreme Court 11th Civil Chamber.

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 March 2024 and 31 December 2023.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

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

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. With the decision of the 22nd Civil Chamber of the Ankara Regional Court of Justice, the decision of the Karadeniz. Ereğli 2nd Civil Court of First Instance has been annulled. The file was sent to the Karadeniz. Ereğli 2nd Civil Court of First Instance to be send back to the Regional Court of Justice after the reasoned decision was written. At the hearing dated February 22, 2022, it was decided that the case was partially accepted and partially rejected, subject to appeal. Our company has appealed against this decision on April 13, 2022. 22nd Civil Chamber of the Ankara Regional Court of Justice has decided to revoke the court's decision without consideration of merits and to send the file back to the court in order to be written appropriate grounds in the judgment part. On 27 March 2023 Kdz. Ereğli 2nd Civil Court of First Instance has partially accepted the case subject to appeal. Our company has applied for the appeal against the decision on 27 April 2023. 22. Civil Chamber of the Ankara Regional Court of Justice has sent the file back to the Kdz Ereğli 2. Civil Court of First Instance and requested from the court to send the file back to itself for re-examination after the court’s evaluation of the Company’s petition of correction. Therefore, Kdz. Ereğli 2. Civil Court of First Instance decided to make the hearing on 11 July 2023. At the hearing dated 11 July 2023, Kdz. Ereğli 2. Civil Court of First Instance has decided to correct the decision. The file was sent to Regional Court of Justice fort he appeal. A provision amounting to TRY 263.560 thousand recognized on consolidated financial statements for the related lawsuit.

Resolution of Constitutional Court on Electricity and Coal Gas Consumption Tax

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

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NOTE 8 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

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

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

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

The cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company. 69 cases have been finalized in favor of the Company.

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

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.

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NOTE 8 – PROVISIONS (cont’d)

Provision for lawsuits (cont’d)

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

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

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

NOTE 9 – EMPLOYEE BENEFITS

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

	31 March 2024	31 December 2023
Due to personnel	979.040	671.398
Social security premiums payable	1.491.725	1.124.561
	<u>2.470.765</u>	<u>1.795.959</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	31 March 2024	31 December 2023
Provisions for employee termination benefits	4.847.719	4.761.820
Provisions for seniority incentive premium	323.895	296.149
Provision for unpaid vacations	644.900	524.506
	<u>5.816.514</u>	<u>5.582.475</u>

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

As of 31 March 2024, the employee termination benefit has been updated to a maximum of TRY 35.058,58 (31 December 2023: TRY 23.489,83).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Group’s obligation under defined benefit plans. The obligation as of 31 March 2024 has been calculated by an independent actuary and projected unit credit method is used in the calculation. The actuarial assumptions used in calculating the present value of the liabilities are the same as those used in the financial statements for the year ended 31 December 2023.

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 2024 fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	4.761.820	2.922.934
Service cost	120.561	86.093
Interest cost	180.762	108.977
Termination benefits paid	(216.009)	(116.751)
Translation difference	585	(1.179)
Closing balance	4.847.719	3.000.074

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

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	296.149	225.046
Service cost	11.583	6.652
Interest cost	15.958	7.898
Translation difference	205	58
Closing balance	323.895	239.654

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	524.506	289.925
Provision for the period	200.961	105.429
Vacation paid during the period (-)	(19.651)	(5.452)
Provisions released (-)	(62.440)	(21.849)
Translation difference	1.524	299
Closing balance	644.900	368.352

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NOTE 10 – COMMITMENTS

The guarantees received by the Group are as follows:

	31 March 2024	31 December 2023
Letters of guarantees received	18.855.625	17.058.993
	<u>18.855.625</u>	<u>17.058.993</u>

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

	31 March 2024	31 December 2023
A. Total CPM given for the Company's own legal entity	15.844.324	5.329.066
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	3.857.747	3.672.538
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>19.702.071</u>	<u>9.001.604</u>

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 3.857.747 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 31 March 2024, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2023: 0%).

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

	31 March 2024	31 December 2023
US Dollars	11.501.965	6.706.689
Turkish Lira	6.392.062	531.917
EURO	1.808.044	1.762.998
	<u>19.702.071</u>	<u>9.001.604</u>

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NOTE 11 – TAX ASSETS AND LIABILITIES

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

	31 March 2024	31 December 2023
<u>Corporate tax payable:</u>		
Previous period corporate tax provision	5.250.297	54.494
Current period corporate tax provision	1.132.882	5.715.882
Prepaid taxes and funds (-)	(2.063.934)	(2.537.926)
	<u>4.319.245</u>	<u>3.232.450</u>
	1 January - 31 March 2024	1 January - 31 March 2023
<u>Taxation:</u>		
Current corporate tax expense	1.087.151	93.961
Deferred tax (income) / expense	(571.421)	(173.957)
	<u>515.730</u>	<u>(79.996)</u>

Corporate tax

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

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

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

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

The effective corporate tax rate in Türkiye is 25%, 16% in Romania and 17% in Singapore as of 31 March 2024 (31 December 2023: in Türkiye 25%, in Romania 16%, in Singapore 17%).

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

Corporate tax (cont’d)

The total amount of the corporate tax paid by the Group in three months of 2024 is TRY 46.087 thousand (31 March 2023: TRY 57.073 thousand).

By the Ministry of Treasury and Finance; it has been decided that the obliged parties in the provinces affected by the earthquake were in force majeure between 6 February 2023 and 30 April 2024, will be extended to 31 August 2024. In this case, the terms of use of tax returns and notifications requiring force majeure have been extended until 31 October 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 March 2024, prepared in accordance with the Tax Procedure Law, have been subject to inflation correction.

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 2024. The effective corporate tax rate is 16% in Romania and 17% in Singapore. (31 December 2023: in Türkiye 25%, 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 2023: 18,75%)

The financial statements dated 31 March 2024, 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.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)Deferred tax (cont’d)

	31 March 2024	31 December 2023
<u>Deferred tax assets:</u>		
Tangible and intangible assets revaluation adjustment	-	7.908.974
Provisions for employee benefits	1.453.787	1.395.143
Investment incentive	171.838	15.571
Provision for lawsuits	157.069	131.128
Fair values of the derivative financial instruments	4.715	29.721
Inventories	223.696	128.251
Unused Tax Losses	81.032	-
Tangible and intangible assets	533.030	494.085
Financial lease payables	110.069	84.986
Other	607.252	593.229
	<u>3.342.488</u>	<u>10.781.088</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(14.627.733)	(21.889.743)
Fair values of the derivative financial instruments	(2.977)	-
Amortized cost adjustment on loans	(117.295)	(109.540)
Right of use assets	(138.954)	(109.429)
Inventories	(509.167)	(752.342)
Other	(974.980)	(298.393)
	<u>(16.371.106)</u>	<u>(23.159.447)</u>
	<u>(13.028.618)</u>	<u>(12.378.359)</u>

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

In the financial statements which are prepared according to the TFRS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries’ condensed consolidated financial statements.

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

<u>Presentation of deferred tax assets/(liabilities):</u>	31 March 2024	31 December 2023
Deferred tax assets	329.994	254.324
Deferred tax (liabilities)	(13.358.612)	(12.632.683)
	<u>(13.028.618)</u>	<u>(12.378.359)</u>

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

Deferred tax (cont'd)

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	(12.378.359)	(8.220.431)
Deferred tax income/(expense)	571.421	173.957
The amount in comprehensive income	(20.583)	3.781
Translation difference	(1.201.097)	(203.032)
Closing balance	(13.028.618)	(8.245.725)

Reconciliation of tax provision is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Profit before tax	6.362.668	(14.077)
Statutory tax rate	25%	20%
Calculated tax expense according to effective tax rate	(1.590.667)	2.815
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(30.108)	(46.610)
- Revaluation of reserve tangible assets	-	458.951
- Effect of currency translation not subject to tax	1.008.954	(581.115)
- Investment incentive	15.058	11.417
- Unused tax losses	81.032	234.002
- Effect of the different tax rates due to foreign subsidiaries	1	536
Total tax expense reported in the statement of income	(515.730)	79.996

NOTE 12 – EQUITY

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

Shareholders	(%)	31 March 2024	(%)	31 December 2023
ATAER Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	46,74	1.635.956	47,17	1.650.776
Erdemir's own shares	3,97	139.062	3,55	124.242
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 (-)		(1.315.022)		(640.504)
		2.341.591		3.016.109

Share Buy-back, within the scope of the "Share Buyback Program", which was approved at Company's Ordinary General Assembly Meeting dated 31 March 2023, 14.820.000 shares were repurchased in exchange for TRY 674.518 thousand. After the Company's share purchase, the shares held by the Company increased to 3,97%.

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NOTE 13 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 1.120.670 thousand. Group plans to recognize related revenue amount as a revenue in a year.

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

	1 January - 31 March 2024	1 January - 31 March 2023
Domestic sales	40.136.578	22.389.402
Export sales	6.974.068	2.311.836
Other revenues	2.219.130	1.335.283
Interest income from sales with maturities	458.005	258.991
Sales returns (-)	(12.976)	(7.494)
Sales discounts (-)	(27.172)	(14.034)
	<u>49.747.633</u>	<u>26.273.984</u>
Cost of sales (-)	<u>(42.718.340)</u>	<u>(25.148.401)</u>
Gross profit	<u>7.029.293</u>	<u>1.125.583</u>

The total amount of by product exports in other revenues is TRY 992.580 thousand (31 March 2023: TRY 524.457 thousand). Total interest income from export sales with maturities is TRY 7.904 thousand (31 March 2023: TRY 2.665 thousand).

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

	1 January - 31 March 2024	1 January - 31 March 2023
Raw material usage	(31.996.952)	(17.560.580)
Personnel costs	(2.923.380)	(1.391.034)
Energy costs	(2.834.644)	(3.699.582)
Depreciation and amortization expenses	(1.769.237)	(916.786)
Manufacturing overheads	(1.296.018)	(630.340)
Other cost of goods sold	(1.032.640)	(276.232)
Non-operating costs (*)	(35.856)	(1.230.572)
Freight costs for sales delivered to customers	(492.243)	(177.152)
Inventory provision released (Note 4)	21.169	940.550
Amortization of right of use assets	(7.072)	(2.437)
Other	(351.467)	(204.236)
	<u>(42.718.340)</u>	<u>(25.148.401)</u>

(*) Non-operating part costs amounting to TRY (35.856) thousand incurred due to planned and/or unplanned halt production in the Group's production facilities is not associated with the product cost and is directly recognized in the cost of sales. Due to the earthquake that occurred on February 6, 2023, the non-working part expense amounting to TRY (1.230.572) thousand, which occurred as a result of unexpected shutdowns in the production facilities of İsdemir, one of the Company's subsidiaries, and planned shutdowns in other production facilities of the Group, was not associated with the product cost in the past period and is accounted directly within the cost of sales.

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

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

	1 January - 31 March 2024	1 January - 31 March 2023
Personnel expenses (-)	(159.355)	(77.093)
Depreciation and amortization (-)	(64.491)	(32.556)
Benefits and services from third parties (-)	(206.151)	(77.104)
Amortization of right of use assets (-)	(1.259)	(521)
	<u>(431.256)</u>	<u>(187.274)</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
Personnel expenses (-)	(417.581)	(199.576)
Depreciation and amortization (-)	(99.848)	(32.847)
Benefits and services from third parties (-)	(445.663)	(276.690)
Tax, duty and charges (-)	(14.766)	(4.096)
Provision/ Provision released for doubtful receivables (net)	1.769	621
Amortization of right of use assets (-)	(28.964)	(14.573)
	<u>(1.005.053)</u>	<u>(527.161)</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
Prior period fixed asset damage indemnity income	-	578.863
Foreign exchange gain from trade receivables and payables (net)	59.120	13.306
Forfeit advances from customers	1.350	210
Discount income	98	81
Provisions released	3.963	9.993
Service income	37.776	23.835
Maintenance repair and rent income	11.702	5.849
Warehouse income	22.641	32.473
Indemnity and penalty detention income	8.449	3.026
Prior period insurance indemnity income	72.996	140.576
Lawsuit income	1.769	392
Overdue interest income	2.889	5.832
Current period insurance indemnity income	3.242.159	-
Other income and gains	71.057	25.102
	<u>3.535.969</u>	<u>839.538</u>

Due to the earthquake that occurred on 6 February 2023, an agreement was reached to collect the second advance fee of TRY 3.242.159 thousand TL 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 as of the reporting period.

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

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

	1 January - 31 March 2024	1 January - 31 March 2023
Provision expenses	(97.278)	(17.508)
Lawsuit compensation expenses	(4.570)	(49.521)
Right of use assets amortization	(2.906)	(1.850)
Donation expenses	(16.900)	(653.228)
Service expenses	(47.165)	(19.731)
Penalty expenses	(7.772)	(845)
Other expenses and losses	(76.899)	(39.999)
	<u>(253.490)</u>	<u>(782.682)</u>

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 31 March 2024	1 January - 31 March 2023
Interest income on bank deposits	600.361	768.699
Interest income from financial investments	-	247
Fair value differences of derivative financial instruments (net)	27.876	-
Other financial income	4.607	2.856
	<u>632.844</u>	<u>771.802</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
Interest expenses on borrowings	(2.244.343)	(941.835)
Foreign exchange loss (net)	(674.719)	(90.200)
Interest cost of employee benefits	(196.720)	(116.875)
Interest expenses on leasings	(16.241)	(7.421)
Fair value differences of derivative financial instruments (net)	-	(2.903)
Other financial expenses	(10.619)	(5.624)
	<u>(3.142.642)</u>	<u>(1.164.858)</u>

During the period, the borrowing costs of TRY 15.584 thousand have been capitalized as part of the Group’s tangibles (31 March 2023: TRY 66.045 thousand).

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

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. Foreign currency position table represents foreign currencies other than each entity’s functional currency. As of 31 March 2024, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 March 2024				
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	3.228.123	241.847	84.188	-	8.094
2a. Monetary financial assets	24.761.462	24.559.191	5.139	21	3.362
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	831.144	751.760	841	-	7.196
4. CURRENT ASSEIS (1+2+3)	28.820.729	25.552.798	90.168	21	18.652
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	1.608.074	1.607.936	4	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	5.709.844	3.570.932	61.007	54.585	590
8. NON-CURRENT ASSEIS (5+6+7)	7.317.918	5.178.868	61.011	54.585	590
9. TOTAL ASSEIS (4+8)	36.138.647	30.731.666	151.179	54.606	19.242
10. Trade payables	5.993.666	4.096.805	52.360	112.598	6.692
11. Financial liabilities	9.045.946	8.562.303	13.872	-	-
12a. Other monetary financial liabilities	11.502.406	11.358.441	2.719	-	6.971
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	26.542.018	24.017.549	68.951	112.598	13.663
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.752.308	268.911	71.229	-	-
16a. Other monetary financial liabilities	5.617.073	5.613.276	-	-	538
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	8.369.381	5.882.187	71.229	-	538
18. TOTAL LIABILITIES (13+17)	34.911.399	29.899.736	140.180	112.598	14.201
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(1.882.429)	-	(54.089)	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.882.429	-	54.089	-	-
20. Net foreign currency asset/liability position (9-18+19)	(655.181)	831.930	(43.090)	(57.992)	5.041
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(5.313.740)	(3.490.762)	(50.849)	(112.577)	(2.745)
22. Fair value of derivative financial instruments used in foreign currency hedge	12.703	-	365	-	-
23. Hedged foreign currency assets	1.882.429	-	54.089	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	7.974.552				
26. Imports	28.219.316				

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. As of 31 December 2023, the foreign currency position of the Group in terms of original currency is calculated as it 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)	-	-
financial assets	-	-	-	-	-
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				

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

As of 31 March 2024 on condensed consolidated statement of financial position are translated by using the following exchange rates for assets TRY 32,2854 = US \$ 1, TRY 34,8023 = EUR 1, TRY 0,2128 = JPY 1 and TRY 6,9628 = RON 1; for liabilities TRY 32,3436 = US \$ 1, TRY 34,8650 = EUR 1, TRY 0,2142 = JPY 1 and TRY 7,0540 = RON 1 (Rates for assets as of 31 December 2023: TRY 29,4382 = US \$ 1, TRY 32,5739 = EUR 1, TRY 0,2075 = JPY 1 and for liabilities TRY 6,5113 = RON 1 ; TRY 29,4913 = US \$ 1, TRY 32,6326 = EUR 1, TRY 0,2088 = JPY 1 and TRY 6,5965 = RON 1 respectively).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2024		
1- TRY net asset/liability	83.193	(83.193)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	83.193	(83.193)
5- RON net asset/liability	3.380	(3.380)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	3.380	(3.380)
9- Euro net asset/liability	37.400	(37.400)
10- Hedged portion from Euro risk (-)	(188.242)	188.242
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(150.842)	150.842
13- Jap. Yen net asset/liability	(1.250)	1.250
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(1.250)	1.250
TOTAL (4+8+12+16)	(65.519)	65.519

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**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)****Additional information about financial instruments (cont’d)**Foreign currency risk management (cont’d)

31 December 2023	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	314.805	(314.805)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	<u>314.805</u>	<u>(314.805)</u>
5- RON net asset/liability	2.637	(2.637)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON Dollars net effect (5+6+7)	<u>2.637</u>	<u>(2.637)</u>
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)	<u>(383.169)</u>	<u>383.169</u>
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)	<u>(234)</u>	<u>234</u>
TOTAL (4+8+12+16)	<u>(65.961)</u>	<u>65.961</u>

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
31 March 2024				
<u>Financial Assets</u>				
Cash and cash equivalents	24.430.907	-	-	24.430.907
Trade receivables	23.048.572	-	-	23.048.572
Financial investments	-	-	1.992.745	1.992.745
Other financial assets	228.492	-	-	228.492
Derivative financial instruments	-	41.001	23.508	64.509
<u>Financial Liabilities</u>				
Borrowings	80.644.520	-	-	80.644.520
Trade payables	23.915.951	-	-	23.915.951
Other liabilities	3.982.507	-	-	3.982.507
Derivative financial instruments	-	49.815	32.498	82.313
31 December 2023				
<u>Financial Assets</u>				
Cash and cash equivalents	24.072.967	-	-	24.072.967
Trade receivables	20.353.161	-	-	20.353.161
Financial investments	-	-	1.899.798	1.899.798
Other financial assets	214.383	-	-	214.383
Derivative financial instruments	-	7.792	3.604	11.396
<u>Financial Liabilities</u>				
Borrowings	67.740.702	-	-	67.740.702
Trade payables	23.427.066	-	-	23.427.066
Other liabilities	1.961.944	-	-	1.961.944
Derivative financial instruments	-	91.151	31.499	122.650

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

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**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont’d)****Additional information about financial instruments (cont’d)**Categories of the financial instruments and their fair values (cont’d)

Financial asset and liabilities at fair value	31 March 2024	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital and financial investment fund	1.296.296	-	1.296.296	-
Currency protected time deposits	695.255	-	695.255	-
Derivative financial assets	23.508	-	23.508	-
Derivative financial liabilities	(32.498)	-	(32.498)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	41.001	-	41.001	-
Derivative financial liabilities	(49.815)	-	(49.815)	-
Total	1.973.747	-	1.973.747	-

Financial asset and liabilities at fair value	31 December 2023	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital 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	-

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

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

Additional information about financial instruments (cont’d)

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

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

With the Tax Procedural Law General Communiqué numbered 560 published in the Official Gazette dated 30 April 2024 and numbered 32532, it was deemed appropriate not to make inflation adjustments in the first provisional tax period of the 2024 accounting period, inflation adjustments will continue to be made in the following provisional tax periods.

Based on TAS 10 “Events After the Reporting Period” standard, which is included in the non-adjusting events after the reporting period, “A change or announcing that a change will be made in the tax rates or tax laws in force after the reporting period in a way that will have a significant effect on the current and deferred tax assets and liabilities.” rate change is considered as an event after the reporting period.

If the tax rate change had occurred before the reporting period, the effect on the Group's total tax expenses in the summary profit or loss statement would have been TRY (570.315) thousand.