

Integrated Annual Report 2022

ERDEMİR | İSDEMİR

ERDEMİR MADEN | ERSEM | ERDEMİR MÜHENDİSLİK

KÜMAS MANYEZİT | YENİLİKÇİ YAPI MALZEMELERİ

ERDEMİR ROMANIA | ERDEMİR ENERJİ

İSDEMİR LİNDE GAZ ORTAKLIĞI

ERDEMİR ASIA PACIFIC

INTEGRATED POWER

**TRANSFORMING
IRON ORE INTO VALUE**





GET WELL SOON
TÜRKİYE

Dear Stakeholders,

As the Turkish Nation, we experienced one of the most catastrophic disasters in our history on February 6, 2023. An earthquake, with its epicenter in Kahramanmaraş, caused massive destruction in that city and in the neighboring provinces.

We lost our very dear colleagues and their families in this tragedy, along with tens of thousands of our citizens. We carry the pain of our losses in our hearts, and wish mercy for those we lost. We extend our condolences and sympathies to their relatives.

As OYAK Mining Metallurgy, our primary concern during this grueling time has been to heal the wounds of this great catastrophe, joining search and rescue efforts and mobilizing our resources for our colleagues and citizens affected by the earthquake. We will maintain our support, making every effort to ensure that the lives of our earthquake-stricken citizens can return to normal.

We know that, together, we will overcome these trying times. Hope our nation gets well soon...

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Financial Capital



Produced Capital



Intellectual Capital



Social Capital



Human Capital



Natural Capital

About the Report

This report, which is the fourth integrated annual report covering OYAK's Mining Metallurgy Companies, includes the management approaches of the companies in the economic, social and environmental sphere and their performance data. This integrated annual report, which combines financial and non-financial data, shares assessments of the long-term value creation business strategy of Mining Metallurgy Companies, their corporate culture, stakeholder relations, and how the Companies manage opportunities and risks.

The Scope and Standards Used

The report reflects the management approach of OYAK's Mining Metallurgy Companies in material issues, created with the participation of a wide range of stakeholders, in line with the sectoral and global trends, their future goals and their planned investments.

While the report predominantly focuses on the main production facilities, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) and İskenderun Demir ve Çelik A.Ş. (İsdemir), the report includes the data of the OYAK's Mining Metallurgy Companies. The companies covered by the data presented are specified in the relevant sections. The numerical data in the report covers the activity period between 1 January and 31 December 2022.

The report is prepared in accordance with the Integrated Reporting framework published by the International Integrated Reporting Council (IIRC) and the GRI Standards "Core" option published by the Global Reporting Initiative (GRI).

Audit

The financial indicators included in the report constitute the data disclosed in the consolidated financial statements of the Mining Metallurgy Companies, which have undergone independent audits. Other content other than financial data has not undergone any external audit or control process.

Feedback

The report can be reached from our official website at www.erdemir.com.tr, all opinions and suggestions can be conveyed to iletisim@erdemir.com.tr e-mail address.



İsdemir Hot Rolling Mill



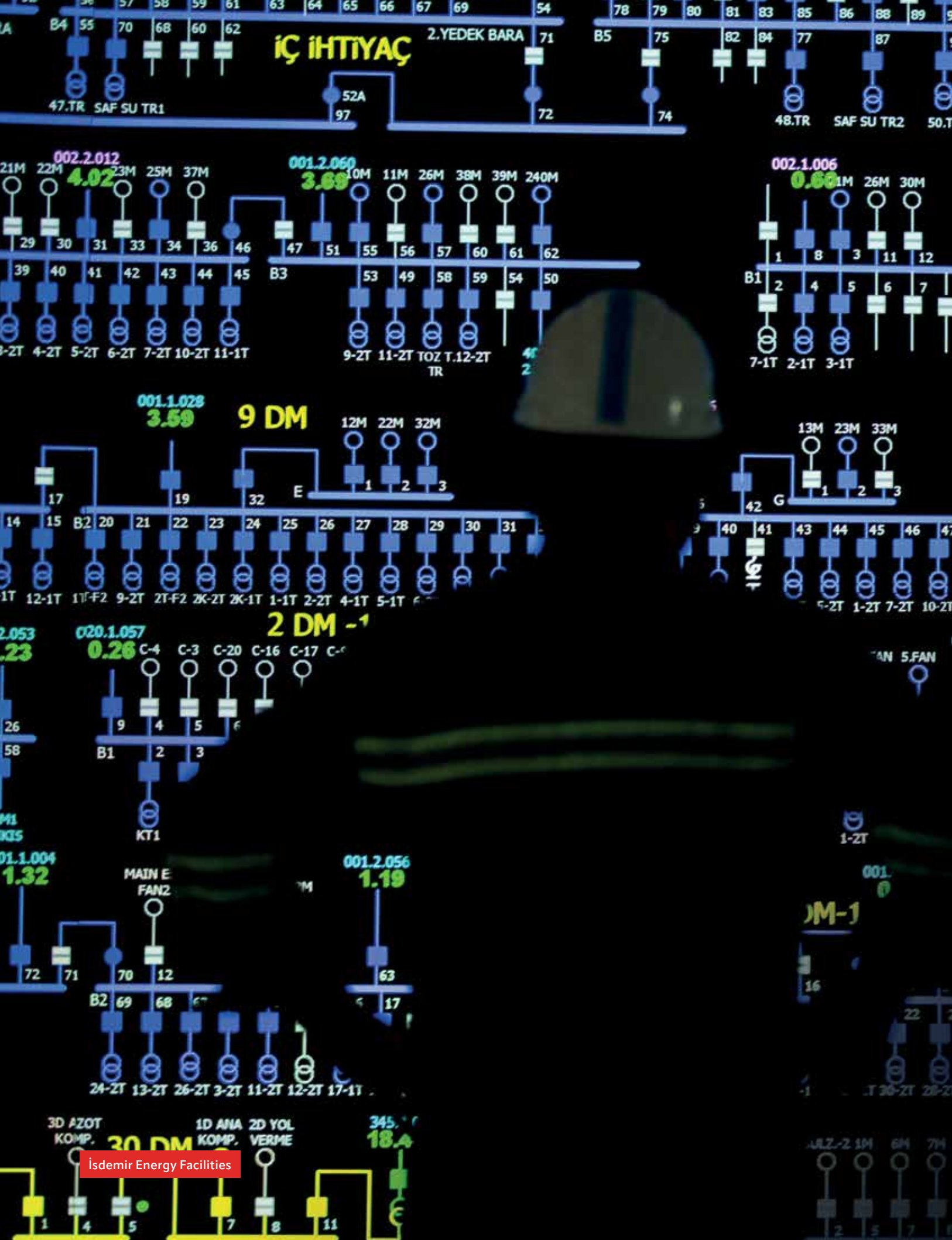


POWER BORN FROM UNION

Proud to have left behind another year of macroeconomic uncertainties with success, we are taking firm steps towards the future.

We are the leader in Türkiye's manufacturing and steel industry with our Mining Metallurgy Companies, which have produced numerous achievements in their field. In times of limited access to raw material sources, we carry out sustainable production with an advantage in access to ore. We achieve a competitive advantage and high product quality through the efficiencies delivered by integrated steel production.

At our Mining Metallurgy Companies, which carry out integrated production, we undertake the necessary work to reduce the carbon emissions emitted as a result of our production processes. We lowered our carbon emissions and are taking sustainable steps for our planet via energy savings achieved through systematic activities aimed at energy efficiency.



INTEGRATED TRUST

Erdemir, Türkiye's first and largest integrated flat steel producer and the operator of the industry's first R&D center, upholds production by combining quality and trust. Centering sustainability and maintaining its production of steel with high added value, Erdemir continues to expand its scope at home and abroad. Working with a focus on digitalization and automation through strategic investments, Erdemir brings steel into the future with artificial intelligence applications.



İsdemir Billet Casting

A large, rusted metal plate, likely a steel coil, is the central focus of the image. It is positioned horizontally and occupies most of the frame. The background shows an industrial setting with various structures, including a yellow crane or lift on the left and a dark, possibly glass-enclosed area in the center. The lighting is somewhat dim, highlighting the texture of the rusted metal.

INTEGRATED QUALITY

İsdemir, our country's largest iron and steel plant, also houses the only integrated facility in Türkiye that simultaneously produces long and flat products. The plant provides the basic input to many sectors such as pipe manufacturing, shipbuilding and construction, as well as the general manufacturing industry, and contributes to the development of the national industry with more than 50 years of experience. Raising the bar on quality with its exports, İsdemir continues to add value to the national economy through strong export revenues and the employment it creates.

INTEGRATED DEVELOPMENT

We further strengthened our force at the beginning of 2021 with Kümas Manyezit Sanayi A.S., the world's largest mining operator in the quality magnesite ore sector and the Turkish market leader in the refractory sector. We consider this strategic step to be a milestone in the integration of our activities and aim to efficiently utilize Türkiye's rich and valuable magnesite resources and achieve sustainable returns.





Message from the Chairman

POWER INTEGRATED INTO THE GLOBAL ECONOMY

While leading Türkiye's steel production, we compete globally with the world's leading steel producers, reinforced by our long-established business culture, agile operational talent, and superior financial performance.

Dear Stakeholders, Business Partners and Colleagues,

Our country experienced the greatest catastrophe in its history on February 6, 2023. This earthquake claimed the lives of tens of thousands of citizens and injured hundreds of thousands more people. One of the many cities impacted by the earthquake is Iskenderun and, tragically, we also lost colleagues in this disaster. I wish God's mercy to all our citizens and colleagues who lost their lives in the earthquake, and I extend my sincerest condolences to their relatives. On the first day of the disaster, we swiftly commenced aid efforts in the region through our OYAK Crisis Coordination Center. Our greatest healing force during such a disaster has been our never-ending spirit of solidarity. We will get through these difficult times in unity and solidarity, heal the wounds of İsdemir, one of our locomotive companies, and make it stronger than ever.

Despite these challenges, we will continue to do our part with great enthusiasm and faith, striving to do our jobs better each day and looking forward to the future of our nation with even more hope.

The post-pandemic recovery in the world economy, followed by record growth, gave way to very challenging processes in 2022. I would like to share highlights from our activities in 2022.



35.1

million tons

Crude Steel Production
in Türkiye

In 2022, global raw steel production declined by 4.3%. The Turkish steel industry also fell by 13% during the same period.

Nevertheless, with 35.1 million tons of crude steel produced, our country was the 8th largest producer in the world, following Germany.

Period of risk and uncertainty in the global economy

A principal development during this challenging year was the hot war between Russia and Ukraine, which began in February. As well as causing a tremendous humanitarian crisis, the war provoked a number of issues in the global economy. Soaring energy and commodity prices significantly raised costs across many industries. Increases in costs of living accompanied mounting inflation, affecting not only underdeveloped and developing countries but, also, for the first time in many years, developed countries. Furthermore, supply chains and logistics balances, disrupted during the pandemic, could not be restored to pre-pandemic levels; markets could not fully open due to the impact of the COVID-19 pandemic, which persisted in some areas of China.

While these changes produced supply interruptions around the world, the increased costs contributed to a drop in company profitability.

The International Monetary Fund (IMF) announced that economic growth, realized as 6% in 2021, had sloped downward and was realized as 3.4% in 2022. The IMF predicted that economic growth is projected to fall to 2.9% in 2023.

The World Trade Organization's (WTO) Global Goods Trade Barometer Report indicated that, despite the 5.6% increase in the third quarter of 2022 with respect to the previous year, the growth in global goods trade volume lost momentum in the final quarter.

In 2021, the United States, one of the world's largest economies, recorded its strongest annual growth since 1984, with 5.9%. However, this value dropped to 2.2% in 2022. Although diminished consumer demand, due to declining income levels, played an important role in the deceleration in growth, high interest rates also had a negative impact, especially on housing industry expenditures. A similar deceleration was observed in the European economy, which is Türkiye's largest export market. As a result, the EU economy is expected to grow by 3.6% in 2022. China, another global player, grew by only 3% last year, even though it achieved 8.4% growth in 2021.

Türkiye took advantage of its geopolitical position

Despite all these difficulties globally and in the world's largest economies, Türkiye was among the economies exhibiting the most growth, increasing 5.6% even amid the uncertain environment of 2022.

With the implementation of policies aimed at increasing foreign direct investment, Türkiye continues to offer the potential to become a production hub capable of resolving global supply chain problems, thanks to our country's entrepreneurship, trained human resources and geopolitical position.

Energy costs up, global steel production down

The steel industry was one of the industries most affected by global economic conditions. As the energy crisis worsened and demand was suppressed due to the COVID pandemic, particularly in China, global crude steel production declined by 4.3% in 2022. The Turkish steel industry contracted by 13% during the same period. Nevertheless, with 35.1 million tons of crude steel produced, our country was the eighth-largest producer worldwide, following Germany.

In addition to dwindling demand in the wake of the Russia-Ukraine war, protectionist measures implemented by the EU and USA, and the negative effect of high energy costs on the competitiveness of the industry, resulted in a 23.5% decrease in national exports. In 2022, Türkiye recorded 14.4 million tons of finished product exports, including 4.7 million tons of flat steel.



The Middle East and North Africa (MENA) Region and the Commonwealth of Independent States (CIS) were regions where flat finished product exports increased. In 2022, record high levels were reached in exports to MENA and an increase of 66% was recorded. Türkiye's long finished product export was again highest in the MENA region, despite a 10% decline. In second place was the EU, with an increase of 26%. South America ranked third.

We steer the industry as a global steel force

As we reach our 60th anniversary, OYAK Mining Metallurgy Companies continues to add value to our country and its stakeholders, acting as Türkiye's global steel force in 2022 with its focus on sustainable growth, responsible production and a people-centered approach.

While leading Türkiye's steel production with the strength of our stakeholders and business partners, not only do we steer our industry, but we also compete globally with the world's leading steel producers, reinforced by our long-established business culture, agile operational talent, and superior financial performance.

In 2022, our crude steel production was 7.8 million tons. Our companies exported a total of 1.1 million tons of finished products, including 1.1 million tons of flat products and 67,000 tons of long products. This amount constitutes 15% of our total sales.

Our OYAK Mining Metallurgy Companies achieved strong consolidated financial results in 2022, thanks to their effective operational talents. While our EBITDA value reached USD 1,714 million, our EBITDA margin stood at 21.1%. Thus, our year-end net profit was USD 1,142 million and our net profit margin was 14.1%.

Strategic investment decision of USD 550 million

This past year, our main focus areas were low costs, high productivity, and innovative solutions in investment activities in our facilities. In 2022, the number of ongoing projects at Erdemir and İsdemir reached 35.

Message from the Chairman

As we contribute to the protection of natural resources and the environment at our Mining Metallurgy Companies, we achieve a competitive advantage through activities aimed at ensuring the effective use of energy.

A pelletizing facility is planned to be established at the iron mine site located in Bingöl Avnik, owned by Ermenek, one of our Mining Metallurgy Companies, with an investment to be made by Erdemir. Türkiye's national resources are aimed to be introduced into the economy through the facility, to be launched with a USD 550 million investment; as well, the facility is anticipated to significantly contribute to employment in both the construction and operation phases. The foundation of this facility will be laid in the 100th anniversary of our Republic and it is planned to be operational in three years.

Erdemir's new coke production facility is another of our investments that will witness our Republic's new century. Featuring high environmental performance and automation levels, this investment will carry the Company into the future, reducing Erdemir's foreign dependency. Replacing the first and second batteries that have been serving since our establishment, the investment for a new fourth coke battery, offering an annual capacity of 800 thousand tons, will be taken up in the first quarter of 2024.

Through the new 3rd Coke Battery Modernization Project implemented at İsdemir in 2022, we aim to increase the by-product sales volume, save energy, and prevent imports by increasing metallurgic coke production.

During the year, Erdemir's sixth steam boiler, another investment, was commissioned. Our new steam boiler, which allows for more efficient and productive use of by-product gases in our facilities and has a production capacity of 160 tons per hour, covers an important part of Erdemir's electricity production needs.

Further steps for sustainability and the circular economy

Our Mining Metallurgy Companies, which are among Türkiye's largest industrial organizations, continue to take steps towards sustainability with strong financial performances achieved through effective cost and dynamic capacity management. We produce steel, one of the main raw materials for industry, and our contribution to the economic cycle and development of the market is evident. In addition to our production and export volume, we serve our country's sustainable development through the employment we create and throughout our value chain.

Responsible production continues to drive our fundamental approach. At Mining Metallurgy Companies, we have determined as our main focus areas the effective and efficient utilization of existing resources, to fulfil our environmental responsibility; and continuously improving our environmental performance, to leave a cleaner and livable world to future generations. In line with our environmental policy, we assess potential environmental risks in the course of our production activities and take measures to counter those risks. We monitor our environmental impacts through continuous measurements and then bring those impacts under control. Concurrently, we implement improvement and investment projects in a manner designed to minimize these impacts. The policies and processes we design are aimed at mitigating our environmental impacts, improving our energy utilization, ensuring effective use of resources, and reducing waste throughout the entire value chain. We also aim to promote recycling in every phase of the activity cycle, while also retaining and developing our human capital.

In November 2022, Türkiye's National Contribution Statement was announced during the 27th United Nations Climate Change Conference (COP 27). Türkiye raised its emission reduction target, announced as 21% for 2030, to 41% within the framework of the National Contribution Statement. In this context, we are striving to build our country's future together by taking part in the planned activities.

As we contribute to the protection of natural resources and the environment at our Mining Metallurgy Companies through activities directed towards ensuring the effective use of energy, we achieve a competitive advantage. We have reduced our greenhouse gas emissions through energy savings, achieved as a result of systematic activities aimed at energy efficiency.

Additionally, we are one of Türkiye's largest job providers. With 12,659 employees, we operate with a strong and widespread sphere of influence in the regions where we operate. Within this scope, we also create indirect employment for approximately 300,000 people. Accordingly, we support regional development in the geographical regions in which we operate, also contributing to the socio-economic development of local communities.

In 2023, even as we commemorate the 100th anniversary of our Republic with great pride, the year may bring with it many uncertainties. No matter how difficult it may get, our greatest strength is and will always be the love and dedication we feel for our country.

Most of all, I thank the Armed Forces Pension Fund (OYAK), whose past, present, and future support we always feel with us, and our shareholders, customers, suppliers, colleagues and all our other stakeholders.

Sincerely,

Süleyman Savaş ERDEM
Chairman of the Board of Directors

Board of Directors



Süleyman Savaş ERDEM
Chairman of the Board of Directors
(Representative of OYTAŞ İç ve Dış Ticaret A.Ş.)



Baran ÇELİK
Deputy Chairman and Executive Director
(Representative of OMSAN Lojistik A.Ş.)



Gürtan DAMAR
Board Member and Executive Director
(Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş.)



Bekir Emre HAYKIR
Board Member
(Representative of Republic of Türkiye
Ministry of Treasury and Finance Privatization
Administration)



Güliz KAYA
Board Member
(Representative of OYAK Denizcilik ve Liman
İşlet. A.Ş.)



Volkan ÜNLÜEL
Board Member
(Representative of OYKA Kağıt Ambalaj San. ve
Tic. A.Ş.)



Ali FİDAN
Independent Board Member



Kurtuluş Bedri VAROĞLU
Independent Board Member



Emre GÖLTEPE
Independent Board Member

Senior Management

LEVENT ÖNCEL
Kümaş Manyezit
Sanayi A.Ş.
General Manager

İBRAHİM ÖZBUNAR
Erdemir Çelik Servis
Merkezi Sanayi ve
Ticaret A.Ş.
General Manager

FATİH ÇITAK
Marketing and Sales
Group Vice President

**MUSTAFA SERDAR
BAŞOĞLU**
Financial Management
and Financial Affairs
Group Vice President

SALİH CEM ORAL
İskenderun Demir ve
Çelik A.Ş.
General Manager

**İSMAİL KÜRŞAD
KORKMAZ**
Procurement
Group Vice President



BARAN ÇELİK
Deputy Chairman
and Executive
Director

**SÜLEYMAN SAVAŞ
ERDEM**
The Chairman of the
Board of Directors

GÜRTAN DAMAR
Board Member and
Executive Director
Erdemir Mühendislik
Yönetim ve Danışmanlık
Hizmetleri A.Ş.
General Manager

ERCAN KAYA
Corporate Architecture
and Human Resources
Group Vice President

**HALİL
YILDIRIM**
Erdemir Madencilik
Sanayi ve Ticaret A.Ş.
General Manager

**NİYAZİ AŞKIN
PEKER**
Ereğli Demir ve Çelik
Fabrikaları T.A.Ş.
General Manager



Corporate Profile

POWER INTEGRATED INTO RESPONSIBLE PRODUCTION

As OYAK's Mining Metallurgy Companies, with an awareness which comes with being the leader player in the steel industry, we focus on sustainable growth, responsible production and putting people at the heart everything we do for over 57 years.



Erdemir 2nd Hot Rolling Mill

At OYAK's Mining Metallurgy Companies, we have been working for our country and stakeholders for more than 57 years. With an awareness which comes with being the leader player in the steel industry, we focus on sustainable growth, responsible production and putting people at the heart everything we do.

We generate value for our customers with our high-quality products and services. We develop and renew ourselves in line with their needs and expectations. We monitor current technological developments and transform the way we do business. We support our economy with our production, exports, employment and strong financial structure.



11

OYAK's Mining
Metallurgy
Companies

We serve the Turkish industry with 11 companies including our parent company, Erdemir, which was Türkiye's first flat steel producer, and its affiliates, İsdemir, Erdemir Maden, Erdemir Çelik Servis Merkezi, Erdemir Mühendislik, Erdemir Romania, Erdemir Asia Pacific, Erdemir Enerji, İsdemir Linde Gaz Ortaklığı, Kütas Manyezit, and Yenilikçi Yapı Malzemeleri. We operate in the fields of flat and long steel production, steel service centers, mining, industrial gas production, engineering and project management, as well as generating energy, and lead the sector with our pioneering practices.



As our sector's leading steel producer, we single-handedly realized 22% of our country's crude steel production with our 7 million 789 thousand tons of crude steel production in 2022. We have also maintained our strong position in the global steel market. OYAK's Metallurgy Companies rank 4th among EU member countries' producers, 9th in Europe and 48th in the world in terms of crude steel production, based on figures published by the World Steel Association.

We provide raw materials to almost every branch of industry, in particular to the automotive, white goods, construction, machinery, shipbuilding, pipe, energy, defense and packaging industries. We are preferred as a high-quality and reliable supplier both in Türkiye and abroad. In 2022, we exported a total of 1.1 million tons of finished products, including 1.1 million tons of flat products and 67 thousand tons of long products.

We conduct advanced steel research at the Erdemir R&D Center, the first R&D Center in the Turkish steel industry approved by the Ministry of Industry and Technology, in order to widen our product diversity, offer innovative solutions which will carry our customers forward, to use our resources efficiently and access alternative resources.



1.1

million tons

Total Amount of
Finished Products
Exported in 2022

We derive our
strength from
our 12,659
employees, with
their competence,
experience,
determination and
their belief in our
common future.

Our ports in Karadeniz Ereğli and İskenderun serve as the largest ports in our country and in the region, serving both our companies and organizations in the area.

We derive our strength from our 12,659 employees, with their competence, experience, determination and their belief in our common future. We care about the satisfaction and development of our employees, observe their rights and believe in their potential. We aim to add value to the lives of our employees, support their developmental needs throughout their career paths and support their innovative and creative ideas. Providing our employees with healthy and safe work areas is our top priority. We develop feedback systems so we can immediately identify risky behavior elements. We act with the principle that every accident is preventable in our facilities. We support our employees with continuous and systematic OHS training in order to instill a sustainable safety culture.

Together with all our companies, we continue to carry out our activities with a sense of responsibility by considering all environmental risks caused by climate change, and by not only being in the present but also in the future. With the strength which we derive from our employees and the steel which we produce, we are working to provide a better direction to our future and offer added value to our country.

Corporate Profile

Offering services at international quality standards with over 57 years of long-standing experience, Erdemir is one of the world's most important steel producers with a crude steel capacity of 4 million tons and finished product capacity of 5 million tons.

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir)

Playing one of the most important roles in the Turkish industry, Erdemir started production on 15 May 1965 at its facilities established in Karadeniz Ereğli in order to meet the country's requirement for flat steel. Today, Erdemir operates as Türkiye's largest integrated flat steel producer under the umbrella of our Mining Metallurgy Companies.

Erdemir produces hot and cold rolled flat steel, plate, tin, chrome and galvanized coated sheet to international quality standards backed by the experience gained in its deeply rooted history going back more than 57 years. The company is one of the world's most important steel producers with a crude steel capacity of 4 million tons and finished product capacity of 5 million tons.

The products manufactured by the company provide the basic input to a wide array of sectors such as the automotive, white goods, pipe profile, rolling mill, general manufacturing, electrical electronics, machinery, energy, heating equipment, shipbuilding, defense, packaging, and renewable energy industries.

As Türkiye's only plate producer, Erdemir also owns one of the largest ports in Türkiye's Black Sea region.



Erdemir Port



5.8

million tons/year

İsdemir Liquid Steel
Production Capacity

İskenderun Demir ve Çelik A.Ş. (İsdemir)

İsdemir, whose foundations were laid in İskenderun on 3 October 1970, is an integrated iron and steel plant which had third highest steel production capacity and highest liquid steel capacity in Türkiye as of its establishment date. İsdemir was transferred to Erdemir in 2002 on the condition that it would produce flat products.

The company is one of the most important steel producers in the world, with finished product production capacities of 5.8 million tons of liquid steel, 3.5 million tons of flat products, 0.6 million tons of coil and 2.5 million tons of billet per year.

As Türkiye's only integrated steel plant capable of producing both long and flat products simultaneously, İsdemir has maintained its investments in line with the needs of the country's industry since its inception.

Erdemir Madencilik San. ve Tic. A.Ş. (Erdemir Maden)

Erdemir Maden started ore production in the Divriği township of Sivas in 1938 and has continued its activities as Demir Madenleri İşletmesi since 1940. Erdemir Maden, which joined Erdemir in 2004, has the only pellet plant which meets the needs of the Turkish iron and steel sector.

Producing hematite lumps and fine ore in addition to pellets, Erdemir Maden, as Türkiye's largest iron mining producer, provides domestic and national raw materials to the Turkish steel industry with a production capacity of 1.5 million tons of pellets and 750,000 tons of lump ore.

Erdemir Maden is Türkiye's principal owner of iron mines and the largest producer of iron in Türkiye with its concentration and pellet plants in Sivas Divriği, as well as a total of 15 mining sites, including 11 iron mines, one coal mine, one manganese field, and two clay fields. Erdemir Maden realizes 39% of Türkiye's iron ore production and single handedly provides 14% of Türkiye's ferrous raw material needs.

Erdemir Çelik Servis Merkezi San. ve Ticaret A.Ş. (Ersem)

Erdemir Çelik Servis Merkezi San. ve Ticaret A.Ş. (Ersem) was founded in Gebze in October 2001 and entered operation in 2002 with a cold slitting line capacity of 150,000 tons/year of and cold size cutting line capacity of 100,000 tons/year. In addition to the automotive and white goods industries, the company provides high-quality services to companies operating in various branches of industry such as general machinery and manufacturing, the heat industry and electric electronics at its steel service providing centers.

With the investments it took up in 2022, Ersem will raise its slitting and size cutting production capacity from a total of 1 million 950 thousand tons to 2 million 225 thousand tons. Ersem, Türkiye's largest steel service center, has four production plants in Gebze, Karadeniz Ereğli, İskenderun, and Manisa.

Ersem's competencies allow it to quickly meet the immediate demands of its customers, with the company able to ship products at the desired quality and size, on time and to the requested place, while managing stocks and responding to various requirements such as production in tight tolerances and deliveries in small batches.

Erdemir Romania S.R.L (Romania)

Erdemir Romania was founded in Targovishte, Romania, and became one of our Mining Metallurgy Companies in 2002. The company produces siliceous flat steel, a principal input for the engine, transformer and generator industries. Erdemir Romania, which has commanded a key position in this field in Europe, directs 20% of its production to the Romanian domestic market while exporting 80% of its production to various countries, especially in Europe.

Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. (Erdemir Mühendislik)

Erdemir Mühendislik provides a wide range of engineering and project management services ranging from planning to implementation, aimed at supporting the profitability, product diversity and efficiency for our Mining Metallurgy Companies and helping them achieve the quality goals in their investments.

Kümas Manyezit Sanayi A.Ş.

Kümaş is Türkiye's leading and largest vertically integrated refractory producer. The entire operation extending from the mineral supply to the sales process is handled by the Company.

Established in Kütahya in 1972, Kümas Manyezit San. A.Ş. started to produce sinter magnesite from natural magnesite ore in 1976. The Company has rich magnesite and dolomite resources and reserves. The Company, the market leader of the Turkish refractor industry in terms of its reserves and size, owns mining sites in Kütahya, Eskişehir, and Konya. Kümas Manyezit primarily serves iron and steel, as well as concrete and glass industries.

On 3 February 2021, Erdemir, one of OYAK Mining Metallurgy Companies, acquired Kümas Manyezit, which is the Turkish market leader of the refractory industry and the world's largest mining operator in the qualified magnesite ore industry. With this acquisition, we aim for cost control and productivity increases through vertical integration.

Odak Refrakter ve Madencilik Sanayi ve Ticaret A.Ş., subsidiary of Kümas Manyezit, merged on 10 May 2022 with Yenilikçi Yapı Malzemeleri Yatırım Üretim San. ve Tic. A.Ş., together with all assets and liabilities.

Yenilikçi Yapı Malzemeleri Yatırım Üretim Sanayi ve Ticaret A.Ş.

Yenilikçi Yapı Malzemeleri was established in 2013 as a 100% subsidiary of Kümaş in order to contribute to the national economy, prevent environmental pollution, and provide sustainability. Yenilikçi Yapı Malzemeleri Yatırım Üretim Sanayi ve Ticaret A.Ş., subsidiary of Kümas Manyezit A.Ş., merged on 10 May 2022 with Odak Refrakter ve Madencilik Sanayi ve Ticaret A.Ş. under Yenilikçi Yapı Malzemeleri Yatırım Üretim Sanayi ve Ticaret A.Ş. Yenilikçi Yapı Malzemeleri has been carrying out its activities in recycling for approximately twenty years. With Erdemir's acquisition of Kümas Manyezit in 2021, it became a subsidiary company.

Erdemir Enerji Üretim A.Ş.

The company was established with Erdemir providing 100% of the capital for the purpose of producing renewable energy. The "Kızılcapınar Hydroelectric Power Plant", which was realized within the body of Erdemir Enerji, is located in the Kızılcapınar Village of the Karadeniz Ereğli district of Zonguldak. The hydroelectric power plant, which generates electricity based on a renewable resource, entered operation on 18 June 2021 after obtaining the Ministry Acceptance Report. The Kızılcapınar HEPP has two units, one with an installed capacity of 4.28 MWm/4.13 MWe and the other with an installed power of 1.26 MWm/1.22 MWe, with a total installed capacity of 5.54 MWm/5.35 MWe. Although the output varies depending on hydrological conditions, the annual average production capacity is 18,700,000 kWh.

İsdemir Linde Gaz Ortaklığı A.Ş.

İsdemir Linde Gaz Ortaklığı A.Ş. was established in a 50- 50 partnership with Linde Gas Türkiye in order to meet İsdemir's additional needs for industrial gas and reduce the costs of the existing industrial gas system. The company entered operations in December 2016.

Erdemir Asia Pacific PTE. LTD.

Founded in Singapore in 2014 as a 100% subsidiary of Erdemir, the company has conducted Erdemir's commercial activities in the Far East since its establishment.

Our Mining Metallurgy Companies in 2022

SUCCESS-ORIENTED INTEGRATED POWER

Erdemir 2nd Hot Rolling Mill

7.048 million tons of Flat Finished Products and **736 thousand tons** of Long Finished Products Production

2 million 571 thousand tons of Magnesite and Ore Production

1.1 million tons of exports

USD 8.107 billion Sales Revenue

USD 1.714 billion EBITDA

In 2022, **USD 723 million** Investment Expenditures

TL 99.936 million R&D Expenditure

With its 2021 R&D expenditure, Erdemir ranks **50th** among the companies with the largest R&D expenditure

According to the 2021 results of the "R&D 250, Türkiye's Companies with the Highest R&D Expenditures Survey" by Turkishtime, **Erdemir** ranks **18th** in terms of R&D Center projects and utility models received, and **50th** in the general list

ISO 500:
İsdemir ranks 5th
Erdemir ranks 7th
Ersem ranks 69th
Erdemir Maden ranks 141st

In the Capital 500 Survey, **Erdemir ranked 6th and İsdemir ranked 15th** in "Türkiye's Largest 500 Companies" list, while Erdemir was **first** in its sector

In the Capital 500 Survey, **Erdemir ranked sector 1st** in the most profitable companies ranking

Erdemir ranked 7th and Ermaden ranks 186th among the largest companies in Türkiye, according to the Fortune 500 Türkiye List.

Erdemir received an award in the Occupational Health and Safety category for its "Safe Conduct Center" in the Common Tomorrow Award Ceremony organized for Sustainability by TİSK.

Erdemir received an award in the Occupational Health and Safety category for its "Safe Production Is Possible Together" project in the Common Tomorrow Award Ceremony organized for Sustainability by TİSK.

Erdemir ranked **first** in its sector and **second** in the general ranking in the survey of Türkiye's "Global 100" companies, organized by Platin magazine in conjunction with IPSOS.

This year, **Erdemir** was included in the Sustainability Index for the **8th** time.

İsdemir was included in the **Sustainability Index** in the past four years it was evaluated.

Erdemir's Corporate Governance Principles compliance rating score reached **9.61**.

İsdemir's Corporate Governance Principles compliance rating score was **9.61**.

Ersem received an award in the OHS Ambassadors category of the Stars of Occupational Safety Awards organized by MESS.

Ersem received an award in the "Organizations with Most Revenue" category of the "Contributors to Kocaeli, the Center of Technology and Industry" award ceremony held in coordination with the Ministry of Industry and Technology.

POWER INTEGRATED INTO SUSTAINABLE GROWTH

We map out our strategies by anticipating the challenges of the ever-changing dynamic environment. We plan different business models which include our priorities and focus areas, and provide a competitive advantage.

We shape our approach to value creation on the basis of three basic concepts as follows:

- sustainable growth,
- responsible production,
- an approach that puts people at the center.

Sustainable Growth

As one of the largest industrial organizations in Türkiye, we maintain our strong financial performance by implementing effective cost and capacity management. We pursue balanced growth in foreign markets as well as in the domestic market.

OYAK's Mining Metallurgy Companies help reduce imports and contribute to economic growth by meeting the needs of the domestic market with the supply of steel, which is one of the main raw materials of the Turkish industry.

The employment we create, our production volume, our share in the trade cycle and our exports, our contribution to the development of the domestic market and our contribution to keeping the wheels of the economy turning prove the effectiveness of our sustainable growth strategy.

Priorities

- Sustainable Profitability
- Product Quality
- Responsible Procurement and Supply Chain Management

Focus Areas

- Contribution to industry and economic growth in Türkiye as the industry leader
- Competitive cost management
- Maintaining and increasing market share
- Increasing high value-added grades in product groups
- Being a reliable solution partner for customers with zero errors
- Increasing company value
- Increasing resource and investment efficiency





Responsible Production

Our Mining Metallurgy Companies view responsible production as a key necessity in achieving sustainable growth. In line with this awareness, we focus on reducing our environmental impacts, particularly the impacts caused by climate change, playing a role in the transition to a green circular economy and implementing pioneering practices to achieve the best performance in the field of occupational health and safety.

We realize regular R&D investments both to improve responsible production processes and to offer the products which meet the needs of our customers. In addition, we define the digital transformation in a manner which will render our entire business more effective, more efficient and create more value. We invest in digital technologies in our work processes.

We are designing, executing and investing a large number of projects to implement environmentally friendly practices in our facilities. In line with our responsible production strategy, we strive to improve efficiency in many areas from the energy we use to the water we consume.

Priorities

- Occupational Health and Safety
- Energy Management
- Operational Efficiency
- Climate Change
- Low Emission Production Technologies
- R&D and Innovation
- Waste Management
- Air Emissions
- Circular Economy
- Water Management
- Biodiversity

Focus Areas

- Transparent and accountable management
- A focus on R&D in the production processes
- Reducing environmental impacts
- Developing pioneering OHS practices
- Developing products and services in line with current trends and technologies
- Increasing operational efficiency
- End-to-end integrated solutions

People-Centered Approach

OYAK's Mining Metallurgy Companies have adopted the priority of generating value for our stakeholders. We prioritize contributions to the socio-economic development of local communities with the employment we create in the regions where we operate and the support we provide to the development of the region.

We develop projects to improve the skills and competencies of our human resources, our most valuable asset, and to increase their satisfaction. We care as much about the satisfaction of our employees as we do about their health and safety. Our strategy which puts people at the heart of what we do also includes the responsibility of providing the best for our employees.

As one of Türkiye's largest direct employers with 12,659 employees, we create indirect employment for approximately 300,000 people in the regions where we operate.



















Priorities

- Ethics and Transparency
- Digitalization
- Employee Satisfaction and Talent Management
- Corporate Governance
- Employee and Human Rights
- Contribution to Local Development
- Equal Opportunity and Diversity
- Community Investment Programs












Focus Areas

- Social contribution in the regions where there are operations
- Increasing employee satisfaction
- Employees who have adopted corporate priorities and values and who act together

Strategic Approach

Our Strategic Priorities	Our Focus Areas	Relevant Indicators	The SDGs We Contribute to
Sustainable Growth	Contribution to industry and economic growth in Türkiye as the industry leader	EBITDA Finished Product Sales Tonnage Finished Product Production Tonnage Pig Iron Production Tonnage	 
	Competitive cost management	Conversion Cost	 
	Maintaining market share	Market Share	 
	Increasing high value-added grades in product groups	The Share of High Value-added Grades	 
	Being a reliable solution partner for customers with zero errors	Customer Satisfaction Survey Score Claim Conclusion Time On Time Delivery Rate	 
	Increasing company value	Stock Value Corporate Reputation Survey Score	 
Responsible Production	Transparent and accountable management	Corporate Governance Principles Compliance Rating Score	
	R&D focus in production processes	Ratio of R&D Budget to Group Sales Revenue Saving Contribution of the R&D Projects in the Last 3 Years	
	Reducing environmental impacts	Specific Energy Consumption Waste Reduction Amount Waste Recovery Ratio Greenhouse Gas Emissions Water Consumption	   

SDGs: Sustainable Development Goals

Our Strategic Priorities	Our Focus Areas	Relevant Indicators	The SDGs We Contribute to
Responsible Production	Developing pioneering OHS practices	Accident Frequency Rate Accident Severity Rate OHS Systematics Application Ratio OHS Training Hours Per Employee	  
	Developing products and services in line with current trends and technologies	New Products Sales Tonnage Ratio of the Turnover of New Steel Grades Developed in the Last 3 Years to the Last Year's Turnover Number of Grades Developed Sales Revenue of New Grades Developed / Supported in the Last 3 Years	
	Increasing operational efficiency	Total Equipment Effectiveness Asset Management Performance	 
	End-to-end integrated solutions	Compliance with Digital Transformation Projects Time Schedule	
People-Centered Approach	Social contribution in the regions where there are operations	Corporate Social Responsibility Projects	 
	Employees who have adopted corporate priorities and values and who act together	Training Hours Per Employee Number of Suggestions Implemented Per Person Employee Satisfaction Survey Employee Turnover Rate	 

Business Model

We utilize our know-how and economies of scale to create best practices and work processes. We generate value in all areas by integrating our strategy, which we have shaped around three basic concepts, into our production and management models.

INPUTS

Financial Capital



8.1

USD billion

Net Sales Revenue

6.4

USD billion

Consolidated Net Assets

Produced Capital



9.7

million tons

Liquid Steel Capacity

723

USD million

Investment Expenditures

7

Factories in 7 Provinces

Intellectual Capital



12,659

Number of Employees

33

Training Hours per Employee

Social Capital



99.9

TL million

R&D Expenditures

8

Management Standards

3,047

Number of Kaizen Initiated

Human Capital



68

Membership of Institutions or Associations

Natural Capital



4,626

Mcal/ton crude steel

Erdemir Specific Energy Consumption

4,995

Mcal/ton crude steel

İsdemir Specific Energy Consumption

75.2

million m³

Surface Water

2.6

million m³

Groundwater

The employment we create, our production volume, our share in the trade cycle and our exports, our contribution to the development of the domestic market and our contribution to keeping the wheels of the economy turning prove the effectiveness of our sustainable growth strategy.

OUTPUTS

Financial Capital



1.7

USD billion
EBITDA

30.5

TL billion
Taxes Paid

1.3

USD billion
Export Revenues

Produced Capital



8

million tons
Liquid Steel Production

7

million tons
Flat Product Production

736

thousand tons
Long Product Production

Intellectual Capital



300,000

Indirect Employment

Social Capital



28

New Product Grade

14

Number of Registered
Patents and Utility
Models

44

Number of
Completed R&D
Projects

49

USD million
Participation Systems
Income

Human Capital



93

TL million
Social Project
Expenditure

Natural Capital



612,284

MWh
Energy Saving

266,452

tons CO₂
CO₂ Reduction

1,046

million m³
Reused Water

Value Chain

We minimize the negative environmental and social impacts of our activities in our value chain.

Our Raw Materials

Coal



Iron Ore



Pellets

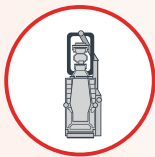


Scrap

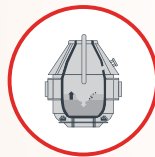


Integrated Production Process

Blast furnace



Steel Mill



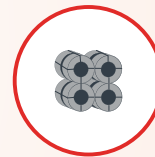
Continuous casting



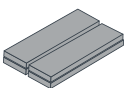
Rolling Mill



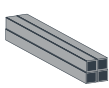
Strapping/
Packaging



Slab



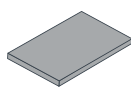
Billet



Coil



Plate



Hot Rolled
Coil



Cold Rolled
Coil



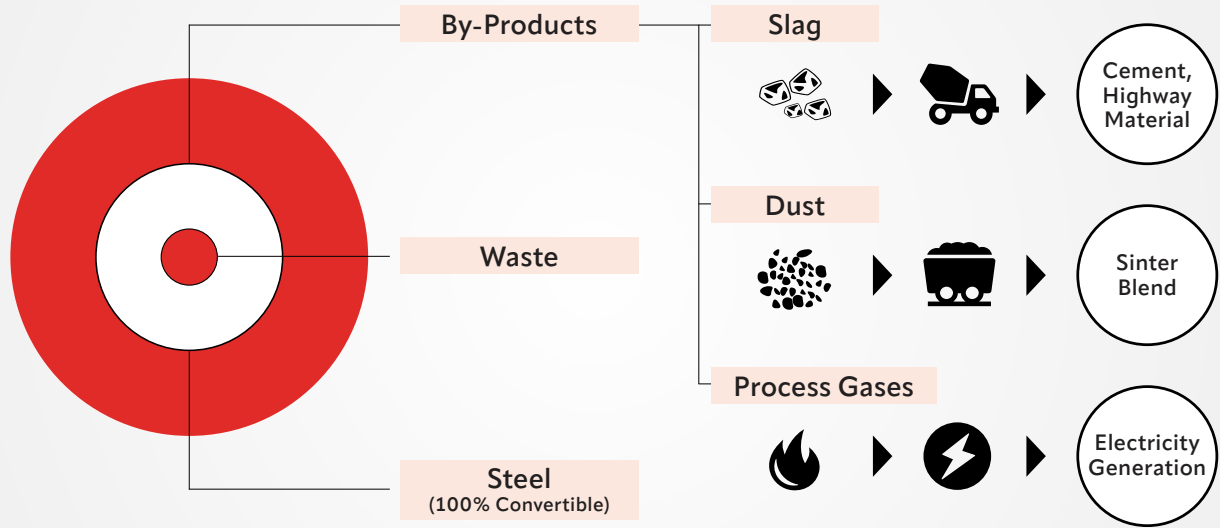
Tinplate



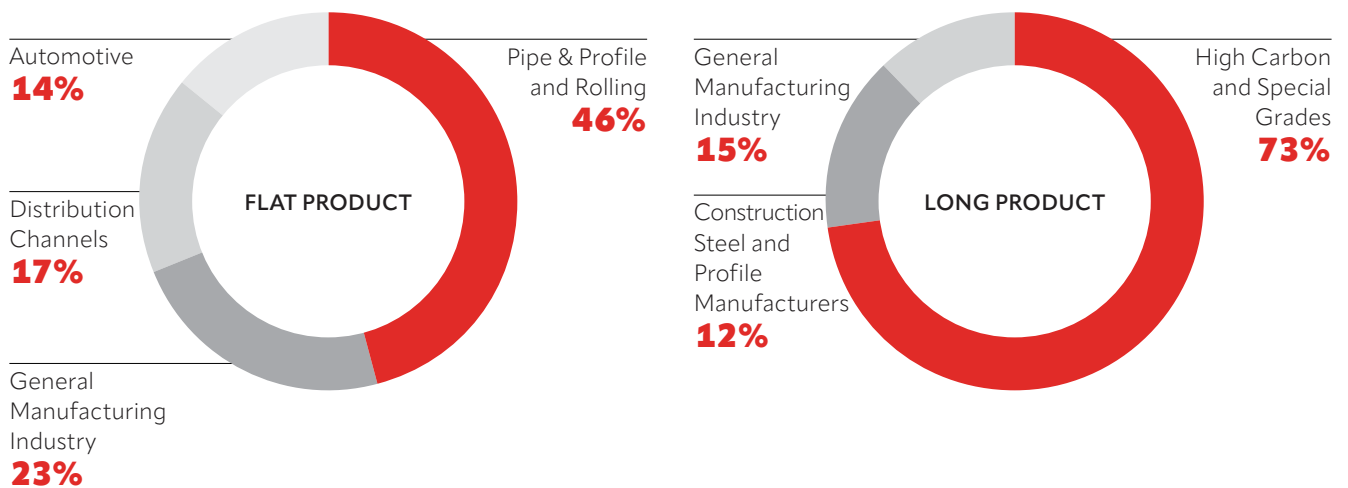
Galvanized



Steel Production Outputs



The Main Sectors in Which the Steel We Produce is Used in Türkiye



Materiality Analysis

POWER INTEGRATED INTO GLOBAL OPPORTUNITIES

At OYAK's Mining Metallurgy Companies, we have determined our strategic priorities for our focus areas and linked these priorities to our operations and rendered them tangible, measurable and manageable.



İsdemir Continuous Casting

Material issues constitute one of the most important inputs to our strategy and business model. We use the materiality analysis as a tool to guide our strategies. We determine the material issues by taking into account the views and feedback of our stakeholders, and keep in regular contact with each stakeholder group throughout this process.

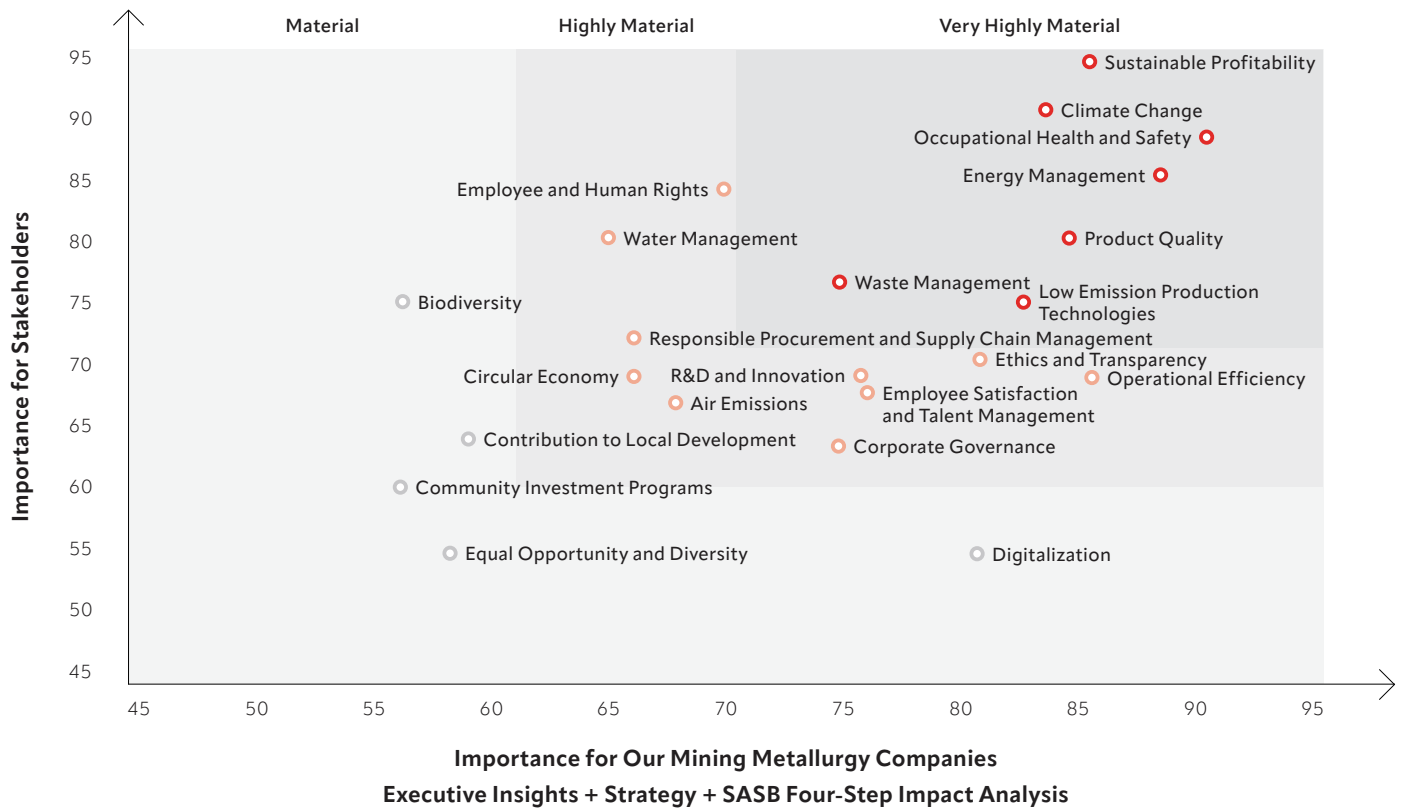
Global and industry risks and opportunities, strategic priorities, the financial, social and environmental impacts on our operations and value chain and stakeholder concerns and expectations enable us to identify issues that are important to us.

When determining the priorities of Mining Metallurgy in 2022, we used the outputs of meetings with the managers of our Company, the opinions of the Board of Directors, and the outputs of its strategic plan.

When determining the priorities of Mining Metallurgy in 2022, we used the outputs of meetings with the managers of our Company, the opinions of the Board of Directors, and the outputs of its strategic plan.

Within the scope of the stakeholder analysis, we collected the expectations of different stakeholder groups including Mining Metallurgy employees, customers, suppliers, solution partners, public institutions, analysts and investors, non-governmental organizations, media and universities through face-to-face and online interviews.

We mapped the common priorities of stakeholders and Mining Metallurgy in the Materiality Matrix.



Very Highly Material

- Sustainable Profitability
- Climate Change
- Occupational Health and Safety
- Energy Management
- Product Quality
- Waste Management
- Low Emission Production Technologies

Highly Material

- Responsible Procurement and Supply Chain Management
- Water Management
- Employee and Human Rights
- R&D and Innovation
- Circular Economy
- Air Emissions
- Employee Satisfaction and Talent Management
- Corporate Governance
- Ethics and Transparency
- Operational Efficiency




Material

- Digitalization
- Equal Opportunity and Diversity
- Community Investment Programs
- Contribution to Local Development
- Biodiversity

Materiality Analysis

As a result of our analyses performed with the contribution of different functions, our priorities for 2022 were similar to those for 2021.

As a result of our analyses performed with the contribution of different functions, our priorities for 2022 were similar to those for 2021. The score of Energy Management, among our very highly material topics, increased due to global developments. While “very highly material” and “highly material” topics make up our main focus areas, we also included other priorities in the report.

Importance Level	Material Issue	Relevant SDG	How we Manage the Issue	Relevant Section
Very High Priority	Climate Change		Tackling the climate crisis is our responsibility to the planet and humanity. We manage all of our strategies and policies within the scope of this responsibility.	Environmental Performance
	Occupational Health and Safety		Aware that the health of our employees comes first, we attach importance to the OHS practices in order to ensure that our employees work in a safer ecosystem and to create an OHS culture.	Occupational Health and Safety
	Energy Management		We place priority on minimizing the consumption of energy resources and using these resources efficiently.	Environmental Performance
	Sustainable Profitability		We deem financial sustainability to be critical as we move decisively towards our long-term goals.	Financial Performance and Developments in Stocks
	Waste Management		In order to overcome waste generation with a zero-waste approach, we aim to minimize waste at the source, apply recycling techniques and take necessary care to dispose of wastes in a manner which does not harm the environment.	Environmental Performance
	Product Quality		We implement investments and improve our current processes in order to always provide safe, high-quality products and services to our customers.	Product Management, Customer's Solution Partner, R&D and Innovation
	Low Emission Production Technologies		We plan our investments by closely following new technologies in order to minimize our greenhouse gas emissions.	Environmental Performance, R&D and Innovation

Stakeholder Relations

Stakeholders are at the heart of the business model for OYAK's Mining Metallurgy Companies. Accordingly, we believe in the importance of communicating effectively with our stakeholders in order to generate long-term value.

We define our stakeholders as individuals and organizations which are either affected by or which affect our activities, and which may also have an impact on achieving our sustainability goals.

We use various communication methods depending on our stakeholder groups in order to correctly understand the views, demands and expectations of our stakeholders.

Methods of Communication with Stakeholders

Stakeholder Group	Communication Method and Frequency	Communication Channels
Employees	<ul style="list-style-type: none"> Intranet/Continuously In-Group TV/Continuously Integrated report/Annually Website/Continuously Stakeholder analysis/Every 2 years Social media/Continuously Employee loyalty survey Internal newspaper/Monthly Face-to-face meetings/Continuously Activities for employees and their families/Annually Suggestion system/Continuously Internal announcements/Continuously 	<ul style="list-style-type: none"> 35 news posts per year on the Intranet More than 100 video shares per year on Group TV Integrated report published regularly every year Learning and development activities through the Digital HR system Evaluation of institutions/organizations which there we interact with Posts made on a weekly basis Periodic surveys Publishing 10 newspapers each year Interviews as part of performance evaluations Events organized within the scope of special days and company anniversaries, social club events More than 60,000 suggestions submitted by employees Informing employees of relevant issues through internal announcements
Suppliers	<ul style="list-style-type: none"> One-to-one meetings/Continuously Tenders/When needed Integrated report/Annually Website/Continuously Stakeholder analysis/Every 2 years Social media/Continuously 	<ul style="list-style-type: none"> Field visits and inspections for suppliers Integrated report published regularly every year Continuity of commercial meetings with internet-based applications Analysis of suppliers with which there is an interaction Posts on a monthly basis
Public Institutions	<ul style="list-style-type: none"> One-to-one meetings/When needed Integrated report/Annually Website/Continuously Stakeholder analysis/Every 2 years 	<ul style="list-style-type: none"> Meetings held to expand the impact of corporate social responsibility projects Integrated report published regularly every year Meeting the in-kind and cash aid requests conveyed by public institutions
Local People	<ul style="list-style-type: none"> EIA public participation meetings/When required as part of the investments Integrated report/Annually Website/Continuously Local press relations/Continuously Press releases/When needed Stakeholder meetings/Continuously Social media/Continuously 	<ul style="list-style-type: none"> Two EIA meetings held throughout the year Integrated report published regularly every year Informative posts on websites and social media accounts, announcement of corporate social responsibility projects Preparation of press releases in line with company based events (21 press releases served.) Social media posts released on a weekly basis
Customers	<ul style="list-style-type: none"> One-to-one meetings/Continuously Fairs/Special for fair periods Marketing activities/Continuously Post-sales communication/Continuously Regular technical meetings/Continuously Integrated report/Annually Seminars and conferences Website/Continuously Stakeholder analysis/Every 2 years Social media/Continuously 	<ul style="list-style-type: none"> Continuing improvement work in line with Customer Satisfaction Surveys Conducting regular customer visits The lowest number of customer complaints in the past 10 years was received
Industry Organizations, Associations and NGOs	<ul style="list-style-type: none"> Collaborations/Within the scope of joint projects and working groups Memberships/Annually Participation in working groups/Within the periods determined by the working groups themselves Integrated report/Annually Website/Continuously Stakeholder analysis/Every 2 years Social media/Continuously 	<ul style="list-style-type: none"> Meeting NGOs under certain events in order to expand the impact of corporate social responsibility projects Meeting the in-kind and financial aid requests submitted by associations Participation in working groups at periodic intervals
Investors	<ul style="list-style-type: none"> Annual General Meeting/Annually Teleconferences/According to the demand of the investors One-to-one meetings/Continuously Integrated report/Annually Website/Continuously Stakeholder analysis/Every 2 years Social media/Continuously Material event disclosures/When needed Interim Reports/Quarterly Investor presentations and teleconferences/Quarterly 	<ul style="list-style-type: none"> Periodic publication of information, which may affect the exercise of shareholder rights, on the corporate website. Integrated report published regularly every year Realization of investor conferences and meetings throughout the year

POWER INTEGRATED INTO GLOBAL ECONOMY

As global economic, geopolitical and ecological risks persist, world economy is going through a period of high fluctuation.

World Economy

As global economic, geopolitical and ecological risks persist, world economy is going through a period of high fluctuation. The IMF announced that economic growth, realized as 6% in 2021, was on decline and realized as 3.5% in 2022. The IMF predicts it to drop down to 2.9% in 2023. Global economic activity has been experiencing a widespread and sharper-than-expected decline due to the highest level of inflation in the last 40 years. Issues such as tightening financial conditions, the cost of living crisis, Russia's occupation of Ukraine, the ongoing COVID-19 pandemic, and the energy crisis are increasing the pressure on economic growth. For 2023, the expected level of growth is the lowest since 2001 excluding 2009, the year of the global financial crisis, and 2020, when the COVID-19 pandemic was active. The future of global economy is considered to be related to the successful implementation of monetary policies, the course of the war in Ukraine, and the effects of China's post-COVID reopening on the supply-demand balance.

The effects of the measures implemented by the EU with regard to the energy crisis furthered by the Russia-Ukraine war, which decreased production in Europe, are expected to increase.

Approximately one third of the world economy entered technical recession after two consecutive quarters of negative growth. Upwards inflationary surprises most commonly affect developed economies, even though they vary the most in developing countries. Due to the concurrent tightening of monetary policies, the increase rate of inflation, which hit record highs in the first half of 2022, decreased toward the end of the year. In 2023, inflation is expected to drop from record-high levels but hover above past averages.

Monetary policies in the largest economies are predicted to continue to diverge and this is expected to have an impact on USD, which determines the production cost and consumption appetite. Potential crises in energy and food industries are among the factors which will determine the course of inflation in the coming period. Global tightening in financing conditions continue to risk triggering widespread debt distress in emerging markets.

The effects of the measures implemented by the EU with regard to the energy crisis furthered by the Russia-Ukraine war, which decreased production in Europe, are expected to increase.

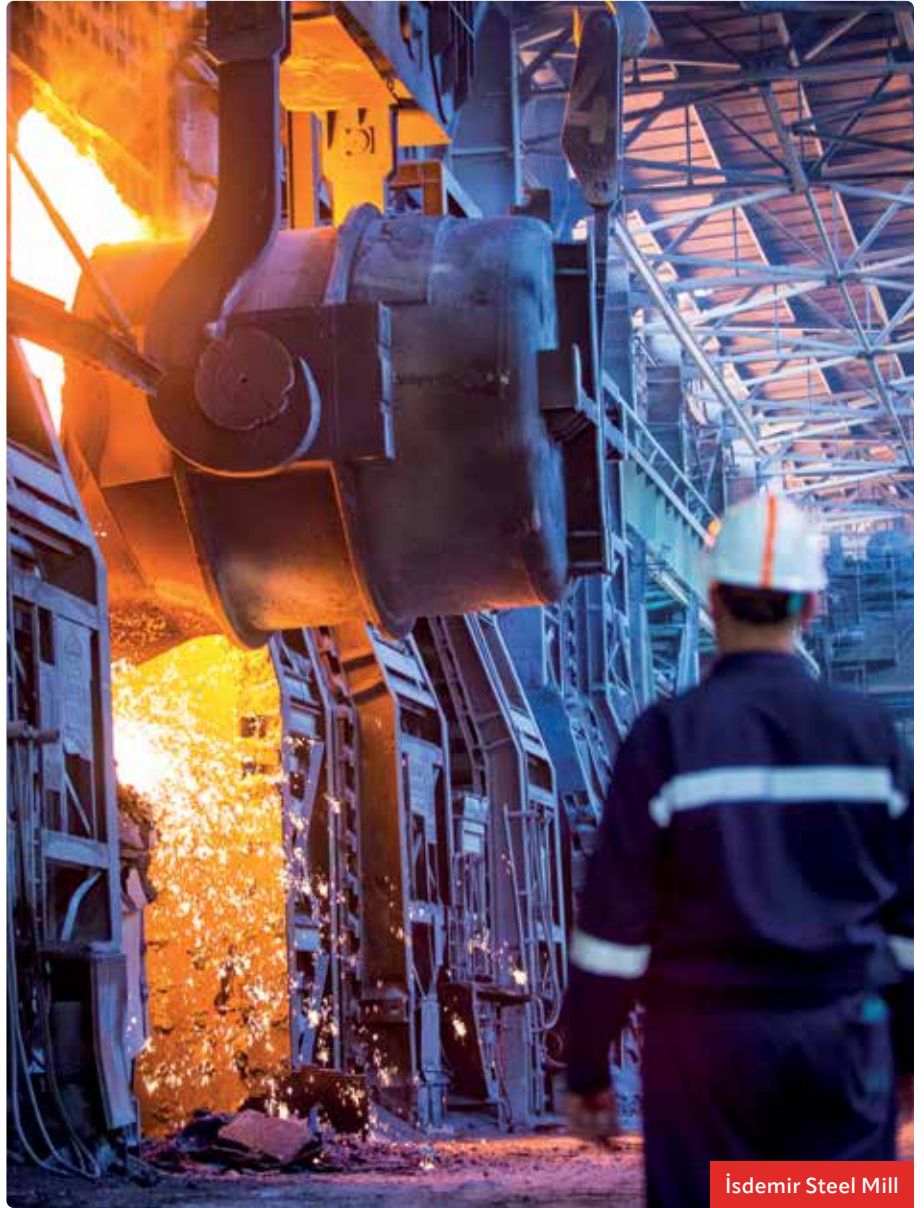
As China's efforts towards the real estate industry crisis continue, the positive effects are more likely to be observed as of the second half of 2023. Geopolitical issues and climate policies will have an effect on trade and capital flows. The incoming data among all these changing conditions confirm that global economy is in a widespread slowdown. However, the negative atmosphere formed as of the second half of 2022 seems to have dispersed to an extent.

While the global economic growth prediction made in January 2023 was revised upwards by 0.2 points, revisions in developed markets were limited compared to emerging markets. Monetary issues are felt more in countries with low income. As the possibility of the incoordination of central banks causing over-tightening can both strain financial markets and deepen recession, the cost of failing to control inflation may be higher than expected is among the prominent topics of discussion.

In 2022:

- Following the record growth in 2021, global economy grew at the average of the past 40 years, but the slowdown became more severe in the second half of the year,
- The effects of Russia's invasion of Ukraine extended rapidly,
- The economy was under the influence of the war-related energy crisis,
- Inflation continued at record levels and attempts were made to balance it with financial policies,
- The effects of COVID-19 carried on,
- High costs affected profitability negatively,
- Supply interruptions were observed,
- Supply chain bottlenecks continued on the back of relatively normalized demand and insufficient supply levels due to production interruptions,
- Wide-ranging protectionist measures continued to be implemented in many countries and regions,
- Market conditions in the steel industry observed high volatility.

The global manufacturing industry production and global trade volume, which quickly reached normal levels after the tightening during the pandemic due to the monetary policies and incentives, had reached record levels in 2021.



Isdemir Steel Mill

The growth in global trade continues at average levels following the effects of the base effect. The World Trade Organization (WTO) revised its growth forecast for global goods trade volume in 2022 from its earlier forecast of 3% in April to 3.5%, while setting out its forecast of 1% growth in 2023. Forecast as 3.4% in April, the reasons behind this negative revision in trade growth for 2023 are high inflation, increasing interest rates, increasing energy prices, and the Russia-Ukraine war.

As high energy prices caused by the war are expected to decrease household expenditure in Europe and increase production costs, USA's tightening of monetary policies are expected to negatively impact expenses sensitive to interest in areas such as housing, motor vehicles, and fixed investment. The increase in gas, food and fertilizer prices is expected to cause food insecurity in developing countries.

According to WTO, even though trade limitations could be considered advantageous in the face of supply fragilities seen in the past two years, the long-term tightening of the global supply chain will increase inflationist pressure and cause economic growth to slow down in time.

Economic and Industrial Environment

The deceleration in the European economy, Türkiye's largest export market, is expected to be deeper compared to the USA in 2023.

The manufacturing industry purchasing managers index (PMI), which declined below 50 at the beginning of 2019, had reached levels last seen in 2009 with 39.6 as economic activity came to a stop all around the world with the onset of the pandemic in April 2020. There was a rapid rise to June 2018 levels towards the end of 2020 due to the observed recovery. In 2021, the global manufacturing PMI realized at a record level average of 54.7. The global manufacturing PMI, which started 2022 strong, started its descent below 50 by September, following the first half of the year with 53 and ending the year with 48.6 in December.

Global manufacturing industry performance, which started 2022 strong with the combination of strong demand, backlogs, overdue orders and insufficient supply, lost its momentum during the year due to increasing costs and the energy crisis.

In the USA, the world's largest economy, growth is expected to decline from 5.9% in 2021 to 2.0% in 2022 and 1.4% in 2023. As diminished consumer demand due to decreased income level play an important role in the deceleration in growth, high interest rates have a negative impact especially on housing sector expenditures.

The deceleration in the European economy, Türkiye's largest export market, is expected to be deeper compared to the USA in 2023. IMF's forecast for European growth is 3.5% for 2022 and 0.7% for 2023, a significantly low level. Evaluating Europe with regional averages hides deep differences among the countries in the region. Although the recovery in the tourism-related services industry and industrial production in the first half of



Erdemir Indoor Stock Yard



3.5%

IMF's Forecast for
European Economy's
Growth in 2022

2022 contributed to Italy's and Spain's growth of 3.9% and 5.2%, respectively, both countries are expected to contract in 2023. In 2023, sharp shrinkages and decreases in growth rates are also expected in France and Germany, which grew relatively slower in 2022. Weak expectations for European growth in 2023 reflect the effects of downward revisions for the economies most exposed to cuts in Russian gas supply, the expansion of the invasion of Ukraine, ECB ending net asset purchases and tightening financial conditions due to the increase in policy interests by 50 base points in July 2022 and 75 base points in September 2022.

China is displaying the lowest economic growth in the last 40 years excluding 2020, when the COVID-19 first began. While the Chinese economy grew by 3% in 2022 due to strict COVID-19 measures, it is expected to grow by 5.2% in 2023. Restrictions implemented in multiple regions within the scope of the



İsdemir Sinter Facility

zero-COVID-19 policy and the worsening housing market crisis caused decreases in China's economic activity. Although China's early-than-expected lifting of COVID-19 restrictions as of November temporarily created economic stagnation, it is considered to be positive since it hastened recovery and shortened the transition period.

Among the issues which will determine the performance of Chinese economy in 2023 are the recovery rate in consumption, the recovery in the housing industry, inflation risks, management of monetary policies, and CNY performance. According to the completed agenda setting meetings, senior leaders and policy makers are expected to focus on ensuring economic stability and expedite policy adjustments to reach key targets in 2023.

The deterioration in the global economy during the 2020 pandemic period also precipitated a sharp plunge in commodity prices. Commodity prices however experienced a rapid rebound as the effects of the pandemic receded in the summer of 2020, with the first wave of the pandemic behind, along with the implementation of incentive packages and the end of production halts. As a result, commodity prices soared to record highs in 2021. In 2022, there was a decrease of close to 40% in base metals along with the stagnation in global economy.

The triangle of inflation, recession, and central banks looks to determine the economic roadmap for 2023, as it did in 2022.

While worries of sharp deceleration and incoming stagnation in global growth put pressure on commodity prices, prices stay high due to the devaluation of local currency in many economies. This carries the risk of furthering the food and energy crisis that is still going on in some countries.

Energy supply worries are increasing due to the intensifying energy crisis, especially in Europe, and possible energy price increases are expected to be reflected in non-energy prices, mainly food prices. Volatility is aimed to be minimized through well-managed monetary policies.

The triangle of inflation, recession, and central banks looks to determine the economic roadmap for 2023, as it did in 2022. The management of risks in 2022, which seemed to worsen as of the second half of the year, will impact 2023. Critically, the successful setting of monetary policies, the course of the war in Ukraine, and the possibility of further pandemic-related cuts in China will continue to be important for the global economy.

Economic and Industrial Environment

Positively differentiating among large economies, in 2022, Türkiye was the most growing economy following India and Saudi Arabia.



Ersem Manisa

Turkish Economy

Among the few countries to manage to grow during the pandemic by closing 2020 out with 1.8% growth, Türkiye showed 11.4% growth in 2021. Positively differentiating among large economies, in 2022, Türkiye was the most growing economy following India and Saudi Arabia. The IMF expects the Turkish economy, which grew by 5.6% in 2022, to grow by 3% in 2023 and 2024.

The Turkish economy is a positive differentiation candidate with its growth rate. However, considering its 2023 economic growth forecast regarding Türkiye's export markets, the deceleration of economic activity in said markets creates risks.



5.6%

Turkish Economy's
Growth in 2022

The Turkish economy experienced a decline with the pandemic in 2020, following the deceleration at the end of 2019. However, the Turkish economy, which was caught by the pandemic in weak macro balances, experienced a very rapid return to previous levels in economic indicators in a very short amount time, despite all risk factors. While the positive effects of fast growth were observed until the first quarter of 2022, tightening measures taken at similar times around the world to coincide with the Russia-Ukraine war disrupted the global economy and its effects on the Turkish economy were felt more clearly in the second half of the year.

While growth performance in the Turkish economy decelerated in the last quarter of the year, inflation remained high in 2022. While the Turkish economy grew by 7.5% in the first quarter, growth momentum carried on to the second quarter and a growth of 7.7% was recorded. By the third quarter, the loss of momentum in growth was reflected in the data. In the fourth quarter of the year, it displayed the poorest performance of the last two years with 3.5% annual growth. Türkiye's growth is expected to be around 3% in 2023.

Türkiye exhibited an above average manufacturing industry performance in 2021. Although the base effect due to the contraction during the pandemic period had passed, manufacturing industrial production remained buoyant, posting an increase of 10% compared to the previous year. The realizations of Türkiye's manufacturing industry PMI index and real sector confidence index, export developments and other leading indicators in recent months point to a stagnation in the manufacturing industry.

The manufacturing industry slowed down in 2022, compared to 2021, and stayed below its last year average.

The manufacturing industry PMI index had been hovering above 50 since the seventh month of 2020. However, the manufacturing industry PMI, which fell below 50 as of March 2022, rapidly declined to its lowest level since April-May 2020, when the effects of the pandemic were the most intense and there were serious losses in production due to quarantines.

As seen in the quarterly GDP growth rates, manufacturing industry demonstrated strong growth since the fourth quarter of 2019, excluding the pandemic effect in the second quarter of 2020, but rapidly declined as of the third quarter of 2022.

After the currency crisis in the third quarter of 2018, the construction sector was unable to grow due to the pandemic in 2020 on top of the economic slowdown in 2019. After a brief revival in the sector due to the loan incentives, the sector contracted again in the third quarter of 2021 and the contraction deepened. The confidence index for the construction sector, which recovered much later and more slowly than the manufacturing industry due to cost and demand factors, is in an upward direction due in large part to the impact of current construction work in recent months.

In 2022, the policy rate ended the year at 9%, a single-digit level, and a number of regulatory steps were taken towards the loan mechanism. With these measures, the real sector also faced tight financing conditions in 2022.

While 2023 is expected to be a year of uncertainty for the whole world, the fact that it is an election year in addition to the uncertainties on a global scale increases the uncertainty on the economy in Türkiye. Exchange rate and inflation risk will continue to be among the main factors which will put pressure on the economy in the coming year.

With the implementation of policies aimed at increasing foreign direct investment, Türkiye continues to offer the potential to become a production hub capable of resolving global supply chain problems thanks to its strategic location.

The Global Steel Industry

In 2022, high energy prices, rising interest rates and falling trust led to a slowdown in activity in steel-using industries around the world. Forecasts for global steel demand growth were revised downwards during the year, with the increase in COVID-19 cases in China and the negative impact of the crisis in the real estate sector. Demand, especially in Europe, was exposed to further downside risks due to high inflation exacerbated by the Russia-Ukraine war and the energy crisis. Rising interest rates and high inflation have affected investment and consumer spending and put pressure on steel-intensive sectors such as construction, machinery, and consumer durables.

According to a report published by the World Steel Association (worldsteel) in October, steel consumption is estimated to contract by 2.3% to 1,797 mtons in 2022. For 2023, global steel consumption growth is estimated at 1%, with growth coming from the World excluding China. Production is estimated to increase due to the rise in demand.

High inflation, monetary tightening and China's slowdown made 2022 a challenging year. The outlook for infrastructure demand, the positive effects of reopening in China and a more contained energy crisis are among the positive prospects for steel demand in 2023.

In 2020, crude steel production, which experienced a deep contraction until June, managed to close the year at the 2019 level, especially with the support of China. Crude steel production, which started 2021 strongly, lost some momentum after April due to restrictions on production in China. However, it ended the year with 3.8% growth thanks to the rise in the World excluding China. In 2022, proportionally, World excluding China's production is seen to shrink more.

Among the top 10 producing countries, India and Iran were the only ones whose production increased, while the production of other countries decreased, with Türkiye experiencing the sharpest decline.

The current forecast for global steel demand growth has been revised downwards by the World Steel Association (worldsteel) compared to previous estimates.

Other issues which will affect the global steel industry in 2023 are as follows:

- Global recession risks and inflation,
- The development of the energy crisis,
- The EU's scrap regulations,
- Russia-Ukraine war,
- The development of protective measures,
- Developments regarding the climate crisis and decarbonization.

Global steel demand in 2023 will depend on the impact of tightening monetary policies, the ability of central banks to manage inflation, and the speed with which policy changes in the Chinese economy take effect.

In 2022, global steel trading volumes continue to hold at average levels above 400 million tons. The realization of Chinese steel exports in 2022 was recorded as the highest level after 2017. In 2022, Asian countries, which differentiated positively on the energy crisis, increased their exports to regions with relatively deeper crisis and production losses. Possible contraction scenarios in overseas steel demand due to economic activity in the coming period do not support expectations for an increase in Chinese steel exports. China's steel exports to Türkiye were recorded at a record high level in 2022.

The protectionist measures taken in the steel industry, especially by the USA and the EU, reached their highest levels in history. Protective measures continue to be a restrictive factor in steel trade and an influencing factor in trade traffic.

Economic and Industrial Environment

Turkish steel exports lost momentum particularly in the second half of the year compared to the first due to the stagnation in global demand.

In 2022, 14.4 million tons of finished product exports, including 4.7 million tons of flat steel, were recorded.

The Steel Industry in Türkiye

In 2022, during which global recession risks increased, the negative effects of the Russia-Ukraine war expanded, the energy crisis deepened and consumption was repressed due to the COVID pandemic, particularly in China, global crude steel production decreased by 4.3% and Turkish crude steel production decreased by 13%.

Following the record-high flat product production in 2021, there was a production loss of 7.2% in 2022. In 2022, flat product imports and exports amounted to 8.7 million tons and 4.7 million tons, respectively.

In 2021, the Turkish steel industry achieved record levels in the production of finished products, while the consumption of finished products was similar to the record year of 2017. 2021 was a very positive year both on domestic demand and export markets with the effect of postponed demand and stocks to be replaced after the pandemic. Exports hit historic record highs for both flat and long products. After 2021, which was a strong year for the steel industry, the strong outlook continued in the first quarter of 2022, both for the production and consumption of flat products. Although producers had to reduce their production due to stagnating demand and rising energy costs in the second half of the year, flat product production ended the year at the average of the last five years, while flat product consumption ended the year close to the high levels of previous periods.

In the first half of 2023, the current consumption trend is expected to continue, while moderate recovery signals are projected for the second half of the year. In particular, restocking moves are expected to be encouraging at the beginning of the year.



66%

Flat finished product exports to MENA and CIS regions increased.

In the first half of 2023, the current consumption trend is expected to continue, while moderate recovery signals are projected for the second half of the year.

While the contraction in demand remains more limited compared to production, flat product imports continue to hover at high levels even though they seem to have decreased due to the high base effect. One of the most important developments in flat steel imports is the structural change in the origin of imports. Until 2022, the CIS region was the traditional import supplier, replaced by Asia after the Russia-Ukraine war. There is a noteworthy increase in imports from China, South Korea and India. Imports from the EU increased by 10% compared to 2021. The reason for the increase in imports from the region was the contraction in domestic consumption in the region and the producers' turn to exports.

Turkish steel exports lost momentum particularly in the second half of the year compared to the first due to the stagnation in global demand. In 2022, 14.4 million tons of finished product exports, including 4.7 million tons of flat steel, were recorded. There is a noticeable decline in flat steel exports, especially to the EU. The highest decrease in exports to the EU in 2022 on a product basis was in galvanized products due to the base effect. Although there was a proportional decline in exports to the region, the export tonnage of galvanized products was at the average of the last five years. Although the recessionary outlook for the EU economy has a negative impact on Türkiye's flat steel exports to the region, expectations for economic activity in the region for 2023 are moderately positive.

Flat finished product exports to MENA and CIS regions increased. In 2022, exports to MENA increased by 66%, while exports to the region reached a record high in terms of tonnage.

Türkiye's largest long steel export market has also been the MENA region in 2022. Exports to MENA contracted by 10% compared to the previous year, while exports to Asia decreased by 80%. Exports to South America, which became the second largest market in 2021, decreased by nearly 50%, but remained above the pre-2021 averages. Exports of long products to the EU increased by 26%, making it the second largest export market in 2022.

Despite the contraction in steel production and demand, flat steel imports continued to hold at high levels in 2022. The high share of imports in steel consumption, which is approximately 50%, continues to be one of the most critical material issues for our country's steel industry.

Expectations for 2023

In 2023, the stance of monetary policy towards inflation, the impact of the war in Ukraine, the lifting of ongoing restrictions related to the pandemic, and the course of supply chain disruptions will be decisive for the economy. Among the dominant issues that will determine the direction of the economic trend in 2023 are the following:

- The inflation rate, which is higher than it has been in the last 40 years and has become a priority to control,
- Tightening monetary conditions in many regions and the management of the monetary tightening,
- The expanding effects of Russia's invasion of Ukraine,
- Ongoing COVID-19 and the reopening of China,
- Political steps to be taken to ensure economic stabilization in China and the recovery in the housing sector,
- The energy crisis,
- Negative decoupling between economies of developed countries and developing countries,
- Negative decoupling between regions in terms of global manufacturing and trade,
- Continued deterioration in the supply chain,
- Developments in trade policies, especially the trade war between the USA and China,
- Geopolitical developments,
- A much tougher global competitive environment in areas such as the green energy transition and digitalization,
- The effects of the climate crisis.



Ersem Manisa

The global economy is expected to grow by 2.9% in 2023, as the steps central banks are going to take to manage inflation, uncertainties about recession and the course of the Ukraine-Russia war will continue to weigh on economic growth. The expected growth rates are considered to be the weakest of the 2000s, excluding the global financial crisis and the pandemic.

Although commodity prices are expected to ease over the next two years as the slowdown in global growth intensifies, prices are expected to remain above the average of the last five years.

Global commodity trade volume is projected to grow by 1% in 2023. Behind this negative revision in 2023 trade growth is the expectation of a decline in import demand due to rising prices and the possibility that interest rate sensitive expenditures may be pressured by tightening steps.

In 2023, global steel demand is expected to be shaped by high and volatile energy costs, support for increased infrastructure spending, the course of the reopening in China, and the development of the Chinese real estate market. In 2023, global demand, excluding China, is expected to catch up with 2021, especially in regions that benefit from cost advantages.

The real sector in Türkiye, which continued its production with high export rates in the first half of 2023, is expected to be affected by the slowdown in global economic activity, especially in domestic appliances and automotive, but will be supported by the expected recovery in the second half of the year and continue to maintain production at similar levels.

Share Price Developments

SUCCESS-ORIENTED INTEGRATED POWER

The Investor Relations Directorate of our Mining Metallurgy Companies ensures continuous, effective and transparent communication with all stakeholders by sharing all necessary information equally.

Developments in Erdemir and İsdemir Shares

Erdemir

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) shares have been traded on the stock market with the "EREGL" ticker since the establishment of the Borsa İstanbul (BIST) in 1986. Erdemir, which is listed on the BIST 30 index, is one of the largest publicly traded companies in Türkiye with a free float of 47.63%. The majority of the shares traded on the Borsa İstanbul are held by institutional investors.

Trading at an opening price of TL 28.16 on the first trading day of 2022, Erdemir shares concluded the year at a price of TL 41.26 - an increase of 47%. Erdemir, which was the 7th most valuable company listed on the Borsa İstanbul in terms of market value at the end of 2022, reached a market value of TL 144 billion 410 million.

The Investor Relations Directorate of our Mining Metallurgy Companies ensures continuous, effective and transparent communication with all stakeholders by sharing all necessary information equally. In this context, four webcasts and 67 investor meetings, where the published quarterly financial results were discussed, were held in 2022. Erdemir is currently followed by 23 analysts.



47.63%

Erdemir, which is listed on the BIST 30 index, is one of the largest publicly traded companies in Türkiye with a free float of 47.63%.

İsdemir

Shares in İskenderun Demir ve Çelik A.Ş. (İsdemir), a group company, started trading on Borsa İstanbul's Pre-Market Trading Platform under the "ISDMR" ticker on 28 March 2016. Since April 19, 2018, Company shares have been started to be traded on Yıldız Pazar, due to the fulfillment of the conditions specified in the BİAŞ Quotation Directive after the main shareholder Ereğli Demir ve Çelik Fabrikaları T.A.Ş. realized the sale transaction on the Borsa İstanbul and the publicly traded share ratio exceeded 5%.

İsdemir shares, opening at a price of TL 23.24 on the first trading day of 2022, rounded off the year at a price of TL 33.30, an increase of 43%. İsdemir reached a market value of TL 96 billion 570 million at the end of 2022.

Ticker Symbols Erdemir

Borsa Istanbul:
EREGL

Bloomberg:
EREGL TI

Reuters:
EREGL.IS

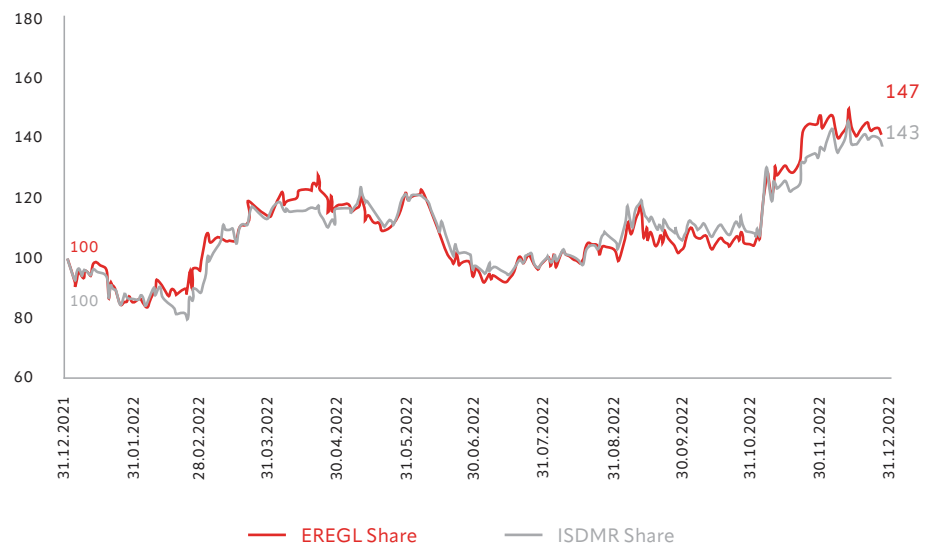
İsdemir

Borsa Istanbul:
ISDMR

Bloomberg:
ISDMR TI

Reuters:
ISDMR.IS

ERDEMİR* VS. İSDEMİR (31.12.2021=100)



*Based on adjusted priced after deducting profit.

2022 Share Performance

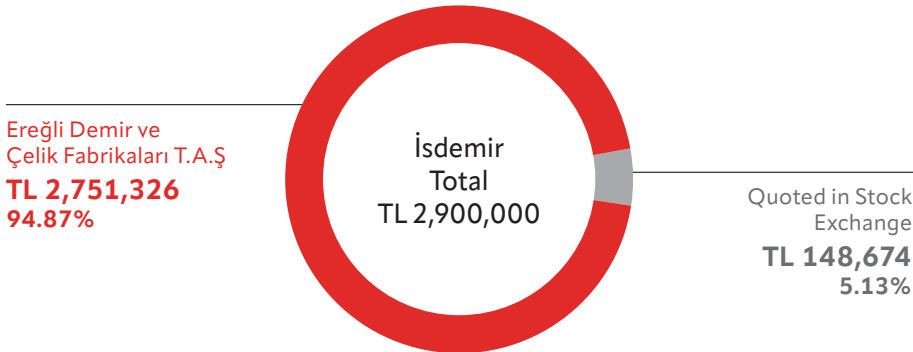
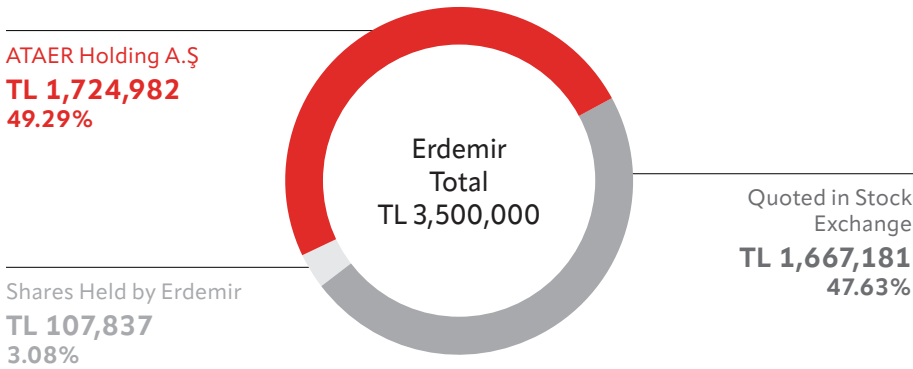
January 1-December 31, 2022		Low	High	Average	31.Dec.22
Erdemir	Share Price (TL)	25.96	43.16	32.17	41.26
	Market Value (Million USD)	5,224	8,811	6,879	7,724
İsdemir	Share Price (TL)	20.38	34.42	26.27	33.30
	Market Value (Million USD)	3,652	5,780	4,645	5,165

Source: Bloomberg and Matriks

Share Price Developments

In the Corporate Governance Principles Compliance Rating Report, in which compliance with Corporate Governance Principles is evaluated, Erdemir increased its corporate governance rating score from 9.57 in 2021 to 9.61 in 2022. With this success, Erdemir once again qualified for inclusion in the Corporate Governance Index.

Shareholding Structure



OYAK MINING METALLURGY DEVELOPMENTS IN 2022

Erdemir recognized for successful Corporate Governance

In the Corporate Governance Principles Compliance Rating Report, in which compliance with Corporate Governance Principles is evaluated, Erdemir increased its corporate governance rating score from 9.57 in 2021 to 9.61 in 2022. Erdemir proved once again that it is a transparent, fair, responsible and accountable institution.

İsdemir recognized for successful Corporate Governance

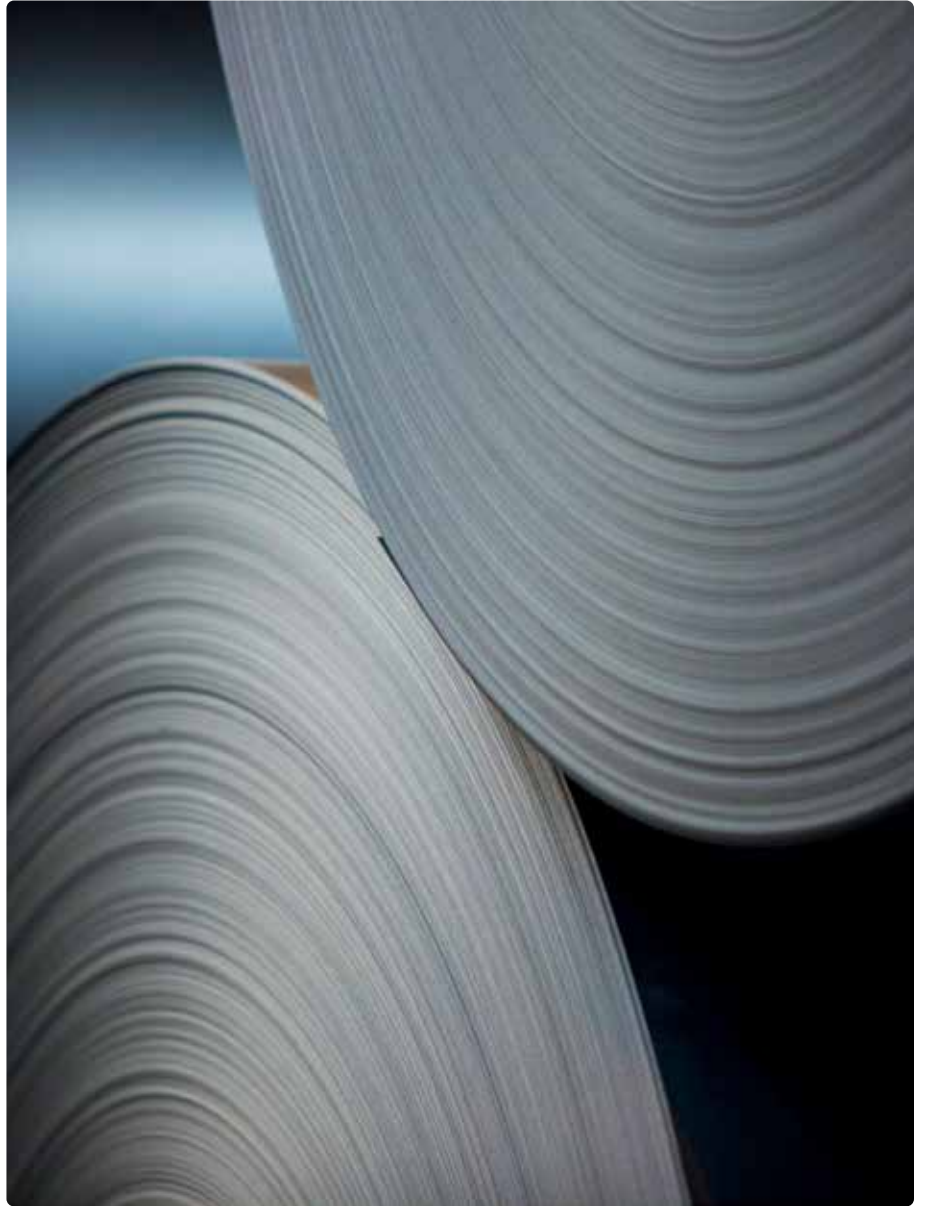
İsdemir's corporate governance rating score stood at 9.51 in the Corporate Governance Principles Compliance Rating Report published in 2021. İsdemir increased its corporate governance rating score to 9.61 in 2022. With this success, İsdemir once again qualified for inclusion in the Corporate Governance Index.

The Corporate Governance Principles Compliance Rating Scores of Erdemir and İsdemir were issued following the examination of 456 criteria, which were prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for "BIST First Group Companies". The criteria are grouped under the main headings of shareholders, public disclosure and transparency, stakeholders and the board of directors. The scores obtained demonstrate that the companies exhibited a high level of compliance with the Corporate Governance Principles published by the Capital Markets Board. They also found that the risks which may arise are largely identified and kept under control. Erdemir and İsdemir, which are among the BIST 1st group companies, qualified for inclusion in the BIST Corporate Governance Index in 2022 with their scores.

Erdemir and İsdemir were included in the BIST Sustainability Index.

Aiming to establish sustainability and generate permanent value in all their activities, Erdemir and İsdemir, OYAK Mining Metallurgy companies, qualified for inclusion in the Sustainability Index in 2022, which includes companies traded on the Borsa Istanbul (BIST) and which demonstrate a high corporate sustainability performance.

Erdemir, a group company, has been included in the Borsa Istanbul Sustainability Index since November 2015 as the first steel producer in the index, and İsdemir has been included in the Index since November 2019, when it was evaluated.



Investments

POWER INTEGRATED INTO EFFECTIVE INVESTMENTS

OYAK Mining Metallurgy Companies continue the investments in their facilities by focusing on the lowest cost, high productivity and innovative solutions.



Erdemir 1st Blast Furnace

OYAK Mining Metallurgy Companies continue the investments in their facilities by focusing on the lowest cost, high productivity and innovative solutions.

In 2022, the number of ongoing Erdemir and İsdemir investments was 35. Three of these investments were commenced and five were completed in 2022.



35

The Number of
Ongoing Erdemir
and İsdemir
Investments in 2022

Completed Investments

Erdemir 6th Steam Boiler Project

Aimed to generate steam by maximizing the use of blast furnace gas and improving efficiency, the project was taken up by introducing steam into the system.

Erdemir New Wide Inspection and Recoil Line Project

The line in the project, which envisages the inspection and recoiling processes of the production over 1,550 mm in the 2nd Galvanizing Line, aimed to produce high surface quality products to serve the automotive industry, was commissioned.



İsdemir Billet Stock Yard

Erdemir - Ersem Material Tracking System (MTS) and Magnetic Tong Project

At the Ersem Gebze and Ereğli facilities, we aimed to provide stock management by monitoring the positions of the cranes on the field in real time. We ensured that the process was digitized within the framework of Industry 4.0 by automating the process of picking up and dropping the coil by the crane and making it independent from the crane operator. By performing coil handling in the raw material and finished products stock yards with magnetic tongs instead of electromechanical tongs, we prevented physical damages that occur in coil handling and increased stocking capacity by 20% to 40% at existing stock yards.

Gebze Unmanned Crane Project

We realized the Unmanned Crane Application Project (IVU) in order to ensure that raw material and finished product transfers are carried out automatically by the crane without the need for an operator within the designated area limits in stock hall No. 1 at Ersem's Gebze facility. We commissioned the Unmanned Crane Application Project in 2022 by enabling the crane to automatically go to the relevant location according to the work orders received from SAP, pick up the coil at the address according to the determined algorithms and rules (Occupational Safety, Stocking, etc.) and drop it at the target location.

Considering the Erdemir 2nd Blast Furnace's need for relining, we aim to renew the blast furnace with minimum production loss and cost.

Erdemir RAW Material Stocking and Blending Yards Modernization Projects

Due to the increasing amount of liquid crude iron production and the aging of the existing systems, we commissioned the project, which aims to meet the necessary improvement needs in infrastructure and equipment for the storage, sizing and supply of ore.

İsdemir 3rd Coke Oven Battery Modernization Project

With the project aiming to increase the by-product sales volume and save energy by increasing the electricity generation, İsdemir's 3rd Coke Oven Battery was modernized.

Commissioning of Gebze New Slitting Line and Relocation of Shear Line to Manisa Facilities

In order to ensure that the sliced product demands that will increase with the transition of the 2nd Galvanizing Line (CGL-2) to full capacity production can be met from the Ersem lines, to prevent revenue losses by eliminating the necessity of contract manufacturing due to capacity deficit, and to reduce additional freight expenses incurred as a result of shifting orders between facilities due to capacity deficit, a new cold slitting line was installed at the area used as the finished product stock yard of the Ersem Gebze facility, and the cold shear line at the facility was moved to the Ersem Manisa facility.

Investments

With the Erdemir Port Structural Rehabilitation Project, we aim to carry out the necessary structural rehabilitation in order to comply with the legal regulations at the 1st Cargo and 1st Unloading Docks and carry out the necessary repair works for other docks.

The İsdemir North Sea Land Reclamation Area Investment Project

The project aiming to meet the site needs which will arise in the new investment projects planned at İsdemir and to utilize approximately 2.4 million tons of slag in the backfilling of the port construction was completed.

Ongoing Investments

Erdemir 2nd Blast Furnace Renovation Project

Considering the 2nd Blast Furnace's need for relining, we aim to renew the blast furnace with minimum production loss and cost. Field assembly work within the scope of the project continue.

Erdemir 4th Coke Oven Battery Project

The project is aimed at ensuring a balance of coke within Erdemir itself and thus eliminating the need to purchase coke externally, as well as compliance with environmental legislation and related regulations, and the renewal of the economically expired By-Product Facilities. Equipment manufacturing, supply and field assembly work within the scope of the project continue.

Erdemir 5th Coke Oven Battery Project

This project is aimed at providing the metallurgical coke needed by the Erdemir blast furnaces economically and continuously. The installation of the 5th coke battery, which will be more efficient and environmentally friendly, will prevent the additional costs associated with the external purchase of coke and eliminate the risks that may arise in coke production.

Erdemir New Sinter Plant Project

The project aims to increase the sinter usage ratio in blast furnaces, thus saving pellets and coke, as well as establishing a desulphurization facility.



60 MW

With the New 60MW Turbo Generator Procurement Project replacing the 1st, 2nd and 3rd Turbo Generators, we aim to generate more electricity with the same steam input and reduce the amount of electricity we purchase through the commissioning of a new generator, which will offer greater efficiency than the existing generators.

Erdemir Modernization of BOF Convertors Project

The project aims for equipment modernization to eliminate wear and deformations which can lead to production halts while ensuring the sustainability of the steel production process.

Steel Shop Secondary Dust Collection System Capacity Improvement Project

Within the scope of the project, the installation of a new dust collection system in addition to the existing secondary dust collection system is aimed. As a result, working conditions in compliance with occupational health and safety will be ensured and our environmental obligations fulfilled.

Erdemir 1st Slab Furnace Modernization Project

The project is aimed at eliminating the furnace shell defects caused by the 1st Slab Furnace, reducing the mandatory use of the 4th Furnace due to issues regarding quality, and using the 1st Furnace more effectively in strip production.

Erdemir Plate Rolling Mill Housing System Renewal Investment Project

The project aims to ensure the production sustainability of the Plate Rolling Mill, as well as to increase the production capacity and quality by increasing the crushing power by providing stronger housing than what can be provided under the existing housing geometry.

Erdemir 2nd Hot Rolling Mill Investment Projects

This project aims to ensure the continuity of the engine park and control systems so that the line can produce sustainably and safely. With the project, we aim to reduce unplanned downtimes and material losses, improve product quality and increase customer satisfaction.

Erdemir Domestic Waste Water Treatment Plant Modernization Project

The project is aimed at sustainably carrying out the domestic wastewater treatment activities at Erdemir, as specified in the relevant laws and regulations.

Erdemir Structural Rehabilitation of Docks and Transfer of Existing Slitting Line to the Ersem Facilities and the Warehouse Construction Project

With this project, we aim to carry out the necessary structural rehabilitation in order to comply with the legal regulations at the 1st Cargo and 1st Unloading Docks and carry out the necessary repair works for other docks. Within our project, which involves the transfer of the existing slitting line at Erdemir to the Ersem facilities and the construction of a warehouse, the construction of the warehouse is complete and the process of transferring the slitting line to the Ersem facilities is ongoing. With this project, we aim to meet the demands for cold slitting products by selling sliced products rather than unprocessed products.

Erdemir 60 MW Turbo Generator Project

With the New 60MW Turbo Generator Procurement Project replacing the 1st, 2nd and 3rd Turbo Generators, we aim to generate more electricity with the same steam input and reduce the amount of electricity we purchase through the commissioning of a new generator, which will offer greater efficiency than the existing generators.

Erdemir New Turbo Blower Project

The project aims to install a New Turbo Blower in order to ensure the safe continuity of liquid crude iron production in the blast furnaces.

Erdemir Enerji Distribution System Additional Investments

The project aims to eliminate production losses which may occur due to transformer failures and to enable the loads of step-down central transformer of the Erdemir Enerji, Distribution System to be reduced to safer levels.



The Erdemir 1st Galvanizing Line Level-1 Automation System Modernization Project

The project aims to replace the Level-1 Automation System, which currently doesn't have technical support, with up-to-date and efficient technologies and ensure sustainability in production.

İsdemir New 1st Blast Furnace Project

The project is aimed at achieving savings in electricity purchases by converting gas emitted from the blast furnace, which will increase with the increase in finished product volumes and liquid crude iron production, into electricity in line with the expansion in furnace volume. We also aim to prevent production losses occurring during the re-lining of the 3rd Blast Furnace. Field assembly work within the scope of the project continue.

İsdemir New Sinter Plant

The project aims to increase the sinter usage ratio and reduce the consumption of pellets and coke.

İsdemir Vacuum Degassing Plant Project

A Vacuum Degassing Plant, which will enable the production of high-quality clean steel with low hydrogen, low nitrogen and an ultra-low carbon ratio, will be installed. Within the project's scope, we aim to gain carbon removal capability and reduced processing time and "prevent production losses" in the ladles.

İsdemir 1st Blast Furnace Top Pressure Recovery Turbine (TRT) Project

The project is aimed at generating additional electricity by utilizing the pressure of the blast furnace gas to be produced in the new 1st Blast Furnace.

İsdemir 3rd Steam Boiler Retubing (Partial Pipe Replacement) and Burner Modification

In the project, we aim to replace the pipes of the 3rd Steam Boiler, which completed 240 thousand hours of operation since its installation, and to modify the burner system in order to provide steam production in an economical and safe manner.

Investments

After the detection of intense mineralization in the drilling activities carried out at the Bingöl-Avnik iron mine site, we decided to establish a Pelletizing Plant. With total iron ore reserves of approximately 250-300 million tons, the approximate cost of this investment is USD 550 million.



İsdemir Electricity Generation from the Steam Produced in Coke Dry Quenching Project

After the commissioning of the 1st Coke Battery, the total steam to be generated from the Coke Dry Quenching Plant will be depressurized by the Counter Pressure Turbine instead of the pressure reduction station to generate additional electricity.

Ermaden Concentration Facility Grinding Capacity Increase

Starting from 2021, the utilization rate of Hasaңelebi ore pre-concentrate as raw ore at Divriđi plants continued to increase and reached 2.4 million tons (60%) on an annual basis. Since the ore in question is a low-grade iron ore containing undesirable K, Na and Ti elements, the Fe grade of the pellet produced at the Divriđi plant has fallen below the critical limit of 65% due to increased use. Within this scope, a new grinding and magnetic enrichment circuit is being installed in addition to the existing system in order to increase the grinding capacity of the concentration plant. The investment, which will cost a total of USD 8.2 million, is planned to be commissioned in March 2023.

Investment in Press Filter Plant for Dewatering Fine Residues from Ermaden Concentration Plant

Mining waste from the Iron Ore Enrichment and Pelletizing Plant operated by Erdemir Mining in Divriđi, Sivas, is stored in the Derindere Tailings Dam, which was built according to the standards set by the Ministry of Environment and Urbanization.

İsdemir Port-1 New Grab Ship Unloader Cranes Project

The project aims to ensure the sustainability of steel production through the continuity of port activities and achieve more efficient working conditions.

İsdemir Upgrade of Hot Rolling Mill Level 1 System Project

As the existing systems, which run on old operating systems and for which the company has terminated its support, pose a risk in terms of information security, with problems encountered in the supply processes of old generation computer systems, on which the existing software operates, this project aims to update and modernize the software required to ensure the continuity of production.

İsdemir Power Plant 1st and 2nd Turbo Generator Modernization Project

We aim to increase efficiency by increasing condenser capacities and renewing turbine rotors. Thanks to the increase in electricity production to be achieved through increased efficiency and capacity, we will save in external electricity purchases.



We aim to ensure the sustainability of liquid steel production by renewing the out-of-use cranes in the Erdemir Steel Mill charging hall.

In line with the calculations made, it was estimated that the existing Derindere Dam does not have sufficient storage volume for the plant wastes including the elevation method, and since there is no other alternative dam area close to the plant, storage alternatives for the fine residue from the plant were investigated and the best alternative was found to be transportation by dewatering the residue with a press filter.

With this investment, the aqueous residues from the concentration plant will be dewatered through press filters and portable fine residue cake will be obtained.

The investment, which amounts to USD 17.2 million in total, is targeted for commencement at the end of the third quarter of 2023.

The Ermaden Alacaağzı Coal Production Project

The Company acquired operation rights for the Alacaağzı Hard Coal field with License No. 86012 belonging to the General Directorate of Turkish Coal Enterprises until 31.12.2049 by transferring the license on 21.05.2019.

An operation project was prepared according to the existing mineable reserve of 5,410,856 tons and coal seam modelling and submitted to the General Directorate of Mining and Petroleum Affairs (MAPEG) for approval. According to the feasibility of the prepared operation project based on an extractable reserve of 5,410,856 tons; two years of survey, drilling-project and a three-year preparation and investment period will be followed by a nine-year production period. The investment amount was calculated as USD 69.5 million, and an annual production of 600 thousand tons of raw coal and 411 thousand tons of saleable final product was programmed. Production will be carried out by the fully mechanized long wall method.

Work towards opening underground galleries, infrastructure for the underground facilities and surface facilities continue within the scope of the preparatory works for the underground coal mine.

We planned to sell 300 thousand tons of the saleable coal produced (PCI) to Ereğli Iron and Steel Plants, the remaining amount to the casting industry and markets for heating, and the low-calorie portion to thermal power plants.

The investment is targeted to go into full production mid-2024.



New Investments

Erdemir Steelshop Charging Hall New Charging Cranes Investment Project

We aim to ensure the sustainability of liquid steel production by renewing the out-of-use cranes in the steel mill charging hall.

Erdemir Continuous Annealing Line (CAL) Drives System and Level 2 Automation Modernization Project

With the project, we will replace the Level-1 Automation System, which currently doesn't have technical support, and the Level 2 System, which doesn't have software sustainability, with up-to-date and efficient technologies, ensuring sustainability in production.

İsdemir Port Capacity Increase Investment

Within the scope of the plan, we aim to create the necessary additional port capacity for İsdemir cargoes after the investments are made.

Ermaden Bingöl Avnik Investment

After the detection of intense mineralization in the drilling activities carried out at the Bingöl-Avnik iron mine site licensed in the name of the Company, we decided to establish a Pelletizing Plant. With total iron ore reserves of approximately 250-300 million tons, the approximate cost of this investment is USD 550 million. With an annual pellet production capacity of 3.0 million tons, the Pelletizing Plant aims to produce more than 100 million tons of pellets within the scope of iron ore reserves.

Upon completion of the investment, the increase in profit from operations is expected to be approximately USD 200-250 million annually at current prices, according to pre-feasibility assessments. Self-sufficiency in pellets, one of the Company's key raw materials, is expected to increase from 25-30% to 80-85%, while self-sufficiency in total ferrous raw materials is expected to increase from 15-20% to 40-45%.

With the Pelletizing Facility to be established in Bingöl-Avnik, we aim to increase the Group's self-sufficiency rate by ensuring raw material supply security in steel production and contribute to the domestic economy by reducing the rate of imported pellet use in our country.

The Ersem Gebze Rooftop Solar Energy Power Plant (SEPP) Project

At our Mining Metallurgy Companies, we attach priority to energy production from other renewable energy sources besides hydroelectricity, with the awareness of the importance of renewable energy. In this vein, we have ramped up our feasibility studies for energy generation from other renewable energy sources. With the know-how we provide at the Ersem Manisa Facility, a Rooftop SEPP project with an electricity generation capacity of 1,400 MWp installed power was planned for Ersem Gebze. The electricity to be generated by the SEPP will meet 140% of the facility's annual electricity consumption. Energy production from renewable energy sources, which stand out with their low cost and environmentally friendly character, offers important opportunities in terms of reducing greenhouse gas emissions and contributing to sustainability.

Production and Sales

POWER INTEGRATED INTO CAPACITY INCREASE

Mining Metallurgy Companies' crude steel production declined 14% in 2022 compared to the previous year and realized as 7,789 thousand tons.

Production

OYAK Mining Metallurgy Companies produced 9 million tons of crude steel in 2021. In 2022, crude steel production at Ereğli facilities totaled 3,127 thousand tons, down 6% compared to the same period last year. Crude steel production at İskenderun facilities fell by 18% to 4,662 thousand tons. Mining Metallurgy Companies' crude steel production declined 14% in 2022 compared to the previous year and realized as 7,789 thousand tons.



Production (thousand tons)	2020	2021	2022
Liquid Steel	8,709	9,203	7,968
Ereğli	3,736	3,433	3,223
İskenderun	4,973	5,770	4,745
Crude Steel	8,530	9,021	7,789
Ereğli (Slab)	3,633	3,337	3,127
İskenderun (Slab)	3,875	4,819	3,907
İskenderun (Billet)	1,022	865	755
Flat Finished Products	7,266	7,515	7,048
Ereğli (Tinplate)	247	259	252
Ereğli (Galvanized)	539	610	568
Ereğli (Cold)	988	1,038	931
Ereğli (Hot)	1,969	2,112	1,951
Ereğli (Plate)	369	378	361
İskenderun (Hot)	3,154	3,054	2,985
İskenderun (Slab-non-group)	0	64	0
Long Finished Products	992	857	736
Billet	403	275	196
Coil	589	582	540
Iron and Magnesite	2,137	2,630	2,571
Pellet and Magnesite	1,524	1,895	1,910
Other	613	735	661

The capacity utilization ratios of our Mining Metallurgy Companies were as follows:

Capacity Utilization Ratios (%)	January 1-December 31, 2022	January 1-December 31, 2021
Liquid Steel	83%	95%
Crude Steel	82%	94%



Ersam Manisa Coil Stock Yard

Sales

Total flat product sales amounted to 7 million tons in 2022. Domestic flat product sales stood at 5.9 million tons, increasing by 2% compared to the previous year's sales. Long product sales decreased by 10% to 764 thousand tons. Meanwhile, domestic long product sales decreased by 16% year on year to 697 thousand tons. Mining Metallurgy Companies exported a total of 1.1 million tons of finished products, including 1.1 million tons of flat products and 67 thousand tons of long products. This amount constitutes 15% of total sales. Flat products were exported to 41 countries and long products to 12 countries.

Sales (thousand tons)	2020	2021	2022
Flat Finished Products	7,489	7,400	7,005
Ereğli (Tinplate)	260	267	242
Ereğli (Galvanized)	312	242	263
Ereğli (Cold)	756	799	757
Ereğli (Hot)	1,710	1,700	1,508
Ereğli (Plate)	341	357	335
İskenderun (Hot)	3,152	2,930	2,836
İskenderun (Slab)	0	64	0
Ersem (Galvanized)	281	325	309
Ersem (Cold)	343	312	265
Ersem (Hot)	334	404	490
Long Finished Products	1,006	846	764
Billet	412	258	216
Coil	594	588	548
Pellet, Magnesite and Ore	2,031	2,364	2,293
Pellet and Magnesite	1,507	1,711	1,770
Other	524	653	523

Financial Performance

POWER INTEGRATED INTO OUR NATIONAL ECONOMY

Contributing to the growth of the Turkish economy, our Mining Metallurgy Companies aim to achieve sustainable growth by maintaining the balance between capacity and cost. One of OYAK's Mining Metallurgy Companies, Erdemir, Türkiye's largest steel producer, also ranks 48th among the world's largest steel producers.

Contributing to the growth of the Turkish economy, our Mining Metallurgy Companies aim to achieve sustainable growth by maintaining the balance between capacity and cost. One of OYAK's Mining Metallurgy Companies, Erdemir, Türkiye's largest steel producer, also ranks 48th among the world's largest steel producers.

As one of the main suppliers of Turkish industry, our Mining Metallurgy Companies meet the demand in the domestic market with the steel they provide to all areas of industry, while reducing dependence on imports.

As OYAK Mining Metallurgy Companies, we meet the needs and expectations of our customers with our high-quality products and services. We implement practices of operational excellence with the aim of rolling out efficiency to every link of our value chain in order to increase the value we create for our stakeholders. In addition, we extend support to the companies we work with in raising their standards within the scope of supply chain management.

The iron and steel industry acts as a driving force for national economies. Türkiye ranks first among the world's leading countries in this industry both in terms of production and consumption.

In our country, which is the 7th largest steel producer and consumer in the world, steel consumption decreased by 4.3% year on year in 2022 to reach 1.8 billion tons.



As one of the main suppliers of Turkish industry, our Mining Metallurgy Companies meet the demand in the domestic market with the steel they provide to all areas of industry, while reducing dependence on imports.

Türkiye's steel production, on the other hand, decreased by 18.3% year on year, reaching 35.1 million tons.

Despite the global pandemic and massive changes in steel prices in the steel industry in 2022, our Mining Metallurgy Companies increased their total revenue to TL 127 billion 783 million, generating an EBITDA margin of 21% and a net profit margin of 14%.

	Currency	2020	2021	2022
Revenue	(Million TL)	32,048	68,227	127,783
	(Million USD)	4,575	7,667	8,107
Operating Profit Before Financing Income (Expense)	(Million TL)	5,646	24,866	23,652
	(Million USD)	806	2,794	1,501
EBITDA	(Million TL)	6,930	26,886	27,010
	(Million USD)	989	3,021	1,714
Period Profit of Parent Company Inventories	(Million TL)	3,309	15,527	18,005
	(Million USD)	472	1,745	1,142
Current Assets	(Million TL)	28,507	65,694	80,656
	(Million USD)	3,884	4,929	4,314
Fixed Assets	(Million TL)	29,487	60,748	94,238
	(Million USD)	4,017	4,557	5,039
Total Assets	(Million TL)	57,994	126,442	174,894
	(Million USD)	7,901	9,486	9,353
Short Term Liabilities	(Million TL)	9,434	23,477	35,909
	(Million USD)	1,285	1,758	1,917
Long Term Liabilities	(Million TL)	7,438	18,417	20,323
	(Million USD)	1,013	1,379	1,085
Parent Company Equities	(Million TL)	39,809	82,293	115,645
	(Million USD)	5,421	6,176	6,187

It was decided to submit the issues of cancelling the Share Buy-Back Program approved at the Ordinary General Assembly Meeting dated July 14, 2020, approving the attached "Share Buy-Back Program" and authorizing the Board of Directors to buy back our Company's own shares to the approval of the General Assembly at the Ordinary General Assembly Meeting to be held on March 31, 2023, where the operating results of the 01.01.2022-31.12.2022 accounting period will be discussed.

The Customer's Solution Partner

SATISFACTION-ORIENTED INTEGRATED POWER

As OYAK's Mining Metallurgy Companies, we focus on achieving lasting successes through our contribution to Turkish industry. We conduct our operations by being the solution partner offering a wide and effective range of services to our customers.

Our Relevant Priorities

Product Quality

Supply Chain Management

R&D and Innovation

Operational Efficiency

As OYAK's Mining Metallurgy Companies, we focus on achieving lasting successes through our contribution to Turkish industry. We conduct our operations by being the solution partner offering a wide and effective range of services to our customers.

We increase our product and service quality every year in line with our customers' expectations and maintain our proactive efforts to provide just-in-time and effective solutions to our customers' needs. We aim to provide high customer satisfaction and a competitive advantage. We invest in operational excellence in order to increase efficiency in our entire value chain and to provide quality-price advantage in our products.

Our total number of customers reached 1,068 in 2022.

In 2022, we welcomed 90 new customers to our portfolio. In terms of sales weighting, our biggest customers are distribution channels, customers carrying out projects which involve rolling and pipe profile, as well as export customers.



1,068

Total Number of
Customers

We continue to be a solution partner meeting all requirements through our customer-centric approach.

By providing technical support to our customers, we become their solution partner with our experience in technical support, such as the selection of steel, which is suitable for their processes, welding, sheet metal forming and cutting operations. We monitor customer satisfaction with our products and services through periodic customer satisfaction surveys. Within this scope, in the last survey conducted after the pandemic, the customer satisfaction score, which was evaluated between -65 and +135 points, was strong at +85.

Customer Technical Services Process

The feedback we receive from our customers forms the basis of our new product development, strategic investment planning, and customer technical service processes.

Receiving Feedback

Customer feedback, received through the ErdemirOnline system and continuous customer visits by sales and product teams, is meticulously analyzed.

Preliminary Assessment

In Automotive OEM we actually visit within 48 hours, and in other sectors we have a target of visiting and finalizing assessments within 8 working days.

Technical Review

Depending on the nature of the feedback, on-site technical and laboratory examinations are carried out.

Resolution and Trade Settlement

Following investigations, resolution is made by taking actions. Afterwards, trade settlements are made completely online via the ErdemirOnline system.

Customer Technical Services Process

The feedback we receive from our customers about our products is received online through the portal and all stages and results of the review process can be tracked through the portal.

All recorded feedback form the basis of monthly reports and improvement and new product development efforts, and it also serves as input for strategic investment planning and feasibility studies.

We value the voice of our customers.

The "Product and Technical Service Satisfaction Survey", conducted every three years, was conducted. Unlike previous years, evaluations were made in the areas of loyalty indicators and experience dimensions such as general satisfaction, recommendation, return, providing advantages, feeling the lack of our products, and scores were calculated using the innovative evaluation method NPS (Net Promoter Score). The survey had the highest participation rate compared to previous years with 90% participation rate over a total of 300 customers.

In 2022, compared to previous years, domestic customer complaints for Erdemir and İsdemir factories decreased to the lowest levels of the last decade and quality performance improved.

In 2022, compared to previous years, domestic customer complaints for Erdemir and İsdemir factories decreased to the lowest levels of the last decade and quality performance improved.

Our after-sales service philosophy is based on dealing with every feedback and conducting on-site inspections, regardless of the amount of feedback. Based on the feedback of our customers, examinations are made and reported in our own laboratories to reach the root cause. In addition, we provide technical support to our customers and become their solution partner with our experience in the selection of steel suitable for customer processes, technical support for customer processes such as welding, sheet metal forming and cutting operations.

As part of digital transformation, work has started on a digital product catalogue, which will be web-based and a mobile application that will enable steel selection and related comparisons in addition to our existing product catalogue, and the catalogue is planned to be launched in 2023.

QUALITY-ORIENTED INTEGRATED POWER

With our effective cost management practices, we achieved successful results in improving the competitiveness of our Mining Metallurgy Companies as well as in improving their carbon footprint.



Erdemir Galvanized Product Stock Yard

OYAK's Mining Metallurgy Companies have achieved one of their best performances in recent years by increasing our sales of value-added products to 31% of finished product sales. Our Mining Metallurgy Companies offered 34 new flat product grades and four new long product grades, primarily to Automotive OEM companies, in 2022. The companies' sales of the products developed in the last three years amounted to 570 thousand tons.

With our effective cost management practices, we achieved successful results in improving the competitiveness of our Mining Metallurgy Companies as well as in improving their carbon footprint. With our quality improvement and developmental efforts during the year, we increased our efficiency in production and achieved cost savings of around USD 4 million/year within the scope of improvement efforts.



31%

Share of Value Added
Product Sales in
Finished Product Sales

Thanks to newly developed grades and products, a 450 kton/year of new potential was created.

We are the solution partner for our customers.

We treat the claims received from our customers as an opportunity to improve. Our After Sales Service Team evaluates domestic and international customer claims related to all product groups of Erdemir, İsdemir and Ersem. By monitoring all notifications through online portals, we visit customer sites to evaluate the claim on site and endeavor to ensure our customers always feel we are by their side.

Erdemir 2nd Hot Rolling Mill Slab Yard

POWER INTEGRATED INTO INNOVATIVE PROJECTS

Employees' experiences and innovative ideas are turned into value through kaizens, improvement suggestions and the operational excellence (OPEX) projects, which are implemented by using statistical analysis and design of experiment studies.

Operational Excellence

The participation and contribution of employees at OYAK's Mining Metallurgy Companies remains the driving force behind the process of continuous improvement. Employees' experiences and innovative ideas are turned into value through kaizens, improvement suggestions and the operational excellence (OPEX) projects, which are implemented by using statistical analysis and design of experiment studies. Employees provide improvements in the fields of energy efficiency, climate change, occupational health and safety, digitalization and operational activities through these systems and projects.

In 2022, we continued the OPEX Projects, which we implemented with the objectives of production with lower cost, extending equipment life, energy saving, raw material usage optimization and improving product quality. The OPEX Projects completed during the year are expected to yield USD 5 million in additional earnings for Erdemir and USD 15 million for İsdemir.

A total of 14,334 suggestions were provided at Erdemir during 2022, of which 9,949 were put into practice, with a return of USD 2.08 million obtained from 215 suggestions whose returns had been calculated in the suggestion systems. While 1,593 kaizens were initiated at Erdemir, 1,564 kaizens were completed, resulting in a return of USD 7.12 million.



43,541

suggestions

A total of 43,541 suggestions were received in 2022, 14,334 at Erdemir and 29,207 at İsdemir. 25,883 of these suggestions were implemented.

In 2022, we continued the OPEX Projects, which we implemented with the objectives of production with lower cost, extending equipment life, energy saving, raw material usage optimization and improving product quality.

In 2022, 29,207 suggestions were given at İsdemir, with 15,934 suggestions implemented. The 204 suggestions received through the İsdemir Suggestion Systems and whose return was calculated yielded a return of USD 1.9 million. At İsdemir, 1,611 kaizens were initiated, and 1,483 kaizens were completed, yielding a return of USD 17.9 million.

We have transferred some of the training activities, which are carried out at Erdemir and İsdemir to increase the effectiveness and spread of continuous improvement activities, and some of the training provided within the scope of OPEX to the digital environment. In 2022, 4,559 people at İsdemir completed the OYAK Digital HR Suggestion System Basic Training, 582 people completed the OYAK Digital HR Kaizen Basic Training and 310 people completed the OYAK Digital HR OpeX Projects Informational Training digitally. In 2022, in-class training was also carried out at İsdemir. Kaizen Level-1 and Kaizen Level-2 Specialization Trainings were given face-to-face in a classroom environment to a total of 90 people; Minitab Supported Statistical Data Analysis Training to 37 people; Measurement Systems Analysis Training to 20 people; and Design of Experiments Training to 16 people.

Of the trainings prepared using internal sources only and held face-to-face at Erdemir, 17 people completed the Statistical Data Analysis training, 5 people completed the Design of Experiments training, 218 people completed the Autonomous Service Basic Machine training, and 179 people completed the Autonomous Service Steps 1-2-3 training.

1002 people completed the OYAK Digital HR EROS-How to Make Suggestions training, 7 people completed the OYAK Digital HR EROS What KVA Does training, 27 people completed the OYAK Digital HR EROS What the Guide Does training, and 988 people completed the OYAK Digital HR How to Kaizen training. Among online trainings, 63 people completed the Statistical Data Analysis Refresher training and 18 people completed the 8D Refresher training.

OPEX Projects

Erdemir

- With the Optimization of CAL Welding Machine Parameters OPEX project, Erdemir enabled the modelling of CAL welding machine parameters. With the implementation of the project, we aimed to reduce line downtime and slowdowns, and accordingly increase production and material efficiency. The project is expected to yield a potential return of USD 2,112,231.8/year based on 2022 figures.
- With the Slab Annealing Temperature Optimization OPEX project, our company aimed to increase the capacity of the 1st Slab Furnace from 110 tons per hour to 123 tons per hour and the consumption from 102 Nm³/ton slab to 93 Nm³/ton slab by keeping the annealing temperatures constant and optimizing the annealing times. The discharge time to the 1st Slab Furnace was reduced from eight minutes to seven minutes with the improvement efforts carried out in the light of the literature reviews. The expected annual return as a result of the activities carried out was USD 750 thousand.
- With the Estimation of the Viscosity Value of Blast Furnace Slag OPEX project, a study on process safety was carried out to prevent possible cooling/chamber freezing events by modelling the viscosity of the slag and monitoring the slag viscosity through the level-2 system. The study aims to prevent process fluctuations that can occur in raw material changes and thermal changes.

İsdemir

- In the production of flat products with thicknesses of 2.5 mm and below, İsdemir has achieved USD 1.7 million return as a result of the Opex project, which was completed to keep the strength values, especially in commercial grades, within the limits expected by the standard/customer and to achieve alloy savings without compromising on quality.



Erdemir Galvanized Product Stock Yard

- In the "Reducing the Cost of Poor Quality by Reducing Transverse Surface Crack Defects in Slab Grades" Opex project completed at İsdemir in 2022, a trial procedure was established after the parameters affecting the defect were analyzed by binary logistic regression analysis method and the cost of poor quality due to transverse surface crack defects was reduced. The project resulted in a return of USD 0.3 million.

Kaizen

Erdemir

Within the scope of the manufacture of a new ladle transfer trolley rotation mechanism for continuous casting, the design of a mobile milling cutter for machining Rothe-erde bearing and motor seating surfaces was completed.

Since the dimensions of the seven ladle transfer carts requested to be manufactured exceeded the capacity of the workbenches in the workshop inventory, it was not possible to process them on the existing workbenches. Since it is costly to outsource these, it was decided to design a mobile workbench using the equipment in the workshop inventory and to perform machining with the mobile milling cutter upper body in the workshop inventory. But it was not enough to just use this body. Since two axis motions were needed for machining, the slides of the other small mobile milling cutters in the workshop were used and the slides of the two mobile milling cutters were combined.

A chassis was designed to connect the machining head in the desired position on the assembled slides. The rotary table of the large union milling machine was used for the rotary motion required to machine the bearing housing, and this rotary table was coupled with the newly designed mobile milling cutter. During the trials, it was observed that the new mobile milling machine was too long and the vibration during machining negatively affected the surface quality. To eliminate this, the construction was strengthened with intermediate supports. After the last test, the transfer trolley bearing housings and reducer motor housings of the continuous castings were machined. The project, which was completed using the internal resources of the workshop without external sources, resulted in approximately USD 19 thousand in savings.

İsdemir

At İsdemir, all steel construction and welding support work in bearing replacement and rotation operations, which is an activity that affects downtime, has been eliminated in steel mill converter campaign stops thanks to the newly designed apparatus. Campaign downtime was reduced by 136 hours, resulting in savings of USD 0.39 million/year.

POWER INTEGRATED INTO MANAGEMENT SYSTEMS

Within the scope of our efforts to prioritize digitalization, OYAK's Mining Metallurgy Companies prepared approximately 22,000 documents aimed at the effective execution and continuity of the Erdemir and İsdemir management systems.

"The Total Quality Management Culture" and our customer-oriented approach

Erdemir and İsdemir manage all processes in accordance with company strategies, national and international laws and regulations, and the needs and expectations of their stakeholders. In this management style, which also includes a focus on customers, our companies rely on the experience and knowledge of their employees. They design new and contemporary systems which aim for success with optimum resource use, and carry out work aimed at continuous improvement. Our companies adopt the PDCA (Plan-Do-Check-Act) cycle as the basic philosophy for the implementation of their management systems.



Within the scope of our efforts to prioritize digitalization, OYAK's Mining Metallurgy Companies prepared approximately 22,000 documents aimed at the effective execution and continuity of the Erdemir and İsdemir management systems. We completed all checks of the documents at our companies and published them in the IDMS Document Management Module. We reviewed these documents, which are in a digital media format, in 2022 as in every year, and realized the necessary revisions.

At our Mining Metallurgy Companies, we conducted risk analysis studies by evaluating the sustainability of management systems practices.

At our Mining Metallurgy Companies, we conducted risk analysis studies by evaluating the sustainability of management systems practices. Internal audits are conducted at least once a year in order to evaluate the effectiveness and efficiency of management systems at Erdemir and İsdemir. In this context, online (Zoom, Skype, etc.) and on-site audit methods continued to be applied for internal audits in 2022.

INTERNAL AUDITS	Number of Departments Audited	Number of Processes Audited	Identified Positive Observations	Identified Recommendations	Opportunity for Improvement	Number of Auditors Involved
Erdemir	49	31	958	512	92	254
İsdemir	37	29	1,533	350	123	163

At our Companies, we followed up actions to improve the findings which were identified in internal audits, through the BBYS CPAR (Corrective/Preventive Action Request) Module. Within the scope of the auditor rewarding system, we rewarded 62 internal auditors, who had attended in the audits for 5 years or more, and 18 internal auditors, who had attended in the audits for 10 years or more.

Apart from internal audits, 362 corrective actions were initiated at Erdemir and 157 at İsdemir. The developments regarding the actions taken for corrective actions were monitored on a monthly basis and reported to the relevant parties.

Within the scope of management systems, we took the decision to hold Management Review Meetings twice a year (March and September), having previously held them once a year, in order to transform the meetings into more effective, efficient and value-creating activities.

In the meeting held in March, we evaluated the 2021 performance of the management systems together with the specialized departments. In the meeting held in September, we evaluated all the developments and realizations in the management systems for 2022.

As a result of these meetings, 17 decisions were taken at Erdemir and 40 at İsdemir. The activities carried out for the implementation of these decisions were followed up on a quarterly basis and reported to the senior management.

In order to increase the effectiveness of our management systems and ensure their continuous improvement, we carried out the training activities specified in the table below in 2022 through in-class, the virtual classroom application, Digital HR and remote connection (Zoom, Skype, etc.) methods.

Training	Course	Number of Participants
Internal Source	Energy Management System Awareness Training	58
	Information Security Management System Awareness Training	233
	Management Systems Orientation Training	288
	Internal Auditor Information Training	467
	IATF 16949 Special Characteristics Training	1,077
External Source	IATF 16949 Basic and Internal Auditor Training	38
	Advanced Product Quality Planning Process (APQP&PPAP) Training	40
	Process Audit VDA 6.3 Training	37
	Cost of Poor Quality Training	102
	ISO 27001 Information Security Management Systems Training	15
	Security Management System Internal Audit Training	14
	Failure Mode and Effects Analysis (PROSES FMEA) Training	12

Management Systems

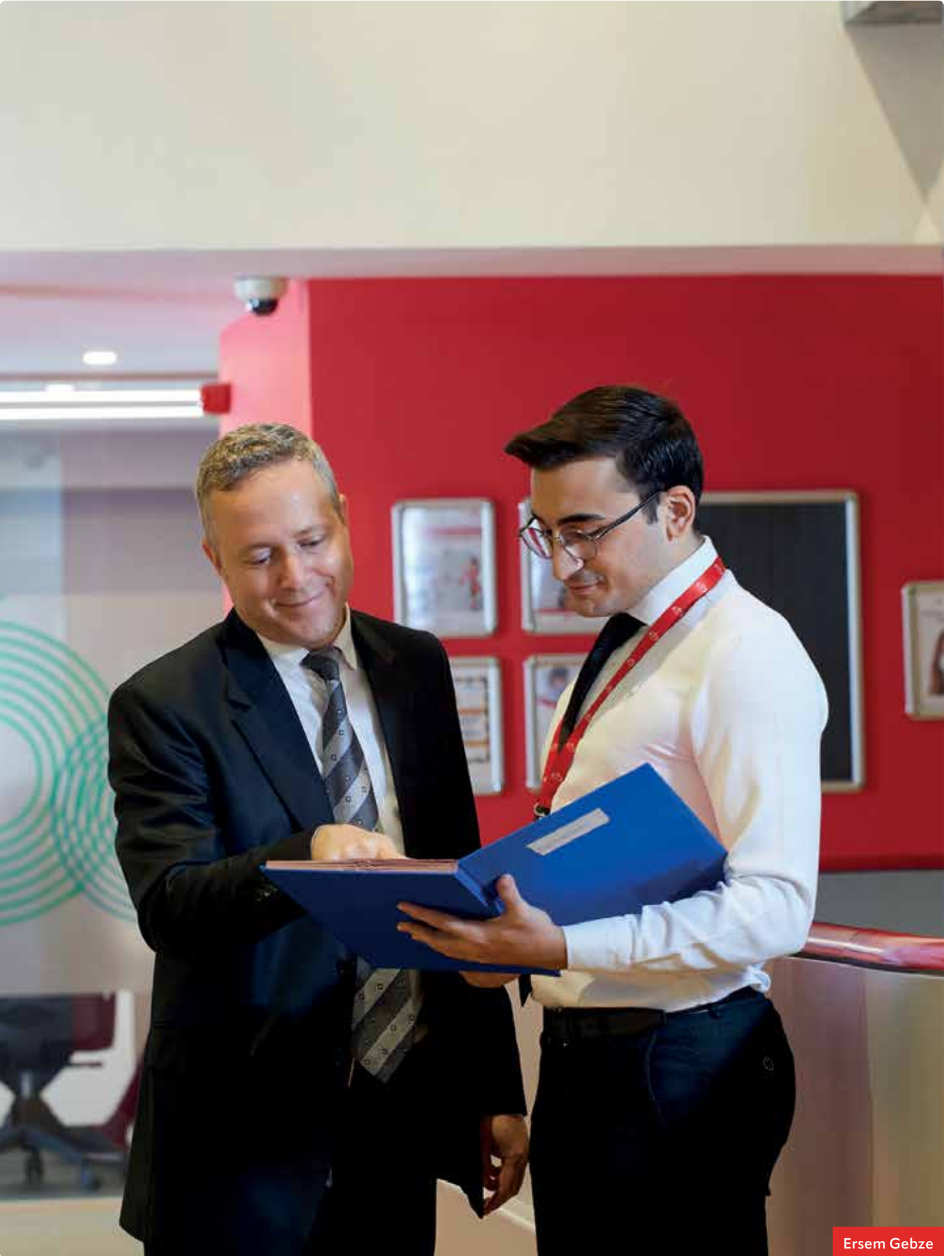
In order to conduct process meetings more effectively and efficiently at Erdemir and İsdemir, process meeting agendas were created and a total of 242 process meetings were organized in 43 processes at Erdemir and 38 processes at İsdemir in 2022.

In order to conduct process meetings more effectively and efficiently at Erdemir and İsdemir, process meeting agendas were created and a total of 242 process meetings were organized in 43 processes at Erdemir and 38 processes at İsdemir in 2022.

Erdemir and İsdemir successfully concluded the external audits, which were carried out by the certification bodies within the scope of management systems, in 2022.

The practices and documented management systems which contribute to our priorities in the fields of energy efficiency, occupational health and safety, sustainability and digitalization at our Mining Metallurgy Companies are listed below.

Management Standard	Erdemir	İsdemir	Ersem	Erdemir Romania	Erdemir Mining
ISO 9001: 2015 Quality Management System	√	√	√	√	-
ISO 14001: 2015 Environmental Management System	√	√	√	√	-
ISO 45001: 2018 Occupational Health and Safety Management System	√	√	√	√	√
IATF 16949: 2016 Quality Management System for the Automotive Industry	√	√	√	-	-
ISO 50001: Energy Management System	√	√	-	√	-
ISO 17025: 2017 Testing and Calibration Laboratory Accreditation Certificate	√	-	-	-	-
ISO 17025: 2017 Laboratory Competence Certificate	-	√	-	-	-
ISO 27001: 2017 Information Security Management System	√	√	√	-	-



Ersem Gebze

ENVIRONMENT-FRIENDLY INTEGRATED POWER

Working closely with our production and engineering units, we collaborated to diversify our inputs without sacrificing quality, efficiency and low costs.

The global economy, which entered a recovery phase after the COVID-19 pandemic, was faced with high inflation that manifested itself in different geographies. The war between Russia and Ukraine further burdened already stressed economies and led to restrictions in the supply of many commodities, especially oil and natural gas. The uncertainty created by the war affected many sectors, with the steel industry being one of the most affected. Cost pressures and changing market conditions have led steel producers to create alternative sources of raw materials and to re-optimize their production in line with market requirements.

As OYAK Mining Metallurgy, we have created alternative sources for our strategic inputs by closely monitoring market conditions. We targeted optimum cost and stock levels in coordination with our sales and production units. We have categorized our procurement activities as short, medium and long term and developed action plans based on different scenarios that may have occurred in the global conjuncture. Within the framework of these plans, we created our procurement strategies and executed them in line with the umbrella strategies of our Companies.

Cost pressures and changing market conditions have led steel producers to create alternative sources of raw materials and to re-optimize their production in line with market requirements.

Working closely with our production and engineering units, we collaborated to diversify our inputs without sacrificing quality, efficiency and low costs. In this way, we have created alternatives in terms of both resources and inputs. We closely monitored, not only market conditions, but also technological developments and continued our digitalization efforts.

In the medium and long term, the steel industry's biggest task will be to achieve a more environmentally friendly structure. This will require changes in the quality of the raw materials used, and traditional steel production methods will need to be supported by new technologies. In this context, we established collaborations with our suppliers to develop raw materials and methods in line with this requirement. Thus, we transformed bilateral relations beyond mere trade, into strategic relations.

The last few years of extreme events such as a pandemic, supply chain disruptions, war and natural disasters have resulted in an intense learning, adapting and action taking experiences for our employees. We made necessary improvements in our business processes and developed our ability to make quick decisions and implement them with a much more flexible perspective. We continued to support our employees with training and informative programs. Thus, we have provided the necessary ground for them to transform, with an academic perspective, their acquired experiences into a more sustainable nature.



Ersem Gebze Facilities

POWER INTEGRATED INTO SAFE PRODUCTION

At OYAK Mining Metallurgy Companies, we deem people and their lives as our first priority, and provide our employees with healthy and safe working environments.

Priorities

Occupational
Health and Safety

Energy
Management

Operational
Efficiency

Climate
Change

Low Emission Production
Technologies

Occupational Health and Safety (OHS)

Based on the "Communiqué on Workplace Hazard Classes on Occupational Health and Safety", companies within the industry in which our Mining Metallurgy Companies operate, are classified as highly dangerous.

We deem our employees as our most important asset and place Occupational Health and Safety at the heart of our responsible production approach, which also covers process safety.

By adopting the approach that all accidents are preventable, we carry out our activities with the goal of Accident Free Steel. We work to reduce the frequency of accidents and the severity of accidents to zero, and to roll out a behavior- oriented safety culture. We manage OHS risks utilizing state-of-the-art technologies and approaches. With the raft of practices we have implemented in the field of the OHS, we aim to keep work environments and processes safe, prevent work accidents and occupational diseases, and protect employee health and the environment.



25

A total of 25 Occupational Safety Specialists are employed at Erdemir and 21 at İsdemir within the scope of occupational health and safety.

With the OHS systems, we identify areas open to improvement in terms of occupational health and safety and process safety. We eliminate unsafe conditions and behaviors by resolving any deficiencies which we have identified.

The principles we adopt under our Occupational Health and Safety Policy are set out below:

- To produce "accident-free steel" by identifying and systematically managing risks.
- To prevent work related accidents and diseases and to protect the health of our employees by keeping the work environments and processes healthy and safe.
- To roll out the sustainable safety culture shaped by the participation and ideas of all our employees.
- To implement and maintain the Safety Management System for the Prevention of Major Industrial Accidents caused by processes and hazardous materials, which may cause significant losses to work and production.



Erdemir Safe Behavior Center

R&D and Innovation

OHS activities at our Mining Metallurgy Companies are managed by high level leadership. The OHS Board is chaired by the Deputy Chief Executive of Operations at Erdemir and İsdemir and by the General Manager at Erdemir Maden. Accordingly, the OHS managers are within two reporting levels of the CEO in all companies.

Within the scope of occupational health and safety, there are a total of 25 Occupational Safety Specialists, including 20 Class-A Occupational Safety Specialists, four Class-B Occupational Safety Specialists, one Class-C Occupational Safety Specialist and seven Occupational Physicians at Erdemir.

There are a total of 21 Occupational Safety Specialists, including 11 Class-A Occupational Safety Specialists, two Class-B Occupational Safety Specialists, eight Class-C Occupational Safety Specialists and seven Occupational Physicians at İsdemir.

Waste Management

Air Emissions

Circular Economy

Water Management

Biodiversity

OHS Risk Assessment Activities

Our Mining Metallurgy Companies meticulously evaluate risks they may encounter during the course of their activities within the scope of OHS activities. They take the necessary measures in line with their aim of preventing work accidents and occupational illnesses.

Through our OHS risk assessment activities at OYAK Mining Metallurgy Companies, we aim to identify areas open to improvement in terms of process safety, eliminate unsafe conditions and behaviors by resolving deficiencies and ensure the continuity of OHS awareness by turning it into a culture.

We aim to learn lessons from the same type of work accidents and near misses and prevent the occurrence of similar accidents through the accident sharing presentations we carry out throughout the year.

We improve the OHS performance of our Mining Metallurgy Companies through the following applications:

- Announced-Unannounced Safety Tours,
- OHS Field Tours,
- Internal and External Emergency Drills,
- OHS Board Meetings,
- Buddy Application,
- Behavior Oriented Safety Management,
- Legal Legislation Controls,
- Company Compliance Controls,
- Incident Sharing Presentations,
- Near Miss System,
- Risk Assessment Activities,
- 5S System,
- Employee Notification System,
- OHS Training.

Occupational Health and Safety

We perform Prevention of Major Industrial Accidents and Mitigation (SEVESO II Directive) work at Erdemir and İsdemir with the aim of preventing accidents and reducing the impact of any accidents.

The Occupational Health and Safety Culture

In 2022, 20,515 observations were made by 1,058 observers on the Behavior-Focused Safety Method (DOGY) System. 46,254 safe behaviors and 766 risky behaviors were identified as a result of the observations.

While ABC analyses continue to be carried out in the units, in the second six-month period, a total of 93 chief engineers began to be observed together with the risk assessment study by addressing one activity each month. A total of 558 activities were discussed, improvements resulting from the studies were presented by chief engineers at unit board meetings, and examples of good practices were shared at a special meeting attended by all managers.

We have created directorate-based Emergency Plans at our Companies to tackle any internal and external emergencies which may occur. We conduct directorate based and general drills every year within the framework of the scenarios we determine in these plans. In 2022, we conducted a total of 62 drills at Erdemir and 288 drills at İsdemir. In the Emergency Plans, we also established search and rescue, fire-fighting, first aid support teams to tackle emergencies. We provided task- based training to these teams.

In order to respond to emergencies, 37 firefighters, three fire engines and a rescue vehicle are on hand at Erdemir, while 35 firefighters, four fire engines and two ladder vehicles are available at İsdemir. In addition, the Emergency Medical Team under the Health Directorates provides a 24/7 service with two ambulances.



20,515

observations

In 2022, 20,515 observations were made by 1,058 observers on the Behavior-Focused Safety Method (DOGY) System.

An AFAD-trained Ereğli Search and Rescue Team (ERDAK), consisting of 50 volunteer personnel is in place at Erdemir, equipped with professional equipment to perform search and rescue operations in the event of disasters which may occur in the facilities or elsewhere in the country.

A Search and Rescue Team, consisting of 25 volunteer personnel trained by AKUT and certified by the International Search and Rescue Advisory Group (INSARAG) is on duty at İsdemir. During the year, 370 employees were given Emergency Response Training certified by AKUT for possible emergencies at the factory.

Automatic fire extinguishing systems are installed in our factories with gas and water in 188 regions, and a Fire Detection System in 137 regions. We monitor the Fire Detection and Extinguishing System on a 24/7 basis through the Fire Brigade Emergency Communication Center. We have a total of 9,536 portable fire extinguishers which we regularly check and maintain at our factory sites.

We perform Prevention of Major Industrial Accidents and Mitigation (SEVESO II Directive) work at Erdemir and İsdemir with the aim of preventing accidents and reducing the impact of any accidents.

The following efforts were made at Erdemir and İsdemir within the scope of SEVESO and process safety:

- Review of Risk Assessment studies in existing facilities within the scope of Change Management,
- Review and revision of the Scenario Document prepared based on the Safety Report within the scope of the Major Accident Scenario Document (MASSD) Communiqué,



Isdemir OHS Training and Simulation Center

- Re-evaluation of the relevant frequency value (1×10^{-4}) by reviewing the scenario-based studies (HazOp, ETA, FTA) on coke by-products, coke batteries, Energy facilities combustion chimneys / gasometers in the Coal Injection Plant,
- Preparation of Scenario-Based Emergency Intervention Plan Forms (SBADMF),
- Modelling studies to determine the impact areas of the scenarios,
- Preparation of Erdemir and Isdemir Internal Contingency Plan (DADP),
- Internal and External Emergency Drills in Coke, Energy Generation and Distribution, and Steel Mill, Blast Furnaces, Hot Rolling Mill, Coil Rolling Mill Directorates based on the relevant scenarios,
- Preparation of "Hazardous Material Intervention Card (TMMK)" by consulting Municipality, Provincial Health and Provincial Disaster (AFAD) Directorates in accordance with the Regulation and DADP Communiqué,
- Establishment of Service Groups to respond to emergencies that may occur within the scope of the DADP Communiqué,
- In accordance with the DADP Communiqué, the provision of training to the personnel assigned to the Service Groups.

In 2022, the Zonguldak Provincial Directorate of Environment conducted a business inspection at Erdemir within the scope of BEKRA Notifications and Internal Contingency Plan. The two-day inspection was successfully concluded and non-conformities were not found by the authorities. Again in 2022, BEKRA Notification and Internal Contingency Plan inspections were carried out at Isdemir by the Hatay Directorate of Environment, Urbanization and Climate Change, and non-conformities were not detected.

In accordance with the Regulation on the "Protection of Employees from the Hazards of Explosive Environments" and the "Equipment and Protective Systems Intended for Use in Potentially Explosive Atmospheres Regulation", which are part of the SEVESO activities, explosion protection documents studies and the compliance evaluation of Ex-proof (explosion-protected) equipment were completed. In order to ensure that repairs and maintenance are carried out in accordance with the standards and, most importantly, that the personnel working with ex-proof equipment are competent, 191 maintenance personnel received hands-on ATEX training in 2022.

Safety Tours

At OYAK's Mining Metallurgy Companies, we conduct Announced and Unannounced Safety Tours to identify areas open to improvement in terms of OHS, to eliminate unsafe conditions by eliminating the identified deficiencies, and to spread OHS culture among all our employees. We enter the findings of these tours into the OHS Systems Tracking Application and monitor the final status of the improvements digitally.

In 2022, we conducted a total of 920 internal and external security tours at Erdemir. A total of 36,122 non-conformities from OHS systems (Safety Tours, Nonconformity, Accident Reports, Drills, OHS Board Meetings, Near Misses and Hazard Notifications) were identified and 96% of them were improved. In 2022, a total of 777 internal and external security tours were conducted at Isdemir. A total of 38,986 non-conformities from OHS systems (HGT, Nonconformity, Accident Reports, Drills, OHS Board Meetings, Near Misses and Employee Hazard Notifications) were identified and 88% of them were improved.

We also conduct legislative and general inspections at our companies within a certain program to inspect subcontractor operations and sites.

With the Behavior-Oriented Safety Management System implemented at Erdemir, we aim to enable all employees to correctly perceive OHS risks, acquire an OHS culture and develop safe behaviors instead of the frequently encountered risky behaviors.

Occupational Health and Safety

Erdemir was awarded for Occupational Health and Safety with its "Safe Conduct Center (OHS Simulator Training Center)" in the Common Tomorrow Award Ceremony held for Sustainability by Turkish Employer Unions Confederation (TİSK) as a result of jury assessment and public voting.



Erdemir Blast Furnace

Occupational Health and Safety Training

OYAK Mining Metallurgy Companies carry out training and activities to raise awareness on occupational health and safety in order to reduce risk, achieve positive behavioral changes and to raise general awareness, deeming education to be one of the most important tools in the cultural transformation.

In 2022, we continued to offer OHS training with a range of content which we determined in accordance with the needs of our fields of activity. Some of these training activities are listed below:

- Basic Occupational Safety Training
- Training on Handling and Sliding
- Certified First Aid Training and Certified First Aid Renewal Training

We take proactive measures to prevent work accidents and occupational illnesses at our Mining Metallurgy Companies.

- Atex Information Training
- IECEx Training
- EKED Training
- Training on the Preparation of the Explosion Protection Document
- Training on Gas Safety and Use of Equipment
- Work at Height Training
- Accident Information specific to New Employees
- Training on the Use of Protective Equipment
- Training for Workplace Specific Risks
- Emergency Response Team Renewal
- Overview of Risk Management
- Identification and Evaluation of Hazardous Substances
- Trainings Required by the Communiqué for the Personnel Assigned in the Service Groups Established within the Scope of the SEVESO Internal Contingency Plan
- Safe Behavior Center Trainings
- Training on OHS Systematics
- Identification of Hazardous Equipment (Vade Mecum Method, DOW F&E Method)
- Identification of Internal and External Hazards (HAZOP, Checklist Method)
- Creation and Analysis of Major Accident Scenarios (FTA, ETA, LOPA and Bowtie Diagram Analysis)

In 2022, we provided an average of 22.1 hours of OHS training per employee at Erdemir and 26.8 hours of OHS training per employee at İsdemir. We supported a safe working culture by providing OHS training to our subcontractors before they started work at our sites.

We care about the health and safety of our visitors.

OYAK's Mining Metallurgy Companies attach importance to ensuring that our visitors, as well as our employees, are informed of occupational health and safety.

We provide information with video demonstrations to ensure the safety of our visitors and to protect our employees from external dangers that may occur due to rule violations by those visiting the sites from outside. We inform our visitors of what action to take in an emergency, provide brochures and keep records, requiring all visitors to sign the Visitor OHS Information Form stating that the necessary information has been provided.

We take proactive measures in occupational health and safety.

Given the high risk of accidents and occupational illness in our Mining Metallurgy Companies, we take proactive measures to prevent occupational accidents. We are working to reduce the incidence of occupational diseases such as chronic lung disease, hearing loss and musculoskeletal system diseases as well as back and waist ailments and neck pain.

2022	Accident Frequency Rate	Accident Severity Rate
Erdemir	4.73	0.865
İsdemir	0.71	0.042
Ersem	4.58	0.212
Erdemir Maden	0.56	0.031

OHS Training Hours Per Person	2022
Erdemir	22.1
İsdemir	26.8
Ersem	20
Erdemir Maden	20

Occupational Health and Safety Projects

The Erdemir Lifeline Project

At Erdemir, lifelines were installed in accordance with the EN795: 2012 and EN353-1 standards by taking into account the demands of the units in order to ensure safety during the work to be carried out at height such as roof cleaning, sheet metal replacement, maintenance and cleaning on the crane runway and climbing up vertical ladders established for maintenance purposes.



Erdemir 1st Hot Rolling Mill Plate Supply Facilities

Within the scope of the "Lifelines" project, we set up a lifeline of 76,460 meters where workers anchor their safety harnesses without interruption, to be installed in areas such as on roofing, crane runway or vertical ladders. The project was the longest lifeline project to be carried out in Türkiye when it was put in place. With the project, we protect the work safety of personnel working at height by ensuring they are anchored to the lifeline with a safety harness.

ODAK Software Work

Throughout the year, OYAK's Mining Metallurgy Companies continued to work on the software platform which we are developing throughout all of our Companies. We develop the software platform in order to manage occupational safety and environmental and health processes in an integrated manner, enabling our employees to actively participate in these processes and to provide instant dynamic reporting. In 2022, we added the Accident and Analysis Module, Health Module, OHS Board Module to the software platform, where we commissioned the employee notifications section in the first phase. Work continues on the Risk Assessment Module, Work Permit Module, Subcontractor Module, Legislation Tracking Modules, Checklists and non-conformity reporting. With the ODAK Software, we aim to align our companies within the scope of the OHS, Environment and Health Modules.

Erdemir Safe Behavior Center

An OHS Simulators Training Center (EGDM) was set up at our factory site in order to teach employees safe behaviors through experience. It was launched in May and 600 people were trained by the end of the year.

İsdemir OHS Training and Simulation Center

At İsdemir, in addition to the standard trainings we conducted to improve occupational safety culture and awareness, we set up the "OHS Training and Simulation Center" by utilizing digital, innovative and modern technologies. In 2022, 396 employees were trained in a practical way and trainings will continue in 2023.

TİSK OHS Common Future Award

Erdemir was awarded for Occupational Health and Safety with its "Safe Conduct Center (OHS Simulator Training Center)" in the Common Tomorrow Award Ceremony held for Sustainability by Turkish Employer Unions Confederation (TİSK) as a result of jury assessment and public voting.

Environmental Performance

POWER INTEGRATED INTO THE GREEN FUTURE

In order to fulfill our responsibility to the environment, we have determined our main focus as using existing resources effectively, efficiently and correctly.

Our other focus areas include the use of communication channels in development and raising awareness among all of our stakeholders, and leaving a cleaner and more livable world to future generations.

Our Relevant Priorities

Climate
Change

Energy
Management

Sustainable
Profitability

Waste
Management

Product
Quality

As OYAK's Mining Metallurgy Companies, we focus on generating sustainable value in every field. We maintain our activities as a corporate citizen aware of its responsibilities to the economy, the environment and society.

Impacts arising from the industry directly affect global climate change. Climate change limited natural resources and rapidly diminishing biodiversity pose serious risks to the steel industry, which has a high environmental impact. Integrated steel production includes energy intensive processes within the scope of existing production technologies.

OYAK's Mining Metallurgy Companies take into account the need for continuous improvement of our environmental performance while carrying out all our activities. In order to fulfill our responsibility to the environment, we have determined our main focus as using existing resources effectively, efficiently and correctly. Our other focus areas include the use of communication channels in development and raising awareness among all of our stakeholders, and leaving a cleaner and more livable world to future generations.

As OYAK's Mining Metallurgy Companies, we take into account the need for continuous improvement of our environmental performance while carrying out all our activities.

Our environmental policy, which we have set out by following a proactive approach in environmental management, includes the following elements:

- As a result of technical, economic and commercial evaluations with a life cycle and sustainable development perspective, applying environmental technologies, using natural resources effectively and efficiently, and protecting biodiversity.
- To reduce waste at its source, to develop recovery methods and to encourage recovery and recycling.
- To inform all our stakeholders, including our employees, customers, suppliers, society and the government, and raise awareness about our perspective on the environment, our practices and the results we have achieved by establishing open communication.

In line with our Environmental Policy, our Companies identify potential environmental risks in advance and take measures to address these risks while continuing their activities in their production facilities. Our Companies monitor and control their environmental impacts with continuous measurements,



Ermaden Divriği Mining Site

Low Emission Production Technologies

and implement improvement and investment projects to minimize these impacts. The technologies used in these projects contribute to the development of the economy through the efficient use of vital resources.

The policies and processes we design aim to mitigate our environmental impacts throughout the entire value chain and reduce energy consumption, promote the effective use of resources and reduce the generation of waste. They also aim to support recycling, especially in every stage of operation cycle, while maintaining and developing human capital.

We treat international standards and certifications as a base in our environmental management practices. Some of our companies, including Erdemir, İsdemir, Ersem and Erdemir Romania, hold the ISO 14001: 2015-Environmental Management Standard certificate. Erdemir, İsdemir and Erdemir Romania also hold the ISO 50001-Energy Management Standard certificate.

Water Management

We provide sustainability training, the majority of which is on environmental topics, in order for our employees to internalize sustainability. In 2022, we continued to provide training within this context on the DigitalİK platform, which can be accessed online.

Training was given to 600 middle school students in the 5th, 6th, 7th and 8th grades in schools located in the İsdemir lodging area. 720 primary school students from 1st, 2nd, 3rd and 4th grades participated in the environmental awareness trainings. Within this scope, 45 kindergarten students aged 5 and 6 were given environmental awareness training. An activity on waste sorting was conducted with kindergarten students. Within the scope of the training, students were given T-shirts, hats, cloth bags and battery boxes for collecting waste batteries.

Air Emissions

Circular Economy

Biodiversity

Within the scope of efforts to tackle climate change, we realize feasibility studies by monitoring low-emission steel production. We reduce our emissions by conducting activities to improve existing production processes to reduce the use of resources and to promote energy efficiency.

Climate Change

According to new findings, global warming arising from human activity has been increasing much more rapidly than had been projected by scientists in the last Inter- governmental Climate Change Panel (IPCC) report, where the scientific basis of global climate change and the factors causing the climate change are evaluated. A significant proportion of the emissions leading to global climate change are caused by industrial activities.

Environmental Performance

At OYAK's Mining Metallurgy Companies, we aim to reduce our emissions by monitoring the current level of low emission steel production technologies and conducting feasibility studies. On the other hand, we aim to reduce our emissions by carrying out studies aimed at improving existing production processes in terms of resource and energy efficiency.

In order to tackle the climate crisis and to limit the increase in global average surface temperatures to 2°C and, if possible, to less than 1.5°C, the ratification of the Paris Agreement by the parties in 2016 marks an important step in the fight against climate change at a global level. Following our country's ratification of the Paris Agreement in 2021 and its commitment to achieving net zero carbon emissions by 2053, Türkiye's National Contribution Statement was announced at the 27th United Nations Climate Change Conference (COP 27) in 2022. With the National Contribution Declaration, Türkiye revised its reduction goal, which was 21% in 2015, upwards to 41% for 2030. In this context, we are striving to build our country's future together by taking part in the planned activities.

As one of our country's most important industrial organizations, we are going to great lengths to build the future of our country together by taking part in the work planned in this context. In this vein, we participated in the Climate Council held in February 2022 in order to determine the industry sectoral strategic goals, contribute to the legislation to be developed on climate, determine the basic policies and responsible institutions for different sectors and create a roadmap which sets out the priority actions of the institutions.



50.3

USD million

Savings Achieved
Through Energy
Efficiency Projects

Steel is the most recycled material in the world. The fact that steel can be 100% recycled without losing any of its properties, and the length of its life cycle ensuring it remains in use for many years, stands as testament to its credentials as an environmentally friendly product.

It is widely recognized that ground-breaking technologies will need to become commonplace in order to significantly reduce emissions from the integrated production facilities. Technological transformations can only be realized with the initiation of significant investments and major collaborations. The latest technological developments, such as the use of hydrogen instead of carbon in production and carbon capture, use and storage present important opportunities in the efforts to tackle against climate change.

At OYAK's Mining Metallurgy Companies, we aim to reduce our emissions by monitoring the current level of low emission steel production technologies and conducting feasibility studies. On the other hand, we aim to reduce our emissions by carrying out studies aimed at improving existing production processes in terms of resource and energy efficiency.

Climate change will undeniably have effects on multi- sectoral structures whose activities are geographically dispersed. The first phase of the Evaluation of Climate Risks and Opportunities Project (the CRO Project), which we carry out in order to examine the effects of climate focused legal regulations and international developments on the operations of our Companies, along with physical changes, was completed at the beginning of 2022.

The purpose of the project is to evaluate climate related risks and opportunities and integrate them into our strategies.



We have drawn up detailed action plans and roadmaps to manage the climate-related risks and opportunities in the most accurate manner possible, and these will form the focus of our sustainability efforts and contribute to our corporate risk management efforts. We have planned our project, which is based on the TCFD (Task Force on Climate-related Financial Disclosures) approach in three main phases: analysis and research, strategy formation and reporting. Within the scope of the project, we completed the process of identifying and prioritizing risks and opportunities, and our strategic development work continues.

We adopt the circular economy approach in tackling climate change. We utilize the waste generated by our Companies and ensure resource efficiency. We aim to reduce our water and carbon footprint by constantly improving our facilities with new technologies.

Steel is the most recycled material in the world. The fact that steel can be 100% recycled without losing any of its properties, and the length of its life cycle ensuring it remains in use for many years, stands as testament to its credentials as an environmentally friendly product. We care about the contribution of steel, which is used in many fields such as construction, infrastructure, consumer durables and the automotive industry to the circular economy. In this context, we strive to further improve the properties of our products.

In order to increase resource efficiency, maintain competitive clout and reduce carbon emissions, we participated in the World Steel Association (worldsteel) Step Up program in 2021. The program is carried out to support activities to improve efficiency to levels which are comparable with the best performing facilities in the steel industry. In the program's 4-stage efficiency review process, work was carried out with the team of specialized consultants at the World Steel Association. In 2022, analysis and action development activities continued in line with the report results.

Our Erdemir and İsdemir Companies calculate their annual emissions by using the mass-balance method and submit the calculated values to the Turkish Ministry of the Environment, Urbanization and Climate Change after approval from the verifying body. With the coordination of the Strategic Planning and Sustainability Department and the participation of all relevant units, we carry out work for the examination and implementation of new applications in order to reduce emissions. In addition, a monthly greenhouse gas monitoring system was developed to better track our greenhouse gas emissions. Analyses are performed on monthly values.

Under the coordination of the Strategic Planning and Sustainability Directorate and with the participation of all relevant departments, we conduct studies to examine and implement innovations for emission reduction and work on emission reduction strategies. In particular, our R&D Directorate is continuing its work on the use of bio-charcoal in the iron and steel production processes, determining the effects of reusing hydrogen from coke gas and its reuse in blast furnaces, as a scenario, on CO₂ emissions and determining appropriate carbon capture and storage and hydrogen production methods.

We achieved USD 50.3 million in financial savings through our energy efficiency projects.

The Erdemir, İsdemir and Erdemir Romania facilities, which hold the ISO 50001 International Energy Management System certificate, have the capacity to save money by generating electricity from the by-products produced in the process.

Environmental Performance

With energy prices on the rise throughout the world, energy efficiency applications have gained even more importance. OYAK's Mining Metallurgy Companies continue to roll out good practices with the improvement projects which we have designed.

The Erdemir and İsdemir Energy Policy can be summed up as follows:

- To implement technological innovations which increase energy efficiency,
- To utilize the released by-product gases and waste heat to the highest level,
- To minimize energy losses through systematic measurement and monitoring.

We are continuing improvement activities at two of our facilities with the aim of maximizing energy efficiency and raising quality in the production lines with an awareness of using resources efficiently, on the basis of the continuous improvement principle.

We determined the main focus areas in energy management as follows:

- To increase efficiency in the production and consumption of energy,
- The recovery of by-products,
- To plan and implement improvement activities through systematic measurement, monitoring and analysis activities,
- To reduce carbon emissions by saving energy as a result of systematic work on energy efficiency.

While we contribute to the protection of natural resources and the environment with our efforts for the effective use of energy, we also gain competitive advantage. As a result of our systematic efforts aimed at energy efficiency, and the energy we have saved, we have succeeded in reducing our carbon emissions.

We monitor energy production and consumption values on a daily and monthly basis. We identify areas which are open to improvement, determine saving projects and carry our improvement activities. We plan activities to reduce energy consumption by determining monthly and annual energy consumption targets with the operation units



266,452

tons CO₂ savings

Through the energy efficiency projects carried out this year, Erdemir and İsdemir achieved 612,284 MWh in energy savings and reduced CO₂ emissions by 266,452 tons.

depending on the production schedules for each year. Through these activities, we have reduced our energy consumption by 42% at Erdemir and by 40% at İsdemir since we began monitoring.

Erdemir and İsdemir are among the companies to have achieved successful results in "Specific Energy Consumption", one of the important performance indicators in the iron and steel industry. According to the latest World Steel Association figures, the 94 steel producers which are members of the Association consumed an average of 5,093 Mcal of energy per ton of crude steel. In 2022, Erdemir's specific energy consumption stood at 4,626 Mcal/ton of crude steel, with 4,995 Mcal/ton of crude steel at İsdemir, with both Erdemir and İsdemir outperforming the average.

Through the energy efficiency projects carried out this year, Erdemir achieved 303,043 MWh in energy savings and reduced its CO₂ emissions by 116,779 tons. İsdemir achieved 309,241 MWh in energy savings and reduced its CO₂ emissions by 149,673 tons.

Within the scope of the energy efficiency activities carried out in 2022, we implemented the following projects at Erdemir and İsdemir:

- Steam Boiler No. 6 to Reduce the Amount of BFG Discharged into the Atmosphere
- Steam Boiler No. 5 FD Fan Drive Implementation
- Efficient Fan Study at the Water Facilities HSMC System
- Drive Implementation at Water Plants' Cold Rolling Mill Tower Fans
- Electricity Consumption Reduction in Casts with Ideal Temperatures at Ladle Furnace Stations
- Increased Efficiency at Cooling Tower Fans
- Reduced BF Gas Discharged from the Chimney by Predicting Stove Transitions of Blast Furnaces

- Turbo Bellows No. 8 (Turbo-compressor) Steam Consumption Reduction
- Electricity Savings at the Steel Mill Electric Ladle Station
- Improvement Studies for Reducing Fuel Consumption
- Reducing Natural Gas Consumption by Optimizing Fuel at Certain Grades in the Annealing Line
- Installation of a Chemical Washing System of Turbine Blades to Extend Downtime Periods of TRT Units

At Erdemir and İsdemir, we organize training programs to raise awareness regarding energy efficiency. In this context, the digitization of steam training was completed at Erdemir. Combustion training will also take its place in the digital environment in 2023.

Priority is given to investments in projects which are in line with the "National Energy and Mining Policy" set out by the Ministry of Energy and Natural Resources in our country's energy strategies on the basis of ensuring supply security with domestic and national resources within the scope of bringing down the current account deficit. In order to reduce carbon emissions, which is in full compliance with this fundamental policy, Erdemir Enerji Üretim A.Ş. commissioned the Kızılcapınar Hydroelectric Power Plant (HEPP) renewable energy investment.

After the acceptance procedures carried out by the acceptance committee of the Ministry of Energy and Natural Resources, the Ministry Acceptance Minute was issued and the hydroelectric power plant Kızılcapınar HEPP based on a renewable resource was put into operation.

Despite some variation depending on hydrology, the annual average production capacity of the Kızılcapınar HEPP stands at 18,700,000 kWh.

The renewable energy generated by the Kızılcapınar HEPP allows a reduction in our country's imports of natural gas and imported coal from abroad. The annual average production amount corresponds to the electricity consumption of approximately 6,250 households. The energy generated in the renewable power plant has prevented the emission of approximately 10,000 tons of CO₂ emissions.

At our Mining Metallurgy Companies, we attach priority to energy production from other renewable energy sources besides hydroelectricity, with the awareness of the importance of renewable energy. In this



Ersem Gebze

vein, we have ramped up our feasibility studies for energy generation from other renewable energy sources. At the conclusion of these studies, we realized renewable energy generation with solar energy, a sustainable energy type, at Ersem. We officially commissioned the project to establish a renewable SPP (solar power system) with a power of 3,483 kWp at the Ersem Manisa facility with the provisional acceptance of TEDAŞ on 21 October 2021. During 2022, Manisa SEPP project generated 4,653.65 MWh of electricity. 3,135 thousand tons of carbon emissions were prevented with this production.

Air Emissions

Transportation, storage, heating and processing of raw materials used at our Mining Metallurgy Companies cause air emissions. Developing technology and legal regulations for air quality have resulted in a significant decrease in air emissions in recent years. Being aware of the effects of air emissions on

humans and the environment, we make investments to reduce emissions and increase efficiency in order to improve air quality at all our facilities and in the surrounding areas. With the investments for improvement we make, we keep the air emissions below the legal limits.

At Erdemir and İsdemir, we constantly monitor the Continuous Emission Measurement Systems (CEMS), which is connected to the data network of the Ministry of Environment, Urbanization and Climate Change. The accredited laboratory measures air emissions in all flues every two years.

New CEMS was commissioned at Lime 3 chimney at Erdemir. Installation of the Continuous Emission Measurement System for Steam Boiler No. 6 at the Power Plant was completed. The steam boiler No. 6 CEMS feasibility report was prepared. The report was provided to the Provincial Directorate of Environment, Urbanization and Climate Change in

Environmental Performance

At Erdemir and İsdemir, we use the blend compositions calculated on a theoretical basis, especially in sintering, and thus reduce SOx (sulfur oxides) emissions.



Zonguldak. Air quality measurements at İsdemir and Erdemir were completed for 2 months by the laboratory authorized by the Ministry for settling dust, PM10 and passive sampling measurements.

At Erdemir and İsdemir, air quality measurements were carried out by an accredited company appointed by the ministry.

The Continuous Monitoring Center (CMC) is a web platform which was prepared by the Ministry of the Environment, Urbanization and Climate Change for the management of the data in the Continuous Monitoring Systems from a single center. We connected the CEMSs to the Continuous Monitoring Center (CMC) since 2021. We meet the conditions specified in the CEMS Communiqué, the Regulation on the Control of Industrial Air Pollution and the Environmental Permit/ License Regulation in these systems.


1.05
billion m³

Amount of Water
Recirculated in
Systems Instead of
Withdrawal from
Nature

At Erdemir and İsdemir, we use the blend compositions calculated on a theoretical basis, especially in sintering, and thus reduce SOx (sulfur oxides) emissions. In new investments to be carried out, we take account of the issues related to the reduction of SOx, NOx and other pollutants. In addition, we provide bags or electro filter systems in all process systems in order to minimize the emissions of PM10 (particles smaller than 10 microns). We monitor the efficiency and working status of our filter systems through the Maintenance Management System.

- At Erdemir, 10 Package Type Dust Collection Systems were commissioned to prevent dusting at the transfer points of conveyor belts.
- Various Concrete Curtain and Floor Concreting works were completed at Erdemir to prevent in-plant dusting.

- One Fog Cannon Dust Suppression Equipment was commissioned at the Raw Material Sizing Area.
- The 2nd BF Foundry Dust Collection Project: Bunkers have been installed and the commissioning of the project continues.
- Dust Collection System for the New Coke Crusher Building: performance (no load) tests are ongoing.
- Steel Mill Secondary Dust Collection Capacity Increase Project: installation of dust collection ducts and hoods, filter building equipment and fans have been completed, and cold testing of the system is underway.

At İsdemir:

- Additional Ammonia Column Construction Project for the Coke By-Products Plant was initiated.
- Blast Furnaces Sludge Dewatering Plant Establishment Project was initiated.
- Investments regarding the Vacuum Degassing Plant Project are ongoing.
- Investments for the installation of Dust Collection Systems at the Foundry and Charging Facilities continue.
- Investments for the Blast Furnace Top Pressure Recovery Turbine (TRT) Project are ongoing.
- Investments for Steam Boiler Retubing and Burner Modification are ongoing.
- Investments for the installation of a Dedusting System at Unit 170-171 are ongoing.
- Investments for the installation of a Dedusting System at Unit 191 are ongoing.
- The process for the installation of Scrap Cleaning Systems is ongoing.

Water Management

The iron and steel industry is a water-intensive industry, with water being one of the most important inputs of the process for the continuity of production. With climate change leading to drought, water has taken on increasing importance both in the world and in our region. In this vein, we closely monitor the use of water in our factories and reduce the amount of consumption through continuous improvement projects.

Our main principle in water management at our Mining Metallurgy Companies is reducing the amount of water extracted from the natural environment and increasing the amount of water which is reused. There are closed-circuit circulation systems at our facilities, which we installed to minimize the use of water in the production processes. Although the amount of water we use in production increases each year, these systems allow

us to keep the amount of water we extract from the natural environment to a minimum. We monitor the recirculation rate in order to monitor the amount of water we reuse. In 2022, 91% of the water used at Erdemir and 94.5% of the water used at İsdemir was used as recirculation water. In total, the two facilities recirculated 1.05 billion m³ of water to be reused in systems, reducing the amount of water needed to be extracted from nature.

Erdemir provisionally accepted the "Salt Water Pumping Station Sea Water Intake Structure Improvement" Engineering Project, which was approved by the Ministry of Environment, Urbanization and Climate Change. Within the project's scope, the Dredging Environmental Management Plan was prepared and approved by the Provincial Directorate of Environment, Urbanization and Climate Change. Dredging was conducted in an area of 3.800 m². The dredged material was taken to the dumping site and the activity was completed.

- Alternative Sedimentation System Project for the BF Gas Washing Plant; construction of equipment and tank foundations have been completed and concrete landscaping is in progress.
- A project to collect wastewater from coke gas seals has been completed.
- Contribution was made to the efforts carried out with the Engineering System Development Feasibility and Portfolio Project Management Directorates for the Domestic Wastewater Treatment Plant Project.

In 2021, at İsdemir, we completed the water footprint calculations and worked on improvement plans in line with the findings. At Erdemir, we continue to work on water footprint calculations.

The water used at all our facilities is discharged in accordance with legal regulations. We sample wastewater released from the processes and cooling water flowing from the discharge points. We conduct measurements of the water on parameters such as dissolved oxygen, pH, temperature, suspended solid matter, chemical oxygen demand, conductivity and flow rate through the Continuous Wastewater Monitoring Systems (CWMS) at our facilities.

We confirm that our wastewater, which we frequently analyze every 15 days within the scope of internal monitoring, meets the limits with the studies conducted through integrated comparison tests every three months by accredited laboratories authorized by the Ministry. In order to monitor wastewater online, data transmission continues with the connection to the Continuous Monitoring Center (CMC) in coordination with the Ministry of Environment, Urbanization and Climate Change since 2021 at 4 SAISs at Erdemir and 3 SAISs at İsdemir installed.

Circular Economy and Waste Management

Among the advantages for the iron and steel industry in terms of cyclicity and waste management are the more efficient use of raw materials in production, the higher rate of re-inclusion of the by-products formed into production and the fact that steel can be recycled countless times. The effective management of waste, which poses both risks and opportunities for the industry, and the transition to a circular economy, both facilitate compliance with legal regulations and provide gains such as reduction in operational expenditures.

At OYAK's Mining and Metallurgy Companies, we prioritize reduction of waste arising from production at the source and increasing recycling and reuse. With this approach, we reduce greenhouse gas emissions and the use of iron ore and therefore, enable the protection of limited natural resources. At Erdemir and İsdemir, we contribute to the circular economy by selling 100% of the blast furnace slag to cement plants and by directing steel mill slag for use on highways. At İsdemir, 100% of the steel mill and blast furnace granulated slags were sold, generating a profit of TL 111,476,097. 100% of the granulated BF slag released at Erdemir was sold, generating a profit of TL 55,488,780.

At our Ermenek Company, the Greenhouse Gas Monitoring report was revised, the Emission Report was verified and sent to the Ministry of Environment, Urbanization and Climate Change via the relevant system.

Environmental Performance

In 2022, we sold 70% of the 9,212 tons of hazardous waste generated at Erdemir and 36% of the 1,735 tons of hazardous waste generated at İsdemir, and thus brought the wastes into the economy.



In addition to coal and iron ore, scrap is one of the important inputs of the iron and steel industry. Scrap is defined as materials which are recyclable or which have completed their useful life which are left over from the production of iron and steel products, or are left over from the iron and steel products used in other sectors. With the increasing importance of the circular economy, especially in recent years, scrap has become an important raw material which meets a significant area of global raw material needs and which is used in the production of new products. The need for scrap has increased globally, as it reduces the use of fossil fuels. We have contributed to the circular economy by using 1.4 million tons of scrap at Erdemir and İsdemir.



1.4

million tons

Amount of
Contribution to
Circular Economy
through Scrap Use

Hazardous Waste

In accordance with legal regulations, we dispose of hazardous waste generated as a result of our production, store them or sell them as inputs to other industries for energy recovery. While we store hazardous waste in accordance with the regulations, we also sell waste oil, bilge and sludge ship wastes. Within the scope of the 1st Class Hazardous Waste Landfill Permit, Erdemir stores oily scale and sends some of the scale to licensed companies for recycling or disposal together with other hazardous wastes. In 2022, no oily scale was sent for disposal.

Within the scope of the Disposal of Permanent Organic Pollutant (POP) Stocks and the reduction of POP Emissions project carried out by the Ministry of Environment, Urbanization and Climate Change in cooperation with the United Nations Development Program (UNDP) and the United Nations Industrial Development Organization (UNIDO), we disposed of 5 transformers with PCB (polychlorinated biphenyls) free of charge.

In 2022, we sold 70% of the 9,212 tons of hazardous waste generated at Erdemir and 19% of the 3,710 tons of hazardous waste generated at İsdemir, and thus brought the wastes into the economy.

Waste Recovery

We utilize the wastes and by-products arising from production in different ways such as the replacement of raw materials, recovery or fuel generation. In 2022, at Erdemir, we brought 85.68% of 1.4 million tons of waste generated by the Company into the economy through in-house recovery and sales to other companies, and we brought 86% of 2.3 million tons of waste generated at İsdemir into the economy.

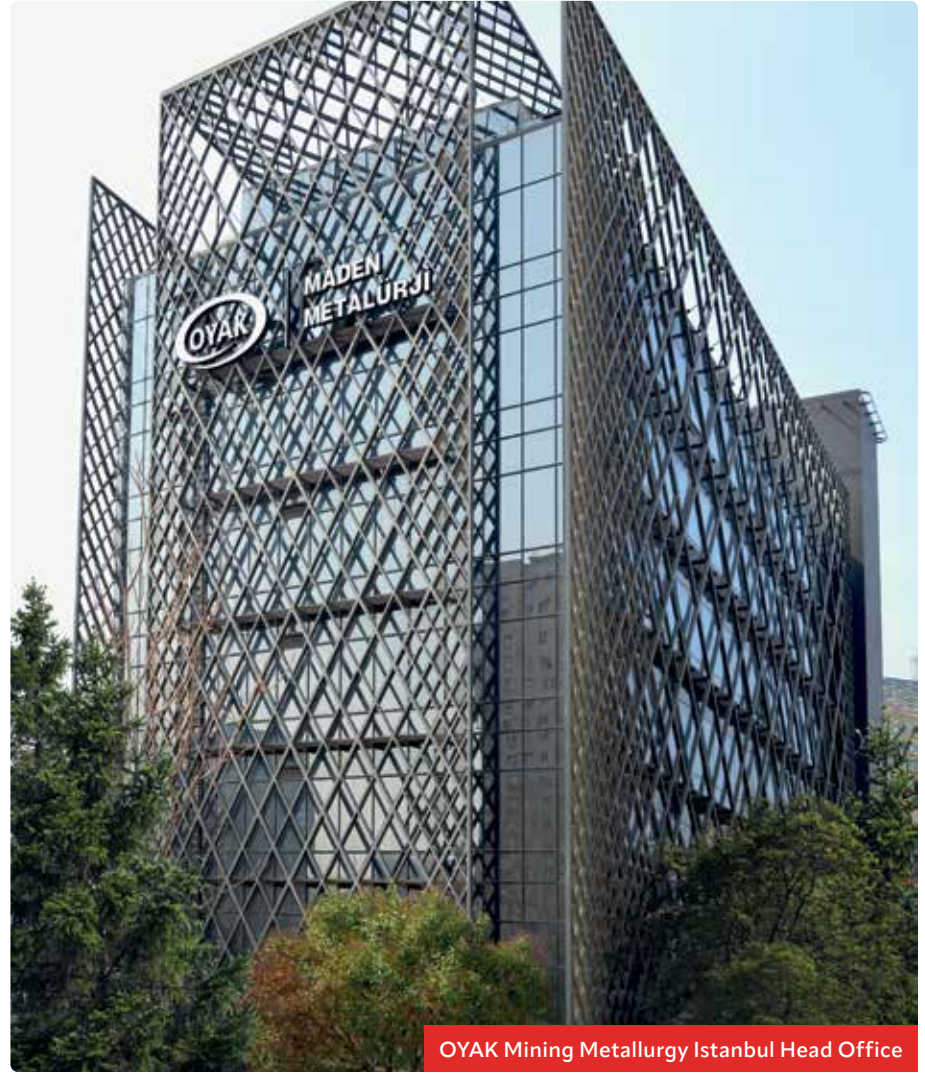
Of the 8,898,590 kg of hazardous waste generated at Erdemir in 2022, 53% was sent for disposal and 47% to be brought into the economy. In 2022, the profit obtained from the wastes sold to licensed companies in accordance with the regulation was 48,811,842 TL.

At our Mining and Metallurgy Companies, we supply some of the raw materials we use at sinter factories from waste materials, and therefore both contribute to the circular economy and also achieve significant savings. Erdemir used 288,458 tons of waste material as an input and achieved USD 11 million in financial savings, while İsdemir achieved USD 13.7 million in financial savings from 225,650 tons of waste material.

At Erdemir, our by-products, which are removed from the waste class and included in the scope of by-products, comply with TSE Standards. TSE standard conformity audits of our steel mill slag, tar, benzol, iron oxide by-products were carried out by TSE officials and successfully completed and our expired certificates were renewed. The documents were updated on Erdemir online. Zinc and zinc alloys for zinc flakes were certified to comply with TS EN 13283 with a secondary zinc quality designation of 'ZSA'.

In addition:

- At Erdemir and İsdemir, we send waste oils generated during our production to licensed companies for recycling. We monitor the recycling rates of waste oils generated after use on a monthly basis. In 2022, 127 tons of kg of recoverable waste oil was sent to licensed refining facilities at Erdemir, with a profit of approximately TL 650 thousand. We sent 80 tons of waste oil for recycling at İsdemir.
- Waste vegetable oils used during the operation of the canteen are collected and sent to licensed recycling companies to be used for biodiesel production. Moreover, we placed two bins for waste vegetable oil collection at Erdemir as a pilot operation to encourage employees to collect waste vegetable oil for recycling. In 2022, we sent 500 kg of waste vegetable oils generated in the lodging area.
- In 2022, a total of 480 kg of waste batteries were collected at Erdemir and sent to Exitcom for recycling. At İsdemir, 240 kg of waste batteries were sent to the TAP Foundation.



- We send e-waste, which consists of all products within the scope of Waste Electrical and Electronic Equipment Regulation generated in our companies for recycling to the companies licensed by the Ministry within the framework of the legislation.
- 2,710 wooden pallets were returned at Erdemir.
- In 2022, we achieved financial savings by returning the wooden pallets which had come with refractory materials which we had purchased to the company, within the scope of the buy and give back application, thereby paving the way for wooden pallets to be brought into reuse.
- We supported the wheelchair campaign with 710 kg of plastic caps which we sent to the Türkiye Spinal Cord Paralysis Association.
- In 2022, work was carried out at Erdemir Cement Plants to carry out industrial symbiosis studies with our Group Companies by ensuring the recovery of our process wastes. Information about the quantity of this shipment:
 - 4,477.32 tons of BF Steel Mill Filter Cake (Sludge) was delivered to Ünye Cement by ship.
 - 1,179.88 tons of BF Steel Mill Filter Cake (Sludge) was delivered to Aslan Cement and Bolu Cement.
 - 3,623 tons of flue dust was sent to Bolu Cement.
 - 17,261.96 tons of BF Steel Mill Filter Cake (Sludge) waste was sold to Oretec.
 - At İsdemir, 1,741 tons of flue dust was sent to Befesa Silvermet.

Environmental Performance

The Erdemir, İsdemir, Ersem and Erdemir Maden Facilities hold the Zero Waste Certificate. At OYAK's Mining Metallurgy companies, we continued to send wastes to relevant companies after their classification.

Management of Chemicals

Turkish and English SDSs were prepared for argon, nitrogen, metallurgical coke, crude benzol, nitrogen and oxygen materials produced at Erdemir.

At our Companies, we store substances that could potentially be a source of volatile organic compounds (VOC) in closed tanks. We monitor the open areas, where the relevant tanks are located, with regular measurements carried out every two years.

Zero Waste Policy

The Erdemir, İsdemir, Ersem and Erdemir Maden Facilities hold the Zero Waste Certificate. At OYAK's Mining Metallurgy companies, during 2022 we continued to send wastes to relevant companies after their classification. We entered information on the waste through the Integrated Environmental Information System put in place by the Ministry of Environment, Urbanization and Climate Change under the Zero Waste Regulation. Accordingly,

At Erdemir,

- 122.7 tons of waste paper was collected, preventing the felling of 2,074 trees, saving 307 m³ of landfill space, saving 503,070 kWh of energy, and preventing 21,718 kg of greenhouse gas emissions.
- 54.36 tons of waste plastic was collected, saving 140,885 liters of oil, 313,874.64 kWh of energy, 125.03 m³ of landfill space and preventing 2,228.76 kg of greenhouse gas emissions.
- 150.78 tons of metal waste was collected, saving 96,800.76 kWh of energy, 452.34 m³ of waste storage space, 196.01 raw materials were saved and 14,324.1 kg of greenhouse gas emissions were prevented.



3,785
trees

We prevented the felling of 3,785 trees by collecting 222.7 tons of waste paper at Erdemir and İsdemir.

At Erdemir, the Zero Waste approach was promoted. On December 2, 2022, Bağlık Restaurant, Göztepe Restaurant, Erdemir Hospital and Erdemir Guest House received the Zero Waste Basic Level Certificate valid until December 2, 2027.

At İsdemir,

- We prevented the cutting of 1,711 trees by collecting 100 tons of waste paper. 251.75 m³ of waste storage space was saved, 412,870 kWh of energy was saved, 2,819.6 m³ of water was saved, 17,823.9 kg of greenhouse gas emissions were prevented.
- 176 tons of waste plastic was collected, saving 459,164.48 liters of oil, 1,016,570.44 kWh of energy, 440.15 m³ of landfill space and preventing 7,218.46 kg of greenhouse gas emissions.



Kütahya Manyezyt Facilities

- 2.92 tons of waste glass was collected, saving 3.5 tons of raw material, 122.64 kWh of energy, 4.38 m³ of landfill space and preventing 87.6 kg of greenhouse gas emissions.
- 0.50 tons of vegetable waste oil was collected and 500 liters of biodiesel was recovered.

At Ersem,

- 25.76 tons of waste paper was collected, preventing 438 trees from being cut down and 4,559 kg of greenhouse gas emissions.
- 8.17 tons of waste plastic was collected, saving 47,173 kWh of energy and preventing 334 kg of greenhouse gas emissions.
- 0.38 tons of waste glass was collected, recovering 38 liters of oil and preventing 11.4 kg of greenhouse gas emissions.

Environmental Permit and License Certificate

In the fields of wastewater discharge, air emissions, class 1 landfill, waste acceptance facilities and non-hazardous waste recycling, we fulfilled the requirements of the Environmental Permit and License Certificate which was obtained from the Ministry of Environment, Urbanization and Climate Change in September 2020 at Erdemir, and in March 2021 at İsdemir. The certification remains valid. In 2022, we maintained our Environmental Permit and License Certificates.

Environmental Impact Assessment (EIA) Process

The EIA process is a study carried out in coordination with the Ministry of Environment, Urbanization and Climate Change in order to determine significant environmental impacts of new projects or developments in the projects, for which an Environmental Impact Assessment has previously been prepared.

Erdemir projects with EIA Out of Scope opinion:

- ✓ Continuous Annealing Line Drive and Level 2 System Modernization,
- ✓ 5th Coke Battery Investment,
- ✓ Productivity Increase at the 2nd On-board
- ✓ Continuous Acidification Line in the 1st Cold Rolling Mill
- ✓ New Wastewater Treatment Plant,
- ✓ 2nd Hot Rolling Mill Investments,
- ✓ Solar Energy Installation on Roofs (251,94MWm/245,9MWe).

İsdemir projects with EIA Out of Scope opinion:

- ✓ Sinter Raw Material and Manipulation Directorate Installation of Dust Collection System in 170 Dosing Unit
- ✓ Solar Power Plant Installation
- ✓ Cargo Transfer Station
- ✓ Port Back Yard
- ✓ Scrap Processing Equipment Installation.

- Three Project Progress Reports for the Erdemir Port No. 1 Cargo and No. 1 Discharge Docks Renovation Project, which was granted an EIA Positive decision, and 4 Project Progress Reports for the İsdemir Coke Crushing and Screening Plant and Steel Mill Capacity Increase Project and the Capacity Increase and Continuous Acidification Plant Project were prepared and submitted to the Ministry of Environment, Urbanization and Climate Change on a quarterly basis.
- A Technical Report was submitted to the Ministry of Environment, Urbanization and Climate Change for EIA opinion on the New Sinter Plant Project.

- A Technical Report was submitted to the Ministry of Environment, Urbanization and Climate Change for EIA opinion on the installation of Pilot Scale Mobile Pyrolysis Equipment and Scale Storage.

EIA activities carried out at Ermaden:

- The process related to Derindere Waste Dam capacity increase EIA Process is close to completion and the final report has been uploaded to the system. The report will be published after it is reviewed by the Ministry.
- The file prepared for the EIA permit for the new Ekinbaşı Mining Quarry with license number 201500515 has been submitted via the e-EIA system and the process is ongoing.
- The tender process for the EIA permit within the scope of the Bingöl Investment has been completed and operations are underway.

The production techniques used in our investments and operations are carried out in compliance with the Best Available Techniques Reference Documents published by the European Union.

Incentive Efforts in Environmental Projects

Necessary documents were prepared for the studies to be carried out with TÜBİTAK MAM in order to receive environmental incentives for the Domestic Waste Water Treatment Plant Project at Erdemir, which will operate with membrane technology.

Biodiversity

At Mining Metallurgy Companies, we attach importance to operating without harming living species in the regions we operate. With the "Let the Fields Be Ploughed, Let Tradition Continue" project, we support the preservation of the world famous Ottoman Strawberry grown in Karadeniz Ereğli.

DEVELOPMENT-ORIENTED INTEGRATED POWER

Our Mining Metallurgy Companies develop and expand their activities with innovative products and processes which they create with a focus on technology, the environment and efficiency.

At OYAK Mining Metallurgy Companies, we carry out work to develop new environmentally friendly, innovative products with high value added for the strategic goals we set in line with the increasing needs and expectations of our stakeholders. In addition, we carry out work aimed at process improvement, cutting costs, finding alternative raw materials, materials and technologies, waste recovery and more efficient use of raw materials and energy resources.

Our Mining Metallurgy Companies, which also produce for the automotive and energy sectors that have a significant share in climate change, improve the environmental performance of their customers through R&D and innovation and offer products that will reduce carbon emissions. They develop and expand their activities with innovative products and processes which they create with a focus on technology, the environment and efficiency. Our R&D Center, which is equipped to carry out advanced steel research needed in Türkiye, continues to support our raw material, process and product development strategies following its vision of increasing competitive power and shaping the future.



59

people

Our R&D Center employs 59 people, including 32 researchers, 21 technicians and a 6-person support team.

The First Ministry-Approved R&D Center of the Steel Industry

R&D and innovation activities play an important role in solving global problems. On August 26, 2014, the R&D Center received approval from the Ministry of Industry and Technology and continues its activities in line with Erdemir's strategic goals.

At OYAK Mining Metallurgy Companies, in addition to our strategic goals, we develop innovative, high value-added products in line with the increasing needs and expectations of our customers. In 2022, we started 53 projects at our R&D Center. R&D activities are gathered under four main groups: Hot Products and Processes, Cold Products and Processes, Steel Making and Casting Technologies, Raw Materials and Iron Making R&D. 44 projects were successfully completed.

Our R&D Center employs 59 people, including 32 researchers, 21 technicians and a 6-person support team. Attaching importance to the development of its employees, OYAK Mining Metallurgy Companies carry out training activities in light of current technological developments. In 2022, R&D employees received 6 separate trainings on special, technical topic, while doctorate and master's degrees are encouraged. Currently, there are 5 PhD holders and 7 PhD students among the employees. Our R&D team has contributed considerably to the intellectual capital of OYAK Mining Metallurgy Companies with a total of 80 articles, papers and poster publications.



Erdemir R&D Center

With 10 patent and utility model applications submitted in 2022, we increased our total number of applications to 69. The registration process of 41 of these applications is ongoing. As of the end of 2022, OYAK Mining Metallurgy Companies have 28 registered patent and utility model. In addition, for the first time, 2 applications were made within the scope of PCT (Patent Cooperation Treaty) this year at Erdemir.

Within the scope of new product development efforts to increase competitiveness and market share, a total of 28 new flat steel grades, including 10 hot, 7 cold and 11 galvanized grades, were developed with the joint efforts of the R&D Center and Quality Metallurgy units. With our new steel grades offered for sale, the number of OYAK Mining Metallurgy Companies' flat steel product grades reached 564. In addition, four quality development studies have been completed within the scope of heat treatment steels and homologation studies are continuing.

Pilot Facilities and New Products

In the hot rolling simulator, which was commissioned in our Experimental Product Development Simulation Center, the experimental process richness was increased with infrastructures such as heat treatment furnaces and quenching units by prioritizing the development of new heat treatment steels in the plate product group, and product localization studies were successfully completed with product developments for the defense industry. In addition, product and process developments such as wheel steels, DP steels, electrical steel and coil rolling optimizations in the long product group were realized.

Studies such as the development of new generation advanced high-strength steel grades, examination of different coating types, improvement of existing product properties and process optimization to provide cost advantages were carried out in the cold rolling simulator, annealing and coating simulator in the Simulation Center.

In 2022, the vacuum induction furnace was provisionally accepted and performance tests were successfully completed. Final acceptance is expected to be completed in the first quarter of 2023.

Theoretical-practical studies and other R&D projects were carried out to determine the casting practices in the vacuum induction furnace in 2022.

In 2023, with the addition of the Mobile Vertical Press Briquetting Plant and Pilot Pyrolysis Plant to the R&D infrastructure, we aim to briquette and recycle solid wastes with low impurity content and high iron content and to reduce CO₂ emissions by using biochar instead of fossil fuel in iron and steel production processes. In this way, OYAK Mining Metallurgy Companies focus on reducing the use of primary raw materials and emissions, increasing the efficiency of coal utilization through the use of alternative carbon sources (biochar, plastics, etc.) and bulk density increase methods, and we also aim to expand the studies with alternative renewable energy sources, carbon capture/conversion to valuable chemicals, life cycle analysis.

In 2023, as OYAK Mining Metallurgy Companies, we plan to develop projects which can yield results in focus areas such as efficiency increasing optimization studies in processes, conduct studies on value-added products such as automotive steels, heat treatment steels, electric steels, packaging steels and long products maximizing the use of waste, reducing emissions, life cycle analysis and adapting to digital transformation practices.

TRANSFORMATION-ORIENTED INTEGRATED POWER

Based on the fact that the most important factor of digital transformation is big data, we launched a data generation project in 2022 that will enable the data lake infrastructure to collect qualified and verified data from sensors in the fields.



At OYAK's Mining Metallurgy Companies, we continue our digital transformation activities in accordance with the vision of creating value for all our stakeholders. Recognizing the value that big data will create, we aim to achieve excellent stakeholder experience, operational excellence and digital revenue generation by focusing on integrated supply chain, production and quality, maintenance and reliability, energy and resource management, occupational health and safety, and human and cultural dimensions.

We continue to support the digital transformation journey, which progresses within the framework of the strategic plan, with up-to-date technologies. As these technologies range from the Internet of Things to cloud technology, big data, artificial intelligence, image processing and digital twins, we plan to conduct research regarding the metaverse world in the following period.

Digital Transformation

In line with the activities of our companies on the road to digitalization and agility, the transformation journey continues in line with changing ways of doing business. We are moving towards turning our companies' awareness of the necessity to rapidly adapt to this transformation into a competitive advantage by continuing with targeted projects. The digitalization of processes, modernization in production systems and the presence of agile structures which can be easily managed with large data projects support the competitive advantage.

As OYAK's Mining and Metallurgy Companies, we attach importance to compliance to meticulously following the COBIT internal security policies and the ISO 27001 standards.

Based on the fact that the most important factor of digital transformation is big data, we launched a data generation project in 2022 that will enable the data lake infrastructure to collect qualified and verified data from sensors in the fields. We will use the data collected through this project in improvement projects to be developed under various topics such as intuitive maintenance, product development, machine learning, operational efficiency, etc., based on the fact that information is power in the new world.

At OYAK's Mining Metallurgy Companies, we continued to work on establishing data warehouse and corporate reporting system and maturing reporting environments in 2021. We developed policies and standards for data governance.

With this work, we aim to rapidly and accurately collect and store data, which is the most valuable asset in the digitalization process, from different source systems, without structural or non-structural distinction, and to process big data with advanced analytical methods. In addition, we aim to create a data pool and to ensure that the collected data can be used effectively at all levels of our companies by supporting analytical work.

We aim to press ahead with the digital transformation work at our Mining Metallurgy Companies with increased momentum in 2022.

Software Development Activities

Erdemir Production Management System Project

Our digital transformation project includes the modernization of the Production Control System used in all production processes at Erdemir. With the digital transformation project, we aim to transform the production processes, which had been carried out in the old monolithic structure on the mainframe platform, into a lean, flexible and agile structure supported by end-to-end digital applications. The increase in efficiency and the secure infrastructure to be achieved with the process transformation will also accelerate our technological transformation.

Level-3 Production Systems Modernization Project

Our digital transformation project, which covers the modernization of Level-3 systems used in Stockpile Management, Rolling Mills, Iron Production and Steel Production processes at Erdemir, aims to transform Level-3 systems operating on platforms with different infrastructures developed with old technologies into a simple and flexible structure supported by end-to-end digital applications. With the project, the manageability and sustainability of Level-3 systems will be more robust and standardized, and a secure system will emerge that enables faster technological transformations.

Raw Material Procurement and Planning System Project

The Raw Material Procurement and Planning System project aims to prepare a detailed procurement plan according to annual production targets and production

needs, to ensure the revision of plans in accordance with changing conditions through effective material control, and to make the required material available at the desired place and time by keeping the stock level to a minimum. The project will ensure that procurement processes are easily manageable, faster and more secure.

Sales Portal for Flat and Long Product Stock Sales

With this project, we aim to digitally present the flat and long product stocks in the warehouses of Erdemir and İsdemir Companies to all registered customers through transparent and competitive sales methods. The new application was implemented on the ErdemirOnline Customer portal and made available to customers.

SAP Digital Finance Reporting Projects

In order to provide projected benefits from the data generated in the operational system, we created a finance cockpit by preparing digital finance reports for the use of senior management with the benefits of the digital world. With this structure, which allows the results of changing financial conditions to be evaluated more easily, we have provided flexibility and agility in decision making processes.

Information Security

At the OYAK Mining Metallurgy Companies, we secure all IT assets at the highest level with the philosophy of the continuation of our activities without any security related production or service halts. We install the most up-to-date security applications on existing systems.

The provision of secure and uninterrupted IT services is ensured through technologically up-to-date IT infrastructures. The fundamental unit of this infrastructure are data centers. Data centers, which consist of many components, especially servers, are in a position to store and process information and can be described as the brains of the company's information assets. With this perspective, renovation projects were carried out in our Data Centers in accordance with today's technology and infrastructure.

As OYAK's Mining Metallurgy Companies, we continue our efforts to ensure the security of all information assets and processes used in the fulfilment of our activities in light of the principles of integrity, accessibility and confidentiality, as well as to take the necessary measures to protect the physical and environmental security of Information Systems.

As OYAK's Mining and Metallurgy Companies, we attach importance to compliance to meticulously following the COBIT internal security policies and the ISO 27001 standards. We provide regular training to all of our employees in order to increase their awareness of data security and minimize the possibility of company data becoming vulnerable to attack as a result of ignorance and/ or carelessness.

We make improvements to our infrastructure in order to collect and monitor data from many areas such as network, security devices, servers, databases and applications and ensure that important events are not overlooked.

In our digital transformation efforts, we prioritize system and information security in our business operation methods. Looking at the Cyber Kill Chain, which is used as a model for a successful cyber attack, it is clear that the operating system is at the center of cyber attacks. A resilient operating system plays an important role in preventing the attack from succeeding. We are constantly tightening security to create a resilient operating system.

We are continuously improving our infrastructure, which automatically discovers and classifies sensitive data in databases, provides real-time data activity monitoring and advanced user behavior analytics to help detect unusual activity around sensitive data, allows us to use pre-built templates for PCI, SOX, HIPAA, CCPA and many other regulatory requirements to help discover legally regulated data and streamline and automate compliance workflows.

At Ermaden facilities, MPLS infrastructure circuits were renewed and their speeds were increased, and up-to-date technological solutions were provided to meet the cyber security needs on the related systems. The process of transition to IRMS (Information Repository Management System) and KVKK Compliance Studies (Personal Data Inventory) were completed. There were hardware and software renewals in all network devices that make up the Information Systems topology. Technological modernization works were carried out in the system rooms in the facility. Activities covering all end-to-end processes of cyber security such as Network and System Security Tests, Database Security Tests, Industrial Control Systems Security Tests continued throughout the year.

Employees

POWER INTEGRATED INTO QUALIFIED EMPLOYMENT

The focus areas of our human resources strategy are to be the preferred employer brand, to contribute to society in our areas of activity, and to bring together the employees who have adopted the priorities and values of the institution.

Our Relevant Priorities

Employee and Human Rights

We support the professional and personal development of our employees. We observe that they have good living standards, and we organize their working environments and processes to be healthier, more efficient and ergonomic.

At the OYAK Mining Metallurgy companies, we work to provide a happy, safe, inclusive and equitable work environment for our employees.

We believe in learning, development and achieving together with all our employees. We contribute to the development of the professional and technical knowledge and skills they need through the training programs we organize.

We place people at the heart of all our activities and business model.

Human resources practices, which we have created by taking into account the needs and expectations of our employees, include projects which will improve their competencies and working conditions.

Talent Management

At the OYAK Mining Metallurgy companies, we work to provide a happy, safe, inclusive and equitable work environment for our employees.

Equal Opportunity and Diversity

On the other hand, we contribute to the socio-economic development of our country by creating employment and supporting the development of the regions we operate in, and we implement projects to create social value.

The focus areas of our human resources strategy are to be the preferred employer brand, to contribute to society in our areas of activity, and to bring together the employees who have adopted the priorities and values of the institution.

At our Mining Metallurgy Companies, we share the common goals, values, principles and corporate culture as a member of a big family. As of the end of 2022, the number of people employed directly at our Companies, which are among those that create the most employment in Türkiye, stood at 12,659.

We follow a holistic approach at OYAK's Mining Metallurgy Companies when managing different human resources processes such as hiring, termination, performance management, talent management and compensation.

Employees paid on an hourly basis comprise 67% of our workforce with employees drawing a salary consisting of the other 33%.

We care about the health of our employees, business partners and customers.

At OYAK's Mining Metallurgy Companies, we meticulously took the necessary precautions from the very first day of the pandemic, prioritizing the health of our employees, business partners and customers in order to minimize the restrictive and negative effects of the pandemic.

In 2020, we published the OYAK COVID-19 Management Procedure in the early stages of the pandemic. We plan to continue the practices we stated in the Normalization Process Guide within said procedure, until a new guide is published in 2023, when the pandemic is expected to continue. In addition, we closely follow up the practices applied by the Ministry of Health.

A working environment which offers equal opportunities at Mining Metallurgy Companies

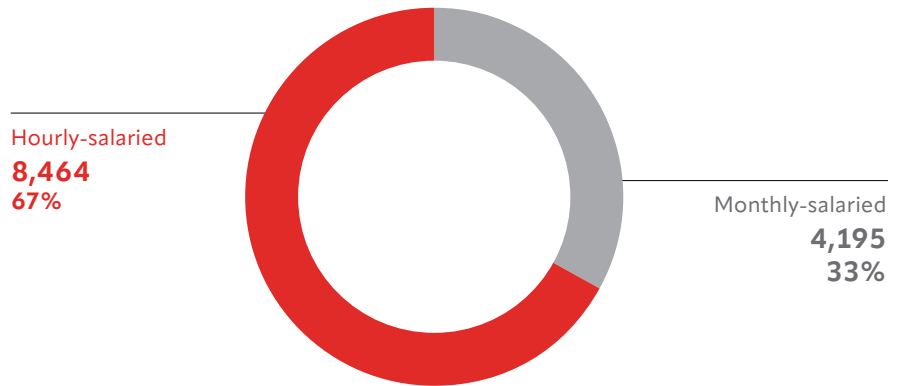
At OYAK's Mining Metallurgy Companies, we do not discriminate on the basis of gender, language, race, ethnic origin, political thought, belief, religion, sect, age, physical disability or similar reasons in any human resources process, especially in recruitment.

We believe in the importance of providing our employees with opportunities to strengthen their competencies while achieving our business goals. We also believe that respect for different beliefs and opinions enriches us. We support gender equality by aiming to prevent all kinds of discrimination and we carry out our recruitment activities with this awareness. We are aware that our main responsibility to provide a qualified workforce for both our country and our Company. Another primary responsibility is to invest in the development of our employees.

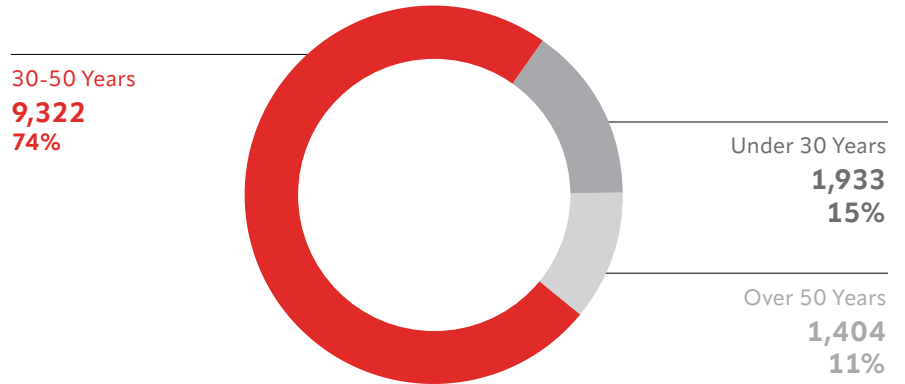
Flexible and scalable human resources processes operating to high standards

We implemented the Human Resources Transformation Project to manage our human resources processes more effectively, in a flexible and measurable manner, while maintaining a certain standard. The application, which contains employee personal information, includes the Performance Management, Selection, Placement and Organization Management, Talent and Backup Management, Compensation and Benefits Management, and Learning and Development Platform. We thus ensured that human resources management is carried out through a comprehensive and common system.

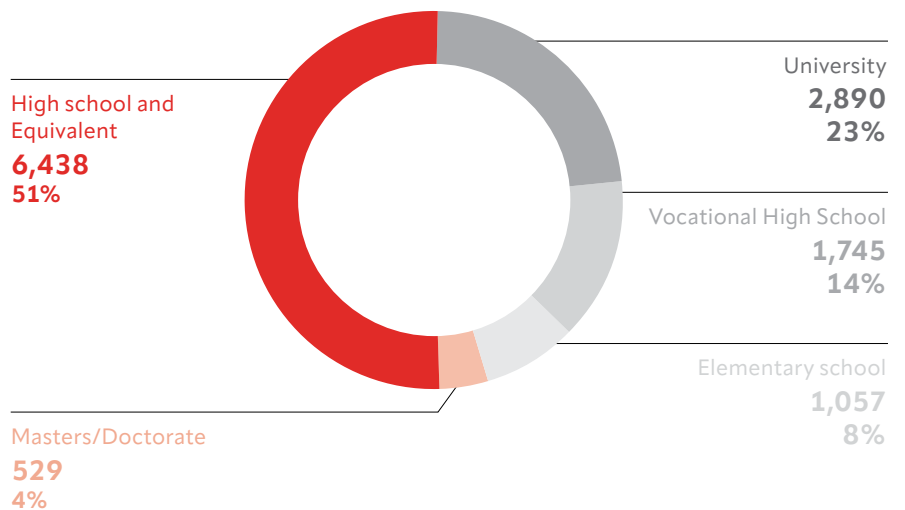
Employees by Category



Employees by Age



Employees by Education



Employees

At OYAK's Mining Metallurgy Companies, we create our compensation and benefits policies by taking into account the structure of the industries in which we operate as well as the competitive conditions. We support employees through various practices in light of studies carried out aimed at increasing employee loyalty and motivation.

Performance Management

Under performance management, monthly paid employees undergo a target-based individual performance evaluation process once a year.

In the Individual Performance Management process, we evaluate the extent to which our employees meet the performance targets assigned to them on the Performance System.

During the evaluation process, our employees have an annual performance meeting with their managers. We provide our employees who are not in agreement as a result of the meeting with the opportunity to appeal through the system. In this process, we provide effective feedback to our employees, which will support them in increasing their performance, and identify strengths and weaknesses. We plan and follow up their development activities.

In order to achieve corporate goals, we evaluate individual performance results on an annual basis. The individual performance results are used in variable pay, development planning and talent management processes.

Compensation and Benefits

At OYAK's Mining Metallurgy Companies, we create our compensation and benefits policies by taking into account the structure of the industries in which we operate as well as the market conditions. We support employees through various practices in light of studies carried out aimed at increasing employee loyalty and motivation.



Under performance management, those of our employees drawing a salary undergo a target-based individual performance evaluation process once a year.

We apply a systematic approach in compensation which is based on the job levels determined for each position. While the compensation and benefits of our hourly paid employees are determined through collective labour agreements, the compensation and benefits of our monthly paid employees are determined by a methodology based on an internationally valid and defined system.

While we provide benefits such as private health insurance, life insurance, performance-based variable pay and employer contributed private pension to our monthly paid employees, we provide benefits such as bonuses and a heating expense allowance under the collective labour agreement to our hourly paid employees. We also provide our employees' rights such as lodging, nurseries, social facilities and health services.

Erdemir 2nd Galvanizing Line Control Room

Talent Management

In the OYAK Mining Metallurgy Companies holistic Talent Management approach, employees are positioned in the business area that best suits their competencies.

Within the scope of our Talent Management strategy, we prioritize internal resource assignments by conducting potential assessments of employees for career opportunities that arise in our Companies through the "OYAK Measurement and Evaluation Center" application. With our Learning and Development activities, we prepare our employees for the future by creating individual development plans in line with their career goals and support their sustainable development.

As we prepare our companies for the future, we identify key and critical positions and create our backup plan with our internal candidates. We also feel the power of being a large structure during backup processes, and we attach importance to cross-company backups.

In the talent acquisition process, we open career paths for our employees by prioritizing internal candidates, whose competencies and experiences match the corresponding role for our open positions.

In the external candidate search process, in addition to selection and placement tools, we provide young talents with job opportunities through university collaborations and support their adaptation through our orientation process.

Training Activities

At OYAK Mining Metallurgy Companies, the training activities we carry out cover all learning and development activities aimed at improving the existing and required competencies of our employees. In line with our training goals, we carry out comprehensive training activities that support the professional and basic competencies of our employees.

In addition to short/long term training programs for employees on a salary and those drawing a salary, we plan training programs such as development programs, technical faculties, internal trainer programs and catalogue training for employees paid on a monthly basis, which these training programs spread throughout the year. In addition, we offer many learning opportunities such as on-the-job training, classroom training, distance learning, national/international conferences and seminars, where various training methods suitable for adult education are applied. We support our employees in their career paths with both technical and managerial faculty training.

Thanks to our Digital HR application, where employees may effectively access all learning and development activities regardless of the time and place, we are able to manage our human resources processes more efficiently. We started to use distance education methods actively through our Digital HR Learning and Development platform.

Some of the online training we provided to our employees in 2022 is listed below:

- Personal Data Protection Law (KVKK)
- Code of Ethics and Business Conduct
- Greenhouse Gas Emissions
- Information Security Awareness
- E-Orientation
- OHS Training

Personal development and technical training programs provided for different employee categories:

Management Development Program for personnel Processing Ore

The Managerial Development Program of Those Processing Ore was implemented for the purposes of helping the chief engineer and management level employees get to know themselves so they can improve their team management and business practices, increase effective communication and cooperation that will support business results. We plan to continue the program in 2023.

Employees

At OYAK's Mining Metallurgy Companies, we have positioned ensuring that employees work in the right job that best suits their talents and increasing their personal and professional competencies at the center of our holistic talent management approach.

Site Procurement Faculty

We designed the Site Procurement Faculty in line with the technical and professional development stages to improve the competencies of Procurement Unit employees. Eight modules were planned for OYAK Mining Metallurgy Companies and nine modules for Erdemir Mühendislik and a total of 100 people received the training. The faculty commenced on February 28, 2022 and was completed on December 15, 2022. Participants will first receive CPP (Certified Purchasing Professional) and then CPPM (Certified Purchasing Professional Manager) certificates depending on their success in the exams.

Internal Tutorage

Within OYAK Mining Metallurgy Companies, a 60-hour Internal Trainer Development Program consisting of a total of five modules, namely Adult Education and Trainer Identity, Instructional Design and Method Techniques, Measurement and Evaluation in Education, Educational Technologies, Effective Communication and Classroom Management, was carried out in order to enable expert employees to provide training and to strengthen the competencies of the employees who provide training. Employees who successfully complete the training will receive an Internal Trainer Success Certificate approved by Middle Eastern Technical University.

HR Executive Development Program

The program was held in order to train next-generation, visionary HR managers, to become informed about changing human resources processes, and increase the awareness of the participants with current practices.



67%

Employees paid on an hourly basis comprise 67% of our workforce.

As of the end of 2022, the number of people we employed directly stood at 12,659.

Basic Project Management Training and Advanced Project Management Training

The project was carried out in order to improve the project management approach and learn the techniques. Under the titles of Basic Project Management Training and Advanced Project Management Training, we aimed for project managers to learn the techniques of time, money, quality, people, customer satisfaction, risk, etc. topics at all stages of projects.

Training programs provided within the scope of spreading operational excellence projects:

Statistical Data Analysis Training (SDA)

We provide this training to our engineers and specialists, chief engineers and managers over a five-day period with two courses during the year. During the training, we explain statistical data analysis techniques and the relevant concepts with applied examples by using the Minitab program and support the training with workshops. At the end of the program, if participants are successful in the exam, which includes the SDA training topics, they enter the Design of Experiments Training participant pool. We issue a certificate of achievement to successful participants.

The following topics are explained during the training:

1- Introduction to Statistics, 2- Graphical Analysis, 3- Measurement System Analysis, 4- Process Capability Analysis, 5- Correlation Analysis, 6- Introduction to Hypothesis Tests, 7- Mean and Variability Hypotheses, 8- Ratio Hypotheses, 9- Regression Models, 10- Statistical Process Control, 11- Cart Analysis

Design of Experiments Training (DOE)

We provide this training to participants in one class for a duration of three days annually. This classroom-based training consists of participants who successfully



Erdemir Mühendislik Office

passed the Statistical Data Analysis Training exam. We offer training which includes advanced statistical analysis techniques and concepts with applied examples by using the Minitab program and support the training with workshops. At the end of the training program, participants sit an exam which includes DOE topics, and those who perform successfully are issued with a certificate of achievement.

The following topics are explained during the training:

1- SDA General Review, 2- ANOVA, 3- Introduction to Design of Experiments, 4- Full Factorial Experiments, 5- Fractional Factorial Experiments, 6- Multiple Objective Optimization

Measurement System Analysis Training (MSA)

The training is provided to participants in one class and for a duration of two days annually. In the Measurement systems analysis (MSA) training, personnel involved in measurement work carry out a thorough assessment of the measurement processes. The training includes a specially designed experiment that seeks to identify the components of variation in the measurement process as minitab supported on Minitab supported

statistical methods. At the end of the program, we issue a certificate of achievement to participants who perform successfully in the exam.

The following topics are explained during the training:

1- Measurement System Analysis: Introduction,
2- Type-I Study,
3- Gage Linearity & Bias Study,
4- Gage R&R Crossed,
5- Gage R&R Nested,
6- Gage R&R Expanded,
7- Attribute Gage Study (Analytical Method),
8- Attribute Agreement Study

Statistical Modeling Training for Managers (SMTM)

We provide this training to the participants in one class and for the duration of two days annually. This training forms the summary of the SDA training for managers and senior managers. The training is completed with sample applications, workshops and statistical analysis by using the Minitab program.

The following topics are explained during the training:

1- Introduction to Statistics with Minitab®
2- Minitab® Graphics, 3- Measurement System Analysis, 4- Introduction to Hypothesis Tests,
5- Regression Models

During the Individual Performance Management process, we evaluate the extent to which our employees realize the performance indicators assigned to them, and identify their strengths and areas in need of improvement.

At OYAK's Mining Metallurgy Companies, we have positioned ensuring that employees work in the right job that best suits their talents and increasing their personal and professional competencies at the center of our holistic talent management approach.

The Managerial Development Program for Those Transforming Iron is carried out in order to increase the effective communication and cooperation which will support business results by improving the team management and business practices of managerial employees.

Social Contribution

POWER INTEGRATED INTO SOCIAL DEVELOPMENT

As Mining Metallurgy Companies, we have been supporting social development in the regions where we operate since our foundation.



Zonguldak BEU Grizu-263 Space Team

We carry out social responsibility activities in a range of different fields in order to create sustainable and lasting value for society. We support social development with our education and projects oriented towards culture and the arts which we develop through various collaborations.

As OYAK's Mining Metallurgy Companies, we consider our contribution to the social development and welfare of society, especially in regions in which we operate, as one of our fundamental responsibilities. We bring some of the added value we generate back into the society through the social responsibility projects we carry out.

As OYAK's Mining Metallurgy Companies, we consider our contribution to the social development and welfare of society, especially in regions in which we operate, as one of our fundamental responsibilities.

We cooperate with public institutions and non-governmental organizations and support local NGOs. In 2022, we extended a total contribution of TL 93 million 487 thousand to social projects. As Mining Metallurgy Companies, we supported the aid campaign organized by the Disaster and Emergency Management Directorate after the flood disaster in Pakistan in 2022. In 2022, we continued to provide food aid to families in need during Ramadan.

Support for Education, Social Life and Culture and the Arts

The education and culture and arts projects are at the forefront of our approach to supporting the development of society. These projects aim to improve conditions in education, access to educational opportunities and expand cultural and artistic activities.

We continue to meet the electricity, water, heating and cleaning needs of schools located in the lodging areas in Ereğli, İskenderun and Divriği and surrounding areas. In addition, we encourage the participation of educational institutions in events and competitions in the fields of science, culture, the arts and sports. We contribute to the improvement of their physical conditions, and support them with equipment and technical hardware.

Within the scope of its work in the field of education, Erdemir signed a 3-year protocol with the District Governorship of Karadeniz Ereğli to contribute financially to the construction of faculties to be built within Zonguldak Bülent Ecevit University (BEU) in Karadeniz Ereğli and made the first support payment. It continued to support the efforts of Grizu-263, Zonguldak BEU Space Team, who launched Türkiye's first mobile satellite into space in 2022. As every year, Erdemir supported the Zonguldak BEU Farabi R&D and Innovation Market in 2022. In line with the requests from educational institutions in Karadeniz Ereğli, Erdemir provided maintenance, repair and material support to these institutions.

The 7th sculpture competition where steel meets art took place

At Erdemir, we took the decision to hold the Erdemir Steel and Life Sculpture Competition every year starting from 2020. We had started the competition in 2005 and held the condition every two years from 2013. We held the seventh in 2022. Through the Erdemir Steel and Life Sculpture Competition, we aim to support the young talent which will play a role in developing the art of sculpture, while contributing to the education of art in Türkiye and drawing attention to various uses of steel through art. Steel sent by Erdemir and İsdemir is also used in the production of the sculptures within the scope of the competition.

Within the scope of its cultural activities, Erdemir brought together art lovers with the paintings created by the members of the Women of Erdemir Aid Association, which was established in 2022 by the wives of employees, using oil and watercolor techniques on photographs taken at Erdemir's operation sites.

In 2022, we resumed our children's theater performances, which we started in Ereğli in 2009 and expanded to Istanbul, İskenderun and Divriği over the years, after a two-year break due to the pandemic. With the support of our companies that bring together pre-school and elementary school children with art, the musical children's play "Little Red Riding Hood" was staged in 4 regions for a week, with the attendance of a total of 2,700 children.



Hatay Silk Manufacturing Workshop

The protocol between the parties in the "Let the Fields Be Plowed, Let the Tradition Continue" project, implemented by Erdemir to protect the Ottoman Strawberry and encourage its cultivation, expired in 2022. Within the scope of the project, agricultural activities were carried out by the District Directorate of Agriculture and Forestry and the Association for the Dissemination of Ottoman Strawberry and Protection of Producers in the production area allocated by the District Directorate of Education between 2016-2022, and financial support was provided by Erdemir. Erdemir will continue its efforts to continue its support for Ottoman strawberries while maintaining its focus on quality seedling production.

Hatay Silk Project

In order to popularize Hatay Silk, which was added to the list of forgotten cultural heritage by the Republic of Türkiye Ministry of Culture and Tourism in 2022, and to include the wives of İsdemir employees and women in the region into socio-economic life, İsdemir launched the silk weaving course in cooperation with İskenderun District Governorship, District Directorate of Education and İskenderun Public Education Center. Within the scope of the signed Hatay Silk Project protocol, İsdemir will provide space and equipment for the course, which is planned to last for three years, and will also meet the needs for the course. The course, which will initially be attended by the wives of İsdemir employees, is planned to be expanded to neighboring districts according to the interest of women in the region.

Protecting Our Cultural Heritage through Elpek Cloth Weaving Project

Aiming to keep the cultural values of Karadeniz Ereğli alive, Erdemir provided the necessary equipment and needs such as weaving looms, materials for a living space and weaving materials to create a production area in Pınarcık Village in 2022 within the scope of the project "Let Elpek Cloths Be Preserved, Let Our Cultural Heritage Be Preserved". In the first phase of the project, which was completed in 2021, 18 women from the Pınarcık Village of the Karadeniz Ereğli received training with Erdemir's support. The women learned Elpek cloth weaving skills.

The history of Elpek cloth, which is in the category of linen weaving, dates back to ancient times in the region. Elpek cloth has a distinguished reputation as a sail cloth produced for the Ottoman navy, as cited by Katip Çelebi, who was a Turkish scientist working in the field of history and geography, in his work titled Cihannüma.

As Erdemir Mining, we continue to support education, sports and social activities to contribute to the development of Divriği and Sivas, where our facilities are located. We provide regular assistance to educational institutions including hygiene and cleaning services. We contribute to the activities of public institutions and non-governmental organizations with the aim of improving the capabilities of educational institutions.

POWER INTEGRATED INTO STRONGTH GOVERNANCE

Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key elements of corporate governance, in all of their activities.



Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key elements of corporate governance, in all of their activities.

One of the key pillars in managing the developments in our external environment is our corporate management and acting with a sound understanding of governance.

Strong corporate governance enables us to achieve long-term sustainable success and create added value for shareholders and all stakeholders by accurately analyzing risks and opportunities. In addition to managerial uncertainties, environmental and social risks now stand out among the factors affecting the sustainability of companies. These risks can be effectively managed by adopting a holistic management approach.

Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key elements of corporate governance, in all of their activities.

Our Mining Metallurgy Companies pay the utmost attention to and exercise the greatest efforts in compliance with the Capital Market Law and secondary regulations as well as the decisions taken by the Capital Market Board (CMB). Our companies share their performance in this field and their corporate governance compliance statement with the public on a regular basis.

Successful Corporate Governance

In the Corporate Governance Principles Compliance Rating Report, where compliance with the Corporate Governance Principles published by the CMB is evaluated, Erdemir increased its compliance rating to 9.61 (96.06%) in 2022. With this score, the Company managed to raise its Corporate Governance Rating for the eighth consecutive year, up from 8.83 (88.32%) in the first report published in 2015.

İsdemir's Corporate Governance Rating in the Corporate Governance Principles Compliance Rating Report increased to 9.61 (96.1%).

Erdemir and İsdemir qualify for inclusion in the BIST Sustainability Index

Erdemir and İsdemir qualified for inclusion into the Sustainability Index, which includes companies traded on the Borsa Istanbul (BIST) and which demonstrate a high corporate sustainability performance. Erdemir has been included in the Sustainability Index for the eighth time this year, while İsdemir has been included in the Sustainability Index since November 2019, when it was subject to evaluation.

Structure of the Board of Directors

The Board of Directors of Erdemir and İsdemir consists of a total of nine members, including one woman representative. Three of the members of the Board of Directors are independent members.



Ersem Manisa

Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS AS OF THE REPORTING DATE

Board of Directors	Duty	Date of Taking Office
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	Chairman of the Board of Directors	27.05.2013 (*)
OMSAN Lojistik A.Ş. (Represented by: Baran ÇELİK)	Deputy Chairman and Executive Director	11.09.2012 (*)
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Gürtan DAMAR)	Board Member and Executive Director	13.09.2012 (*)
Privatization Administration, Ministry of Treasury and Finance of the Republic of Türkiye (Represented by: Bekir Emre HAYKIR)	Board Member	20.09.2012 (*)
OYAK Denizcilik ve Liman İşlet. A.Ş. (Represented by: Güliz KAYA)	Board Member	12.09.2012 (*)
OYKA Kağıt Ambalaj San. ve Tic. A.Ş. (Represented by: Volkan ÜNLÜEL)	Board Member	12.09.2012 (*)
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017
Emre GÖLTEPE	Independent Board Member	17.03.2022

(*) Based on the date of appointment of the legal entity Board Member.

Changes to the Board of Directors during the Period

- As a result of the election held at the Ordinary General Assembly Meeting on March 17, 2022; Emre GÖLTEPE, Ali FİDAN and Kurtuluş Bedri VAROĞLU were elected as Independent Board Members for a term of office of 1 year.
- With the Board of Directors' resolution No. 9832, as per the distribution of duties among the members of the Company's Board of Directors, Board Member OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş

ERDEM) was appointed as Chairman of the Board and Board Member OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER) was appointed as Vice Chairman of the Board of Directors to serve for 1 year. Deputy Chairman OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER) and Board Member OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Gürtan DAMAR) were appointed as "Executive Directors." It has been decided to register the matter in the trade registry and to announce it in the Turkish Trade Registry Gazette.

- With the decision of the Board of Directors No. 9866, it has been resolved to register in the trade registry and to announce in the Turkish Trade Registry Gazette the appointment of Baran ÇELİK, who has been appointed to replace Aslıhan DÖĞER, the real person representative acting on behalf of the Company's Deputy Chairman and Executive Director OMSAN Lojistik A.Ş., due to the termination of her duty, and Volkan ÜNLÜEL, who has been appointed to replace Baran ÇELİK, the real person representative acting on behalf of the Company's Board Member OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş., due to the termination of his duty.

Senior Management

SENIOR MANAGEMENT

Senior Management	Position	Date of Taking Office	Education	Professional Experience
Baran ÇELİK	Deputy Chairman and Executive Director	14.02.2023	Boğaziçi University - International Commerce	19 years
Gürtan DAMAR	Board Member and Executive Director - Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. General Manager	23.02.2021	Yıldız Technical University - Mechanical Engineering	27 years
Mustafa Serdar BAŞOĞLU	Financial Management and Financial Affairs Group Vice President	24.09.2020	Bülent Ecevit University - Business (Master's Degree) Karadeniz Technical University - Accounting (Bachelor's Degree)	19 years
Fatih ÇITAK	Marketing and Sales Group Vice President	18.01.2020	Istanbul Technical University - Industrial Engineering	24 Years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University - Political Science and Public Administration	27 Years
Ercan KAYA	Enterprise Architecture and Human Resources Group Vice President	21.07.2020	Selçuk University - Economics (Doctorate) Hacettepe University - Economics (Master's Degree)	35 Years
Niyazi Aşkın PEKER	Ereğli Demir ve Çelik Fabrikaları T.A.Ş. General Manager	12.09.2022	Yıldız Technical University - Metallurgy Engineering	29 Years
Salih Cem ORAL	İskenderun Demir ve Çelik A.Ş. General Manager	12.09.2022	Yıldız Technical University - Metallurgy Engineering	29 Years
Halil YILDIRIM	Erdemir Madencilik Sanayi ve Ticaret A.Ş. General Manager	02.09.2013	Republic University -Geology Engineering	25 Years
İbrahim ÖZBUNAR	Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. General Manager	01.04.2022	Aegean University - Agricultural Engineering	27 Years
Levent ÖNCEL	Kümas Manyezit Sanayi A.Ş. General Manager	24.11.2022	Mersin University - Geology Engineering Middle Eastern Technical University - Chemistry	32 years

- Baran ÇELİK served as the real person representative of OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş., Board Member, from 18.02.2019 to 13.02.2023.
- Can ÖRÜNG served as the Information Technologies Group Vice President from 21.02.2017 to 31.01.2023.
- The position of Information Technologies Group Vice President is vacant as of the date of reporting.
- Salih Cem ORAL, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. General Manager, has been appointed as İskenderun Demir ve Çelik A.Ş. General Manager as of September 12, 2022.
- Niyazi Aşkın PEKER was appointed as Ereğli Demir ve Çelik Fabrikaları T.A.Ş. General Manager as of September 12, 2022.
- Levent ÖNCEL, Kümas Manyezit Sanayi A.Ş. General Manager, was appointed on 24.11.2022.

Committees and Their Responsibilities

Compliance with Ethical Principles

The Code of Ethics and Business Conduct, together with the Anti-Corruption Policy, sets out our expectations, execution standards and ethics practices which form the basis for all business relations and activities of our Mining Metallurgy companies. The Anti-Corruption Policy defines our anti-corruption and anti-bribery policies and practices. The Code of Ethics and Business Conduct and the Anti-Corruption Policy apply to OYAK's Mining Metallurgy Companies and all third parties acting on behalf of these companies and their employees.

The Code of Ethics and Business Conduct consists of four main headings:

- Integrity
- Avoidance of Conflict of Interest
- Protection of Trade Secrets and Confidentiality
- Our Responsibilities

In the article on Responsibilities to Society and Humanity, we commit to respect human rights. We comply with and act according to constitutions of International Labor Organization (ILO) to which Republic of Türkiye is a party regarding non-exploitation of child labor. In Our Responsibilities towards Competitors article, we undertake only to compete in legal and ethical areas and avoid unfair competition.

All our stakeholders can access the Code of Ethics and Business Conduct and the Anti-Corruption Policy documents on our companies' websites.

We organize training activities to raise employee awareness on codes of ethics and business conduct. We provide training on the Code of Ethics and Business Conduct to our newly recruited employees as part of their orientation program. We also provide refresher trainings to all employees every year. In these trainings, which are provided electronically through the Digital HR application, we share information about codes of conduct and business principles, as well as behaviors expected in situations that may be encountered in business life with various case examples.

Monthly paid employees complete ethics training and attest to conformance with the Code of Ethics and Business Conduct. We analyze the declaration forms with the work conducted jointly by the Human Resources and Internal Audit functions and take corrective/preventive actions if necessary. In cases of potential conflicts of interest, we implement measures such as changes in the area of responsibility or rotation.

The Code of Ethics and Business Conduct and Anti-Corruption Policy documents are included as a part of the contracts we enter into with suppliers and customers. We expect the companies with which we have a commercial business relationship to comply with these terms. We deem any company which we find to be violating the terms as a risky company and avoid doing business with these companies.

Our employees and all other stakeholders can submit their questions about compliance with the Code of Ethics and Business Conduct and Anti-Corruption Policy or complaints about non-compliance through the ethics hotlines. In order to increase the effectiveness of ethical communication channels, the ethics hotline was updated in 2022 offering a variety of reporting options, including phone, email and online reporting. The ethics hotline is managed by Remed, a company independent from OYAK Mining Metallurgy. The ethics hotline is an impartial and independent hotline where ethical concerns can be submitted anonymously. All employees and other stakeholders can submit their ethical concerns via the call center (0212 924 7865), which provides 24/7 uninterrupted and live service, e-mail (erdemir@etikhat.com) or online reporting (www.remedetikhat.com.tr). If any identity or personal information is shared by the person who uses the hotline, this information is not shared with OYAK Mining Metallurgy without his/her explicit consent. The information shared through the ethics hotline is stored in accordance with the Personal Data Protection Law and relevant legislation. The reports

submitted to OYAK Mining Metallurgy by Remed are only accessible to authorized ethics compliance professionals in the Internal Audit Department, who report directly to the Board of Directors. We conduct investigations in line with the confidentiality principles and keep tip-offs, complaints as well as the identities of complainants and informers confidential. We follow a policy to prevent possible retaliatory actions and behaviors towards any employees or individuals who report ethical violations.

The Internal Audit Directorate performs the investigations towards the ethical complaints. The activities of resolving any incidences of non-compliance and implementing disciplinary action, when deemed necessary, are under the responsibility of the Ethics Committee. The Ethics Committee consists of 3 senior executives, namely the Executive Director, Executive of Human Resources and Executive of Legal. Internal Audit Director acts as the secretary of the Ethics Committee.

Besides taking disciplinary actions against those found to be violating ethical standards, we take measures to strengthen the internal control environment in order to prevent the re-occurrence of similar situations in the future.

The Internal Audit Directorate regularly reports the results of ethical compliance activities and investigation to the Audit Committee, which consists of Independent Board Members. In this context, five meetings were held in 2022.

The ethical compliance activities and their results are reviewed annually and actions are taken to improve ethical compliance processes. As part of the improvement of the ethics compliance program, we hold corporate membership of the Turkish Ethics and Reputation Society (TEID) and Transparency International-Türkiye.

Internal Audit System

The adequacy and effectiveness of risk management, control and governance processes at OYAK's Mining Metallurgy Companies is evaluated by the Internal Audit Directorate according to a risk-based audit plan. The Internal Audit Directorate, whose objectives, authorities and responsibilities are determined by the Internal Audit Charter, reports directly to the Board of Directors. The Internal Audit Directorate periodically reports the internal audit activities and the effectiveness of the internal control system to the Audit Committee, which consists of Independent Board Members. In this context, five meetings were held in 2022.

The internal audits of business processes in our Mining Metallurgy Companies are carried out according to annual audit calendar, with a risk-based and value-added approach and with reference to international standards for professional practice of internal auditing.

We perform the audit activities with the use of the Integrated Audit System, which we launched in 2018 as part of our digitalization efforts. During the audits, the adequacy and the effectiveness of risk management, control and governance processes are evaluated, and recommendations are developed to improve processes. While reviewing the processes, error risk and productivity losses that may arise from human intervention-intensive processes are taken into consideration and recommendations related to digitalization and automating the process and controls are developed.

In addition to risk-based audit and consultancy activities, we perform continuous audit and monitoring activities with the support of the Integrated Audit System. We continuously evaluate the effectiveness of the critical controls in the SAP (ERP) system by automated business rules installed in the Process Control module. Transactions outside the defined standards are automatically reported by the system, and necessary analysis is performed in relation to the findings.

Actions plans are developed to address internal audit findings. Audit findings and actions are monitored through the Integrated Audit System. There is a follow-up process to monitor completion status of actions and ensure that audit actions have been effectively implemented.

Risk Management

As OYAK Mining Metallurgy Companies, we proactively manage risks and opportunities to ensure a value-focused sustainable business model. Recognizing



that we are exposed to many risks and opportunities in different areas due to the dynamics of the iron and steel industry in which we operate, we constantly monitor uncertainties that may arise from external and internal sources and take appropriate actions in order to identify, benefit from and control them.

As companies operating in commodities, we are affected by macroeconomic fluctuations and geopolitical developments. In 2022, the risks and opportunities faced by our Companies include the direct and indirect effects of the war in Europe, the supply/demand imbalances in the economies of countries and companies after the pandemic, the fluctuations in the demand for our products and product prices due to the effects of interest rate increases by the central banks of the United States and the European Union on the global economy, as well as external risks such as climate change, protectionist measures and cyber threats, financial risks and internal risks arising from commercial activities and production operations.

In order to identify potential events that may affect our companies, manage existing risks, identify risks that may arise early and manage them appropriately, a centralized Enterprise Risk Management Department operates within the Financial Management and Financial Affairs Group Vice Presidency and brings risk concerns to the Board of Directors every two months

through the Early Detection of Risk Committee. Risk Management activities are audited through internal audits, external audits and independent audit activities.

We continuously carry out risk management activities within the scope of the Enterprise Risk Management Procedure for systematic and comprehensive identification, evaluation, economic control and monitoring of threats and opportunities which may affect the assets, reputation and profitability of our companies. Our Enterprise Risk Management framework enables the systematic and comprehensive definition, evaluation, economic control and monitoring of risks (both threats and opportunities), which may affect the assets, reputation or earning capacity of the companies, and which allows the implementation of integrated risk solutions. We created this framework on the basis of international standards and good practices, the ISO 31000 standard in particular.

In addition to internal risks, we closely monitored the risks associated with fluctuations in raw material supply, raw material prices and product demand, particularly due to the war in Europe and evaluated their potential impacts. Also, we continued to follow the implementation of the actions we had planned in relation to climate change, updating and monitoring the potential impacts of climate change.

Committees and Their Responsibilities

In addition to taking action against short- and medium-term risks, we carry out long-term planning for risks in critical issues that may have a long-term impact (10+ years). In order to keep our risks under control and reduce external dependency, we realize the investments detailed in the PROJECTS RELATED TO RISKS and INVESTMENTS sections of the report, and we engage in research and development activities in constant communication and cooperation with suppliers, customers, group companies and research institutions.

We carry out our audit activities through the Integrated Audit System, which we launched as part of our digitalization efforts. During the audit of the processes, we evaluate the effectiveness of the risk management, control and governance processes.

1 Risk Identification

Internal risks are periodically identified by units with an inclusive approach. Changing external environment risks are continuously monitored and identified. Newly identified risks are added to the risk list.

2 Materiality

The severity of risks is determined by taking into account the existing control measures through expert opinion, scenario analysis and calculations made through developed models and, impact and probability scales.

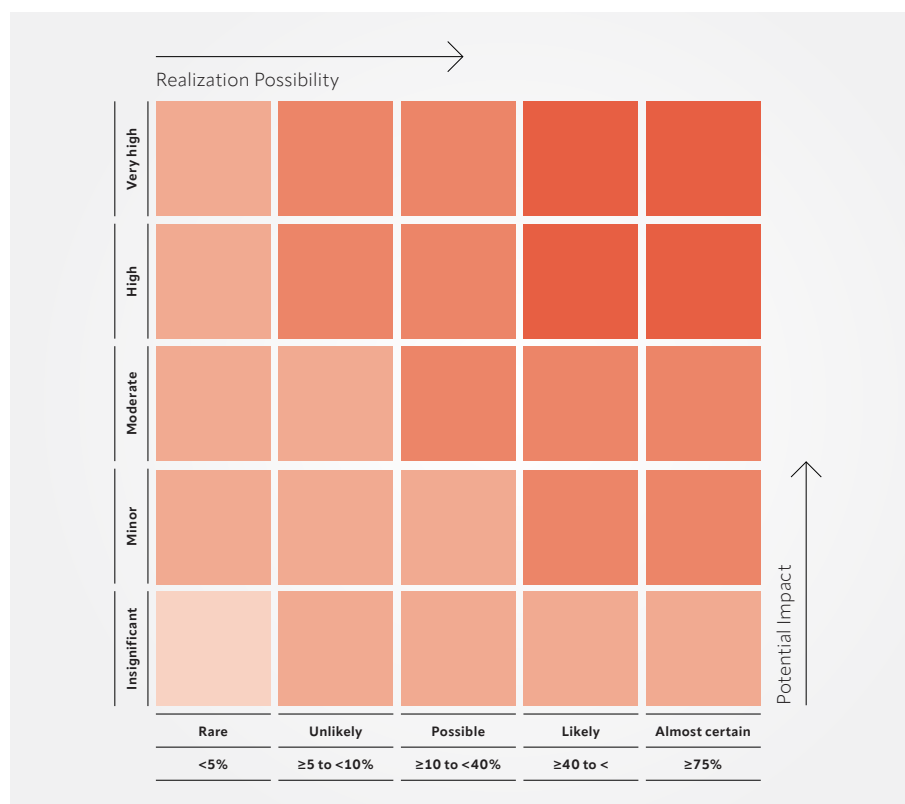
3 Risk Improvement

Detailed action plans, ranging from rapid gains to long-term, comprehensive investment plans, are prepared to reduce risks that may exceed the tolerance level in any of the impact criteria to acceptable levels.

4 Monitoring & Reporting

The defined risks and the progress of the action plan are regularly monitored and reported.

We prioritize, report, plan actions and monitor risk changes in accordance with the matrix below.



We created an Enterprise Risk Management Procedure for systematic and comprehensive identification, evaluation, economic control and monitoring of threats and opportunities which may affect the assets, reputation and profitability of our companies.

The Risk Management Framework consists of several interrelated components. We define these components as a management process consisting of phases such as risk identification, prioritization, mitigation, reporting, monitoring, surveillance and routine and immediate communication related to risk.

We have created this framework to identify potential events which may affect OYAK Mining Metallurgy Companies, to manage risks in accordance with our Companies' profile of corporate risk taking, and to provide a reasonable degree of assurance that our Companies will achieve their objectives. This systematic process is adopted by the Board of Directors, Senior Management and all other employees of the companies, is used in determining the strategies and is applied in all Companies.

RISK GROUPS

Risk	How do we manage it?
Exchange Rate Risk	Exchange rate risk may arise due to sales, payments or non-sales related collections. For the management of this risk, in accordance with the Financial Risk Management Policy, we hedge exchange rate risks arising from the transactions performed outside the functional currency through derivative transactions.
Interest Rate Risk	We primarily manage interest rate risk by creating a financial asset-liability portfolio with a balanced interest rate structure. Accordingly, we primarily manage the remaining interest rate risk associated with the portfolio of financial assets and liabilities which has been established due to their cost advantages, maturity advantages or similar reasons, as well as interest rate risk associated with movements in interest rates which may occur in the future, with natural "hedging" positions, and when this is not possible, through derivative transactions, in accordance with the Financial Risk Management Policy.
Price Risk	Due to the industry in which we operate in, fluctuations in the prices of coal, iron ore, steel and similar commodities may affect our companies. We analyze the effects of price changes of our main inputs and products on our financial indicators through the models we develop. We have determined our basic approach in managing these risks as securing the sales profitability in contract/forward sales. We keep the risk level within the determined limits by realizing "hedging" derivative transactions to protect our companies from price fluctuations and to lock the sales profits.
Liquidity Risks	Primarily we manage liquidity risk by making available ready resources which allow the fulfillment of financial obligations adequately and on time. For this purpose, we regularly monitor the estimated and actual cash flows for short, medium and long-term funding and liquidity requirements. We manage the liquidity risk by providing the continuity of sufficient funds and borrowing reserves by matching the financial assets with the maturities of liabilities.
Counterparty Risk	We consider the counterparty risk as the risk of our business partners being unable to fulfill their financial obligations to us, including the risk of receivables. We obtain bank guarantees or obtain Credit Risk Insurance in order to manage the counterparty risk originating from the customer. On the other hand we we manage the counterparty risk associated with financial institutions in accordance with the Financial Institution Counterparty Risk Model which we have developed where we assign limits to financial institutions based on the current assessments and carry out transactions within these limits.
Legislation Change	Following the European Green Deal announced in 2019, the European Union (EU) announced the "Fit for 55" Green Package on 14 July 2021. The most striking feature of this package, which includes a series of legal regulations, is the Carbon Border Adjustment Mechanism (CBAM). According to the draft, the iron and steel industry is one of the five industries set to be subjected to the measure. With the vote in the European Parliament on June 22, the CBAM draft was accepted. The changes reflected in this vote are that the CBAM will be implemented with a transition period, free allowances will be phased in until 2032 (100% in 2023-2026, 93% in 2027, 84% in 2028, 69% in 2029, 50% in 2030 and 25% in 2031) and the scope will be expanded to include organic chemicals, plastics, hydrogen and ammonia, and indirect emissions. Tripartite negotiations are ongoing on the EU side and the final report is expected to be published in the first half of 2023. In parallel to these developments in the EU, the Green Deal Action Plan was published by the Republic of Türkiye Ministry of Trade on 16 July 2021. The 2053 net zero emissions target was announced in September 2021, followed by the ratification of the Paris Agreement in October 2021. In November 2022, at the 27 th United Nations Climate Change Conference, Türkiye revised the reduction goal in its National Contribution Declaration to 41%. In the light of all these developments, both the reflections of the CBAM on exports and the effects of the possible carbon pricing mechanism which is planned to apply in our country have been evaluated on the basis of scenarios. We take into account scenario-based effects in our investment feasibility studies and make our plans accordingly.

Committees and Their Responsibilities

Risk	How do we manage it?
Extreme Weather Events	We are preparing necessary action plans by anticipating the physical effects of the climate crisis. Sustainable water supply is vital to our production. We are working to reduce our water footprint and waste water discharge. We anticipate that risks caused by the climate crisis such as excessive rainfall, sea level rise, water supply difficulties may cause problems in ports, warehouses, raw material supply and production, and we monitor risks and take actions accordingly.
Access to Financing	The use of fossil fuels in the current blast furnace production route leads to carbon- intensive work by integrated iron and steel producers. The transition to a low carbon economy will impose significant costs as well as the need for technological change. In line with this reality, we follow up opportunities to access preferential financing for investments to be undertaken in the fight against climate change and the green transformation. We convey the importance of the issue and international practices to the relevant parties in various meetings held in regard to legislative measures in our country.
Carbon Pricing Mechanisms	The non-financial period of the EU Carbon Border Adjustment Mechanism (CBAM) is planned to begin in 2023, with the financial period to begin in October 2026. Türkiye is unwilling to be exposed to any negative situation in the change in trade created by the EU regulations, which are designed as a new international trade system on trade. The Turkish government has started working to establish its own carbon pricing mechanism. In this context, we are evaluating the possible carbon pricing situation in Türkiye on the basis of scenarios, and we use the calculated effects in strategic and investment planning.
Occupational Health and Safety Risk	The sectors which our companies operate in are classified as very dangerous on the basis of the relevant legislation. Ensuring that our employees work in a healthy, safe and ideal environment is one of our most fundamental responsibilities. All operations in our companies are conducted by considering employee health and safety. In order to effectively manage occupational health and safety risks at our companies, separate organizational teams are in place which focus specifically on the management of these risks. We manage all of our operations with the goal of zero work accidents, and we turn occupational health and safety into a strong work culture.

We develop quantitative risk models to determine the impact of our critical risks, both independently and interactively, and monitor risk levels through probability-based quantitative calculations. We provide information flow through rapid reporting and prepare action plans for risks that are likely to exceed risk tolerance levels.

Risk Management Projects



Ermenen Pellet Production

The Kızılcapınar Hydroelectric Power Plant Project

The Kızılcapınar Dam and its operation was taken over by Erdemir by fulfilling all financial obligations in 1995. Our Company installed the hydroelectric power plant to generate electricity from the water discharged from the bottom sluice of the Kızılcapınar Dam without any of its energy being wasted. The hydroelectric power plant, which was established within the scope of the project we undertook to generate electricity, entered operation in 2021 under Erdemir Enerji Üretim A.Ş. the wholly owned subsidiary of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

On August 11, 2022, Kızılcapınar Hydroelectric Power Plant has been among the 34 hydroelectric facilities mass inaugurated by the Presidency. The facility, which will support Türkiye's strategy of ensuring energy supply and security with domestic and national resources, has an average annual production capacity of 18 million 700 thousand kWh. The facility, which will serve to reduce the amount of natural gas and coal imported from abroad, will be able to produce an amount corresponding to the electricity consumption of approximately 6,250 households per

year. The facility will also have a positive impact on the energy quality in the electricity distribution network at the point of connection, contributing to the high-quality electricity supply needs of consumers in the region. At the same time, 10,500 tons of CO₂ emissions per year for this amount of energy production will be prevented.

The Hasançelebi Iron Ore Production Project

The project covers the production of iron ore from the Hasançelebi iron mine site, the enrichment of the iron ore and its delivery to the Divriği Pellet Plant blending site. We started to work on the project on 9 March 2018 with the aim of contributing to the country's economy and to secure the supply chain by utilizing domestic resources to replace the imported product. We aim to complete the project by the end of 2024.

With the project, which is a first in terms of utilizing low grade iron ore, a total of 2,115,029 tons of iron ore was produced in 2022 and delivered to the Divriği Pellet plant. Approximately 885 thousand tons of pellets were produced from this ore.

The Alacağzı Coal Production Project

The Alacağzı Coal Production Project, located in the Kandilli Town of Ereğli District, is planned to enter production for a period of nine years from 2024, following the three-year preparatory phase and investment period in the coal and quartz sand site, which was commissioned in 2019. According to the feasibility study, yearly 600 thousand tons of raw coal and 411 thousand tons of salable coal will be produced once production gets underway.

According to figures published by the MTA (Institute of Mineral Survey and Exploration), the project site hosts 400 million tons of quartz sand reserves, corresponding to 25% of Türkiye's reserves. Survey-project efforts are underway for the evaluation of quartz sand reserves.

The coal to be produced is of the PCI (pulverized coal injection) type and will be used in the Erdemir and Isdemir blast furnace pulverized coal injection and coke production blend.

Bingöl Avnik Pellet Project

Within the scope of the ongoing mineral exploration and reserve expansion activities that started in 2021 in the Bingöl-Avnik iron mine site, a total of approximately 300 million tons of magnetite ore resources will be accessed by June 2023. After the exact quantity and quality of the reserve is determined, a pelletizing plant will be established to meet our pellet needs domestically and increase the self-sufficiency of ferrous raw materials. In this way, the supply security of our Group Companies will be ensured and significant contributions will be made to the regional and national economy. The investment will create 2,500 jobs during the construction phase and approximately 1,500 jobs during the operation phase. The project is expected to be completed in 48 months after launch.

Information on occupational health and safety, energy efficiency, digitalization and other completed and ongoing investments can be found in the INVESTMENTS section.



ANNEXES

General Overview

Sustainable Growth

Responsible Production

The Approach that Puts
People at the Center

Corporate Governance

Appendix

Social Performance Indicators

Number of Employees as per Gender and Category	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Monthly-salaried	579	3,391	635	3,568	644	3,551
Hourly-salaried	62	7,506	75	8,510	75	8,389

Number of employees within the scope of collective agreement	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
	43	7,128	87	8,323	88	8,193

Employees by age	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Under 30	93	1,036	123	1,760	129	1,804
Between 30-50	512	9,055	545	9,335	532	8,790
Over 50	34	808	42	983	58	1,346

Employees by education level	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Elementary School	16	1,172	23	1,163	19	1,038
High school and equivalent	104	5,712	109	6,373	108	6,330
Vocational high school	39	1,325	42	1,679	49	1,696
University	379	2,351	425	2,492	423	2,467
Masters/Doctorate	103	337	111	371	124	405

Employees by year of employment	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
0-5 years	179	1,473	237	2,274	253	2,360
5-10 years	119	1,670	124	1,833	126	1,892
10 years and over	342	7,755	349	7,971	340	7,688

Parental Leave	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Number of employees left for parental leave	25	370	20	431	13	449
Number of employees returned from parental leave	20	370	14	431	13	449

Number of Employees Hired as per Gender and Age	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Under 30	24	470	44	852	41	303
Between 30-50	25	85	30	115	24	116
Over 50	0	1	2	10	0	8

Number of employees left as per gender and age -employee turnover	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Under 30	25	473	6	74	16	118
Between 30-50	24	85	34	212	33	214
Over 50	0	1	1	162	8	278

Training	2020		2021		2022	
	Female	Male	Female	Male	Female	Male
Training hours (excluding OHS training)	164,637		258,751		419,262	
Average annual training hours per employee	14.7		20.2		33	
Total training cost (TL)	2,393,318		3,393,672		15,439,463	

Environmental Performance Indicators

	2020		2021		2022	
Energy Management	Erdemir	İsdemir	Erdemir	İsdemir	Erdemir	İsdemir
Total energy consumption (MWh)	21,202,974	27,471,567	20,777,709	31,063,387	18,705,367	27,040,351
Total energy savings achieved through energy efficiency projects (MWh)	263,144	184,567	283,746	229,597	303,043	309,241
Amount of energy production from waste heat (MWh)	200,993	522,634	236,314	599,338	211,832	554,780
Amount of CO ₂ reduced through energy efficiency projects (ton CO ₂)	113,754	100,866	157,479	127,427	116,779	149,673
Financial savings achieved through energy efficiency projects (USD)	12,937,006	10,919,508	15,591,304	14,992,555	35,413,605	14,872,568

	2020		2021		2022	
Water Management	Erdemir	İsdemir	Erdemir	İsdemir	Erdemir	İsdemir
Total water consumption (m ³)	34,869,080	38,749,205	36,594,975	39,595,256	39,915,348	37,893,189
Surface water (m ³)	34,869,080	36,173,614	36,594,975	37,033,096	39,915,348	35,325,676
Ground water (m ³)	0	2,575,591	0	2,562,160	0	2,567,512
Recirculated/reused water (m ³)	410,776,807	668,189,403	421,365,010	677,154,857	411,007,574	635,232,359

	2020		2021		2022	
Circular Economy and Waste Management	Erdemir	İsdemir	Erdemir	İsdemir	Erdemir	İsdemir
Total amount of waste and by- products (ton)	1,587,017	2,427,773	1,801,069	2,725,850	1,413,987	2,227,701
Total amount of waste and by- products brought into the economy (ton)	1,083,514	2,264,025	1,604,266	2,519,877	1,369,106	2,225,751
Financial savings achieved through the sales of waste and by-products (USD million)	24	50	34	68	117	68
Total amount of waste reused in the processes (ton)	435,493	257,697	347,522	201,959	288,458	225,650
The amount of alternative raw material used to replace the use of natural resources (ton)	304,177	310,519	248,678	221,662	251,110	227,529
Financial savings achieved through the reused waste in the processes (USD million)	10.7	14.5	15.0	14.2	11.04	17
Amount of hazardous waste (tons)	9,335	2,253	20,000	1,735	9,212	3,710
Amount of scrap consumption (ton)	762,436	824,309	722,866	909,311	698,473	740,778

	2020		2021		2022	
Environmental Investments and Expenditures	Erdemir	İsdemir	Erdemir	İsdemir	Erdemir	İsdemir
Total amount of environmental investments and expenditures (USD)	2.198.902	351,186	6,086,001	9,825,364	50,964,279	27,879,546

Corporate Memberships

Company	Name of the Association/Corporation	
Erdemir	Packaging Manufacturers' Association (ASD)	
Erdemir	R&D Centers Communication and Cooperation Platform (ARGEMİP)	
Erdemir	Association of Fastener Industrialists and Businessmen (BESİAD)	
Erdemir	Steel Exporters' Association (ÇİB)-IMMİB	
Erdemir	Foreign Economic Relations Board (DEİK)	Business Councils; Egypt - USA - Brazil - Canada - China - Australia - UK - Singapore - Spain - Italy - Romania
Erdemir	World Energy Council Turkish National Committee	
Erdemir	Ecovadis	
Erdemir	Education and Development Platform Association (TEGEP)	
Erdemir	Ethics and Reputation Association (TEİD)	
Erdemir	Chamber of Maritime Trade (İMEAK)	
Erdemir	Economic Development Foundation (İKV)	
Erdemir	Istanbul Ferrous and Non-Ferrous Metals Exporters' Association-İDMMİB	
Erdemir	Istanbul Chamber of Industry (İSO)	
Erdemir	Istanbul Chamber of Commerce (İTO)	
Erdemir	Kdz. Ereğli Education Foundation	
Erdemir	Kdz. Ereğli Chamber of Commerce and Industry	
Erdemir	Association of Turkish Machine Manufacturers (MİB)	
Erdemir	Corporate Governance Association of Türkiye (KRYD)	
Erdemir	Metal Packaging Manufacturers Association (MASD)	
Erdemir	International Chamber of Commerce Turkish National Committee (ICC)	
Erdemir	Business Council for Sustainable Development (SKD Türkiye)	
Erdemir	International Tin Association (ITA)	
Erdemir	Integrated Reporting Türkiye (ERTA)	
Erdemir	Corporate Communicators Association (KİD)	
Erdemir	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
Erdemir	Environment and Climate Change Standing Committee (TOBB)	
Erdemir	Turkish Lloyd	
Erdemir	Turkish Constructional Steelwork Association (TUCSA)	
Erdemir	The Institute of Internal Auditing - Türkiye (TİDE)	
Erdemir	Turkish Cogeneration Association	
Erdemir	Corporate Governance Association of Türkiye (TKYD)	
Erdemir	Turkish Employers Association of Metal Industries (MESS)	
Erdemir	Turkish Wind Energy Association (TÜREB)	
Erdemir	Turkish Investor Relations Society (TÜYİD)	
Erdemir	Transparency International	
Erdemir+İsdemir	Turkish Association of People Management (PERYÖN)	

Company	Name of the Association/Corporation	
Erdemir+İsdemir	World Steel Association	Committees; Committee on Economic Studies (ECON), Committee on Education & Training (ETCO), Committee on Environment (ECO), Committee on Raw Materials (RAMCO), Committee on Technology (TECO), Committee on Safety & Health (SHCO), Life Cycle Assessment (LCA) Expert Group, Sustainability Reporting Expert Group (SREG), World Auto Steel
Erdemir+İsdemir	Turkish Quality Association (KalDer)	
Erdemir+İsdemir	Port Operators Association of Türkiye (TÜRKLİM)	
Erdemir+İsdemir	Turkish Steel Producers Association (TÇÜD)	Committees; Quality Committee, Energy Committee, OHS Committee, Environmental Committee, Raw Material Committee
Erdemir-Ro	Turkish Businessmen Association (TİAD)	
Erdemir-Ro	Dambovit County Chamber of Commerce	
Erdemir-Ro	Romania Steel Producers Association (UNIROMSIDER)	
Erdemir Maden	Ankara Chamber of Commerce (ATO)	
Erdemir Maden	Sivas Chamber of Commerce and Industry	
Erdemir Maden	Ankara Chamber of Industry (ASO)	
Erdemir Maden	Malatya Chamber of Commerce and Industry	
Erdemir Maden	Karadeniz Ereğli Chamber of Commerce and Industry	
Erdemir Maden	Turkish Mining Association	
Erdemir Maden	Turkish Mining Council (TOBB)	
Ersem	White Goods Suppliers Association (BEYSAD)	
Ersem	Steel Exporters' Association (ÇİB)-IMMİB	
Ersem	Eastern Anatolian Exporters Association	
Ersem	Gebze Chamber of Commerce	
Ersem	Istanbul Ferrous and Non-Ferrous Metals Exporters' Association-IMMİB	
Ersem	Kocaeli Chamber of Industry	
Ersem	Manisa Chamber of Commerce and Industry	
Ersem	Automotive Suppliers Association of Türkiye (TAYSAD)	
Ersem	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
İsdemir	Mediterranean Exporters' Association	
İsdemir	Steel Exporters' Association (ÇİB)-IMMİB	
İsdemir	Dörtöl Chamber of Commerce and Industry	
İsdemir	Chamber of Maritime Trade (İMEAK)	
İsdemir	İskenderun Chamber of Commerce and Industry	
İsdemir	Middle Anatolian Exporters Association -Machinery and Accessories	
İsdemir	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
Erdemir Asia Pacific	ITA	

Statement of Compliance with Corporate Governance Principles

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Company), one of the public companies in Türkiye with the broadest base, enjoys a leading position in its field in the Turkish industry, and is well aware of its responsibilities towards its stakeholders. In this context, the Company has adopted the concepts of "equality", "transparency", "accountability" and "responsibility", which form the basis of corporate governance in its activities, and has taken maximum care and effort to comply with the Capital Markets Law and the secondary regulations and decisions of the Capital Markets Board (CMB).

In line with the corporate governance efforts, the Company has started to operate corporate governance mechanisms in accordance with the principles since 26.06.2012. Our Company, which is included in the BIST Corporate Governance Index (XKURY) as of 29.07.2015 and also is subject to corporate governance rating every year by the rating agency KOBİRATE Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., which is authorized to perform activities in Türkiye in accordance with the rating methodology approved by the CMB. Corporate Governance Rating Reports are available on our Corporate Website (www.erdemir.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. believes in the importance of ensuring full compliance with the Principles of the Corporate Governance. In the activity period ended on 31 December 2022, the Company has continued to adopt the mandatory corporate governance principles that are included in the Corporate Governance Communiqué annexed to the relevant legislation.

The Company pays utmost attention to compliance with voluntary principles that are not fully complied yet with in the relevant legislation and there is no conflict of interest between the stakeholders so far.

For the period ended at 31 December 2022, compliance with the corporate governance principles included in the Corporate Governance Communiqué and the explanations of those who have not yet achieved compliance are included in the annual report; Corporate Governance Compliance Report, Corporate Governance Information Form, Sustainability Principles Compliance Report and other related sections of the report.

In the future, corporate governance practices of the Company, efforts to improve our corporate governance practices, including non-mandatory principles that have not been put into practice in a limited number, will be continued.

In case of a significant change in the Sustainability Principles Compliance Report during the period, the relevant change will be published in the interim activity reports. When there is a change in the Corporate Governance Compliance Report or Corporate Governance Information Form, there will be a material event disclosure and it will be published in the interim activity reports as well.

Sustainability Report

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. SUSTAINABILITY REPORT

		Compliance Status				Explanation	Report / Link Regarding the Publicly Disclosed Information
		Yes	No	Partial	Not Applicable		
A. General Principles							
A1. Strategy, Policy and Goals							
A1.1	The preferred environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the Board of Directors.	X				Risks and opportunities within the scope of ESG issues have been determined.	https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
	The ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Labour Rights Policy) have been set out by the Board of Directors and disclosed to public.	X				Our policies within the scope of ESG issues have been determined and disclosed to the public on the company website.	https://www.erdemir.com.tr/corporate/management-systems-policy/
A1.2	The short-term and long-term ESG goals have been disclosed to public.	X				Strategy and objectives are explained in the "Strategic Approach" section of the integrated report.	2021 Integrated Annual Report / Strategic Approach (Page 20)
A2. Execution/Supervision							
A2.1	The committies and/or boards responsible for the supervision of ESG policies and the seniors directors to execute the ESG issues have been disclosed to public including their duties.	X				Departments such as Strategic Planning and Sustainability, Occupational Safety and Environment etc., which are responsible for the execution of ESG policies, are included in the integrated report.	https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
	The activities carried out within the scope of the policies by the responsible committee and/or department have been reported to the Board of Directors at least once a year.	X				The duties of the relevant departments include reporting their activities which are within the scope of ESG policies to the Board of Directors at least once a year.	https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
A2.2	The action plan in accordance with the ESG goals have been formed and disclosed to public.	X				The investments and activities planned in line with the targets are explained in the integrated annual report.	https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
A2.3	The key performance indicators regarding the ESG and the achievement rates per years have been disclosed to public.	X				Key performance indicators have been determined and detailed follow-ups are carried out within the company on a daily, monthly and annual basis. Indicators that come to the fore are presented in the Environmental and Social Performance Indicators section of our integrated annual report.	2021 Integrated Annual Report / Social and Environmental Performance Indicators (Page 114)
A2.4	The improvement activities for sustainability performance regarding business processes or product and services have been disclosed to public.	X				In the integrated report, activities to improve the sustainability performance of products and services have been disclosed.	https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf

Sustainability Report

		Compliance Status				Report / Link Regarding the Publicly Disclosed Information
		Yes	No	Partial	Not Applicable	
A3. Reporting						
A3.1	The annual report covers the sustainability performance, KPIs and actions understandable, right and qualified.	X				https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
A3.2	The information on the activities implemented in line with the United Nations (UN) 2030 Sustainable Development Goals have been disclosed to public.	X				2021 Integrated Annual Report / Strategic Approach (Page 20)
A3.3	The lawsuits in progress against the Company regarding the ESG issues that effect the material business lines and the legal sanctions in regard of the sustainability policies have been disclosed to public.			X		https://www.kap.org.tr/en/sirket-bilgileri/ozet/944-eregli-demir-ve-celik-fabrikalari-t-a-s
A4. Verification						
A4.1	The KPI measurements have been verified by an independent third and disclosed to public.			X		https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B. Environmental Principles						
B1	The company has disclosed its policies and practices on environmental management, action plans, environmental management systems (known as ISO 14001 standard) and programmes.	X				https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B2	The scope, period, date and the constraints of conditions of the environmental reporting regarding environmental management have been disclosed to public.	X				2021 Integrated Annual Report / About the Report (Page 1)
B3	Presented at A2.1.					
B4	The environmental KPIs counted for remuneration criteria for stakeholders (e.g. board members, executives and employees) within frame of the performance incentives have been disclosed to public.	X				2021 Integrated Annual Report / Employees (Page 102)
B5	The integration of the environmental difficulties, which are preferably determined, with the business goals and strategy have been disclosed to public.	X				2021 Integrated Annual Report / Risk Management (Page 59)
B6	Presented at A2.4.					

		Compliance Status				Report / Link Regarding the Publicly Disclosed Information
		Yes	No	Partial	Not Applicable	
B7	The integration of environmental management issues covering the customers and suppliers throughout the value chain of the company including the operational process with the business model and strategy have been disclosed to public.	X				Our stakeholder relations are explained in our integrated report. 2021 Integrated Annual Report / Risk Management (Page 59)
B8	The cooperation with the non-governmental organizations and the environmental institutions and taking (or not) a part of the policy-making processes with those institutions have been disclosed to public.	X				It is explained in the "Corporate Memberships" section of the integrated report. 2021 Integrated Annual Report / Corporate Memberships (Page 117)
B9	The environmental figures (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and waste water management, waste management, biodiversity impacts) and the environmental impacts have been disclosed to public with periodic comparison.			X		Environmental indicators are explained in our integrated annual report. Information on Greenhouse Gas is shared with the Ministry of Environment, Urbanization and Climate Change. 2021 Integrated Annual Report / Environmental Performance Indicators (Page 116)
B10	The standard, protocol, methodology and the base year details for collection and calculation of the data have been disclosed to public.			X		The standard and methodology used in the integrated annual report are mentioned in general terms. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B11	The comparable increase or decrease rates with the previous years have been disclosed to public in the current period's report.	X				Prominent indicators are presented in the "Environmental Performance Indicators" section of our integrated annual report in comparison with previous years. 2021 Integrated Annual Report / Environmental Performance Indicators (Page 116)
B12	The short-term and long-term targets are determined to decrease the environmental impacts; the called targets and the progress status in comparison to the previous years' targets have been disclosed to public.			X		Although the targets are followed within the company, numerical targets are not included in the integrated annual report. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B13	The strategy for fight against climate crises is set out and the action plan has been disclosed to public.			X		Activities carried out in the context of combating the climate crisis are mentioned in our integrated annual report, but the ongoing road map studies are not included in the report. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B14	The programmes or procedures to prevent or to decrease to the minimum level of the negative environmental effects of the products and/or services have been disclosed to public.	X				The efforts spent in order to prevent or minimize the negative potential impacts of our products on the environment are explained in our integrated annual report. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
	The actions taken to make the third parties' (e.g. supplier, subcontractor, dealer, etc.) decrease their greenhouse gas emission figures have been disclosed to public.			X		Actions to reduce greenhouse gas emissions of third parties are in progress but have not been disclosed to the public yet. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B15	The environmental benefits/gainings and cost savings provided by the initiatives/projects to decrease the environmental impacts have been disclosed to public.	X				Important projects and actions are included in our integrated annual report, especially energy savings in the context of energy efficiency are explained. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
B16	Energy consumption (natural gas, diesel, gas, LPG, coal, electricity, heating, cooling, etc.) figures as Scope-1 and Scope-2 have been disclosed to public.			X		Our total energy consumption is disclosed in the integrated report. 2021 Integrated Annual Report / Environmental Performance Indicators (Page 116)

Sustainability Report

		Compliance Status				Report / Link Regarding the Publicly Disclosed Information
		Yes	No	Partial	Not Applicable	
B17	The information about the produced electricity, heat, steam and cooling for the reporting period have been disclosed to public.			X		<p>Within the scope of the "Energy Efficiency Law" numbered 5627, the energy production and consumption data of the previous year are entered annually as data in the "Energy Efficiency Portal" according to the criteria determined by the Department of Energy Efficiency and Environment of the Ministry of Energy and Natural Resources</p> <p>https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf</p>
B18	The actions taken to increase renewable energy consumption, transit to zero or low carbon electricity have been disclosed to public.	X				<p>Our renewable energy works are explained in the integrated report.</p> <p>https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf</p>
B19	The renewable energy production and consumption figures have been disclosed to public.	X				<p>Relevant datas are disclosed in the integrated report.</p> <p>https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf</p>
B20	Energy productivity projects have been carried out and the decrease rates on energy consumption and emission based on those projects have been disclosed to public.	X				<p>It is explained in the "Environmental Performance" section of the integrated report.</p> <p>2021 Integrated Annual Report / Environmental Performance Indicators (Page 116)</p>
B21	Water consumption, underground or aboveground drawn water, recycled or discharged water figures, sources and procedures have been disclosed to public.	X				<p>It is presented in comparison with previous years in the Environmental Performance Indicators section of our integrated annual report.</p> <p>2021 Integrated Annual Report / Environmental Performance Indicators (Page 116)</p>
B22	It has been disclosed to public if the operations or activities included to any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax) or not.				X	<p>No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report. Erdemir Romania's activities are included in the EU ETS system and are reported.</p>
B23	The information on accumulated or purchased carbon credit in the reporting period has been disclosed to public.				X	<p>No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report. Erdemir Romania's activities are included in the EU ETS system and are reported.</p>

		Compliance Status				Report / Link Regarding the Publicly Disclosed Information
		Yes	No	Partial	Not Applicable	
B24	The details have been disclosed to public if there is a carbon pricing mechanism at the company.				X	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report. Erdemir Romania's activities are included in the EU ETS system and are reported.
B25	The platforms, which the environmental figures of the company are announced, have been disclosed to public.	X				The platforms such as EIA public participation meetings, website, social media, one-to-one meetings with suppliers, sectoral organizations, associations and NGOs, collaborations, memberships, participation in working groups are described in the integrated report https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
C. Social Principles						
C1. Human Rights and Labour Rights						
C1.1	The Human Rights and Labour Rights Policy has been set out covering the United Nations Universal Declaration of Human Rights and the International Labour Organization principles, the responsible directors for execution of the policy are assigned and disclosed to public.	X				Our commitment is stated in the code of ethics and working principles and shared on our website. https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_ING-1252.pdf
C1.2	The labour rights policy covers the fair workforce, improving work conditions, women's employment and inclusion (no discrimination on gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, trade union activities, political view, disability, social and cultural differences, etc.) considering the supply and value chain impacts.	X				Our policy is stated in the code of ethics and working principles and shared on our website. https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_ING-1252.pdf
C1.3	The measures taken throughout the value chain to watch over the susceptible segments to certain economic, environmental, social factors (e.g. low income group, women, etc.) or minority rights/opportunity equality.	X				It is explained in the relevant sections of our integrated report. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
C1.4	The preventive and improver practices on discrimination, inequality, human rights violation, forced labour, and child labour have been disclosed to public.			X		There are internal (in-company) reports. Internal (in-company) reports
	The labour rights policy covers investment in employees (training, improvement policies), remuneration, side rights, right to unionize, work/life balance and skill management issues.	X				It is explained in the relevant sections of our integrated report. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
C1.5	The mechanism regarding the employee complaints and the dispute resolution process is determined.	X				Mechanisms for the resolution of employee complaints and disputes have been established, and dispute resolution processes have been specified in the code of ethics and working principles. https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_ING-1252.pdf
	The reported employee satisfaction activities in the period have been disclosed to public.	X				It is explained in the relevant sections of our integrated report. https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf

Sustainability Report

		Compliance Status				Report / Link Regarding the Publicly Disclosed Information
		Yes	No	Partial	Not Applicable	
C1.6	Occupational Health and Safety Policy has been set out and disclosed to public.	X				https://www.erdemir.com.tr/corporate/management-systems-policy/
	The measures taken to prevent the work accidents, health protection and accident statistics have been disclosed to public.	X				2021 Integrated Annual Report / Occupational Health and Safety (Page 76)
C1.7	Protection of the personal data and information security policy has been disclosed to public.	X				https://www.erdemir.com.tr/kurumsal/kisisel-verilerin-korunmasi/
C1.8	Code of Ethics has been set out and disclosed to public.	X				https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_ING-1252.pdf
C1.9						
C1.10	The informative meetings and training programmes on ESG practices organised for the employees	X				https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
C2. Stakeholders, International Standards and Initiatives						
C2.1	Customer satisfaction policy covering the management and solution of the customer complaints has been set out and disclosed to public.	X				https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
C2.2	The information on communication with the stakeholders (whom, topic ve frequency) has been disclosed to public.	X				2021 Integrated Annual Report / Stakeholder Relations (Page 30)
C2.3	The international reporting standards adopted have been disclosed to public.	X				https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
C2.4	The adopted principles, being a signatory or a member of an international institution, committee on sustainability have been disclosed to public.	X				2021 Integrated Annual Report / Corporate Memberships (Page 117)
C2.5	Improvement activities have been realized to be included Borsa İstanbul Sustainability Index and/or international index providers' sustainability indices.	X				2021 Integrated Annual Report (Page 19)
D. Corporate Governance Principles						
D1	It has been consulted with the stakeholders regarding the determination of the sustainability measures and strategy.	X				https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5017.pdf
D2	CSR projects, awareness activities and training programmes have been realized to increase the awareness on sustainability.	X				https://www.isdemir.com.tr/Sites/1/upload/files/2021_Integrated_Annual_Report_22-5188.pdf

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	N/A	
1.1.FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3.GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There was no transaction notice in this manner.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11- The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.					X	In 2022 fiscal year, there was no participation demand from the media.
1.4. VOTING RIGHTS						
1.4.1- There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.		X				Company's capital is divided into shares Group A and Group B.1 (one share of certificate, issued to the bearer amounting to 1Kr (one Kuruş) is A group. The right of usufruct shall be established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization.
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	No cross-shareholding relations exist in the capital of the Company.
1.5. MINORITY RIGHTS						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 -The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Even though minority rights are not determined less than one in twenty by the Articles of Association, parallel with the general practices, in accordance with Article 38 of the Articles of Association, provisions of Turkish Commercial Code and Capital Market. Law shall be applied to the issues that are not written in the Articles of Association in regard to minority rights. On the other hand, the Company recognizes equal rights to each shareholder and comply with relevant regulations regarding the exercise of shareholder rights. There is no plan to regulate and expand minority rights in the Articles of Association.

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	N/A	
1.6. DIVIDEND RIGHT						
1.6.1-The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 -The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3-The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4-The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7 TRANSFER OF SHARES						
1.7.1-There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1.- The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 -The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 -The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1-The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 -The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals) regulate the participation of employees in management.		X				Although there is no provision in the articles of association, employees are encouraged to participate in management through Internal practices.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	N/A	
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises training for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4 RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5 ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

Corporate Governance Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	N/A	
4.2 ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 -The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8-The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 -The board of directors has approved the policy on its own composition, setting a minimal target of %25 for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			Although there is no policy regarding the target of minimum 25% for the ratio of female members in the board of directors, there is one female member in the current board of directors structure.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4 BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person or via an electronic board meeting system.	X					
4.4.2 -The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied total board members.	X					
4.4.3 -The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Due to the Board Member's work and industry experience and contribution to the board of directors, there is no restriction for the Board Members to assume any other duties outside the company. The duties undertaken by the members of the board of directors outside the company were presented to the shareholders at the general assembly meeting. Since this current practice does not create any negative situation in terms of corporate governance, no changes expected in 2023.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	N/A	
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			The company's board of directors consists of 9 members and operates with 3 committees. 3 of our 9 members take part in committees as independent board members. Due to the number of Board members, each board member is assigned to more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report					X	In 2022, any committee did not receive consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			The performance of the Board of Directors was not evaluated.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions there on, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				In line with the general practices, salaries, bonuses and other benefits of the key management are shared in the annual report as total. Remuneration for the members of the board on an individual basis are shared with the public in the minutes of the general assembly.

Corporate Governance Information Form

1.SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year 67

1.2. Right to Obtain and Examine Information

The number of special audit request(s) 0

The number of special audit requests that were accepted at the General Shareholders' Meeting 0

1.3.General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1.(a-d) <https://www.kap.org.tr/en/Bildirim/1003551>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time. Yes

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9 There was no such transaction during the year.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1) There is no such transaction under Article 9.

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1) <https://www.kap.org.tr/en/Bildirim/1000962>

The name of the section on the corporate website that demonstrates the donation policy of the company Investor Relations / Corporate Governance / Policies and Regulations / Donations and Contribution Policy

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved <https://www.kap.org.tr/tr/Bildirim/194744>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting None.

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any There was no participation in the General Assembly meeting regarding 2021 activities except for the shareholders. However, there is no restriction on participation of stakeholders in the General Assembly.

1.4.Voting Rights

Whether the shares of the company have differential voting rights Yes

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares. Privatization Administration / 0.0% /One share of certificate, issued to the bearer amounting to one kurus.

The percentage of ownership of the largest shareholder 49.29%

1.5.Minority Rights

Whether the scope of minority rights enlarged (in terms of the content or the ratio) in the articles of the association No

If yes, specify relevant provision of the articles association. -

1.6.Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy Investor Relations / Corporate Governance / Policies and Regulations / Dividend Distribution Policy

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend. -

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends -

General Assembly Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting Minute and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of relevant item of paragraph or General Shareholders Meeting Minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
17-03-2022	0	61%	0.012%	61%	Investor Relations/ General Assembly/ Minutes of General Assembly	Investor Relations/ General Assembly/The questions asked on General Assembly Meetings	-	234	https://www.kap.org.tr/en/Bildirim/1003551

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.

Investor Relations | Corporate Governance, Reports and Presentations, Annual Reports, Disclosures and Announcements, General Assembly, FAQ

If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.

Investor Relations | Corporate Governance | Ownership Structure

List of languages for which the website is available

Turkish, English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members.

Investor Relations / Reports and Presentations / Interim Financial Reports / Declarations of Independent Board Members

b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure

Investor Relations / Annual Reports / Board of Directors Committee Operating Principles and Assessment of Committees' Effectiveness

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings

Investor Relations / Reports and Presentations / Interim Financial Reports / Number of Meetings of the Board of Directors and Attendance of the Board Members

ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation

Investor Relations | Reports and Presentations / Interim Financial Reports / Information about Amendments in Legislation That May Significantly Affect the Company's Activities

d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof

Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Provision for Lawsuits

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest

Investor Relations | Annual Reports | Other Issues

f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%

No cross ownership subsidiaries that the direct contribution to the Company's capital exceeds 5%.

g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results

Investor Relations / Annual Reports | A People- Centered Approach

Corporate Governance Information Form

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations /Corporate Governance / Policies and Regulations / Staff Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	208
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ethics Committee
The contact detail of the company alert mechanism	Mail: erdemir@etikhat.com, Phone : 0 212 924 78 65

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	Union

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Short, long and medium term succession plans are prepared for key positions within the scope of talent management studies carried out within our Company. Succession plans and assignments to key roles are submitted for the approval of the Board of Directors, when necessary, in line with defined procedures.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	OYAK Mining Metallurgy / Career / HR Practices
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct / Responsibilities to Our Employees
The number of definitive convictions the company is subject to in relation to health and safety measures	7

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Sustainability I CSR Policy
Any measures combating any kind of corruption including embezzlement and bribery	Board members and employees of OYAK Mining Metallurgy Companies and all third parties acting on behalf of OYAK Mining Metallurgy Companies should avoid any act or behavior that may bring OYAK Mining Metallurgy under suspicion of corruption. Regardless of being in public or private sector, accepting or giving any cash/ non-cash benefit that may be in the scope of corruption is forbidden.

4. BOARD OF DIRECTORS-I

Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Süleyman Savaş ERDEM - Chairman (Representative of OYTAŞ İç ve Dış Ticaret A.Ş.), Baran ÇELİK - Deputy Chairman and Executive Director (Representative of OMSAN Lojistik A.Ş.), Gürtan DAMAR - Board Member and Executive Director (Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş.)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	5
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Investor Relations / Annual Reports / Internal Audit System
Name of the Chairman	Süleyman Savaş ERDEM - Chairman (Representative of OYTAŞ İç ve Dış Ticaret A.Ş.)
Name of the General Manager	Niyazi Aşkın Peker
If the General Manager and Chair functions are combined provide the link to the relevant PDP announcement providing the rationale for such combined roles	General Manager and Chairman are not the same person.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors.	-
The number and ratio of female directors within the Board of Directors	1, 11%

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification that Includes the Independency Declaration	Whether the Independent Director Considered by the Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy the Independence or Not	Whether the Director Has At Least 5 Years' Experience on Audit/Accounting and or/Finance or Not
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	Non-executive	Not independent director	27-05-2013	-	Not considered	No	Yes
OMSAN Lojistik A.Ş. (Represented by: Baran ÇELİK)	Executive	Not independent director	11-09-2012	-	Not considered	No	Yes
OYAK Pazarlama ve Hizmet Turizm A.Ş. (Represented by: Gürtan DAMAR)	Executive	Not independent director	13-09-2012	-	Not considered	No	Yes
Republic of Türkiye Ministry of Treasury and Finance Privatization Administration (Represented by: Bekir Emre HAYKIR)	Non-executive	Not independent director	20-09-2012	-	Not considered	No	Yes
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	Non-executive	Not independent director	12-09-2012	-	Not considered	No	Yes
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Volkan ÜNLÜEL)	Non-executive	Not independent director	12-09-2012	-	Not considered	No	Yes
Ali FIDAN	Non-executive	Independent director	31-03-2017	https://www.kap.org.tr/tr/Bildirim/1000960	Considered	No	Yes
Kurtuluş Bedri VAROĞLU	Non-executive	Independent director	31-03-2017	https://www.kap.org.tr/tr/Bildirim/1000960	Considered	No	Yes
Emre GÖLTEPE	Non-executive	Independent director	17/03/2022	https://www.kap.org.tr/tr/Bildirim/1000960	Considered	No	Yes

Corporate Governance Information Form

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3 - 5 Days
The name of the section on the corporate website that demonstrates information about the board charter	There are internal regulations in which the working principles of the Board of Directors meetings are determined ,but they are not published on the corporate website
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Investor Relations I Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Link(s) to the PDP announcement(s) with the board committee charters	The working principles of the Committee are available on our corporate website. (Investor Relations / Corporate Governance / Policies and Regulations)

Composition of Board of Committees-I

Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Corporate Governance Committee	-	Kurtuluş Bedri Varoğlu	Yes	Board Member
Corporate Governance Committee	-	Emre GÖLTEPE	No	Board Member
Corporate Governance Committee	-	İdil Önay Engin	No	Not Board Member
Audit Committee	-	Emre GÖLTEPE	Yes	Board Member
Audit Committee	-	Ali Fidan	No	Board Member
Committee of Early Risk Detection	-	Ali Fidan	Yes	Board Member
Committee of Early Risk Detection	-	Kurtuluş Bedri Varoğlu	No	Board Member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Investor Relations / Annual Reports / Other Issues
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations/ Corporate Governance / Policies and Regulations/Compensation Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Investor Relations/ Annual Reports/ Notes to the Consolidated Financial Statements / Related Party Disclosures / Salaries, bonuses and other benefits of the key management

Composition of Board of Committees-II

Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	The Percentage of Non-Executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on Its Activities Submitted to the Board
Audit Committee	-	100%	100%	4	4
Corporate Governance Committee	-	100%	67%	6	2
Committee of Early Risk Detection	-	100%	100%	6	6

Board of Directors Committees Operating Principles and an Assessment of Such Committees' Effectiveness

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Under the Company's Board of Directors resolution, it was resolved to make the following appointments to the below mentioned committees that were set up pursuant to the provisions of the Capital Markets Board of Türkiye's (CMB) Corporate Governance Communiqué no. II-17.1:

- To appoint Independent Board Members Emre GÖLTEPE and Ali FİDAN to serve as the Audit Committee and Emre GÖLTEPE to be the committee's chairman;
- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Emre GÖLTEPE and Investor Relations Manager İdil ÖNAY ERGİN to serve as the Corporate Governance Committee and Kurtuluş Bedri VAROĞLU to be committee's chairman;
- To appoint Independent Board Members Ali FİDAN and Kurtuluş Bedri VAROĞLU to serve as the Early Detection of Risk Committee and Ali FİDAN to be the committee's chairman.

Taking the structure of the Company's Board of Directors into account, the Board decided under resolution 9148 dated 29 June 2012 to delegate the authorities, duties, and responsibilities of both a Nomination Committee and a Remuneration Committee to the Corporate Governance Committee instead.

Committees' meeting schedules and their activities, and operational procedures are specified in sets of regulations that are published on our corporate website (www.erdemir.com.tr). The decisions that such committees take are of an advisory nature and they are submitted as such to the Board of Directors, which has the final say.

During 2022, the Board of Directors' committees fulfilled their duties and responsibilities as required by corporate governance principles and their own regulations and they convened in accordance with their annual meeting schedules as indicated below.

- The Audit Committee convened four times; 10 February 2022, 27 April 2022, 9 August 2022 and 26 October 2022,
- The Corporate Governance Committee convened six times; 10 February 2022, 27 April 2022, 23 June 2022, 8 August 2022, 26 October 2022, and 11 November 2022,
- Early Detection of Risk Committee convened six times; 10 February 2022, 27 April 2022, 23 June 2022, 8 August 2022, 26 October 2022, and 29 December 2022. Reports containing information about these committees' activities and the results of the committees' meetings were submitted to the Board of Directors.

As part of their areas of responsibility;

- The Audit Committee oversaw the operation and effectiveness of the Company's accounting system, public disclosure of financial information, independent auditing, and internal control and internal auditing system.
- The Corporate Governance Committee's activities consisted of:
 - Contributing to the determination and implementation processes of the Company's corporate governance principles and making solution-oriented suggestions to the Board of Directors on such matters; ascertaining whether or not corporate governance principles are being complied with at the Company and, if they are not, identifying both the reasons for and any conflicts of interest that may arise on account of such less than full compliance; making recommendations to the Board of Directors on ways to improve corporate governance practices,

- Overseeing the activities of the Investor Relations Department,
 - Working on a transparent system for identifying, evaluating, and training candidates for seats on the Board of Directors and for executives with administrative responsibilities identifying policies and strategies for such a system,
 - Regularly assessing the structure and effectiveness of the Board of Directors; making recommendations to the Board of Directors concerning possible changes in such matters,
 - Determining and overseeing approaches, principles, and practices applicable to performance evaluations and career- planning processes of Board Members and managers under executive responsibilities,
 - Making suggestions pertaining to principles governing the remuneration of Board Members and managers under executive responsibilities taking the Company's long-term objectives into account.
- Early Detection of Risk Committee's activities consisted, as required by laws and regulations, of identifying risks with the potential to threaten the Company's existence, development, and/or continuity, ensuring that due precautions are taken with respect to risks that are identified and dealing with risk management issues.

İskenderun Demir ve Çelik A.Ş.

Under the Company's Board of Directors resolution, it was resolved to make the following appointments to the below mentioned committees that were set up pursuant to the provisions of the Capital Markets Board of Türkiye's (CMB) Corporate Governance Communiqué no. II-17.1:

- To appoint Independent Board Members Emre GÖLTEPE and Ali FİDAN to serve as the Audit Committee and Emre GÖLTEPE to be the committee's chairman;
- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN and Erdemir Investor Relations Manager İdil ÖNAY ERGİN to serve as the Corporate Governance Committee and Kurtuluş Bedri VAROĞLU to be committee's chairman;
- To appoint Independent Board Members Ali FİDAN and Kurtuluş Bedri VAROĞLU to serve as the Early Detection of Risk Committee and Ali FİDAN to be the committee's chairman.

Taking the structure of the Company's Board of Directors into account, the Board decided under resolution 526 dated 27 March 2019 to delegate the authorities, duties, and responsibilities of both a Nomination Committee and a Remuneration Committee to the Corporate Governance Committee instead.

Committees' meeting schedules and their activities, and operational procedures are specified in sets of regulations that are published on our corporate website (www.isdemir.com.tr). The decisions that such committees take are of an advisory nature and they are submitted as such to the Board of Directors, which has the final say.

During 2022, the Board of Directors' committees fulfilled their duties and responsibilities as required by corporate governance principles and their own regulations and they convened in accordance with their annual meeting schedules as indicated below:

- The Audit Committee convened four times; 10 February 2022, 27 April 2022, 9 August 2022 and 26 October 2022,
- The Corporate Governance Committee convened six times; 10 February 2022, 27 April 2022, 23 June 2022, 8 August 2022, 26 October 2022, and 11 November 2022,
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As part of their areas of responsibility;

- The Audit Committee oversaw the operation and effectiveness of the Company's accounting system, public disclosure of financial information, independent auditing, and internal control and internal auditing system.
- The Corporate Governance Committee's activities consisted of:
 - Contributing to the determination and implementation processes of the Company's corporate governance principles and making solution-oriented suggestions to the Board of Directors on such matters; ascertaining whether or not corporate governance principles are being complied with at the Company and, if they are not, identifying both the reasons for and any conflicts of interest that may arise on account of such less than full compliance; making recommendations to the Board of Directors on ways to improve corporate governance practices.

- Overseeing the activities of the Investor Relations Department,
 - Working on a transparent system for identifying, evaluating, and training candidates for seats on the board of directors and for executives with administrative responsibilities identifying policies and strategies for such a system,
 - Regularly assessing the structure and effectiveness of the Board of Directors; making recommendations to the Board of Directors concerning possible changes in such matters,
 - Determining and overseeing approaches, principles, and practices applicable to performance evaluations and career- planning processes of Board Members and managers under executive responsibilities,
 - Making suggestions pertaining to principles governing the remuneration of Board Members and managers under executive responsibilities taking the Company's long-term objectives into account.
- Early Detection of Risk Committee's activities consisted, as required by laws and regulations, of identifying risks with the potential to threaten the Company's existence, development, and/or continuity, ensuring that due precautions are taken with respect to risks that are identified and dealing with risk management issues.

Other Issues

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

- Necessary arrangements are made in "Code of Ethics and Business Conduct" document in order to prevent conflicts of interest between the Company, its employees and institutions that provide services to the Company. The prevention of potential conflicts of interest between the Company and institutions providing investment advisory and rating services is assured through signed contracts. During 2022, no conflicts of interest occurred with these institutions.
- Our Company did not disclose any guidance in 2022.
- In 2022, our Company had no significant buying or selling activity of assets, except those indicated on note 13 and note 14 of consolidated financial statements for the year ended 31 December 2022.
- No extraordinary general assembly was held throughout the year.
- Apart from the developments mentioned above, there has been no significant development since 31 December 2022.

İskenderun Demir ve Çelik A.Ş.

- Necessary arrangements are made in "Code of Ethics and Business Conduct" document in order to prevent conflicts of interest between the Company, its employees and institutions that provide services to the Company. The prevention of potential conflicts of interest between the Company and institutions providing investment advisory and rating services is assured through signed contracts. During 2022, no conflicts of interest occurred with these institutions.
- Our Company did not disclose any guidance in 2022.
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- No extraordinary general assembly was held throughout the year.
- Apart from the developments mentioned above, there has been no significant development since 31 December 2022.

Affiliated Company Report 2022

During 2022, our Company was not-at the instigation either of its majority shareholder, the Turkish Armed Forces Pension Fund (OYAK), or of any OYAK affiliate- a party to any legal transaction that would have benefited either OYAK or an OYAK affiliate; neither did our Company take or avoid taking any action on the grounds that doing so would have been beneficial either to OYAK or to an OYAK affiliate, that all of the business dealings between our Company and our majority shareholder and our majority shareholder's affiliates during 2022 took place under conditions that were consistent with market conditions,

Within the frame of CMB's II-17.1 Corporate Governance Communiqué, common and continuous commercial trading and slab purchase transactions executed between our company and our subsidiary İskenderun Demir ve Çelik A.Ş. exceed 10% of the total cost of each sales and common and continuous commercial transaction executed between our company and our subsidiary Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. exceed 10% of the total sales revenue in 2022 and it is expected that these transactions will continue under the determined circumstances in 2023, and it is considered that these transactions are in line with previous years and are reasonable when compared with market conditions.

Statement of Responsibility

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ II-14.1. ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS
BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT

RESOLUTION DATE: 03.03.2023

RESOLUTION NUMBER: 9874

We have reviewed the consolidated financial statements for the period 1 January - 31 December 2022, which are prepared by our Company and are subject to independent auditing, in accordance with Capital Market Board's (CMB) Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards/ Turkish Financial Reporting Standards (TMS/TFRS) in a CMB approved format and annual report prepared in accordance with Turkish Commercial Code and CMB Communiqué. We hereby present to your information and declare that we are responsible for the following disclosures:

- We have reviewed the financial statements and annual report,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the consolidated financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance, Based on the information we possess within the scope of our duties and responsibilities in our Company, the consolidated financial statements prepared in accordance with the financial reporting standards in effect provide an honest view of the assets, liabilities, financial position and profit and loss of the Company; The annual report prepared in accordance with the Turkish Commercial Code and CMB Communiqué provides an accurate view of the development and performance of the business and the consolidated financial position of the Company along with the principal risks and uncertainties the Company is exposed to

Kind regards,



Mustafa Serdar BAŞOĞLU
Financial Management and
Financial Affairs Group Vice President



Ali FİDAN
Chairman of the
Audit Committee



Emre GÖLTEPE
Chairman of the
Audit Committee

İskenderun Demir ve Çelik A.Ş.

**STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ II-14.1.
ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS
BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT**

RESOLUTION DATE: 03.03.2023

RESOLUTION NUMBER: 739

We have reviewed the financial statements for the period 1 January - 31 December 2022, which are prepared by our Company and are subject to independent auditing, in accordance with Capital Market Board's (CMB) Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards/ Turkish Financial Reporting Standards (TMS/TFRS) in a CMB approved format and annual report prepared in accordance with Turkish Commercial Code and CMB Communiqué. We hereby present to your information and declare that we are responsible for the following disclosures:

- We have reviewed the financial statements and annual report,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements prepared in accordance with the financial reporting standards in effect provide an honest view of the assets, liabilities, financial position and profit and loss of the Company; The annual report prepared in accordance with the Turkish Commercial Code and CMB Communiqué provides an accurate view of the development and performance of the business and the financial position of the Company along with the principal risks and uncertainties the Company is exposed to.

Kind regards,



Mustafa Serdar BAŞOĞLU
Financial Management and
Financial Affairs Group Vice President



Ali FİDAN
Chairman of the
Audit Committee



Emre GÖLTEPE
Chairman of the
Audit Committee

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p><i>Revenue recognition</i></p> <p>While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer.</p> <p>The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales.</p> <p>In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management.</p> <p>Please refer to notes 2.8.1 and 25 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the revenue recognition:</p> <ul style="list-style-type: none"> • The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed. • Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed. • For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested. <p>In addition, we assessed the adequacy of the disclosures in Note 25 under TFRS.</p>

4) **Emphasis of Matter**

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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

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

Additional Paragraph for Convenience Translation to English

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

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



Volkan Becerik, SMMM
Partner

İstanbul, 3 March 2023

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EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 31 DECEMBER 2022**

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

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

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

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 31 DECEMBER 2022**

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

		(Audited) Current Period 31 December 2022 USD'000	(Audited) Current Period 31 December 2022 TRY'000	(Audited) Previous Period 31 December 2021 USD'000	(Audited) Previous Period 31 December 2021 TRY'000
LIABILITIES	Note				
CURRENT LIABILITIES		1.916.965	35.908.584	1.758.205	23.477.310
Short Term Borrowings	7	994.478	18.628.567	481.080	6.423.861
Short Term Portion of Long Term Borrowings	7	135.796	2.543.723	246.522	3.291.812
Trade Payables		599.415	11.228.240	504.195	6.732.507
<i>Due to Related Parties</i>	34	33.712	631.491	15.159	202.414
<i>Other Trade Payables to Third Parties</i>	8	565.703	10.596.749	489.036	6.530.093
Payables for Employee Benefits	19	63.717	1.193.538	23.251	310.474
Other Payables	9	11.078	207.513	17.677	236.042
Financial Derivative Instruments	6	2.692	50.424	14.248	190.259
Deferred Revenue	23	54.397	1.018.967	111.626	1.490.544
Current Tax Liabilities	32	23.406	438.448	319.906	4.271.705
Short Term Provisions	20	27.730	519.432	29.928	332.869
Other Current Liabilities	22	4.256	79.732	14.772	197.237
NON CURRENT LIABILITIES		1.084.927	20.322.852	1.379.269	18.417.383
Long Term Borrowings	7	448.882	8.408.449	521.281	6.960.671
Financial Derivative Instruments	6	-	-	10	137
Long Term Provisions		183.531	3.437.905	120.224	1.605.350
<i>Long term provisions for employee benefits</i>	19	183.531	3.437.905	120.224	1.605.350
Deferred Tax Liabilities	32	451.889	8.464.781	737.491	9.847.720
Other Non Current Liabilities	22	625	11.717	263	3.505
EQUITY		6.351.558	118.662.187	6.348.781	84.547.604
Equity Attributable to Equity Holders of the Parent		6.186.525	115.645.231	6.176.342	82.292.893
Share Capital	24	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	24	81.366	156.613	81.366	156.613
Treasury Shares (-)	24	(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(137.144)	43.443.497	(79.868)	35.431.629
<i>Revaluation Reserve of Tangible Assets</i>		10.168	208.674	10.411	147.805
<i>Actuarial (Loss) Gain funds</i>		(131.627)	(1.407.323)	(74.594)	(386.301)
<i>Foreign Currency Translation Reserves</i>		(15.685)	44.642.146	(15.685)	35.670.125
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(279.378)	2.035.446	(233.088)	733.735
<i>Foreign Currency Translation Reserves</i>		(279.701)	2.029.402	(237.868)	669.905
<i>Cash Flow Hedging Gain (Loss)</i>		323	6.044	4.780	63.830
Restricted Reserves Assorted from Profit	24	1.379.085	7.547.778	1.204.833	4.988.204
Retained Earnings	24	2.186.988	40.966.648	1.644.980	21.965.415
Net Profit for the Period		1.142.321	18.005.034	1.744.832	15.527.082
Non-Controlling Interests		165.033	3.016.956	172.439	2.254.711
TOTAL LIABILITIES AND EQUITY		9.353.450	174.893.623	9.486.255	126.442.297

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022**

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

					Other comprehensive income (expense) not to be reclassified subsequently to profit or loss			Other comprehensive income (expense) to be reclassified subsequently to profit or loss		Retained Earnings						
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
1 January 2022		3,500,000	156,613	(116,232)	106,447	147,805	35,670,125	(386,301)	63,830	669,905	4,988,204	21,965,415	15,527,082	82,292,893	2,254,711	84,547,604
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	18,005,034	18,005,034	648,020	18,653,054
Other comprehensive income (loss)		-	-	-	-	60,869	21,490,402	(1,021,022)	(57,786)	9,969,967	-	-	-	30,442,430	742,709	31,185,139
Total comprehensive income (loss)		-	-	-	-	60,869	21,490,402	(1,021,022)	(57,786)	9,969,967	-	-	18,005,034	48,447,464	1,390,729	49,838,193
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(15,095,126)	-	(15,095,126)	(628,484)	(15,723,610)
Transfers		-	-	-	-	-	-	-	-	-	2,559,574	12,967,508	(15,527,082)	-	-	-
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(12,518,381)	-	-	(8,610,470)	-	21,128,851	-	-	-	-
31 December 2022		3,500,000	156,613	(116,232)	106,447	208,674	44,642,146	(1,407,323)	6,044	2,029,402	7,547,778	40,966,648	18,005,034	115,645,231	3,016,956	118,662,187
(Audited)																
1 January 2021 (Previously reported)		3,500,000	156,613	(116,232)	106,447	77,866	17,198,251	(115,606)	(15,481)	7,628,480	3,597,448	4,482,548	3,309,093	39,809,427	1,312,149	41,121,576
Effect of change in accounting principle	2.2	-	-	-	-	-	(4,092,745)	-	-	(7,371,786)	-	11,464,531	-	-	-	-
1 January 2021		3,500,000	156,613	(116,232)	106,447	77,866	13,105,506	(115,606)	(15,481)	256,694	3,597,448	15,947,079	3,309,093	39,809,427	1,312,149	41,121,576
Net profit for the period		-	-	-	-	-	-	-	-	-	-	-	15,527,082	15,527,082	551,476	16,078,558
Other comprehensive income (loss)		-	-	-	-	69,939	23,579,856	(270,695)	79,311	9,773,475	-	-	-	33,231,886	943,259	34,175,145
Total comprehensive income (loss)		-	-	-	-	69,939	23,579,856	(270,695)	79,311	9,773,475	-	-	15,527,082	48,758,968	1,494,735	50,253,703
Dividends (*)		-	-	-	-	-	-	-	-	-	-	(6,275,502)	-	(6,275,502)	(552,173)	(6,827,675)
Transfers		-	-	-	-	-	-	-	-	-	1,390,756	1,918,337	(3,309,093)	-	-	-
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(1,015,237)	-	-	(9,360,264)	-	10,375,501	-	-	-	-
31 December 2021		3,500,000	156,613	(116,232)	106,447	147,805	35,670,125	(386,301)	63,830	669,905	4,988,204	21,965,415	15,527,082	82,292,893	2,254,711	84,547,604

(*) At Annual General Assembly dated 17 March 2022, dividend distribution (gross dividend per share: TRY 4,45 (2021: TRY 1,85) amounting to TRY 15,575,000 thousand from 2021 net profit (17 March 2021: TRY 6,475,000 thousand) and retained earnings was approved. As of 17 March 2022, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3.08% of its own shares with a nominal value of 1 TRY, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 22 March 2022. The Group paid TRY 628,484 thousand (2021: TRY 552,173 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden, which are of subsidiaries of the Group in current year.

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

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

		(Audited) Current Period 1 January - 31 December 2022	(Audited) Current Period 1 January - 31 December 2022	(Audited) Previous Period 1 January - 31 December 2021	(Audited) Previous Period 1 January - 31 December 2021
	Note	USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		607.334	8.940.221	1.321.815	5.716.945
Profit (Loss) for The Period		1.183.434	18.653.054	1.806.803	16.078.558
Adjustments to Reconcile Profit (Loss)		445.421	7.635.577	1.039.017	9.455.509
Adjustments for Depreciation and Amortisation Expenses	25/27/28	221.665	3.493.831	230.583	2.051.931
Adjustments for Impairment Loss (Reversal of Impairment Loss)		30.985	488.389	(7.173)	(63.834)
Adjustments for Provision (Reversal of Provision) for Receivables	8	44	693	(3.153)	(28.058)
Adjustments for Provision (Reversal of Provision) for Inventories	10	32.877	518.203	(3.718)	(33.086)
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	14	(1.936)	(30.507)	(302)	(2.690)
Adjustments for Provisions		60.430	952.507	47.779	425.189
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	19	45.074	710.462	37.488	333.605
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	20	15.356	242.045	10.291	91.584
Adjustments for Interest (Income) and Expenses		4.229	66.659	(36.762)	(327.138)
Adjustments for Interest Income	30	(80.649)	(1.271.181)	(64.399)	(573.078)
Adjustments for Interest Expense	31	108.001	1.702.305	37.296	331.898
Unearned Financial Income from Credit Sales		(23.123)	(364.465)	(9.659)	(83.958)
Adjustments for Unrealised Foreign Exchange Differences		(69.039)	(627.777)	(7.331)	(375.826)
Adjustments for Fair Value (Gains) Losses		(14.330)	(225.864)	(13.204)	(117.502)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	30	(14.330)	(225.864)	(13.204)	(117.502)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	(4.631)	(72.996)	679	6.044
Adjustments for Tax (Income) Expenses	32	219.480	3.459.400	880.800	7.838.155
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		6.435	101.428	2.078	18.490
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	29	6.435	101.428	2.078	18.490
Other Adjustments for Reconciliation of Profit (Loss)		(9.803)	-	(58.432)	-
Changes in Working Capital		(217.441)	(4.063.798)	(1.084.330)	(14.453.489)
Adjustments for Decrease (Increase) in Trade Receivables		33.504	626.469	(296.698)	(3.954.683)
Decrease (Increase) in Trade Receivables from Related Parties		(12.096)	(226.174)	11.921	158.895
Decrease (Increase) in Trade Receivables from Third Parties		45.600	852.643	(308.619)	(4.113.578)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		1.647	30.797	2.090	27.853
Decrease (Increase) in Other Receivables from Operations from Third Parties		1.647	30.797	2.090	27.853
Decrease (Increase) in Derivative Financial Instruments		8.891	166.246	(6.945)	(92.570)
Adjustments for Decrease (Increase) in Inventories		(215.896)	(4.036.888)	(754.273)	(10.053.702)
Decrease (Increase) in Prepaid Expenses		49.880	932.674	(46.001)	(613.241)
Adjustments for Increase (Decrease) in Trade Payables		95.220	1.783.661	(25.572)	(341.459)
Increase (Decrease) in Trade Payable to Related Parties		18.553	347.535	(2.733)	(36.493)
Increase (Decrease) in Trade Payable to Third Parties		76.667	1.436.126	(22.839)	(304.966)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		33.867	634.396	(40.794)	(544.729)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		33.867	634.396	(40.794)	(544.729)
Increase (Decrease) in Derivative Liabilities		(3.036)	(56.871)	28.121	375.499
Adjustments for Other Increase (Decrease) in Working Capital		(221.518)	(4.144.282)	55.742	743.543
Decrease (Increase) in Other Assets Related from Operations		(154.135)	(2.882.063)	30.740	409.696
Increase (Decrease) in Other Assets Related from Operations		(67.383)	(1.262.319)	25.002	333.847
Cash Flows Provided by Operating Activities		1.411.414	22.224.833	1.761.490	11.080.578
Payments Related to Provisions for Employee Termination Benefits	19	(12.898)	(203.283)	(7.634)	(67.937)
Payments Related to Other Provisions	20	(6.168)	(97.225)	(7.572)	(67.377)
Income Taxes Refund (Paid)	32	(785.014)	(12.984.104)	(424.469)	(5.228.319)
CASH FLOWS FROM INVESTING ACTIVITIES		(776.348)	(12.412.441)	(736.790)	(7.520.856)
Cash Outflow Due to Share Purchases of Subsidiaries' not End Up with Losing Control		-	-	(293.791)	(2.096.850)
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures		-	-	1.971	17.500
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		3.658	60.000	9.891	80.000
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(10.600)	(189.379)	(5.694)	(48.123)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		2.724	42.941	2.505	22.282
Cash Inflow from Sales of Property, Plant and Equipment	14/15/29	2.724	42.941	2.505	22.282
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(722.508)	(11.388.022)	(433.992)	(3.862.055)
Cash Outflow from Purchase of Property, Plant and Equipment	14	(719.111)	(11.334.478)	(427.915)	(3.807.977)
Cash Outflow from Purchase of Intangible Assets	15	(3.397)	(53.544)	(6.077)	(54.078)
Cash Advances and Debts Given		(15.914)	(250.833)	(18.539)	(1.640.002)
Other Cash Advances and Debts Given to Related Parties		78.486	996.938	(5)	(67)
Other Cash Advances and Debts Given		(94.400)	(1.247.771)	(18.534)	(1.639.935)
Dividends Received		-	-	859	6.392
Other Cash Inflow (Outflows)		(33.708)	(687.148)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		(674.030)	(9.627.701)	(532.058)	(3.425.756)
Cash Inflow from Borrowings		1.415.496	22.348.278	1.018.916	9.162.437
Cash Inflow from Loans	7	1.314.210	20.467.210	1.018.916	9.162.437
Cash Inflow from Issued Debt Instruments	7	101.286	1.881.068	-	-
Cash Outflow from Repayments of Borrowings		(1.070.622)	(16.874.937)	(668.549)	(5.949.348)
Cash Outflow from Loan Repayments	7	(1.070.622)	(16.874.937)	(603.324)	(5.399.348)
Cash Outflows from Repayments of Issued Debt Instruments		-	-	(65.225)	(550.000)
Cash Outflow from Debt Payments for Leasing Contracts		(4.469)	(70.439)	(7.242)	(64.445)
Dividends Paid		(1.061.705)	(15.720.713)	(906.580)	(6.824.686)
Interest Paid	7	(48.447)	(801.123)	(33.540)	(294.446)
Interest Received		95.717	1.491.233	64.937	544.732
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(843.044)	(13.099.921)	52.967	(5.229.667)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(79.401)	(5.160.860)	(159.811)	(14.828.033)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(922.445)	(7.939.061)	(106.844)	(9.598.366)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1.733.765	23.109.359	1.840.609	13.510.993
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	811.320	15.170.298	1.733.765	23.109.359

- As of 31 December 2022, the Group's total amount of time deposit interest accrual is TRY 16.160 thousand (USD 864 thousand) (31 December 2021: TRY 80.309 thousand (USD 6.026 thousand)).
- Currency protected time deposits with maturities of more than 3 months in financial investments in the consolidated statement of cash flow are reported in "Other Cash Inflow (Outflows)" under Cash Flows from Investing Activities. Changes in fair value are accounted for under income from investing activities in the consolidated statement of profit or loss.
- Since the functional currency is US Dollars, the exchange rate differences between the accrual and payment dates of the dividend payables to the shareholders, whose original currency is followed as Turkish Lira in the consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the consolidated cash flow statements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

Name of the Company	Country of Operation	Operation	2022 Share (%)	2021 Share (%)
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Turkey	Magnesite Ore, Refractor	100	100
Odak Refrakter ve Madencilik San. Tic. A.Ş.	Turkey	Recycling	-	100
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Turkey	Special Purpose Entity	100	100

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

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

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts are expressed in 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 are as follows:

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

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2021 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.284	1.825	6.109
İskenderun Demir ve Çelik A.Ş.	3.124	1.675	4.799
Erdemir Madencilik San. ve Tic. A.Ş.	155	160	315
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	233	79	312
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	292	292
Erdemir Romania S.R.L.	217	40	257
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	561	123	684
Odak Refrakter ve Madencilik San. Tic. A.Ş.	11	4	15
Erdemir Enerji Üretim A.Ş.	-	4	4
	<u>8.585</u>	<u>4.203</u>	<u>12.788</u>

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**2.1 Basis of Presentation**

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

NOTE2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

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

Functional and reporting presentation currency

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

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

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

Functional currency for the foreign subsidiaries

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

Functional currency of the joint venture

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

Adjustment of financial statements during periods of high inflation

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

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

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

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(Amounts are expressed in 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)

Translation to presentation currency

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

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

- The assets in the consolidated statement of financial position as of 31 December 2022, has been translated into TL using the foreign exchange buying rates effective as of 31 December 2022 announced by the Central Bank of the Republic of Turkey, TRY 18,6983 = US \$ 1 and TRY 19,9349 = EUR 1 and the liabilities has been translated into TL using the foreign exchange selling rates effective as of 31 December 2022, which is also announced by the Central Bank of the Republic of Turkey, TRY 18,7320 = US \$ 1 and TRY 19,9708 = EUR 1 (31 December 2021: for asset balances: TRY 13,3290= US \$ 1, TRY 15,0867= EUR 1, for liability balances: TRY 13,3530 = US \$ 1, TRY 15,1139 = EUR 1).
- Due to the significant fluctuation in the exchange rate in 2022, for the year ended 31 December 2022, statements of profit or loss are translated from the average exchange rates of the relevant month announced by the Central Bank of the monthly net profits TRY 15,7618 = US \$ 1 and TRY 17,3551 =EUR 1 (31 December 2021: TRY 8,8989 = US \$ 1 TRY 10,4161 = 1 EUR).
- Earnings of previous years are carried in US Dollar in the consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of consolidated financial position as of 31 December 2022 are presented by being translated at the TRY 18,7320 = US \$ 1 rate, which is the effective foreign currency selling rate as of 31 December 2022 as announced by the Central Bank of the Republic of Turkey (31 December 2021: TRY 13,3550 = US \$ 1).
- Exchange differences arising from translation to TRY presentation currency are shown in other comprehensive income as of foreign currency translation reserve.
- Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying consolidated financial statements comprising the statements of financial position as of 31 December 2022 and 31 December 2021, consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2022 represent the consolidated financial statements within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

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

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

2.1 Basis of Presentation (cont'd)

Going concern

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

Approval of the consolidated financial statements

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

2.2 Restatement and Errors In The Accounting Policies and Estimates

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

2.3 Consolidation Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5.2 Deferred tax

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

2.5.3 Fair values of derivative financial instruments

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

2.5.4 Provision for expected credit losses

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

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

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

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

2.5.5 Provision for impairment of inventories

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

2.5.6 Provisions for employee benefits

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

2.5.7 Provision for lawsuits

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

2.5.8 Impairments on assets

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

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

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

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

2.5.9 Impairment on financial assets

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

2.5.10 Calculation of loss allowance

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

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

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

2.6 Offsetting

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

2.7 Adoption of New and Revised Financial Reporting Standards

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

Amendments that are mandatorily effective from 2022

Amendments to TFRS 3

Amendments to TAS 16

Amendments to TAS 37

Annual Improvements to TFRS Standards
2018-2020

Amendments to TFRS 16

Reference to the Conceptual Framework

*Property, Plant and Equipment – Proceeds before
Intended Use*

Onerous Contracts – Cost of Fulfilling a Contract

Amendments to TFRS 1 and TFRS 9

COVID-19 Related Rent Concessions beyond 30 June 2021

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

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

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

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

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

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 *Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority ("POA") has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

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

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

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

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

Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group assessed that the adoption of these amendments that are effective from 2022 do not have any effect on the Group's consolidated financial statements.

New and revised TFRSs in issue but not yet effective

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

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

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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

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

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

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

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

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

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

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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

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

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

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

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

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

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

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

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

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

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

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

Amendments to TAS 1 Non-current Liabilities with Covenants

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

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

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

2.8 Valuation Principles / Significant Accounting Policies Applied

Accounting policies implemented during preparation of financial statements as follows:

2.8.1 Revenue recognition

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

Group recognizes revenue based on the following main principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

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

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

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

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

2.8.1 Revenue recognition (cont'd)

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

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

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

2.8.2 Inventories

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

2.8.3 Property, plant and equipment

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

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

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

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

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

2.8.3 Property, plant and equipment (cont'd)

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

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

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

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

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

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

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

2.8.4 Intangible assets

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

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

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

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

2.8.4 Intangible assets (cont'd)

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

The amortization rates of the intangible assets are stated below:

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

2.8.5 Investment properties

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

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

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

2.8.6 Leases

The Group as lessee

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

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

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

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

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

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

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

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

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

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

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

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

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

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

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

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

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

The Group as lessor

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

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

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

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

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

2.8.7 Impairment on assets

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

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

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

2.8.8 Borrowing costs

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

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

2.8.9 Financial instruments

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

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

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

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

(i) Amortised cost and effective interest method

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

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

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

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note30).

(ii) Financial assets at FVTPL

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

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

Equity instruments designated as at FVTOCI

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Equity instruments designated as at FVTOCI (cont'd)

A financial asset is held for trading if:

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

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

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

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

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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

Measurement and recognition of expected credit losses

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

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

Derecognition of financial assets

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

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

Financial liabilities

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

A financial liability is subsequently classified at amortized cost except:

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

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

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

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

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

The Entity does not reclassify any financial liability.

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

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

Hedge accounting

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

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

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

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

Hedge accounting (cont'd)

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

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

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

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

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

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

2.8.10 The effects of foreign exchange rate changes

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

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

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

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

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

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

2.8.11 Earnings per share

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

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

2.8.12 Subsequent events

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

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

2.8.13 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.8.14 Related parties

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

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

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

2.8.15 Taxation and deferred income taxes

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

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

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

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

2.8.15 Taxation and deferred income taxes (cont'd)

Current tax

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

Deferred tax

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

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

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

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

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

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

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

2.8.15 Taxation and deferred income taxes (cont'd)

Deferred tax (cont'd)

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

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

Current and deferred tax for the period

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

2.8.16 Employee benefits

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

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

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

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

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

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

2.8.16 Employee benefits (cont'd)

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

2.8.17 Government grants and incentives

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

2.8.18 Statement of cash flows

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

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

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

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

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

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

2.8.19 Share capital and dividends

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

2.8.20 Repurchased shares (Erdemir shares)

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

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

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

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

2.8.21 Goodwill

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

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

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

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

2.8.22 Business Combinations

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

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

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

2.8.22 Business Combinations (cont'd)

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

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

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

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

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

2.8.22 Business Combinations (cont'd)

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

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

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

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

NOTE 3 – SEGMENT REPORTING

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

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NOTE 4 – CASH AND CASH EQUIVALENTS

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

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

The details of demand deposits are presented below:

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

The details of time deposits in banks as follows:

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

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

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NOTE 5 – FINANCIAL INVESTMENTS

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

Financial assets shown at amortized value:

	31 December 2022	31 December 2021
Treasury bonds	14.894	9.862
Currency protected time deposits	685.293	-
	<u>700.187</u>	<u>9.862</u>

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

As of reporting period long term financial investments as follows:

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

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

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

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NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Derivative instruments for fair value hedge

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

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

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NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)**Derivative instruments for fair value hedge (cont'd)**

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

Derivative instruments for cash flow hedge*Forward contracts for cash flow hedges of currency risk of sales:*

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

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

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

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

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NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)**Derivative instruments for cash flow hedge (cont'd)***Commodity swap contracts for hedges of price risk of raw material purchases:*

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

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

NOTE 7 – BORROWINGS

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

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

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NOTE 7 – BORROWINGS (cont'd)

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

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

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

As of 31 December 2021, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2022
No interest	TRY	-	52.691	-	52.691
Fixed	TRY	18,19	24.892	-	24.892
Fixed	US Dollars	1,76	6.229.747	1.317.806	7.547.553
Fixed	EURO	2,70	24.051	11.536	35.587
Floating	US Dollars	Libor+2,17	2.966.079	3.906.098	6.872.177
Floating	EURO	Euribor+0,78	354.562	1.431.576	1.786.138
			<u>9.652.022</u>	<u>6.667.016</u>	<u>16.319.038</u>

Maturity distribution of financial borrowings is as follows:

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

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NOTE 7 – BORROWINGS (cont'd)

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

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

Reconciliation of net financial borrowings of financial leases as follows:

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

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

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

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

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

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

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

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

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

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

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

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

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

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

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

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

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

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

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

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

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

NOTE 10 – INVENTORIES

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

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

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NOTE 10 – INVENTORIES (cont'd)

The movement of the provision for impairment on inventories:

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

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

NOTE 11 – PREPAID EXPENSES

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

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

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

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

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NOTE 12 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

	31 December 2022	31 December 2021
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş., as an affiliate of the Group under joint management, has the right of to deduct TRY 196.398 thousand (31 December 2021: TRY 132.460 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 63.938 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 31.969 thousand) is included in the financial statements prepared as of reporting date.

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

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

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

NOTE 13 – INVESTMENT PROPERTIES

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

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

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

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

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

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NOTE 13 – INVESTMENT PROPERTIES (cont'd)

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

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

Amortization distribution of investment properties is as follows:

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

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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

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

(*) The amount of capitalized borrowing cost is TRY (10.198) thousand for the current period.

(**) TRY 24.631 thousand is transferred to intangible assets (Note 15).

(***) The Group reviewed recoverable amounts for the property, plant and equipment that will be out of use and will not generate independent cash flow. The recoverable amounts of property, plant and equipment are reviewed based on management's forecasts for following period. As a result of the review, for non used asset, an impairment loss of TRY 30.507 thousand is recognised that on statement of profit or loss under incomes from investment activities (Note 29).

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

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

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

(*) The amount of capitalized borrowing cost is TRY 8.338 thousand for the current period.

(**) TRY 15.738 thousand is transferred to intangible assets (Note 15).

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

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

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

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

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

NOTE 15 – INTANGIBLE ASSETS

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

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

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NOTE 15 – INTANGIBLE ASSETS (cont'd)

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

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

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

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

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NOTE 16 – RIGHT OF USE ASSETS

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

	Right to Use Land	Vehicle Leases	Total
<u>Cost</u>			
Opening balance as of 1 January	647.264	114.859	762.123
Additions to assets of operating lease	96.108	60.088	156.196
Disposals (-)	-	(29.773)	(29.773)
Effect of liability decrease in lease agreements	(737.302)	-	(737.302)
Translation difference	141.279	49.728	191.007
Closing balance as of 31 December 2022	147.349	194.902	342.251
<u>Accumulated Amortization</u>			
Opening balance as of 1 January	61.241	40.693	101.934
Charge for the period	25.157	49.816	74.973
Disposals (-)	-	(29.030)	(29.030)
Effect of liability decrease in lease agreements	(81.665)	-	(81.665)
Translation difference	14.142	19.775	33.917
Closing balance as of 31 December 2022	18.875	81.254	100.129
Net book value as of 31 December 2021	586.023	74.166	660.189
Net book value as of 31 December 2022	128.474	113.648	242.122
	Right to Use Land	Vehicle Leases	Total
<u>Cost</u>			
Opening balance as of 1 January	327.672	29.620	357.292
Additional in right of use assets due to acquisition of subsidiaries	-	2.072	2.072
Additions to assets of operating lease	34.898	55.140	90.038
Disposals (-)	-	(18.470)	(18.470)
Translation difference	284.694	46.497	331.191
Closing balance as of 31 December 2021	647.264	114.859	762.123
<u>Accumulated Amortization</u>			
Opening balance as of 1 January	20.996	18.652	39.648
Charge for the period	15.433	18.876	34.309
Disposals (-)	-	(16.283)	(16.283)
Translation difference	24.812	19.448	44.260
Closing balance as of 31 December 2021	61.241	40.693	101.934
Net book value as of 31 December 2020	306.676	10.968	317.644
Net book value as of 31 December 2021	586.023	74.166	660.189

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

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

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

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

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

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

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

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

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

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

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

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

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NOTE 17 – GOODWILL

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

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

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

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

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

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

NOTE 18 – GOVERNMENT GRANTS AND INCENTIVES

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

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

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

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NOTE 19 – EMPLOYEE BENEFITS

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

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

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

	31 December 2022	31 December 2021
Provisions for employee termination benefits	2.922.934	1.282.538
Provisions for seniority incentive premium	225.046	183.800
Provision for unpaid vacations	289.925	139.012
	<u>3.437.905</u>	<u>1.605.350</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 December 2022, the amount payable consists of one month's salary limited to a maximum of TRY 15.371,40 (31 December 2021: TRY 8.284,51) for each year of service. As of 1 January 2023, the employment termination benefit has been updated to a maximum of TRY 19.982,83.

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

The employment termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2022 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

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

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

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NOTE 19 – EMPLOYEE BENEFITS (cont'd)

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 December 2022, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2022, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

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

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

	Interest rate	
	1% increase	1% decrease
Change in rate	(222.184)	256.082
Change in employee benefits liability		
	Inflation rate	
	1% increase	1% decrease
Change in rate	258.355	(227.574)
Change in employee benefits liability		

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NOTE 19 – EMPLOYEE BENEFITS (cont'd)

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

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

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

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

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

NOTE 20 – PROVISIONS

The Group's short term provisions are as follows:

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

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NOTE 20 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

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

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

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NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits

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

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

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

	31 December 2022	31 December 2021
Lawsuits filed against the Group	280.974	211.241
Provision for lawsuits filed against the Group	368.664	247.419

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

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

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

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NOTE 20 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

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

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on "TFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with "TFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 December 2021 and 31 December 2020 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber's decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company's request for revision of the decision has been rejected. 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 30.12.2021. Erdemir has appealed on 03.03.2022.

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NOTE 20 - PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

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

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

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. With the decision of the 22nd Civil Chamber of the Ankara Regional Court of Justice, the decision of the Karadeniz. Ereğli 2nd Civil Court of First Instance has been annulled. The file was sent to the Karadeniz. Ereğli 2nd Civil Court of First Instance to be send back to the Regional Court of Justice after the reasoned decision was written. At the hearing dated February 22, 2022, it was decided that the case was partially accepted and partially rejected, subject to appeal. Our company has appealed against this decision on April 13, 2022. A provision amounting to TRY 162.315 thousand recognized on consolidated financial statements for the related lawsuit.

Resolution of Constitutional Court on Electric and Coal Gas Tax

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

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

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NOTE 20 – PROVISIONS (cont'd)

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

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

The cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company. 68 cases have been finalized in favor of the Company.

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

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

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

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

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments for the tax, cultural assets contribution fee and tax penalty charged.

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

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee's decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In all cases, the court decided to cancel the proceedings that were the subject of the lawsuit. The Municipality has appealed against these decisions. In 14 of the cases, the Regional Administrative Court decided to reject the appeal of Karadeniz Ereğli Municipality. In 11 cases the Municipality has appealed to te Council of State against these decisions. 3 cases were finalized in favor of the Company without appeal. Council of State has decided to approve definitely the 2 cases out of 11 cases in favor of the Company. 9 cases are under appellate review. In the last filed case the Regional Administrative Court has definitely decided to annul the decision and partially accepted the case.

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

Provision for state right on mining activities

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

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NOTE 20 – PROVISIONS (cont'd)

Land occupation

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

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

NOTE 21 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2022	31 December 2021
Letters of guarantees received	12.825.995	9.218.182
	<u>12.825.995</u>	<u>9.218.182</u>

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

	31 December 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	733.735	194.489
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.357.555	2.626.528
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies	-	-
out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>3.091.290</u>	<u>2.821.017</u>

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

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NOTE 21 – COMMITMENTS AND CONTINGENCIES (cont'd)

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

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

NOTE 22 – OTHER ASSETS AND LIABILITIES

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

Other current assets

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

Other non-current assets

	31 December 2022	31 December 2021
Other VAT receivable	857.688	233.000
	<u>857.688</u>	<u>233.000</u>

Other current liabilities

	31 December 2022	31 December 2021
VAT payable	53.736	192.800
Other current liabilities	25.996	4.437
	<u>79.732</u>	<u>197.237</u>

Other non-current liabilities

	31 December 2022	31 December 2021
Other non-current liabilities	11.717	3.505
	<u>11.717</u>	<u>3.505</u>

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NOTE 23 – DEFERRED INCOME

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

	31 December 2022	31 December 2021
Advances received	909.455	1.381.015
Deferred income	109.512	109.529
	<u>1.018.967</u>	<u>1.490.544</u>

NOTE 24 – EQUITY

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

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

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

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

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

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

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NOTE 24 – EQUITY (cont'd)

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

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

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

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

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

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

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

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

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NOTE 24 – EQUITY (cont'd)

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

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

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

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

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

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

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

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NOTE 24 – EQUITY (cont'd)

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

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

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

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

NOTE 25 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 990.455 thousand (Note 23). The Company plans to recognize related revenue amount as a revenue in a year.

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

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

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

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

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

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

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

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

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

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NOTE 27 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

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

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

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

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

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

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

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

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

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

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

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

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

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

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NOTE 29 –INCOME/(EXPENSES) FROM INVESMENT ACTIVITIES

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

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

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

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

NOTE 30 – FINANCE INCOME

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

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

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NOTE 31 – FINANCE EXPENSES

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

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

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

NOTE 32 – TAX ASSETS AND LIABILITIES

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

	31 December 2022	31 December 2021
<u>Corporate tax payable:</u>		
Current corporate tax provision	9.150.847	8.963.309
Prepaid taxes and funds (-)	(8.712.399)	(4.691.604)
	<u>438.448</u>	<u>4.271.705</u>
	1 January - 31 December 2022	1 January - 31 December 2021
<u>Taxation:</u>		
Current corporate tax expense	7.779.424	6.173.465
Deferred tax (income) / expense	(4.320.024)	1.664.690
	<u>3.459.400</u>	<u>7.838.155</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.

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

Corporate tax (cont'd)

Pursuant to the Provisional 7316 added with the Article 11 of the Law on Corporate Income Tax, published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate for the corporate earnings for the 2022 taxation period has been determined as 23%. With the amendment added to Article 32 of the Corporate Tax Law, these rates will be applied with a discount of 1 point to the earnings from production activities and earnings from exports.

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

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

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

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

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

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

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

Investment discount application

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

Income withholding tax

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

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

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

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 32 of Corporate Tax Law; corporate tax rate is 22% for the corporate earnings to be obtained in the taxation periods of 2022, 20% for 2023 and upcoming years. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 31 December 2022 (31 December 2021: in Turkey 22%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate. (31 December 2021: 10%)

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

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

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

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

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

Presentation of deferred tax assets/(liabilities):

	31 December 2022	31 December 2021
Deferred tax assets	244.350	184.646
Deferred tax (liabilities)	(8.464.781)	(9.847.720)
	<u>(8.220.431)</u>	<u>(9.663.074)</u>

Movements of deferred tax asset/(liability)

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

Reconciliation of tax provision is as follows:

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

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

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

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

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

NOTE 33 – EARNINGS PER SHARE

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

NOTE 34 – RELATED PARTY DISCLOSURES

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

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

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

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NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

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

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

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

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

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

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

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

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

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NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

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

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

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

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

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

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NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

	1 January - 31 December 2022	1 January - 31 December 2021
<u>Major sales to related parties</u>		
Milux Poland Sp. Z.o.o. ⁽¹⁾	55.166	-
OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾	878.749	434.763
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	1.253	1.329
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	2.417	-
OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾	207.051	72.152
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	-	24.981
Denizli Çimento Sanayi T.A.Ş. ⁽¹⁾	12.177	535
OYAK Birleşik Enerji A.Ş. ⁽¹⁾	894.699	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	2.063	1.674
İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾	2.531.242	699.708
Milux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	157.827	77.603
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	351.748	90.866
Other	11.376	3.755
	5.105.768	1.407.366
<u>Major purchases from related parties</u>		
Milux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾	2.742	8.519
Omsan Denizcilik A.Ş. ⁽¹⁾	456.585	205.501
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾	417.172	200.176
Omsan Lojistik A.Ş. ⁽¹⁾	649.821	395.423
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾	412.609	131.480
Omsan Logistica SRL ⁽¹⁾	86.184	41.152
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾	374.394	206.399
Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾	123.307	34.834
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾	495.019	153.925
OYAK İnşaat A.Ş. ⁽¹⁾	286.722	765
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾	263.994	145.857
Güzel Enerji Akaryakıt A.Ş. ⁽¹⁾	10.045	1.967
OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾	12.506	-
Other	133.266	21.574
	3.724.366	1.547.572

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

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

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NOTE 34 – RELATED PARTY DISCLOSURES (cont'd)

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

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

Salaries, bonuses and other benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents the General Manager and Assistant General Managers. For the year ended 31 December 2022, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 71.965 thousand (31 December 2021: TRY 36.605 thousand).

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

(a) Capital risk management

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

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

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

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

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

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

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

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

(b) Significant accounting policies

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

(c) Financial risk management objectives

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

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

(d) Market risk

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

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

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

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NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)**(e) Credit risk management**

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

Credit risk of financial instruments

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

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

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

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NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)**(e) Credit risk management (cont'd)**

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

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

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

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

(e) Credit risk management (cont'd)

Explanation on the credit risk which the Group is exposed:

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

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

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

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

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NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)**(f) Foreign currency risk management**

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

31 December 2022

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

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NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)**(f) Foreign currency risk management (cont'd)**

31 December 2021

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)**(f) Foreign currency risk management (cont'd)**

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

As of 31 December 2022 asset balances are translated by using the following exchange rates; TRY 18,6983 = US \$ 1, TRY 19,9349 = EUR 1, TRY 0,1413 = JPY 1 and 4,0062 TRY = RON 1 and liability are translated by using the following exchange rates; TRY 18,7320 = US \$ 1, TRY 19,9708 = EUR 1, TRY 0,1422 = JPY 1 and 4,0586 TRY = RON 1 (31 December 2021: for asset balances: TRY 13,3290 = US \$ 1, TRY 15,0867 = EUR 1, TRY 0,1155 = JPY 1 and TRY 3,0316 = RON 1, for liability balances: TRY 13,3550 = US \$ 1, TRY 15,1139 = EUR 1, TRY 0,1163 = JPY 1 and TRY 3,0713 = RON 1).

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

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

NOTE 35 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)**(f) Foreign currency risk management (cont'd)**

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021		
1- TRY net asset/liability	211.500	(211.500)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	211.500	(211.500)
5- RON net asset/liability	7.795	(7.795)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	7.795	(7.795)
9- Euro net asset/liability	125.513	(125.513)
10- Hedged portion from Euro risk (-)	(178.839)	178.839
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(53.326)	53.326
13- Jap. Yen net asset/liability	(2.935)	2.935
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.935)	2.935
TOTAL (4+8+12+16)	163.034	(163.034)

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

(g) Interest rate risk management

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

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

Interest rate sensitivity

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

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

Interest position table

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

(h) Liquidity risk management

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

Liquidity risk tables

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

(h) Liquidity risk management (cont'd)

31 December 2022

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

(h) Liquidity risk management (cont'd)

31 December 2021

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

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 36 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

Financial assets

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

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

Financial liabilities

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

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

Financial asset and liabilities at fair value

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

Financial asset and liabilities at fair value

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

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

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

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

NOTE 37 – SUBSEQUENT EVENTS

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

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

NOTE 38 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 31 December 2022, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

GRI Content Index

Content Index - Basic Service, the GRI Services team reviewed that the GRI Content Index was presented in a clear and consistent manner in line with the standards and references to disclosures 2-1 to 2-5, 3-1 and 3-2 were consistent with the relevant sections of the report. The service was performed on the Turkish version of the Report.

Statement of use	Erdemir reported the information specified in the GRI content index for the period 1 January 2022-31 December 2022 by referring to the GRI Standards.
GRI 1 Use	GRI 1: Foundation 2021

GRI STANDARD	EXPLANATIONS	DEPARTMENT
GENERAL NOTIFICATIONS		
GRI 102: General Notifications 2021	Organization and Reporting Applications	
	2-1 Organizational details	About the Report, page 3 Corporate Profile, pages 18-21
	2-2 Entities included in the organization's sustainability reporting	About the Report, page 3
	2-3 Reporting period, frequency and contact point	About the Report, page 3 iletisim@erdemir.com.tr
	2-4 Restatements of information	None.
	2-5 External assurance	There is no independent statement of assurance regarding the report.
	Activities and Employees	
	2-6 Activities, value chain and other business relations	Corporate Profile, pages 18-21 Business Model, pages 28-29 Value Chain, pages 30-31 Production and Sales, pages 54-55
	2-7 Employees	Employees, pages 92-97 Social Performance Indicators, pages 112-113
	2-8 Workers who are not employees	Employees, pages 92-97 Social Performance Indicators, pages 112-113
	Governance	
	2-9 Governance structure and composition	Board of Directors, pages 15, 102 Senior Management, pages 16-17, 103 Committees and Their Responsibilities, pages 104-108 Board of Directors Committees Operating Principles and an Assessment of Such Committees' Effectiveness, pages 136-137
	2-10 Nomination and selection of the highest governance body	Board of Directors, pages 15, 102 Senior Management, pages 16-17, 103 Committees and Their Responsibilities, pages 104-108 Board of Directors Committees Operating Principles and an Assessment of Such Committees' Effectiveness, pages 136-137
	2-11 Chair of the highest governance body	Board of Directors, pages 15, 102 Senior Management, pages 16-17, 103
	2-12 Role of the highest governance body in overseeing the management of impacts	Board of Directors, pages 15, 102 Senior Management, pages 16-17, 103 Committees and Their Responsibilities, pages 104-108 Board of Directors Committees Operating Principles and an Assessment of Such Committees' Effectiveness, pages 136-137
	2-13 Delegation of responsibility for managing impacts	Board of Directors, pages 15, 102 Senior Management, pages 16-17, 103 Committees and Their Responsibilities, pages 104-108 Board of Directors Committees Operating Principles and an Assessment of Such Committees' Effectiveness, pages 136-137

GRI STANDARD	EXPLANATIONS	DEPARTMENT
GRI 102: General Notifications 2021	2-14 Role of the highest governance body in sustainability reporting	About the Report, page 3 Committees and Their Responsibilities, pages 104-108
	2-15 Conflicts of interest	Committees and Their Responsibilities, pages 104-108 Statement of Compliance with Corporate Governance Principles, page 118 Corporate Governance Compliance Report, page 125-129 Other Issues, page 138
	2-16 Communication of critical issues	Strategic Approach, pages 24-27 Corporate Governance Compliance Report, page 125-129
	2-17 Collective knowledge of the highest governance body	Board of Directors, pages 15, 102 Senior Management, pages 16-17, 103
	2-18 Evaluation of the performance of the highest governance body	Board of Directors Committees Operating Principles and an Assessment of Such Committees' Effectiveness, pages 136-137
	2-19 Remuneration policies	Employees, pages 92-97 https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/Erdemir_Ucret_Politikasi-88.pdf
	2-20 Process to determine remuneration	Employees, pages 92-97 https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/Erdemir_Ucret_Politikasi-88.pdf
	2-21 Annual total compensation ratio	https://www.oyakmadenmetalurji.com.tr/Sites/1/upload/files/tazminat_politikasi-92.pdf https://www.oyakmadenmetalurji.com.tr/sites/1/upload/files/EREGL_Rapor_TR_4Q_22_KAP-5103.pdf
	Strategy, Policies and Practices	
	2-22 Statement on sustainable development strategy	Message from the Chairman, pages 12-14 Strategic Approach, pages 24-27 Sustainability Report, pages 119-124
	2-23 Policy commitments	https://www.erdemir.com.tr/yatirimci-iliskileri/kurumsal-yonetim/politikalar-ve-yonetmelikler/
	2-24 Embedding policy commitments	Statement of Compliance with Corporate Governance Principles, page 118 Corporate Governance Compliance Report, page 125-129 Corporate Governance Information Form, page 130-135 https://www.erdemir.com.tr/yatirimci-iliskileri/kurumsal-yonetim/politikalar-ve-yonetmelikler/
	2-25 Processes to remediate negative impacts	Strategic Approach, pages 24-27 The Customer's Solution Partner, page 58-59 Corporate Governance, page 100-109
	2-26 Mechanisms for seeking advice and raising concerns	Strategic Approach, pages 24-27 The Customer's Solution Partner, page 58-59 Corporate Governance, page 100-109
	2-27 Compliance with laws and regulations	There were no developments that were not in compliance with the laws during the reporting period, and no significant administrative penalties were levied for non-compliance with laws and regulations.
	2-28 Corporate memberships	Corporate Memberships, page 116-117
	Stakeholder Engagement	
	2-29 Stakeholder engagement approach	Materiality Analysis, page 32-35
	2-30 Collective bargaining agreements	Employees, pages 92-97 Social Performance Indicators, pages 112-113

GRI Content Index

GRI STANDARD	EXPLANATIONS	DEPARTMENT
MATERIAL TOPICS		
GRI 3: Materiality Topics 2021	3-1 Process to determine material topics	Strategic Approach, pages 24-27 Materiality Analysis, page 32-35
	3-2 Material topics list	Materiality Analysis, page 32-35
Sustainable Profitability		
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Message from the Chairman, pages 112-114 Materiality Analysis, page 32-35 Financial Performance, page 56-57
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Performance, page 56-57
	201-2 Financial impacts and other risks and opportunities arising from Climate Change	Environmental Performance, page 76-87 Risk Management Projects, page 109
Ethics and Transparency		
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Committees and Their Responsibilities, pages 104-108 https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_TR-1253.pdf https://www.erdemir.com.tr/kurumsal/yolsuzlukla-mucadele-politikasi/
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Committees and Their Responsibilities, pages 104-108 https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_TR-1253.pdf https://www.erdemir.com.tr/kurumsal/yolsuzlukla-mucadele-politikasi/
	205-2 Communication and training on anti-corruption policies and procedures	Committees and Their Responsibilities, pages 104-108 https://www.erdemir.com.tr/Sites/1/upload/files/Erdemir_Etik_Kurallar_Kitapcigi_TR-1253.pdf https://www.erdemir.com.tr/kurumsal/yolsuzlukla-mucadele-politikasi/
Climate Change		
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Environmental Performance, page 76-87
	301-2 Recycled input materials used	Environmental Performance, page 76-87
Energy Management		
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environmental Performance, page 76-87 Environmental Performance Indicators, page 114-115
	302-4 Reducing energy consumption	Environmental Performance, page 76-87 Environmental Performance Indicators, page 114-115
Water Management		
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
GRI 303: Water and Wastewater 2018	303-1 Interactions with water as a shared resource	Environmental Performance, page 76-87
	303-3 Water withdrawal	Environmental Performance, page 76-87 Environmental Performance Indicators, page 114-115
	303-5 Water consumption	Environmental Performance, page 76-87 Environmental Performance Indicators, page 114-115

GRI STANDARD	EXPLANATIONS	DEPARTMENT
	Biodiversity	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	Environmental Performance, page 76-87
	Air Emissions	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
GRI 305: Emissions 2016	305-5 Reduction of greenhouse gas (GHG) emissions	Environmental Performance, page 76-87
	Waste Management	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
GRI 306: Waste 2020	306-1 Significant impacts on waste and waste generation	Environmental Performance, page 76-87
	306-2 Management of waste-related impacts	Environmental Performance, page 76-87
	306-3 Waste generated	Environmental Performance, page 76-87 Environmental Performance Indicators, page 114-115
	306-4 Disposed wastes	Environmental Performance, page 76-87 Environmental Performance Indicators, page 114-115
	Employee and Human Rights	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Employees, pages 92-97
GRI 401: Employment 2016	401-1 New hires and employee turnover	Employees, pages 92-97 Social Performance Indicators, pages 112-113
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employees, pages 92-97 Social Performance Indicators, pages 112-113
	401-3 Maternity leave	Employees, pages 92-97 Social Performance Indicators, pages 112-113
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notification periods for operational changes	In case of significant operational changes, legal notice periods are followed.
	Occupational Health and Safety	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Occupational Health and Safety, pages 70-75
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety, pages 70-75
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety, pages 70-75
	403-3 Occupational health services	Occupational Health and Safety, pages 70-75
	403-4 Employee participation, consultation, and communication on occupational health and safety	Occupational Health and Safety, pages 70-75
	403-5 Employee OHS trainings	Occupational Health and Safety, pages 70-75
	403-6 Improving worker health	Occupational Health and Safety, pages 70-75
	403-7 Prevention and reduction of occupational health and safety impacts directly related to business relationships	Occupational Health and Safety, pages 70-75
	403-8 Employees within the scope of occupational health and safety management system	Occupational Health and Safety, pages 70-75
	403-9 Work-related injuries	Occupational Health and Safety, pages 70-75
	403-10 Work-related illness	Occupational Health and Safety, pages 70-75

GRI Content Index

GRI STANDARD	EXPLANATIONS	DEPARTMENT
	Employee Satisfaction and Talent Management	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Employees, pages 92-97
GRI 404: Training and Education 2016	404-1 Average annual training hours per employee	Employees, pages 92-97 Social Performance Indicators, pages 112-113
	404-2 Programs for upgrading employee skills and transition assistance programs	Employees, pages 92-97
	Equal Opportunity and Diversity	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Employees, pages 92-97
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Employees, pages 92-97 Social Performance Indicators, pages 112-113
	405-2 Ratio of basic salary and remuneration of women to men	Employees, pages 92-97 Social Performance Indicators, pages 112-113
GRI 407: Collective Bargaining and Union Right 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	During the reporting period, there was no case of violation of the right to organize and collective bargaining.
	Contribution to Local Development	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Social Contribution, page 98-99
GRI 413: Local Communities 2016	413-1 Local community engagement, impact assessments and operations with development programs	Social Contribution, page 98-99
	Product Quality	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Process Development Work, page 62-63
	Low Emission Production Technologies	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
	Operational Efficiency	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Investments, page 48-53 The Customer's Solution Partner, page 58-59 Digital Transformation and Technology, page 90-91
	Responsible Sourcing and Supply Chain Management	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Supply Chain, page 68-69
	R&D and Innovation	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 R&D and Innovation, page 88-89
	The Circular Economy	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Environmental Performance, page 76-87
	Corporate Governance	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Corporate Governance, page 100-109
	Digitalization	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Digital Transformation and Technology, page 90-91
	Community Investment Programs	
GRI 3: Materiality Topics 2021	3-3 Management of materiality topics	Materiality Analysis, page 32-35 Social Contribution, page 98-99

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