

(Convenience translation into English of the independent auditors' report and consolidated financial statements originally issued in Turkish – See Note 37)

**İZMİR DEMİR ÇELİK SANAYİ A.Ş.
AND ITS SUBSIDIARIES**

**Consolidated financial statements for the year ended 31 December 2022
and independent auditors' report**



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(Convenience translation into English of the independent auditors' report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İzmir Demir Çelik Sanayi Anonim Şirketi;

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of İzmir Demir Çelik Sanayi Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and 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 of 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (IAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with 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.

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Key audit matter	How the matter was addressed in the audit
<p>Recoverability of deferred tax assets</p> <p>According to the Turkish tax legislation, financial losses shown on the tax return can be deducted from the corporate income for a period within 5 years. The total amount of the accumulated tax losses of the Group are TL 1.549.402.264 as of 31 December 2022.</p> <p>The Company has interest incentives that can be deducted from the corporate tax entitled from the cash capital increase within the scope of the law.</p> <p>As of 31 December 2022, the Group has recognized deferred tax assets amounting to TL 292.865.346 over the tax losses carried forward and TL 55.079.048 based on the cash capital increase interest incentive as stated in Note 26.</p> <p>The total or partial recoverable amount of the deferred tax asset calculated and recognized based on the assumptions under the current conditions is estimated by the Group Management. During the evaluation, future business plans, losses incurred in the current period and the dates when the unused losses could be used are taken into consideration. The subject of income tax deduction has been identified as a key audit matter for our audit, as it requires evaluation and judgment.</p> <p>The details of deferred tax assets are disclosed in Note 26.</p>	<p>During our audit, we have inquired management evaluation about recoverability of tax assets by examining business plans in the future and expiry date of carry forward tax losses.</p> <p>During evaluation phase, profit projections, current year profit or losses, expiry date of carry forward tax losses and other tax assets have been taken into consideration.</p> <p>As part of our audit, significant key assumptions used by Group Management in business plans related to this matter were examined and their appropriateness was evaluated.</p> <p>In order to investigate deferred tax effect of unused tax losses, internal tax experts from another entity that is a part of our same audit network have been involved and the measurement of the related deferred tax assets has been submitted for consideration and investigation of tax experts.</p> <p>In addition, the disclosures regarding the matter in the consolidated financial statements were evaluated in accordance with TAS 12.</p>

4) 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 financial reporting process.

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

In an independent audit, our responsibilities as the auditors are:

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 standards on auditing as issued by the Capital Markets Board of Turkey and IAS 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 standards on auditing as issued by the Capital Markets Board of Turkey and IAS, 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.
- 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.

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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

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 9 March 2023.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Başol Çengel.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Mehmet Başol Çengel, SMMM
Partner

9 March 2023
İzmir, Türkiye

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İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022
(Amounts expressed in TL)

ASSETS	Note	Audited	
		Current period 31 December 2022	Prior period 31 December 2021
Current Assets			
Cash and Cash Equivalents	5	1.494.578.863	2.038.466.872
Financial Investments	6	28.098.900	-
Trade Receivables		936.754.832	258.790.289
<i>Trade receivables from related parties</i>	4	86.955.531	42.565
<i>Trade receivable from third parties</i>	7	849.799.301	258.747.724
Other Receivables		1.859.652	107.711.622
<i>Other Receivables from related parties</i>	4	-	105.922.053
<i>Other receivables from third parties</i>	8	1.859.652	1.789.569
Inventories	9	3.349.517.525	1.812.214.071
Prepaid Expenses	10	162.266.386	84.734.360
Other Current Assets	19	40.749.790	15.604.335
TOTAL CURRENT ASSETS		6.013.825.948	4.317.521.549
Non-Current Assets			
Financial Investment	6	1.019.693	1.023.056
Other Receivables	8	13.634.002	4.655.468
Investment Properties	11	202.895.000	138.875.000
Property, Plant and Equipment	12	3.942.601.009	2.937.901.505
Right of use assets	13	79.618.592	45.807.050
Intangible Assets	14	671.685	364.210
Prepaid Expenses	10	576.324.112	184.572.404
Deferred Tax Asset	27	742.217.595	120.397.553
TOTAL NON-CURRENT ASSETS		5.558.981.688	3.433.596.246
TOTAL ASSETS		11.572.807.636	7.751.117.795
LIABILITIES			
Current Liabilities			
Short-term Borrowings	31	5.559.788.863	4.335.121.362
Short-term Portion of Long-term Borrowings	31	613.334.954	1.094.465.732
Trade Payables		422.446.492	136.581.903
<i>Trade payables to related parties</i>	4	5.424.669	4.679.056
<i>Other payables to third payables</i>	7	417.021.823	131.902.847
Employee Benefits Liabilities	17	56.982.248	29.007.769
Other Payables	8	4.975.664	1.783.571
Deferred Income	19	465.972.908	576.510.903
Derivative Instruments	30	9.462.548	-
Current Income Tax Liability	27	60.374.034	-
Other Current Liabilities	19	100.037.294	113.568.288
TOTAL CURRENT LIABILITIES		7.293.375.005	6.287.039.528
Non-current Liabilities			
Long-term Borrowings	31	1.562.748.836	500.374.949
Long-term Provisions		151.147.166	56.619.162
<i>Long term provisions related to employee benefits</i>	17	151.147.166	56.619.162
Deferred Tax Liabilities	27	15.555.888	106.616.045
TOTAL NON-CURRENT LIABILITIES		1.729.451.890	663.610.156
EQUITY			
Equity Attributable to Owners of the Company			
Paid-in Capital	20	1.500.000.000	1.500.000.000
Adjustment on Capital	20	22.763.962	22.763.962
Share premiums		2.884.035	2.884.035
Other Accumulated Comprehensive Income/ Expense not to be Reclassified under Profit or Loss		1.975.659.543	1.521.238.814
<i>Gain/ loss on revaluation and re-measurement</i>	20	1.975.659.543	1.521.238.814
Legal Reserves	20	25.832.374	25.832.374
Retained Earnings/(Losses)	20	(2.228.430.630)	(1.528.337.297)
Net Profit/(Loss) for the Period	20	1.142.388.694	(766.100.133)
Non-controlling Interests		108.882.763	22.186.356
TOTAL EQUITY		2.549.980.741	800.468.111
TOTAL LIABILITIES		11.572.807.636	7.751.117.795

The accompanying notes are an integral part of these consolidated financial statements.

(Convenience translation into English of the consolidated financial statements originally issued in Turkish)

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES

**CONSOLIDATED PROFIT OR LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts expressed in TL)

	Note	<i>Audited</i>	<i>Audited</i>
		Current Period 1 January – 31 December 2022	Prior Period 1 January – 31 December 2021
PROFIT OR LOSS			
Revenue	21	24.646.553.834	10.823.179.851
Cost of Sales (-)	21	(21.007.779.576)	(9.694.922.205)
GROSS PROFIT		3.638.774.258	1.128.257.646
General Administrative Expenses (-)	22	(132.342.032)	(66.183.132)
Marketing Expenses (-)	22	(55.509.678)	(37.321.577)
Other Income from Operating Activities	23	300.227.608	156.724.561
Other Expenses from Operating Activities (-)	23	(503.156.080)	(8.198.410)
OPERATING PROFIT		3.247.994.076	1.173.279.088
Income from Investing Activities	24	175.140.085	50.884.000
Expenses from Investing Activities (-)	24	(14.732.697)	(14.928.510)
OPERATING PROFIT BEFORE FINANCE EXPENSE		3.408.401.464	1.209.234.578
Finance Income	25	261.460.190	503.014.119
Finance Expenses (-)	25	(2.431.245.086)	(2.569.780.467)
OPERATING LOSS BEFORE TAX		1.238.616.568	(857.531.770)
Tax Income/(Expense)		(39.460.272)	75.018.766
Tax Expense	27	(102.518.570)	(9.427.994)
Deferred Tax Income	27	63.058.298	84.446.760
PROFIT/(LOSS) FOR THE PERIOD		1.199.156.296	(782.513.004)
Profit/(Loss) Attributable to			
Non-controlling Interests	20	56.767.602	(16.412.871)
Owners of the Company		1.142.388.694	(766.100.133)
Diluted Profit/(Losses) Per Share	28	0,7616	(0,7309)

The accompanying notes are an integral part of these consolidated financial statements..

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İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts expressed in TL)

		<i>Audited</i>	<i>Audited</i>
	Note	Current Period 1 January – 31 December 2022	Prior Period 1 January – 31 December 2021
NET PROFIT (LOSS) FOR THE PERIOD		1.199.156.296	(782.513.004)
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified through profit or loss		576.138.453	10.523.576
Actuarial Gain/(Losses) on Employee Termination Benefit Obligation	17	(73.683.448)	(2.386.268)
Taxes Relating to Other Comprehensive Income/ Expenses not to be Reclassified to Profit or Loss	27	649.821.901	12.909.844
OTHER COMPREHENSIVE INCOME		576.138.453	10.523.576
TOTAL COMPREHENSIVE INCOME/(LOSS)		1.775.294.749	(771.989.428)
Attributable to			
Non-controlling Interests		88.032.227	(16.433.362)
Shareholders' of the parent		1.687.262.522	(755.556.066)

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İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in TL)

	Paid-in Capital	Share premiums	Adjustment on Capital	Revaluation Fund on Property, Plant and Equipment	Gain/ (Loss) on benefit plans Re-measurement	Legal Reserves	Retained Earnings / (Losses)	Net Profit / (Loss) for the Period	Equity Attributable to Owners of the Company	Non- controlling Interests	Total Equity
PRIOR PERIOD											
Balance at 1 January 2021 (Beginning of the period)	375.000.000	-	22.763.962	1.622.340.460	(14.518.621)	25.832.374	(1.166.593.025)	(455.718.721)	409.106.429	33.110.790	442.217.219
Capital increase	1.125.000.000	2.884.035	-	-	-	-	-	-	1.127.884.035	5.566.000	1.133.450.035
Transfers	-	-	-	(97.351.849)	-	-	(358.366.872)	455.718.721	-	-	-
Other comprehensive income/loss	-	-	-	12.430.267	(1.886.200)	-	-	-	10.544.067	(20.491)	10.523.576
Net profit/(loss) for the period	-	-	-	-	-	-	-	(766.100.133)	(766.100.133)	(16.412.871)	(782.513.004)
Increase/decrease due to change in shareholding at subsidiary	-	-	-	225.153	(396)	-	(167.685)	-	57.072	(57.072)	-
Increase/decrease due to other changes	-	-	-	-	-	-	(3.209.715)	-	(3.209.715)	-	(3.209.715)
Balance at 31 December 2021 (End of the period)	1.500.000.000	2.884.035	22.763.962	1.537.644.031	(16.405.217)	25.832.374	(1.528.337.297)	(766.100.133)	778.281.755	22.186.356	800.468.111
CURRENT PERIOD											
Balance at 1 January 2022 (Beginning of the period)	1.500.000.000	2.884.035	22.763.962	1.537.644.031	(16.405.217)	25.832.374	(1.528.337.297)	(766.100.133)	778.281.755	22.186.356	800.468.111
Transfers	-	-	-	(90.453.099)	-	-	(675.647.034)	766.100.133	-	-	-
Dividends	-	-	-	-	-	-	10.360	-	10.360	(10.372)	(12)
Other comprehensive income/loss	-	-	-	603.526.881	(58.653.053)	-	-	-	544.873.828	31.264.625	576.138.453
Net profit/(loss) for the period	-	-	-	-	-	-	-	1.142.388.694	1.142.388.694	56.767.602	1.199.156.296
Increase/decrease due to other changes	-	-	-	-	-	-	(24.456.659)	-	(24.456.659)	(1.325.448)	(25.782.107)
Balance at 31 December 2022 (End of the period)	1.500.000.000	2.884.035	22.763.962	2.050.717.813	(75.058.270)	25.832.374	(2.228.430.630)	1.142.388.694	2.441.097.978	108.882.763	2.549.980.741

The accompanying notes are an integral part of these consolidated financial statements.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts expressed in TL)

		<i>Audited</i>	<i>Audited</i>
		Current Period 1	Prior Period
		January –	1 January –
	Notes	31 December 2022	31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		82.867.609	445.020.009
Net profit/(loss) for the period		1.199.156.296	(782.513.004)
Adjustments for net profit/loss for the period reconciliation		1.223.238.616	2.235.835.272
Adjustments for depreciation and amortization	18	200.173.595	193.425.623
Adjustments for impairment (cancellation)		123.011.040	(1.346.424)
- <i>Adjustments for impairment (cancellation) receivables</i>	7	(19.298.175)	(883.102)
- <i>Adjustments for impairment (cancellation) inventory</i>	9	127.576.518	(463.322)
- <i>Adjustments for impairment (cancellation) fixed assets</i>	24	14.732.697	-
Adjustments related with provisions	17	28.963.736	11.280.734
Adjustments for interest income and expenses	23,24,25	336.097.321	146.259.650
Adjustments to (gain)/loss on fair value		(173.402.311)	(36.376.349)
- Adjustments to (gain)/loss on fair value of investment properties	24	(171.796.000)	(50.884.000)
- Adjustments to (gain)/loss on fair value of financial instruments	25	(1.606.311)	14.507.651
Adjustments for tax expense/(income)	27	39.460.272	(75.018.766)
Other adjustments for non-cash items		670.284.110	1.997.189.945
Adjustments for (gain)/loss on disposal of tangible assets	24	(1.349.147)	420.859
Changes in working capital		(2.272.158.889)	(988.635.879)
(Increase)/ decrease in financial investments		(28.098.900)	
Adjustments for (increase)/decrease in trade receivables		(662.277.497)	(132.624.179)
Adjustments for (increase)/decrease in other receivables		(8.149.600)	(505.766)
Adjustments for (increase)/decrease in inventories		(1.654.841.546)	(869.623.529)
Adjustments for increase/(decrease) in trade payables		285.720.980	35.152.998
Adjustments for increase/(decrease) in other payables		(13.996.096)	60.723
Adjustments for increase/(decrease) in working capital		(190.516.230)	(21.096.126)
Net cash provided from operating activities		150.236.023	464.686.389
Payment for the employee benefits provisions	17	(8.119.180)	(4.309.881)
Taxes paid		(59.249.234)	(15.356.499)
B. CASH FLOW USED IN INVESTING ACTIVITIES		(1.378.657.432)	(283.777.938)
Proceeds from sales of property, plant and equipment and intangible assets		2.581.578	1.445.939
Purchase of property, plant and equipment and intangible assets	12,14	(937.277.805)	(106.217.473)
Proceeds from sales of investment property		6.895.000	-
Cash advances given		(391.751.708)	(184.572.404)
Cash outflows used in obtaining control of subsidiaries or other businesses		(59.104.497)	
Other cash inflow/outflows		-	5.566.000
C. NET CASH USED FOR FINANCING ACTIVITIES		751.901.814	1.621.389.185
Cash inflows from capital increase		-	1.127.884.035
Cash inflows from borrowings		9.157.699.167	3.321.241.225
Repayments of borrowings		(8.252.126.258)	(2.675.295.246)
Increase/(decrease) in due to related parties		112.038.218	(29.730.294)
Payments of lease liabilities		(21.120.903)	(17.767.477)
Cash receipts from futures contracts, forward contracts, and swap contracts		103.345.879	57.421.387
Cash payments for futures contracts, forward contracts and swap contracts		(92.277.020)	(70.729.584)
Interest paid		(296.297.113)	(118.339.181)
Interest received		40.639.856	29.914.035
Dividend paid		(12)	-
Other cash outflows		-	(3.209.715)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(543.888.009)	1.782.631.256
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	5	2.038.466.872	255.835.616
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	5	1.494.578.863	2.038.466.872

The accompanying notes are an integral part of these consolidated financial statements

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1. ORGANIZATION AND NATURE OF BUSINESS

İzmir Demir Çelik Sanayi A.Ş. (“the Company”) was established in 1975 to produce long steel products for domestic and international markets. Modern bar rolling mill and steel melt shop was commissioned in 1983 and 1987 respectively. Production is carried out in Aliğa heavy industrial zone at a plant located over 550,000 m² areas. Medium section mill was launched in the year 2013. The company and its subsidiaries are engaged in production, sales, marketing of iron and steel, port services, ship operations and production, and trading of energy.

The registered address of İzmir Demir Çelik Sanayi A.Ş. is Şair Eşref Bulvarı No: 23, 35210 Konak İzmir.

Subsidiaries included in the accompanying consolidated financial statements are as follows:

Company Name	Operating Area	31 December 2022 Shareholding rate	31 December 2021 Shareholding rate
Akdemir Çelik Sanayi ve Tic. A.Ş.	Iron-steel production	%99,98	%99,98
İDÇ Liman İşletmeleri A.Ş.	Harbour operating	%99,98	%99,98
İzdemir Enerji Elektrik Üretim A.Ş.	Energy production	%94,86	%94,86
İzdemir Solar Enerji A.Ş.	-	%94,86	-

Shareholding structure:

	Share Amount (TL)	Share (%)
Şahin – Koç Çelik Sanayi A.Ş.	871.889.341	58,13
Other (Publicly traded)	628.110.659	41,87
Total	1.500.000.000	100

The Company’s shares are traded at Borsa İstanbul (“BIST”) under the name “İZMDC”.

The Company and its subsidiaries are hereby referred to as “the group” in this report.

Number of employees is as follows:

	Blue Collar	White Collar	Manager	Top Management	Total
31 December 2022	1.276	664	33	7	1.980
31 December 2021	1.203	604	31	5	1.843

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”) Turkish Accounting Standards Boards.

Consolidated financial statements are presented in accordance with the TFRS Taxonomy developed on the basis of the financial statement samples specified in the Financial Statement Examples and User Guide published by the POA in the Official Gazette dated June 7, 2019 and numbered 30794.

The consolidated financial statements are prepared on the basis of historical cost, except for derivative financial instruments and investment properties carried at their fair value and land, underground and above ground landscapes, buildings and machinery / equipment within the tangible fixed assets measured in accordance with the TAS 16 revaluation model.

Functional and presentation currency

The group’s functional currency is Turkish Lira (TL). The accompanying consolidated financial statements are presented in TL unless otherwise stated. Monetary assets and monetary liabilities incurred in foreign currency are converted to Turkish Lira on exchange rates valid as of the date of the statement of financial position

Approval of Consolidated Financial Statements

The Group’s consolidated financial statements were approved by the board of directors of the company on 9 March 2023. The General Assembly and related legal entities have the right to amend the financial statements prepared in accordance with legal regulations and these financial statements.

Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries presented in Note 1. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- 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.

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In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements starting from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Amendment of financial statements on high inflation periods

With the resolution on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” issued by TASB is no longer required for companies operating in Turkey and accordingly effective from 1 January 2005, TAS 29 has not been applied in preparing the Group’s consolidated financial statements in accordance with CMB Financial Reporting Standards.

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29. With the “Law Amending the Tax Procedure Law and the Corporate Tax Law”, which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

2.2 Changes in Accounting Policies

A company could only change its accounting policies under following circumstances.

- If a standard or interpretation makes it necessary or
- If the financial position of the company, performance and impacts of operations and incidents upon its cash flow is able to be offered more appropriate and reliable quality in the financial statements.

Financial statements have to be comparable to enable the users of financial statements to see the trends in financial position, performance and cash flows. Therefore, if the change is not granting one of the above conditions, the accounting policies are applied consistently at each and annual period

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2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2022 and thereafter. The effects of these standards and interpretations on the the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of 1 January 2022 are as follows:

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 must be applied prospectively. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of 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 costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The amendments did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- IFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

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- IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41. The amendments did not have a significant impact on the financial position or performance of the Group

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

IFRS 17 - The new Standard for insurance contracts

IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

In accordance with amendments issued in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and October 2022, IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in October 2022 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, October 2022 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with IAS 8. Early application is permitted. However, an entity that

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applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa. Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. Overall, the Group expects no significant impact on its balance sheet and equity

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in IFRS, the Board decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. Overall, the Group expects no significant impact on its balance sheet and equity

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

In September 2022, the Board issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 16 under “Subsequent measurement of the

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lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Overall, the Group expects no significant impact on its balance sheet and equity

2.4 Comparative Information and reclassification on prior financial statements

The accompanying consolidated financial statements are prepared in comparison with the prior period in order to determine the Group's consolidated financial position, consolidated performance and trends in consolidated cash flow. In order to ensure the comparability of the consolidated financial statements, the prior period financial statements are reorganized accordingly and clarified in relation to these issues.

The Group has prepared consolidated statement of financial position as at 31 December 2022 comparatively with the consolidated statement of financial position as at 31 December 2021, and consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity for the period ended 31 December 2022 comparatively with the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity for the period ended 31 December 2021.

2.5. Going concern

The Group recorded a profit of TL 1.199.451.206 for the reporting period ended December 31, 2022, and in the consolidated financial statements prepared on the same date, the Group's short-term liabilities exceeded its current assets by TL 1.280.376.427.

Foreign exchange rates, which have increased above expectations in recent years, have continued to rise in 2022. Exchange rates have increased by 43% since the beginning of this year during the period. The company carries out raw material purchases in foreign currency and high financing costs have been incurred due to the net foreign currency position deficit. While the company profited from its core operations, the fact that financing expenses exceeded its operating profit caused the Group to disclose losses.

Obligations to financial institutions are fulfilled on time and restructuring is not required for these loan repayments, taking into account the available cash and non-cash credit limits available to financial institutions as of the reporting date.

On the other hand, the Group achieved revenue of 24,7 billion TL and 3,5 billion TL EBITDA. The group management aims to achieve more robust financial results in accordance with 2023 projections after completing ongoing meltshop investment. Therefore, it is estimated that the Group have the ability to repay liabilities exceeding short-term assets at the point of payment maturities when the cash

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flows that will be generated from operating activities in accordance with these revenue estimates and abovementioned factors. are taken into consideration.

Group management, taking into account the developments and forecasts described above, assessed that there is no significant uncertainty regarding the ability of going concern and prepared its consolidated financial statements as of December 31, 2022 in accordance with the going concern principle.

2.6 Changes and Errors in Accounting Estimates

Preparation of the accompanying consolidated financial statements in accordance with TFRSs’ requires estimates of the values of certain assets and liabilities contained in the consolidated financial statements prepared by management, explanations given on possible taxpayers, and the amounts of income and expenses reported. Realized amounts may vary from estimates. These estimates are reviewed at regular intervals and reported in the Consolidated Statement of profit or loss for the periods in which they are identified.

2.7 Summary of Significant Accounting Policies

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Group defines ‘performance obligation’ as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as:

- (a) a performance obligation either a good or service that is distinct;
- (b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

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The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group’s performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Group recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- The Group’s performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where output method is used.

If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Group recognizes a provision in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets” when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

The Group recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity’s stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

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The details of the important accounting policies of the Group for various goods and services and the methods of revenue recognition are as follows.

Revenues are recorded on an accrual basis over the fair value of the price received or that can be received upon the delivery, the reliable determination of the revenue amount and the probability of economic benefits related to the transaction to flow to the Group.

Net sales is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales. If the group makes its sales on a term basis and does not receive interest during the term, or applies an interest rate lower than the market interest rate on its sales and thus the transaction involves an effective financing transaction, the fair value of the sale is determined by reducing the present value of the receivables. The difference between the nominal value of the receivables and the fair value calculated in this way is reflected to the relevant periods according to the "Effective interest (internal rate of return) method" as the term difference income.

The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

Identification of customer contracts

- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

The significant accounting policies applied in the preparation of consolidated financial statements are summarized below:

Revenue

Revenues are basically measured on fair value of the amount of receivable collected or to be collected. The estimated customer returns, discounts and provisions are deducted from that amount.

The main activities of the Company and its subsidiaries are production, sales, marketing, transportation of iron and steel, port services and ship operations.

Sales of iron and steel:

Revenue from sale of iron and steel is accounted on accrual basis at fair value when all the following conditions are satisfied:

- The Group has transferred all significant risks and rewards of ownership of the goods to the buyer,
- The Group retains neither continuing managerial involvement associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service delivery:

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Service delivery consists of marine transportation and harbor management. When the outcome of a transaction involving the service delivery can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the completion stage of the transaction as of the statement of financial position date.

Revenue from service delivery is accounted on accrual basis at fair value when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The completion stage of the transaction at the statement of financial position date can be measured reliably;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sales of electricity:

Revenue from sale of electricity is accounted when all the following conditions are satisfied:

- Transmitting the quantity of the power committed to customer
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rent income:

Proceeds achieved through renting the Group owned-ships are accounted on a straight line basis during the rent agreement period.

Financial income and expenses

Financial income is composed of foreign exchange gains and rediscount gains which is not associated with main activities of the Group. Financial expenses are composed of interest expenses on bank borrowings, bank charges and foreign exchange losses. Group uses off balance sheet financial instruments, such as letter of credit, during the ordinary course of business. The maximum exposure of the Group that is sourced by these financial instruments is equal to the contract amount.

Dividend and interest income:

Interest income is recognized as it accrues in profit or loss, using effective interest rate. Dividend income is recorded when shareholders have the right to get dividend.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of the inventories includes purchase, conversion cost and other costs incurred for the inventories. Cost for finished goods includes production costs in accordance with normal production capacity. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale (Note 12). The cost of inventories is based on the weighted average cost on a monthly basis. Imputed interest that is included in the cost of purchased goods is deducted from the cost of goods sold and inventories.

Amounts of impairment on inventories that decrease inventory costs to net realizable value and losses related with inventories are recognized as expense in the period when these losses occur.

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Impairment provisions on inventories are reversed by reducing the cost of goods sold amount. As of every reporting period, net realizable value is reviewed once again.

The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. General fixed production expenses part is allocated with the idle capacity expenses in the case of idle capacity.

Tangible Assets

The Group has adopted revaluation method on presentation of lands, buildings, land improvements, machineries and equipment. The rest of fixed assets are presented by net book value, calculated as the cost of an asset less accumulated depreciation.

The Group hired an independent real estate appraisal company, accredited by Capital Market Board, to determine fair value of its assets as of 31 December 2020. In this manner, lands, buildings, land improvements, machineries and equipment are reflected to the consolidated financial statements at fair values that are determined by the mentioned an independent real estate valuation company,

Taxable temporary differences arising from the valuation of tangible fixed assets are recognized with 20% deferred tax liability with the assumption that the Group management will not benefit from the real estate sales exemption related to corporate tax within the scope of TAS 12.

The valuation company determined the fair value of land and parcels with market value method, the fair value of building with market value method and depreciated replacement cost method, the fair value of land improvements and machinery and equipment with depreciated replacement cost method.

The revaluation frequency depends on the differences at the fair values of tangible fixed assets.

If net book value of an asset increases as a result of the revaluation, this increase is recognized at statement of other comprehensive income and presented under the revaluation fund account in the equity. However a revaluation value increase can only be recognized in the profit or loss statement to the extent of impairment recorded in the previous periods for the same asset.

If net book value of an asset decreases during the revaluation, this decrease is recognized as expense. However this decrease can only be recognized as much as all kinds of credit balance about this asset in the revaluation surplus. The subjected decrease recognized in other comprehensive income, decreases the amount accumulated in equity under revaluation surplus. In the case of sales of revalued building or land, revaluation surplus part of revalued asset is classified to accumulated profit/(loss).

The costs of property, plant and equipment purchased before 1 January 2005 are restated for the effects of inflation in TL unit current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation is provided on the acquired values of property, plant and equipment on a straight-line method starting

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from the acquisition date. Land is not amortized. Repair and maintenance costs are transferred to the related expense account on the date of the charge.

The depreciation rates presented below are determined by considering estimated useful lives.

Buildings	10-50 years
Land improvements	5-25 years
Machinery and equipment	5-30 years
Vehicles	3-20 years
Furniture and fixtures	3-17 years
Lease hold improvements	2-5 years

Intangible Assets

The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation in TL units current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 1 January 2005 are carried at cost less accumulated amortization and impairment losses. If there is an impairment, the recorded value of the intangible assets are decreased to their recoverable values. Intangible assets are amortized on a straight-line basis in consolidated statement of comprehensive income over their estimated useful lives.

Amortization rates that are mentioned below are determined by considering estimated useful lives.
Rights 3-5 years%

Impairment of assets

Financial Assets

The Group recognize the allowance for the expected credit loss of financial assets measured at amortized cost. Expected credit loss allowances for trade receivables, other receivables, other assets are always measured at an amount equal to lifetime expected credit losses.

Reasonable and supportable information available without undue cost or effort is taken into account when determining whether the credit risk on a financial asset has increased significantly since its first recognition and when estimating expected credit losses. These include qualitative and quantitative information and analysis and future information based on the Group's past experience and informed credit evaluations. The Group accepts that there is a significant increase in the credit risk of financial assets whose maturity exceeds 180 days.

The group acknowledges that financial assets are in default in the following situations:

- If the borrower is unlikely to fully fulfill its loan obligations to the Group (if collaterals exist) before the Group takes actions such as collateral collateral, or if the financial asset exceeds its maturity by more than 365 days.

The Group acknowledges that bank balances have low credit risk if their risk ratings are equal to the internationally defined “investment grade.” Lifetime expected credit losses are the result of default events that are likely to occur over the expected life of a financial instrument.

12-month expected credit losses are the portion that represents expected credit losses resulting from default events that are likely to occur within 12 months of the reporting date. The maximum period

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over which expected credit losses will be measured is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of expected credit losses

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below.

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

A financial instrument is both a contract that establishes the financial asset of a business and another entity's financial liability or equity instrument.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Non-financial assets

Carrying amounts of the Group’s non-financial assets except deferred tax assets and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such an indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Fair value less cost to sell of an asset or a cash generating unit is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal. Impairment is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount through use or sale. Impairments are recognized in the profit or loss.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Goodwill acquired in a business combination allocated to groups of cash generating units that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis. Impairment losses are recognized in profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

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Government Grants and Incentives

Government incentives, including non-monetary grants at fair value are included in the consolidated financial statements only if there is reasonable assurance that the Group will fulfil all required conditions and acquire the incentive. A forgivable loan from government is treated as a government grant when it is probable that the entity will meet the terms for forgiveness of the loan.

The Group utilizes disabled employment incentive due to Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510. Government incentives recorded under government incentive and grant in the profit or loss statements are not collected in cash but deducted from the accrued insurance premiums by treasury. Incentive income was off set against cost of goods sold.

Investment Properties

Investment properties are the real estates which are held to earn rental income and/or for capital appreciation. Investment properties are presented in the financial statements at their fair value determined in the revaluation work which is carried out on December 27, 2016 by an independent appraisal company accredited by the Capital Market Board. Appreciation or devaluation in the mentioned properties is accounted in the consolidated profit or loss table.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply TAS 16 up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value in the same way as a revaluation in accordance with TAS 16.

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 in the year of retirement or disposal.

A gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Financial Instruments

Classification

The Company classifies its financial assets measured at amortized cost. The classification of financial assets is determined considering the entity’s business model for managing the financial

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assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Company's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Recognition and measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company’s financial assets measured at amortized cost comprise “cash and cash equivalents” “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

Financial assets measured at fair value through profit/loss

Financial assets measured at fair value through profit or loss consist of derivative instruments. These assets are measured at fair value at subsequent recognition. Net gains and losses, including interest income, are recognized in profit or loss.

Financial assets measured at amortized cost

Financial assets measured at amortized cost consist of cash and cash equivalents, trade receivables, other receivables and other assets. Subsequent recognition of these assets is made at amortized cost using the effective interest method. Amortized costs include impairment losses. Interest income, foreign currency translation gains and losses and impairment are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and time deposits with original maturities of three months or less. Cash and cash equivalents are highly liquid investments with maturity periods of less than three-months and having no conversion risk exposure other than the impact of foreign currency changes.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Non-derivative financial assets

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The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets consist of bank borrowings, trade and other receivables, cash and cash equivalents. Non-derivative financial assets are recorded at cost. Non-derivative financial assets are recognized in the following way after being recorded.

Derecognition

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Company was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below.

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

A financial instrument is both a contract that establishes the financial asset of a business and another entity's financial liability or equity instrument.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

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Financial liabilities are classified as equity instruments and other financial liabilities.

Other financial liabilities

Other financial liabilities (short term and long term bank loans) are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis (Note 4).

Derecognition of financial liabilities are derecognized only when the Company's liability is eliminated, canceled or expired. The difference between the carrying amount of the financial liability and the amount paid or to be paid, including the transferred non-cash assets or the liabilities assumed, is recognized in profit or loss

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

Financial assets measured at fair value through profit/loss

Financial assets measured at fair value through profit or loss consist of derivative instruments. These assets are measured at fair value at subsequent recognition. Net gains and losses, including interest income, are recognized in profit or loss.

Leases

As a lessee

At the actual start of the lease or on the date of modification of the contract containing the lease component, the group distributes to each lease component based on the relative stand-alone price of the lease component and the total stand-alone price of the non-lease components.

The Group chose not to separate non-lease components from the rental components, but instead to account for each lease component and its associated non-lease components as a single rental component.

The Group reflected right of use assets and lease obligations in its financial statements at the time of the actual start of the lease. Initial measurement of the liability, the amount of right of use for the lease liability, the lease payments made prior to the actual start date of the lease incentives received are all obtained by deducting the amount of all direct costs and initial rental with all the dismantling and transportation to the area where the asset are located, or from being restored by the terms and conditions of the lease, the underlying asset is required to be accepted in the future about to be restored, permitting to prepare projected estimated cost consists of.

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If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-to-use asset indicates that the lessee will use a purchase option, the right of use asset is depreciated from the date of the actual start of the lease to the end of the useful life of the underlying asset. In other cases, the right of use asset is depreciated according to the useful life or less than the lease term of that asset, starting from the date of the actual start of the lease. In addition, the value of the right to use asset is periodically reduced by deducting impairment losses, if any, and adjusted in accordance with the re-measurement of the lease liability.

At the actual start of the lease, the lease obligation is measured at the present value of the lease payments that were not paid at that time. Lease payments are discounted using interest rate implicit in a lease, if can be easily determined. If this rate cannot be easily determined, the Group's alternative borrowing interest rate is used.

The Group determines the alternative borrowing interest rate by taking into account the interest rates that will be paid for debts used from various external sources of financing, and makes appropriate adjustments to reflect the terms of the lease and the type of asset being leased.

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.

Lease liability is measured by discounting lease payments at a discount rate. If there is a change in these payments as a result of a change in the index or rate used to determine future lease payments and a change in the amounts expected to be paid under the residual value commitment, the Group evaluates renewal, termination and purchase options.

If the lease obligation is re-measured, it is recognized in the financial statements as a correction in the right of use asset according to the amount of the adjusted debt. However, if the carrying amount of the right of use asset has decreased to zero and there is a further reduction in the measurement of the lease obligation, the remaining re-measurement amount is reflected in profit or loss.

Short-term leases and low-value leases

The group chose not to present right of use assets and lease liabilities in its financial statements for short-term leases with a lease period of 12 months or less and leases of low-value assets, including information technology and machinery equipment. The group recognized the lease payments associated with these leases in the consolidated financial statements as linear expenses during the lease period.

Capital

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Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Preferred shares

Privileged shares are classified under equity in cases that cannot be redeemed, or redemption is only possible in return for payment of the price at the Group's option and when the dividend distribution to the privileged shares is optional. The voluntary dividends distributed to the privileged shares upon the approval of the shareholders of the company are recorded as distribution within the equity.

Related Parties

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

- (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 defined 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 related parties, regardless of whether a price is charged. The Group interacts with its related parties within the frame of ordinary business activities.

Details of related parties are as follows:

İDÇ Denizcilik San. ve Tic. A.Ş.

It was established in 2005 in Izmir in order to operate agency, ship chartering and ship management. İDÇ Denizcilik San. ve Tic. A.Ş. broadly undertakes the administrative function of group ships providing full range of staffing, technical assistance, insurance, technical management, maintenance, technical equipment and fuel in line with SHIPMAN 98, which is Standard Ship Management Agreement advised by The Baltic and International Maritime Council.

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Şahin Gemicilik Nakliyat Sanayi ve Ticaret A.Ş.

The company is established in the year 2009 in Aliğa. Main activities of the company is to perform domestic and international maritime and road transportation or subcontract them on the purpose of transport all kinds of freight and passengers by road and maritime. Company owns 55,803 DWT dry cargo ship. The Group has no commercial relationship with, Şahin Gemicilik ve Denizcilik Nakliyat Sanayi Tic. A.Ş.

Agora Sigorta Aracılık Hizmetleri Ltd. Şti.

It was established in 2006 in İzmir. Company’s main activity is making insurance policies. Agora Sigorta Aracılık Hizmetleri Ltd. Şti. conducts The Group’s insurance brokerage services.

Dagi Giyim Sanayi ve Ticaret A.Ş.

It was established in Istanbul in the year 1988. The Company has been operating in textile industry. There is no commercial relationship between the Group and Dagi Giyim Sanayi ve Ticaret A.Ş.

Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

It was established in Muğla in the year 1994. It has been operating since 2006 in İzmir. It has one commercial yacht. It is engaged in rent yacht. There is no commercial relationship between the Group and Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

Şahin Kömür Ticaret A.Ş.

Engaged in coal trade.

Other Balance Sheet Items

Other balance sheet items are stated at their cost values.

Income taxes

Income taxes comprised current and deferred tax expenses. Current tax and deferred tax is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

Current tax liability includes the tax payable on the taxable income for the period using tax rates enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Currently enacted tax rates are used to determine deferred tax. The principal temporary differences arise from recognition of income and expenses in different reporting periods and capitalization and depreciation differences of property, plant and equipment.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas 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 differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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Tax regulations in Turkey does not allow consolidated tax returns with a subsidiary of the parent company. Therefore, as reflected in the attached consolidated financial statements, tax provisions have been calculated on a company basis separately.

While determining the amount of current and deferred tax, the Group takes into account the uncertain tax positions and whether there are additional taxes and interests to be paid. Based on the tax law and historical events, the Group believes that the tax provisions set aside for the periods not subjected to tax inspection are sufficient. This evaluation is based on estimates and assumptions that contain many professional opinions about the future. In case new information arises that will change the Group's assessment of the adequacy of the tax liability, this change in the tax liability will affect the tax expense for the period in which this situation is determined.

Employee Benefits

According to the enacted laws, the Group is liable to pay to its employees whose employment is terminated due to retirement or for reasons other than resignation and circumstances specified in the labor law. The aforementioned payment amounts are calculated based on the severance pay ceiling valid as of the date of the statement of financial position. Provision for severance pay is reflected in the accompanying consolidated financial statements by calculating the amount of liabilities that will arise in the future due to the retirement of all employees based on their current net value.

The Group pays insurance premiums to the social security institution as an employer. As long as the Group pays these premiums, it has no other liability. These premiums are reflected in personnel expenses in the period they are accrued.

As a result of the past services of its employees, an allowance is recorded for the vacation days unused. The group is obliged to pay the amount found by multiplying the daily gross wage at the date of termination of the employment contract and the sum of other benefits related to the contract by the number of days of leave that is deserved but not used in the event of termination of its employees ' jobs. In this context, the group records the allowance as a long-term benefit obligation provided to employees

Vacation provision is a short-term employee benefit obligation, measured without discount, and expensed in profit or loss as the related service is performed.

Provisions, Contingent Assets and Liabilities

A provision is recognized in the accompanying consolidated financial statements if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote, such contingent liabilities is disclosed in the notes to the financial statements.

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If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the financial statements about the contingent asset. If the entry of economic benefit is certain, the asset and its related income changes are included in the financial statements at the date that they occurred.

Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Earnings per Share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued.

Subsequent Events

Subsequent events represent the events that occur against or on behalf of the Group between the reporting date and the date when the financial statements were authorized for the issue. As of the reporting date, if the evidence with respect to such events or such events has occurred after the reporting date and such events require restating the financial statements; accordingly the Group restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

Segment Reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The executive managers are determined as the chief operating decision maker of the Group.

The Group's four main operating activities are iron and steel activities, ship activities, harbor activities and energy activities.

Statement of Cash Flows

In the cash flow statement, cash flows are classified as operating, investing and financing activities. Cash flows from operating activities represent the Group's cash flows generated from operating activities.

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The Group presents operating cash flows in indirect method by adjusting net income with non- cash expenses, income or expense accruals or deferrals and income and expense items related to investment or financing activities.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (Acquisition of property, plant, equipment and intangible assets). Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparation of the consolidated financial statements, the significant estimates and judgments used by the Group are included in the following notes:

- Note 2.7 – Useful lives of tangible and intangible assets
- Note 7 – Impairment loss on trade receivables
- Note 9 – Provision for impairment on inventories
- Note 11 – Investment properties
- Note 12 – Tangible assets
- Note 16 – Provisions, contingent assets and liabilities
- Note 26 – Tax assets and liabilities
- Note 29 – Financial derivatives
- Note 32 – Fair value disclosures

and assumptions used in preparing the financial statements were reviewed. In this context, no impairment was found in the financial statements.

3. SEGMENT REPORTING

The Group operates in four areas of business. These are iron and steel operations, ship operations, harbour and energy operations.

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SEGMENT REPORTING

01.01- 31.12.2022

	<i>Iron Steel Operations</i>	<i>Ship Operations</i>	<i>Harbour Operations</i>	<i>Energy Operations</i>	<i>Consolidation Adjustments</i>	<i>Consolidated</i>
Domestic Sales	15.514.902.684	-	142.180.850	4.890.670.604	-	20.547.754.138
Export Sales	3.677.560.395	380.871.478	40.367.823	-	-	4.098.799.696
Intersegment Sales	3.674.303	-	222.612.113	1.869.072.448	(2.095.358.864)	-
Total Sales	19.196.137.382	380.871.478	405.160.786	6.759.743.052	(2.095.358.864)	24.646.553.834
Cost Of Sales (-)	(18.389.247.615)	(111.085.438)	(184.868.351)	(4.395.109.641)	2.072.531.469	(21.007.779.576)
GROSS PROFIT/(LOSS)	806.889.767	269.786.040	220.292.435	2.364.633.411	(22.827.395)	3.638.774.258
General Administrative Expenses (-)	(98.635.258)	-	(5.839.032)	(29.837.159)	1.969.417	(132.342.032)
Marketing Expenses (-)	(62.311.160)	-	-	-	6.801.482	(55.509.678)
Other Income from Operating Activities	348.917.479	9.595.398	1.882.568	32.552.436	(92.720.273)	300.227.608
Other Expenses from Operating Activities(-)	(33.472.631)	-	(57.453)	(520.755.024)	51.129.028	(503.156.080)
OPERATING PROFIT/(LOSS)	961.388.197	279.381.438	216.278.518	1.846.593.664	(55.647.741)	3.247.994.076
Income from Investing Activities	175.012.344	-	799.131	(671.390)	-	175.140.085
Expense from Investing Activities (-)	-	-	-	(14.732.697)	-	(14.732.697)
OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE	1.136.400.541	279.381.438	217.077.649	1.831.189.577	(55.647.741)	3.408.401.464
Financial Incomes	261.397.189	-	739.220	(503.420)	(172.799)	261.460.190
Financial Expenses (-)	(1.860.593.994)	-	(14.021.440)	(569.019.264)	12.389.612	(2.431.245.086)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	(462.796.264)	279.381.438	203.795.429	1.261.666.893	(43.430.928)	1.238.616.568
Tax Income/(Expense)	163.942.511	-	(39.450.351)	(172.636.815)	8.684.383	(39.460.272)
Tax Income/(Expense)	-	-	(43.047.445)	(59.471.125)	-	(102.518.570)
Deferred Tax Income / (Expense)	163.942.511	-	3.597.094	(113.165.690)	8.684.383	63.058.298
PROFIT/(LOSS) FOR THE PERIOD	(298.853.753)	279.381.438	164.345.078	1.089.030.078	(34.746.545)	1.199.156.296
Profit/(Loss) Attributable to						
Non-controlling Interests	(4.421)	-	27.897	56.744.126	-	56.767.602
Shareholders' of the parent	(298.849.332)	279.381.438	164.317.181	1.032.285.952	(34.746.545)	1.142.388.694
Segment Assets						
Tangible and intangible fixed assets, investment properties	1.960.679.711	47.707.817	271.183.913	1.663.701.253	-	3.943.272.694
Purchases of tangible and intangible fixed assets	993.424.232	-	24.534.341	82.051.267	-	1.100.009.840
Amortization and depreciation expenses	113.571.634	-	27.138.560	71.311.121	-	212.021.315

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01.01- 31.12.2021	Iron Steel Operations	Ship Operations	Harbour Operations	Energy Operations	Consolidation Adjustments	Consolidated
Domestic Sales	7.074.371.476	-	74.967.969	853.197.946	-	8.002.537.391
Export Sales	2.650.013.496	169.612.777	1.016.187	-	-	2.820.642.460
Intersegment Sales	932.522	-	70.024.369	515.239.080	(586.195.971)	-
Total Sales	9.725.317.494	169.612.777	146.008.525	1.368.437.026	(586.195.971)	10.823.179.851
Cost Of Sales (-)	(9.057.229.863)	(82.243.974)	(91.837.973)	(1.047.030.169)	583.419.774	(9.694.922.205)
GROSS PROFIT/(LOSS)	668.087.631	87.368.803	54.170.552	321.406.857	(2.776.197)	1.128.257.646
General Administrative Expenses (-)	(48.553.964)	-	(2.832.205)	(15.851.791)	1.054.828	(66.183.132)
Marketing Expenses (-)	(41.365.776)	-	-	-	4.044.199	(37.321.577)
Other Income from Operating Activities	140.059.382	5.976.058	3.146.479	27.712.294	(20.169.652)	156.724.561
Other Expenses from Operating Activities (-)	(9.588.323)	(2.691.246)	(93.704)	(4.658.362)	8.833.225	(8.198.410)
OPERATING PROFIT/(LOSS)	708.638.950	90.653.615	54.391.122	328.608.998	(9.013.597)	1.173.279.088
Income from Investing Activities	50.884.000	-	-	-	-	50.884.000
Expense from Investing Activities (-)	(13.972.795)	-	(891.062)	(64.653)	-	(14.928.510)
OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE	745.550.155	90.653.615	53.500.060	328.544.345	(9.013.597)	1.209.234.578
Financial Incomes	521.650.684	-	202.942	1.488.131	(20.327.638)	503.014.119
Financial Expenses (-)	(1.883.601.970)	-	(26.714.827)	(688.093.015)	28.629.345	(2.569.780.467)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	(616.401.131)	90.653.615	26.988.175	(358.060.539)	(711.890)	(857.531.770)
Tax Income/(Expense)	43.310.605	-	(7.179.155)	38.748.128	139.188	75.018.766
Tax Income/(Expense)	(620.171)	-	(8.807.823)	-	-	(9.427.994)
Deferred Tax Income / (Expense)	43.930.776	-	1.628.668	38.748.128	139.188	84.446.760
PROFIT/(LOSS) FOR THE PERIOD	(573.090.526)	90.653.615	19.809.020	(319.312.411)	(572.702)	(782.513.004)
Profit/(Loss) Attributable to						
Non-controlling Interests	98	-	2.758	(16.415.727)	-	(16.412.871)
Shareholders' of the parent	(573.090.624)	90.653.615	19.806.262	(302.896.684)	(572.702)	(766.100.133)
Segment Assets						
Tangible and intangible fixed assets, investment properties	971.285.747	47.707.817	265.751.237	1.653.520.914	-	2.938.265.715
Purchases of tangible and intangible fixed assets	79.132.683	2.574.899	14.201.140	10.308.751	-	106.217.473
Amortization and depreciation expenses	108.869.165	-	20.270.074	71.113.059	-	200.252.298

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4. RELATED PARTY DISCLOSURES

There is no provision for doubtful receivables for trade and other receivables and guarantee for receivables regarding related parties. Similarly, there is no guarantee given for trade and other payables regarding related parties.

The Group has no guarantees, collaterals, bails and similar commitments given except for fully consolidated companies.

The Group’s due from related parties, due to related parties, balances and significant related party transactions during the period are summarized below.

- (*) : Controlled by ultimate majority shareholder or shareholders board of directors have significant influence
(**) : majority shareholder
(***) : ultimate majority shareholder

Trade receivables from related parties

	31 December 2022	31 December 2021
Şahin Kömür Ticaret A.Ş.(*)	86.775.739	-
İDÇ Denizcilik San. Tic. A.Ş.(*)	113.419	7.865
Şahin-Koç Çelik San. A.Ş.(**)	56.324	30.736
Begonviller Turizm Yatçılık Ltd. Şti.(*)	10.049	3.964
	86.955.531	42.565

Other receivables from related parties

	31 December 2022	31 December 2021
Şahin Şirketler Grubu Holding A.Ş.(***)	-	105.922.053
	-	105.922.053

Other receivables from related parties consist of funds given for financing purposes. Interest is accrued and interest is collected for the receivables in question during the quarterly temporary tax periods.

Trade payables to related parties

	31 December 2022	31 December 2021
İDÇ Denizcilik San. ve Tic. A.Ş.(*)	3.983.623	3.363.642
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.(*)	1.394.785	1.271.417
Şahin Şirketler Grubu Holding A.Ş.(***)	46.261	43.997
	5.424.669	4.679.056

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Income from related parties

	01.01.- 31.12.2022	01.01.- 31.12.2021
Şahin Kömür Ticaret A.Ş.(*)	8.595.530	5.956.682
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.(*)	3.153.053	1.479.119
	11.748.583	7.435.801

Purchases from related parties in cost of goods sold

	01.01.- 31.12.2022	01.01.- 31.12.2021
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.(*)	79.921.549	75.084.168
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.(*)	36.526.267	17.415.776
	116.447.816	92.499.944

İDÇ Denizcilik Sanayi ve Ticaret A.Ş., provides personnel, gives maintenance and technical support services for the vessels of the Group.

Expenses from related parties in marketing, selling and distribution expenses

	01.01.- 31.12.2022	01.01.- 31.12.2021
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.(*)	126.916	52.528
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.(*)	1.333	166
	128.249	52.694

Expenses from related parties in general administrative expenses

	01.01.- 31.12.2022	01.01.- 31.12.2021
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.(*)	2.180.689	248.033
Şahin Şirketler Grubu Holding A.Ş.(***)	180.000	144.000
	2.360.689	392.033

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Income from related parties in other operating income and profit

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Şahin Kömür Ticaret A.Ş.(*)	18.678.319	891.257
İDÇ Denizcilik San. ve Tic. A.Ş.(*)	821.826	314.436
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.(*)	96.453	45.543
Şahin - Koç Çelik Sanayi A.Ş.**)	54.872	31.988
Şahin Şirketler Grubu Holding A.Ş.(***)	51.259	30.103
Begonviller Turizm Yatçılık Ltd. Şti.(*)	12.957	7.079
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.(*)	9.181	7.680
Karbeyaz Çimento Madencilik Sanayi ve Ticaret A.Ş.(*)	3.901	3.300
	19.728.768	1.331.386

Income from related parties in finance income

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Şahin Şirketler Grubu Holding A.Ş.(***)	6.000.298	14.282.073
	6.000.298	14.282.073

Key management personnel compensation

Total benefits provided to top management (Board of Directors, Executive Board, General Manager and Assistants of General Manager) during the current period amounted to TL 6.078.992 TL (01.01.-31.12.2021: 2.711.566 TL)

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5. CASH AND CASH EQUIVALENTS

	31December 2022	31 December 2021
Cash on hand	73.081	241.407
Bank - demand deposits	313.689.545	1.012.081.500
Bank - time deposits	1.179.584.359	1.025.438.000
Bank - interest accruals of time deposits	1.229.989	704.076
Other	1.889	1.889
	1.494.578.863	2.038.466.872

There are no blockage and pledge over the Group’s time and demand deposits. (31 December 2021: None)

Demand Deposits

	31December 2022		31 December 2021	
	Foreign Currency	TL Equivalence	Foreign Currency	TL Equivalence
TL	56.519.485	56.519.485	1.776.938	1.776.938
USD	10.277.902	192.179.304	74.790.215	996.878.770
EUR	3.189.949	63.591.321	799.227	12.057.703
JPY	864.384	122.137	3.177.915	367.049
GBP	6.312	141.942	9.650	173.383
CAD	214	2.949	214	2.236
CHF	56.010	1.131.499	56.019	815.646
DKK	339	908	4.826	9.775
Total		313.689.545		1.012.081.500

Time Deposits

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2022
USD	% 2,81	02.01.2023	941.562.988
EUR	%2	02.01.2023	79.739.600
TL	% 19,14	02.01-23.01.20223	158.281.771
			1.179.584.359

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2021
USD	% 1,42	03.01-24.01.2022	933.030.000
TL	%24,69	03.01.2022	92.408.000
			1.025.438.000

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6. FINANCIAL INVESTMENTS

Details of short term financial investments are as follows:

Time Deposits

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2022
USD	% 4	30.03.2023	28.098.900
			28.098.900

As of December 31, 2022 and December 31, 2021 the details of long term financial investments are as follows:

Name of Company	Share (%)	31 December 2022	Share (%)	31 December 2021
Investments and Associates				
İtaş İzmir Teknopark Ticaret A.Ş.	0,125	2.547	0,125	2.547
Enda Enerji Holding A.Ş.	0,188	737.133	0,188	737.133
Egenda Ege Enerji Üretim A.Ş.	0,03	70.013	0,03	70.013
Pegasus Hava Taşımacılığı A.Ş.	-	-	0,00014	3.363
Nemrut Kılavuz ve Römorkör Hizmet A.Ş.	16,66	10.000	16,66	10.000
Enerji Piyasaları İşletim Anonim Şirketi	0,80	200.000	0,80	200.000
Total		1.019.693		1.023.056

There is no financial asset given as guarantee for liabilities of the companies (31 December 2021: None).

Since the Company's long-term financial investments do not trade in active market and that fair values cannot be determined reliably, long-term financial investments are reflected in the consolidated financial statements at their cost values less any impairment losses.

ENDA Energy Holding A.Ş.

It was established in 1993 in Izmir. It operates in energy generation, distribution and trade. The group's does not have a commercial relationship with ENDA Energy Holding A.Ş.

EGENDA Ege Enerji Üretim A.Ş.

It was established in 1997 in Izmir. It operates in energy generation, distribution and trade. The Group's does not have a commercial relationship with EGENDA Ege Enerji Üretim A.Ş.

İTAŞ İzmir Teknopark Ticaret A.Ş.

It was established in 1988 in Izmir. It operates in the production of technological information. The Group's does not have a commercial relationship with İTAŞ İzmir Teknopark Ticaret A.Ş.

Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.

It was established in 2014 in İzmir. It will provide pilotage and tugboat services to ships arriving at ports in the Aliğa region. The Group's does not have a commercial relationship with Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.

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Energy Markets Operating Joint Stock Company

It was established to operate the organized wholesale electricity markets (day ahead market, intraday market) and to carry out the financial settlement transactions of the activities carried out in these markets and the payment, invoicing and other financial transactions related to the said activities.

7. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	31 December 2022	31 December 2021
Trade receivables	741.099.301	228.340.072
Notes receivables	108.700.000	30.407.652
Doubtful trade receivables	23.943.065	43.241.240
Provision for doubtful trade receivables (-)	(23.943.065)	(43.241.240)
	849.799.301	258.747.724

The Group has set provision for uncollectible receivables. Provision for doubtful receivables is based on past experience regarding the collectability. While determining the collectability, the Group considers the changes between the dates of trade and reporting for the receivables credit quality. Therefore, the Group Management believes that there is no necessity to set more provision than provision for doubtful receivables already recorded in the financial statements. Average maturity on receivables is one and a half month depending on the customer risk limit and deposits.

Trade receivables are rediscounted by using effective interest method. The effective discount rates used are %7,98, % 3,29 and %20,11 for receivables denominated in USD, EUR and TL respectively. (31 December 2021: USD:%3,04 EUR:%-0,49 TL:%16,93)

Maturity details of notes receivables are as follows.

	31 December 2022	31 December 2021
1 month	30.200.000	7.081.902
2-5 months	78.500.000	23.325.750
	108.700.000	30.407.652

Movement of provision for doubtful trade receivables is as follows

	01.01.- 31.12.2022	01.01.- 31.12.2021
Beginning of the period	43.241.240	44.124.342
Reversal of impairment losses	(19.336.332)	(24.413)
Provision /(Reversal) in compliance with TFRS 9	(20.425)	(862.894)
Provision for the period	58.582	4.205
End of the period	23.943.065	43.241.240

Foreign currency and liquidity risk on short term trade receivables of the Group are disclosed on Note 32.

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Short term trade payables

	31December 2022	31 December 2021
Trade payables	417.021.823	131.902.847
	417.021.823	131.902.847

Trade payables are rediscounted by using effective interest method. The effective discount rates used are %7,98, %3,29 and %20,11 for receivables denominated in USD, EUR and TL respectively. (31 December 2021: USD:%3,04 EUR:%-0,49 TL:%16,93)

Foreign currency and liquidity risk on short term trade payables of the Group are disclosed on Note 32.

8. OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	31December 2022	31 December 2021
Deposit and guarantees given	1.859.652	1.789.569
	1.859.652	1.789.569

Long term other receivables

	31December 2022	31 December 2021
Deposit and guarantees given	13.634.002	4.655.468
	13.634.002	4.655.468

Short term other payables

	31December 2022	31 December 2021
Taxes and duties payable	3.461.202	1.122.821
Deposits received	729.155	290.035
Other payables	785.307	370.715
	4.975.664	1.783.571

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9. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	1.760.619.320	937.247.698
Work in process	137.512.385	41.282.753
Finished goods	733.115.599	438.402.084
Goods on transit	465.385.532	395.151.460
Merchandised goods	380.577.496	246.365
Impairment on inventories (*)	(127.692.807)	(116.289)
	3.349.517.525	1.812.214.071

(*) The Group accounted a provision for impairment on finished goods in case the book value is less than net realizable value and recognized them under cost of goods sold in the consolidated profit or loss statement. TL 1.124.493 of the total provision is reported on cost of goods sold, and the remaining TL 126.568.314 is reported in other income from operating activities.

The depreciation expenses capitalized on inventories is TL 10.038.424 (31 December 2021: TL 6.826.675)

There is no inventory collateralized against liabilities (31 December 2021: None). The Group has no inventory that will be recovered within more than twelve months starting from the date of statement of financial position.

Movement of provision for impairment on inventories is as follows.

	01.01.- 31.12.2022	01.01.- 31.12.2021
Beginning of the period	116.289	579.611
Reversal of previous period	(116.289)	(579.611)
Impairment on inventories for current period	127.692.807	116.289
End of the period	127.692.807	116.289

10. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2022	31 December 2021
Advances given	152.792.405	74.733.231
Insurance expenses	6.398.607	2.856.816
Other expenses	3.075.374	7.144.313
	162.266.386	84.734.360

Long Term Prepaid Expenses

	31 December 2022	31 December 2021
Advances given for fixed asset	576.324.112	184.572.404
	576.324.112	184.572.404

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11. INVESTMENT PROPERTIES

The Group appointed an independent real estate appraisal company holding a CMB license in order to find out the fair values of the investment properties as of 31 December 2021. Correspondingly the investment properties are presented in the consolidated financial statements at their fair values.

The change in value is booked in the profit or loss statement. The valuation company used the market value method as valuation model as it was used in the valuation works performed in prior years. The fair value measurement is Level 2, and there has been no transition between levels for periods.

Detailed information of the lands owned by İzmir Demir Çelik Sanayi A.Ş. is presented below.

City	District	Village	Nature	Purchase cost	Fair Value 31 December 2022	Fair Value 31 December 2021
İzmir	Foça	Samurlu	Field	1.630.160	173.785.000	75.363.000
İzmir	Foça	Horozgediği	Field	94.169	19.960.000	11.214.000
İzmir	Foça	Horozgediği	Plot	11.599	1.150.000	49.984.000
İzmir	Foça	Çakmaklı	Plot	525.000	8.000.000	2.314.000
				2.260.928	202.895.000	138.875.000

As of the end of the period, there is no insurance coverage or collateral on investment properties. (31 December 2021: None).

	01.01-31.12.2022	01.01-31.12.2021
Beginning of the period	138.875.000	87.991.000
Change in fair value	171.796.000	50.884.000
Transfer to property, plant and equipment (Note 12)*	(102.260.000)	-
Disposals	(5.516.000)	-
Fair value at the end of the period	202.895.000	138.875.000

(*) The group has begun to use one of the parcels, which was previously included in investment properties, for its own activity. Hence, the relevant parcel has been transferred to property, plant and equipment.

31 December 2022	Level 1	Level 2	Level 3
Non-financial assets			
Investment properties	-	202.895.000	-

31 December 2021	Level 1	Level 2	Level 3
Non-financial assets			
Investment properties	-	138.875.000	-

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12. PROPERTY, PLANT AND EQUIPMENT

Movement in the property, plant and equipment is as follows.

	Lands	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Ships	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>										
1 January 2022 opening	504.541.076	45.313.990	753.686.359	2.910.729.100	23.731.606	120.907.976	32.236.117	8.211.976	45.916.635	4.445.274.835
Additions	459.000	4.974.069	4.863.055	30.894.898	17.452.521	-	8.157.668	198.241	986.942.941	1.053.942.393
Disposals	-	-	-	(8.186.764)	(478.994)	-	(202.034)	-	-	(8.867.792)
Transfers	-	224.332	33.568.037	59.995.061	-	-	3.150.761	-	(96.938.191)	-
Transfer from investment property	102.260.000	-	-	-	-	-	-	-	-	102.260.000
Other	45.566.304	-	-	-	-	-	-	-	-	45.566.304
31 December 2021 closing balance	652.826.380	50.512.391	792.117.451	2.993.432.295	40.705.133	120.907.976	43.342.512	8.410.217	935.921.385	5.638.175.740
<u>Accumulated depreciation</u>										
1 January 2022 opening	-	(26.884.153)	(283.884.403)	(1.079.836.532)	(16.116.401)	(73.200.159)	(19.528.711)	(7.922.971)	-	(1.507.373.330)
Additions	-	(2.415.229)	(19.302.241)	(165.307.407)	(3.405.176)	-	(3.922.205)	(105.503)	-	(194.457.761)
Disposals	-	-	-	5.606.623	450.519	-	199.218	-	-	6.256.360
31 December 2022 closing balance	-	(29.299.382)	(303.186.644)	(1.239.537.316)	(19.071.058)	(73.200.159)	(23.251.698)	(8.028.474)	-	(1.695.574.731)
Net Book Value as of 1 January 2022	504.541.076	18.429.837	469.801.956	1.830.892.568	7.615.205	47.707.817	12.707.406	289.005	45.916.635	2.937.901.505
Net Book Value as of 31 December 2022	652.826.380	21.213.009	488.930.807	1.753.894.979	21.634.075	47.707.817	20.090.814	381.743	935.921.385	3.942.601.009

In accordance with IAS 23, the accumulated borrowing cost included in construction in progress as of 31 December 2022 is TL 117.165.731. Alternative TL borrowing rate, employed in determining the borrowing cost to be capitalized is assessed as 36,89 % per year.

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The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2022 amounted to TL 194.457.763. As of end of the period, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 10.038.424.

A first level mortgage was placed on the property in the town of Horozgediği in Aliğa in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1.550.000.000. The mortgage is related with the long-term loan received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş.

Construction in progress as of 31 December 2022 is composed of TL 912.449.502 for environmental infrastructure and melt shop investment expenditures within the frame of modernization of İzmir Demir Çelik Sanayi A.Ş., TL 193.675 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 8.338.993 for the expenditures of İDÇ Liman İşletmeleri A.Ş. and TL 14.939.211 for the expenditures of İzdemir Enerji Elektrik Üretim A.Ş.

Historical cost value of property, plant and equipment and the accumulated depreciation as of 31 December 2022 is as follows:

31 December 2022	Lands	Buildings and land improvements	Machinery and equipment
Cost	11.150.926	513.884.848	1.494.587.327
Accumulated depreciation (-)	-	(254.955.567)	(824.715.181)
Net Book Value	11.150.926	258.929.281	669.872.146

31 December 2021	Lands	Buildings and land improvements	Machinery and equipment
Cost	10.136.378	470.255.355	1.408.460.690
Accumulated depreciation (-)	-	(245.080.379)	(766.538.116)
Net Book Value	10.136.378	225.174.976	641.922.574

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Movement in the property, plant and equipment is as follows for the period ended 31 December 2021:

	Lands	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Ships	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>										
1 January 2021	502.574.122	42.776.554	751.933.296	2.857.705.981	18.681.806	118.333.077	25.944.104	8.211.976	17.562.713	4.343.723.629
Additions	1.966.954	1.935.905	1.170.005	36.100.001	5.122.189	2.574.899	4.849.858	-	52.368.369	106.088.180
Disposals	-	-	-	(4.464.585)	(72.389)	-	-	-	-	(4.536.974)
Transfers	-	601.531	583.058	21.387.703	-	-	1.442.155	-	(24.014.447)	-
31 December 2021	504.541.076	45.313.990	753.686.359	2.910.729.100	23.731.606	120.907.976	32.236.117	8.211.976	45.916.635	4.445.274.835
<u>Accumulated depreciation</u>										
1 January 2021	-	(23.911.306)	(263.630.537)	(915.471.948)	(13.850.135)	(73.200.159)	(16.542.722)	(7.815.450)	-	(1.314.422.257)
Additions	-	(2.972.847)	(20.253.866)	(166.977.243)	(2.323.782)	-	(2.985.989)	(107.521)	-	(195.621.248)
Disposals	-	-	-	2.612.659	57.516	-	-	-	-	2.670.175
31 December 2021	-	(26.884.153)	(283.884.403)	(1.079.836.532)	(16.116.401)	(73.200.159)	(19.528.711)	(7.922.971)	-	(1.507.373.330)
<u>Net Book Value</u>										
as of 31 December 2021	502.574.122	18.865.248	488.302.759	1.942.234.033	4.831.671	45.132.918	9.401.382	396.526	17.562.713	3.029.301.372
<u>Net Book Value</u>										
as of 31 December 2021	504.541.076	18.429.837	469.801.956	1.830.892.568	7.615.205	47.707.817	12.707.406	289.005	45.916.635	2.937.901.505

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The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2021 amounted to TL 195.621.248. As of end of the period, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 6.826.675

As of the end of the period, 41.768.768TL of the ongoing investments are from the expenses within the scope of the company's ongoing factory modernization investment; It consists of the expenses of Akdemir Çelik Sanayi ve Ticaret A.Ş. within the scope of factory modernization, amounting to 217.166 TL and 3.930.701 TL for the expenditures of İDÇ Liman İşletmeleri A.Ş.

The non-revalued cost values of land and land, underground and surface improvements, buildings and plant machinery and equipment and their related accumulated depreciation are as follows.

Distribution of depreciation expenses relating to property, plant and equipment is as follows.

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Cost of goods sold	163.679.600	168.813.614
Cost of service	18.253.740	17.159.603
Capitalized on inventories	10.038.424	6.826.675
General administrative expenses	2.485.997	2.821.356
	194.457.761	195.621.248

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13. RIGHT OF USE ASSETS

31 December 2022	Buildings	Vehicles	Machine equipment	Total
<u>Cost</u>				
Opening balance	18.910.702	5.907.769	29.223.325	54.041.796
Additions	-	22.555.379	30.779.290	53.334.669
Disposals	(3.962.537)	(3.232.453)	-	(7.194.990)
Closing Balance	14.948.165	25.230.695	60.002.615	100.181.475
<u>Accumulated depreciation</u>				
Opening balance	(2.578.732)	(4.090.479)	(1.565.535)	(8.234.746)
Cost for the period	(139.116)	(3.785.171)	(11.636.303)	(15.560.590)
Disposals	-	3.232.453	-	3.232.453
Closing balance	(2.717.848)	(4.643.197)	(13.201.838)	(20.562.883)
Net book value prior period	16.331.970	1.817.290	27.657.790	45.807.050
Net book value current period	12.230.317	20.587.498	46.800.777	79.618.592

31 December 2021	Buildings	Vehicles	Machine equipment	Total
<u>Cost</u>				
Opening	16.251.577	5.227.721	-	21.479.298
Additions	2.659.125	680.048	29.223.325	32.562.498
Closing Balance	18.910.702	5.907.769	29.223.325	54.041.796
<u>Accumulated depreciation</u>				
Opening	(1.477.417)	(2.248.764)	-	(3.726.181)
Additions	(1.101.315)	(1.841.715)	(1.565.535)	(4.508.565)
Closing balance	(2.578.732)	(4.090.479)	(1.565.535)	(8.234.746)
Net book value prior period	14.774.160	2.978.957	-	17.753.117
Net book value current period	16.331.970	1.817.290	27.657.790	45.807.050

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14. INTANGIBLE ASSETS

Cost	Rights
1 January 2022	4.884.804
Purchases	501.143
31 December 2022	5.385.947

Accumulated amortization

1 January 2022	(4.520.594)
Charge for the period	(193.668)
31 December 2022	(4.714.262)
Net Book Value as of 1 January 2022	364.210
Net Book Value as of 31 December 2022	671.685

Prior Period:

Cost	Rights
1 January 2021	4.755.511
Purchases	129.293
31 December 2021	4.884.804

Accumulated amortization

1 January 2021	(4.398.109)
Charge for the period	(122.485)
31 December 2021	(4.520.594)
Net Book Value as of 1 January 2021	357.402
Net Book Value as of 31 December 2021	364.210

Distribution of amortization expenses relating to intangible assets is as follows.

	01.01.- 31.12.2022	01.01.- 31.12.2021
Cost of goods sold	97.685	95.783
General administrative expenses	95.983	26.702
	193.668	122.485

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15. GOVERNMENT GRANTS AND INCENTIVES

The group has an income of TL 21.698.167 from insurance premium employer share incentive based on the Labor Law numbered 4857 and Social Insurance and General Health Insurance Law numbered 5510 (Prior period : TL 12.121.580). This incentive granted by government is not collected in cash but deducted from the accrued insurance premiums by treasury. The mentioned incentive income was off set against cost of goods sold in the financial statements.

16. COMMITMENTS

Guarantees and bails received by the Group	31 December 2022	31 December 2021
Letters of guarantee received	746.571.761	321.052.522
Bails received	25.340.906.216	18.308.769.602
	26.087.477.977	18.629.822.124

Letters of guarantee are composed of the letters received from local vendors in return for goods and services rendered by the vendors. Bails received comprise bails provided by the Group’s related parties and shareholders for the bank borrowings.

Bails received	EUR	USD	TL	Total TL
31 December 2022	33.260.000	1.264.740.000	1.128.383.500	25.340.906.216
31 December 2021	33.260.000	1.291.740.000	589.383.500	18.308.769.602

Guarantees, pledges and mortgages that are given by the Group at the end of the period are as follows.

	31 December 2022			Total TL
	Original Currency			
GUARANTEE- PLEDGE-MORTGAGES (GPM)	EUR	USD	TL	
A. Total amount of GPM given on behalf of own legal entities within Group	-	32.192.000	3.894.562.985	4.497.583.528
B. Total amount of GPM given in favor of consolidated subsidiaries	-	374.800.000	1.355.691.478	8.376.445.078
C. Total amount of GPM given for assurance of third parties’ debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other Group companies which B and C don’t comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn’t comprise	-	-	-	-
Total	-	406.992.000	5.250.254.463	12.874.028.606

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GUARANTEE- PLEDGE-MORTGAGES (GPM)	31 December 2021			
	Original Currency			Total
	EUR	USD	TL	TL
A. Total amount of GPM given on behalf of own legal entities within Group	-	34.458.750	2.908.046.160	3.367.346.839
B. Total amount of GPM given in favor of consolidated subsidiaries	-	328.000.000	570.476.612	4.942.388.612
C. Total amount of GPM given for assurance of third parties' debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other Group companies which B and C don't comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn't comprise	-	-	-	-
Total	-	362.458.750	1.728.522.772	6.559.735.451

GUARANTEE	31 December 2022			
	Original Currency			Total
	EUR	USD	TL	TL
Mortgage given to banks	-	-	1.550.000.000	1.550.000.000
Fixed asset pledge	-	-	1.300.000.000	1.300.000.000
Given to banks	-	27.592.000	-	516.853.344
Given to EPİAŞ	-	-	364.070.000	364.070.000
Given to suppliers	-	4.600.000	-	86.167.200
Given to natural gas distribution companies	-	-	101.632.276	101.632.276
Given to electricity distribution companies	-	-	8.236.766	8.236.766
Given to customs office	-	-	13.052.681	13.052.681
Given to tax office	-	-	553.302.955	553.302.955
Other letters of guarantee given	-	-	4.268.307	4.268.307
Total	-	32.192.000	3.894.562.985	4.497.583.529

GUARANTEE	31 December 2020			
	Original Currency			Total
	EUR	USD	TL	TL
Mortgage given to banks	-	-	1.550.000.000	1.550.000.000
Business fixed asset pledge	-	-	1.300.000.000	1.300.000.000
Given to banks	-	26.858.750	-	358.000.279
Given to suppliers	-	4.600.000	-	61.313.400
Given to natural gas distribution companies	-	-	28.601.251	28.601.251
Given to electricity distribution companies	-	-	13.497.282	13.497.282
Given to customs office	-	-	13.001.181	13.001.181
Given to tax office	-	-	1.142.955	1.142.955
Other letters of guarantee given	-	3.000.000	1.803.491	41.790.491
Total	-	34.458.750	2.908.046.160	3.367.346.839

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Detail of the bails that the Group and its subsidiaries are given for using various loans in favour of each other is as follows.

	31 December 2022		
	Original Currency		Total
	USD	TL	TL
Bails given to fully consolidated companies			
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	715.483.821	715.483.821
- Given to İDÇ Liman İşletmeleri A.Ş.	15.000.000	18.360.541	299.340.541
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	359.800.000	621.847.116	7.361.620.716
Total	374.800.000	1.355.691.478	8.376.445.078

	31 December 2021		
	Original Currency		Total
	USD	TL	TL
Bails given to fully consolidated companies			
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	34.822.071	34.822.071
- Given to İDÇ Liman İşletmeleri A.Ş.	15.000.000	15.100.541	215.035.541
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	313.000.000	520.554.000	4.692.531.000
Total	328.000.000	570.476.612	4.942.388.612

17. EMPLOYEE BENEFITS

Short-term employee benefits

	31 December 2022	31 December 2021
Payables to personnel	23.890.006	10.110.640
Social security premiums payable	24.011.252	6.456.009
Income tax payable	9.080.990	4.351.882
Collective agreement wages difference accrual	-	8.089.238
	56.982.248	29.007.769

Long-term employee benefits

	31 December 2022	31 December 2021
Employee severance indemnity	137.953.642	50.287.138
Vacation pay liability	13.193.524	6.332.024
	151.147.166	56.619.162

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Movement of employment termination benefits is as follows..

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Employee Severance Indemnity		
Provision at the beginning of the period	50.287.138	42.919.591
Service cost	20.806.328	8.288.907
Interest cost	1.824.411	1.359.344
Actuarial loss / (gain)	73.683.448	2.386.268
Payment during the year	(8.119.180)	(4.309.881)
Reversal of provision	(528.503)	(357.091)
Provision at the end of the period	137.953.642	50.287.138

Actuarial loss/gain is recognized in other comprehensive income.

Under the Turkish Labor Law, employees whose contracts are terminated by the employer for reasons set by the law are entitled to be paid compensation. As of 31 December 2022, the amount payable as compensation for each year served is equal to one month’s salary subject to a ceiling of TL 15.371,40 (31 December 2021: 8.284,51 TL)

Employee severance indemnity is not subject to any funding as statutory requirement. Employee severance indemnity of the Group has been calculated as expressed in Note 2. The liability is computed on a thirty day wage base with a maximum of TL 15.371,40 for each year of service and utilizing the rates on date of retirement or departure.

Based on the basis that is mentioned above, the Group calculated provisions for employee severance indemnity and recorded to the financial statements by estimating the present value of the future probable obligation arising from the retirement of the employees.

Accordingly, the following actuarial assumptions were used in the calculation of the provision.

	31 December 2022	31 December 2021
Inflation rate	% 19,90	% 17,40
Nominal interest rate	% 21,82	% 22
Real discount rate	% 1,60	% 3,92

The Group’s expected probability rate to pay the employee severance indemnity is 97% except those quitting their jobs on their own wish and those not eligible for severance pay (31 December 2021: 98%).

Movement of the vacation pay liability is as follows.

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Beginning of the period	6.332.024	4.342.450
Change for the period	6.861.500	1.989.574
End of the period	13.193.524	6.332.024

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Vacation pay liability is calculated by multiplying the remaining vacation days with daily salaries. Current period allowance is accounted under long term provisions in consolidated financial statements.

18. EXPENSES BY NATURE

Expenses by nature consist of cost of goods sold, general administration expenses, sales and marketing expenses and other expenses from operating activities

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Direct material expense	17.475.893.651	8.339.894.137
Utility expenses	1.789.055.552	639.335.274
Energy source contribution fee	679.628.682	-
Personnel and labor expenses	546.791.982	294.068.006
Loss from sale of merchandise	364.036.033	-
Depreciation and amortization expense	200.173.595	193.425.623
General manufacturing expenses	689.374.364	397.259.530
Freight expense	107.519.879	145.889.089
Change in inventories	(430.350.087)	(303.838.429)
Other	276.663.715	100.592.094
	21.698.787.366	9.806.625.324

Fees paid for services provided by Independent Audit firm

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Fee for independent audit	515.000	265.000

19. OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2022	31 December 2021
Deferred VAT	31.227.856	11.312.643
Prepaid tax	5.176.555	3.941.820
VAT refund	3.248.151	-
Other	1.097.228	349.872
	40.749.790	15.604.335

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Other Current Liabilities

	31 December 2022	31 December 2021
VAT payable	82.347.931	111.883.919
Tax relating to the Law No.7326	17.188.072	1.190.508
Deferred income	483.296	485.431
Other liabilities	17.995	8.430
	100.037.294	113.568.288

Liabilities from Customer Contracts

	31 December 2022	31 December 2022
Advances received from customers	465.972.908	576.510.903
	465.972.908	576.510.903

20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in Capital

The Company adopted registered paid- in capital system pursuant to the articles of the Law numbered 2499 after the permission from the Capital Market Board on 22 August 1984. The Company’s registered capital is TL 1.500.000.000.000; shares are divided into 150.000.000.000 each with a nominal value of Kurus 1.

The permission granted by the Capital Market Board to be on the registered capital ceiling is valid for the years between 2022 and 2026 (5 years). Board of directors cannot take decision after 2025 for increase of capital even if the registered capital ceiling allowed till the end of 2024 is not reached. It is compulsory to obtain authorization for a new capital ceiling from the General Assembly provided that the Capital Market Board endorses the ceiling. If mentioned authority is not taken, the Company is deemed to have come out from the registered capital system.

The Company’s issued share capital is, fully paid TL 1.500.000.000. This capital is formed in total 150.000.000.000 unit shares of Group A which has 800 units written to name each valued 1 Kurus and of Group B which has 149.999.999.200 units written to name each valued 1 Kurus. Registration to stock register of the shares written to name is subject to the approval of the Board. Registered shares may be withheld from the record by the Group even with no reason.

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The capital structure is as follows.

	(%)	31 December 2022	(%)	31 December 2021
Shareholders				
Şahin – Koç Çelik Sanayi A.Ş.	58,13	871.889.341	58,13	871.889.341
Other (Publicly traded)	41,87	628.110.659	41,87	628.110.659
Capital with historic value	100	1.500.000.000	100	1.500.000.000

Group A shares are the privileged shares. More than the half of the Members of Board of Directors is elected from the owners of Group A shares at the General Assembly. After distribution of first dividends founding shareholders are entitled to receive 10% of the remaining profit. Then, Board of Directors are entitled to receive 10% of the remaining profit.

Inflation Adjustment on Capital

	31 December 2022	31 December 2021
Inflation adjustment on capital	22.763.962	22.763.962
	22.763.962	22.763.962

Legal Reserves

	31 December 2022	31 December 2021
Legal reserves	25.832.374	25.832.374
	25.832.374	25.832.374

The legal reserves are comprised of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in-capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in-share capital in case of full distribution of respective profit as dividend. The legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in-capital.

Publicly-traded companies are obligated to execute distribution of dividend in compliance with the communique No. II-19.1 issued by the CMB, effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend policies settled and dividend payment decision taken in general assembly and also conforming to relevant legislations. The communique does not dictate a minimum dividend rate. Companies distribute dividend in accordance with the frame defined in their dividend policy or articles of incorporation. Furthermore, dividend can be distributed by fixed or variable instalments and advance dividend can be paid on the profit reported on interim financial statements.

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Retained Earnings/(Losses)

	31 Aralık 2022	31 Aralık 2021
Retained Earnings/(Losses)	(2.228.430.630)	(1.528.337.297)
	(2.228.430.630)	(1.528.337.297)

Retained earnings in legal books can be distributed taking the following article into consideration. In accordance with the Communiqué II, No: 14.1; at the first time application of inflation adjustments on financial statements, equity items, namely Share Premiums, Legal Reserves, Statute Reserves, Special Reserves and Extraordinary Reserves were carried at nominal value in the statement of financial position and inflation differences of such items were presented in equity under the retained earnings in total.

Revaluation Fund Gains and Losses

Revaluation Fund Gains and Losses are composed of increases/decreases on valuation of tangible fixed asset and actuarial gains/losses on employee benefits.

With amendments to standard of TAS 19 Employee Benefits, actuarial gains and losses taken into consideration in calculation of severance indemnity provision are not allowed to be accounted in profit or loss statement. Gains and losses arising from changes in actuarial assumptions are recorded as revaluation fund gains and losses in equity.

Movement of Revaluation Fund Gains/ (Losses) is as follows.

	01.01.- 31.12.2022	01.01.- 31.12.2021
Beginning of the period	1.521.238.814	1.607.821.839
Depreciation transfer from revaluation fund	(113.498.156)	(119.967.498)
Deferred tax calculated over depreciation	22.699.631	23.993.500
Losses on revaluation of employee benefits	(73.316.316)	(2.357.750)
Deferred tax calculated on losses on revaluation of employee benefits	14.663.263	471.550
Effect of change in shareholding at subsidiary	-	224.757
Fund outflows from sales of property, plant and equipment	(1.350.931)	(1.377.851)
Effect of revaluation in respect to the law No. 7326	605.223.238	12.430.267
End of the period	1.975.659.543	1.521.238.814

Non-Controlling Interests

	31 December 2022	31 December 2021
Shares in capital	25.702.027	25.702.027
Revaluation fund	82.264.522	44.433.850
Actuarial loss / (gain)	(383.197)	(89.493)
Shares in accumulated profit / (losses)	(55.468.191)	(31.447.157)
Share in profit / (loss) for the period	56.767.602	(16.412.871)
	108.882.763	22.186.356

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21. REVENUE AND COST OF SALES

	01.01.- 31.12.2022	01.01.- 31.12.2021
Domestic sales	20.561.120.431	8.005.100.386
Export sales	4.117.793.853	2.830.624.696
Sales returns (-)	(12.558.280)	(2.367.410)
Other deductions from sales (-) (*)	(19.802.170)	(10.177.821)
Revenue	24.646.553.834	10.823.179.851
Cost of goods sold	(20.433.671.008)	(9.343.325.922)
Cost of merchandise sold	(296.069.096)	(98.985.803)
Cost of services	(278.039.472)	(252.610.480)
Cost of Sales	(21.007.779.576)	(9.694.922.205)
Gross Profit	3.638.774.258	1.128.257.646

Details of the reportable segments used in management reporting are disclosed in Note 3.

22. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	01.01.- 31.12.2022	01.01.- 31.12.2021
General administrative expenses	132.342.032	66.183.132
Marketing expenses	55.509.678	37.321.577
	187.851.710	103.504.709

General Administrative Expenses

	01.01.- 31.12.2022	01.01.- 31.12.2021
Personnel expenses	63.581.801	33.275.938
Insurance expenses	14.640.334	7.816.926
Taxes and other legal dues	7.773.394	1.370.076
Depreciation and amortization expenses	6.367.151	4.361.040
Contracted labour expenses	4.001.757	2.444.096
Employee termination benefit expenses	3.606.188	1.071.072
Counselling and consultation expenses	3.466.327	1.797.655
Information technology expenses	3.416.221	1.810.684
Subscription expenses	2.442.121	1.411.969
Representation and accommodation expenses	2.328.656	974.457
Communication expenses	1.360.653	1.212.126
Electricity market operating expenses	849.701	502.273
Other expenses	18.507.728	8.134.820
	132.342.032	66.183.132

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Marketing Expenses

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Commission expenses	23.356.811	13.928.772
Transportation expenses	10.969.371	8.431.284
Personnel expenses	8.760.149	4.110.695
Port services	5.678.413	6.584.494
Export expenses	3.329.881	2.759.603
Other expenses	3.415.053	1.506.729
	55.509.678	37.321.577

23. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Foreign exchange gains, net	181.799.253	132.840.278
Indemnity income	35.315.632	5.135.982
Finance income over sales with maturity	28.535.749	2.167.170
Reversal of provisions	19.885.260	1.244.398
Profit from sale of ship fuel	12.327.284	5.976.057
Profit from sale of operating equipment, raw material	10.722.852	2.836.830
Rediscount income	3.089.431	1.351.367
Other	8.552.147	5.172.479
	300.227.608	156.724.561

Other Expenses from Operating Activities

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Loss from sale of merchandise	364.036.033	-
Impairment inventory	126.568.314	-
Cost of transport services delivered	5.453.113	2.969.249
Rediscount expenses	5.285.640	1.075.691
Doubtful receivables	60.058	4.204
Cost of operating equipment sold	-	1.975.146
Other	1.752.922	2.174.120
	503.156.080	8.198.410

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24. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Increase in value in investment properties	171.796.000	50.884.000
Gain on sales of property, plant and equipment	1.349.147	-
Foreign currency protected time deposits	1.994.938	-
	175.140.085	50.884.000

Expenses from Investing Activities

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Impairment losses on fixed asset	14.732.697	-
Loss on derivative financial instruments	-	14.507.651
Loss on sales of property, plant and equipment	-	420.859
	14.732.697	14.928.510

25. FINANCIAL INCOME AND EXPENSES

Financial Income

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Foreign exchange gain	182.084.182	462.030.875
Interest income	44.593.226	40.983.244
Profit on derivative financial instruments	34.581.675	-
Letter of credit premium income	201.107	-
	261.460.190	503.014.119

Financial Expenses

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Foreign exchange loss	1.921.196.836	2.340.774.214
Interest expenses	380.489.276	189.685.740
Bank charges	96.583.610	39.320.513
Fair value difference of financial instruments	9.462.548	-
Loss on derivative financial instruments	23.512.816	-
	2.431.245.086	2.569.780.467

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26. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

	01.01.-	01.01.-
	31.12.2022	31.12.2021
Actuarial Gain/(Losses) on Employee Termination Benefit Obligation	(73.683.448)	(2.386.268)
Tax Effect Actuarial Gain/(Losses) on Employee Termination Benefit Obligation	14.736.690	477.254
Deferred tax effect on revaluation VUK	635.085.211	12.432.590
	576.138.453	10.523.576

27. INCOME TAXES (INCLUDED DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax Payable	31 December 2022	31 December 2021
Provision for corporate tax payable	102.518.570	8.237.486
Prepaid taxes and funds	(42.144.536)	(8.237.486)
	60.374.034	-
	01.01.-	01.01.-
Tax Provision for the Period	31.12.2022	31.12.2021
Corporate tax provision	(102.518.570)	(8.237.486)
Deferred tax income / (expense)	63.058.298	84.446.760
Tax effect of VUK revaluation	-	(1.190.508)
	(39.460.272)	75.018.766

Corporate Tax

The group and its subsidiaries are liable for corporation tax in Turkey. The Corporation tax rate effective in Turkey is 20%. Temporary tax is calculated and accrued quarterly in Turkey. Losses may be carried forward for a maximum period of five years in order to be deducted from the taxable profit to be earned in the coming years.

However, the corporate tax rate is applied as 23% for the corporate income for the 2022 taxation period in accordance with the article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and the Law Amending Some Other Laws and included to the temporary article 13 of Law No.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with CMB Communiqué Serial: II, No: 14.1 and the statutory tax financial statements. The differences which are explained below usually result in the recognition of revenue and expenses in different reporting periods for Account Standards Communiqué of CMB and tax purposes.

In line with the estimations made, the Group has accounted for a deferred tax asset of TL 292.865.346 over previous year financial losses amounting to TL 1.549.402.264 as of 31 December 2022, within the

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framework of the opinion that it is highly probable to obtain sufficient taxable profit in the future periods and that the said assets can be used. (31 December 2021: 1.543.728 253 TL and 311.442.917 TL, respectively).

Items that constitute base to deferred tax and corporate tax are presented below.

	31December 2022	31December 2022	31 December 2021	31 December 2021
	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax
Deferred Tax Assets				
Inventories	205.820.860	41.164.172	14.553.513	2.910.703
Employee termination benefits	137.953.641	27.590.728	50.287.136	10.057.427
Vacation pay liability	13.193.524	2.638.705	6.332.024	1.266.405
Trade receivables	77.890.892	15.578.178	65.123.679	13.024.736
Property, plant and equipment and intangible assets	3.402.839.631	680.567.926	112.684.267	22.536.854
Other current assets	22.208.720	4.441.744	2.952.332	590.466
Financial debts	10.821.119	2.164.224	150.934.249	30.186.850
Trade payables	-	-	128.825	25.765
Fair values of derivative financial instruments	9.462.548	1.892.510	-	-
Provisions	-	-	8.105.191	1.621.039
Tax losses carried forward	-	292.865.346	-	311.442.917
Assets stemming from capital increase tax incentive	-	55.079.048	-	27.585.000
				421.248.162
Deferred Tax Liabilities				
Fair values of fixed assets	(1.829.642.060)	(376.098.857)	(1.893.692.812)	(378.550.385)
Investment properties	(200.634.071)	(20.063.407)	(135.996.451)	(13.599.645)
Cash and equivalents	-	-	(51.260.571)	(10.252.114)
Trade payables	(3.921.777)	(784.355)	-	-
Lease operations	(1.871.277)	(374.255)	(25.322.549)	(5.064.510)
		(397.320.874)		(407.466.654)
Net Deferred Tax Liabilities		726.661.707		13.781.508
Statement of Financial Position				
		31 December 2022		31 December 2021
Deferred Tax Assets		742.217.595		120.397.553
Deferred Tax Liabilities		15.555.888		106.616.045
Net asset		726.661.707		13.781.508

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Within the scope of the "Law Amending the Laws of Some Laws and Amendments to Laws" numbered 6637 published in the Commercial Gazette dated April 7, 2015, the capital increases of the capital companies as of July 1, 2015 and the cash contributions of the capital invested in newly established capital companies 50% of the amount calculated up to the end of the relevant accounting period will be deductible from the corporate tax base considering the weighted average annual interest rate applied to commercial loans.

a) For publicly traded capital companies whose shares are traded in the stock exchange, the nominal amount of the shares that are listed as shares in the stock exchange in the Central Registry Agency as of the last day of the year in which the deduction is utilized is 50% or less of the registered or registered capital registered in the trade register 25 points, 50 points for those who are above 50%

b) If the capital raised in cash is to be used in investments of production and industrial facilities with investment incentive certificates and machinery and equipment investments belonging to these facilities and / or land and land investments allocated to the construction of these facilities, 25 points shall be added to the fixed investment amount stated in the investment incentive certificate the discount will be applied.

Whether the financial loss incurred in the current period can be deducted from the financial profits that may be obtained in the future, consistent with the evaluations made in the previous periods, has been discussed in accordance with TAS 12 Income Taxes standard. As a result of the evaluation made by the group management; Since it has been concluded that taxable profit can be obtained in the next five years after completion of ongoing investments, deferred tax assets have been accounted for, taking into account the expiration dates of all the relevant carried financial losses,

	01.01.-	01.01.-
Movements Deferred Tax Asset / (Liability)	31.12.2022	31.12.2021
Balance at the beginning of the period	13.781.508	(83.575.096)
Tax effect of actuarial loss /(gain) of severance indemnity	14.736.690	477.252
Deferred tax income	63.058.298	84.446.760
Deferred tax effect of revaluation	635.085.211	12.432.592
Balance at the end of the period	726.661.707	13.781.508

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Movement of deferred tax assets and liabilities are presented below

	1 January 2021	Recognised in profit loss statement	Recognized in other comprehensive income	31 December 2021
Deferred Tax Assets				
Inventories	2.910.703	38.253.469	-	41.164.172
Employee termination benefits	10.057.428	2.796.609	14.736.691	27.590.728
Vacation pay liability	1.266.405	1.372.300	-	2.638.705
Trade receivables	13.024.736	2.553.442	-	15.578.178
Property, plant and equipment and intangible assets	33.272.770	12.209.946	635.085.210	680.567.926
Other current assets	590.466	3.851.278	-	4.441.744
Financial liabilities	30.186.850	(28.022.626)	-	2.164.224
Trade payables	25.765	(25.765)	-	-
Fair values of derivative financial instruments	-	1.892.510	-	1.892.510
Provisions	1.621.039	(1.621.039)	-	-
Tax losses carried forward	311.442.917	(18.577.571)	-	292.865.346
Assets stemming from capital increase tax incentive	27.585.000	27.494.048	-	55.079.048
	431.984.079	42.176.601	649.821.901	1.123.982.581
Deferred Tax Liabilities				
Fair value measurements of Property, plant and equipment	(389.286.302)	13.187.445	-	(376.098.857)
Investment properties	(13.599.645)	(6.463.762)	-	(20.063.407)
Cash and cash equivalents	(10.252.114)	10.252.114	-	-
Trade payables	-	(784.355)	-	(784.355)
Lease operations	(5.064.510)	4.690.255	-	(374.255)
	(418.202.571)	20.881.697	-	(397.320.874)
Net Deferred Tax Assets/ (Liabilities)	13.781.508	63.058.298	649.821.901	726.661.707

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Reconciliation of tax provision that is presented in the profit or loss statement is as follows.

Reconciliation of tax provision	Tax rate	01.01.- 31.12.2022	Tax rate	01.01.- 31.12.2021
Net profit/(loss) for the period		1.199.156.296		(782.513.004)
Total tax income / (expense)		(39.460.272)		75.018.766
Profit /(loss) before tax		1.238.616.568		(857.531.770)
Tax on profit per statutory tax rate of the parent company	%23	(284.881.811)	%25	214.382.942
Non-deductible expenses		(49.431.575)		(46.049.507)
Tax exempt income		76.944.444		24.667.266
Discount on tax rate		16.634.207		5.088.400
Effect of change on corporation tax rate		(626.696)		(21.281.803)
Cancellation of retained earnings		(17.015.107)		(3.809.028)
Effect of taxable loss for prior periods		126.250.302		(123.631.609)
Effect of capital increase tax incentive		27.494.048		27.585.000
Effect of revaluation		67.209.937		(1.291.741)
Other		(2.038.021)		(641.154)
Total tax income		(39.460.272)		75.018.766

The maturity of the tax losses are as follows:

Period, tax losses occurred	31 December 2022			31 December 2021	
	Maturity of tax losses	Tax losses carried forward	booked as deferred tax asset	Tax losses carried forward	booked as deferred tax asset
2017	2022	-	-	89.908.872	89.908.872
2018	2023	85.075.533	-	416.407.663	416.407.663
2019	2024	415.267.057	415.267.057	534.993.067	534.993.067
2020	2025	368.642.965	368.642.965	409.968.166	409.968.166
2021	2026	382.526.436	382.526.436	614.976.921	92.450.485
2022	2027	297.890.273	297.890.273	-	-
Total		1.549.402.264	1.464.326.731	2.066.254.689	1.543.728.253

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28. EARNINGS PER SHARE

Weighted average number of the company shares and calculated earnings per share are as follows

	01.01.- 31.12.2022	01.01.- 31.12.2021
Profit for the period attributable to parent company	1.142.388.694	(766.100.133)
Weighted average number of ordinary shares	1.500.000.000	1.048.130.194
Earnings / (losses) per share TL	0,7616	(0,7309)
Earnings / (losses) per share	%76,16	(%73,09)

29. EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Analyse of changes in foreign exchange rates is depicted in note 31. Foreign exchange loss recorded on income statement for the current period is TL .557.313.401.

30. DERIVATIVE INSTRUMENTS

	31 December 2022	31 December 2021
Expense accrual on derivative instruments	9.462.548	-
	9.462.548	-

Expense accrual on derivative instruments consists of fair value differences of option contracts and future contracts recognized in profit or loss statement.

Forward exchange transactions

The Group’s business operations are exposed to financial risk due to changes in currency rate and interest rate basically. The Group utilizes derivative financial instruments (primarily currency exchange forward contracts) to avoid fair value risks.

Derivative financial instruments are calculated at fair value on contract date and recalculated at their fair value at next reporting date. The variations on market values are accounted in the profit or loss statement of relevant period.

The Group does not adopt hedge accounting for derivative financial instruments. The group has no contract in short position as of 31 December 2021

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31. FINANCIAL INSTRUMENTS

Financial assets	31 December 2022	31 December 2021
Cash and cash equivalents	1.494.578.863	2.038.466.872
Trade receivables	936.754.832	258.790.289
Financial investments	29.118.593	1.023.056
Financial liabilities		
Financial liabilities	7.735.872.653	5.929.962.043
Trade payables	422.446.492	136.581.903

Financial Borrowings	31 December 2022	31 December 2021
Short term borrowings	1.156.448.116	629.548.554
Letter of credit borrowings	4.377.824.858	3.697.147.633
Lease contracts	25.515.889	8.425.175
	5.559.788.863	4.335.121.362
Short term portion of long term borrowings	613.334.954	1.094.465.732
Total short term financial borrowings	6.173.123.817	5.429.587.094
Long term borrowings	1.491.227.867	462.905.529
Lease contracts	71.520.969	37.469.420
Total long term financial borrowings	1.562.748.836	500.374.949
Total financial borrowings	7.735.872.653	5.929.962.043

The pledges and mortgages given by the Group against borrowings are disclosed in Note 12 and 15. Breakdown of short term and long term financial borrowings with respect to currency are as follows

31 December 2022

Currency	Short term	Long term	Total	TL equivalent
USD	291.602.965	77.708.896	369.311.861	6.917.949.789
EURO	806.105	2.244.574	3.050.679	60.924.504
TL	694.718.506	62.279.854	756.998.360	756.998.360
				7.735.872.653

31 December 2021

Currency	Short term	Long term	Total	TL equivalent
USD	399.347.624	33.555.271	432.902.895	5.780.552.358
TL	97.098.271	52.311.414	149.409.685	149.409.685
				5.929.962.043

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The contractual interest rates at the statement of financial position date are as follows.

Short term	31 December 2022	31 December 2021
USD borrowings	Libor+1 - %14	Libor+0,70 - %5,50
EURO borrowings	%3,75-%3,85	-
TL borrowings	%14,75 - % 26,17	%19,75
Long term	31 December 2022	31 December 2021
USD borrowings	%6,75, Libor+3,40- Libor+6,60	Libor+0,75 - Libor+3,40-%3,78
EURO borrowings	%3,75-%3,85	-
TL borrowings	%15,56-%18,61	%7,50-%22,89

As of the statement of financial position date, repayment plans of total borrowings are as follows.

	31 December 2022	31 December 2021
2022	-	5.429.587.096
2023	6.173.123.816	284.345.935
2024	471.779.037	85.944.017
2025	314.088.779	59.300.301
2026 ve after	776.881.021	70.784.694
	7.735.872.653	5.929.962.043

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32. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**Credit risk**

Registered values of financial assets show the maximum credit risk exposed. Maximum credit risk exposed as of the reporting date is as follows.

Current Period 31 December 2022	Receivables				Bank Deposits	Derivate Instruments	Other
	Trade Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other Party			
Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)	86.955.531	849.799.301	-	15.493.654	1.493.273.903	-	-
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	57.425.417	828.292.424	-	15.493.654	1.493.273.903	-	-
B. Net book value of impaired assets	29.530.114	21.506.877	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	23.943.065	-	-	-	-	-
- Impairment (-)	-	(23.943.065)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

Current Period 31 December 2021	Receivables				Bank Deposits	Derivate Instruments	Other
	Trade Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other Party			
Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)	42.565	258.747.724	105.922.053	6.445.037	2.037.519.500	-	-
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	42.565	240.562.114	105.922.053	6.445.037	2.037.519.500	-	-
B. Net book value of impaired assets	-	18.185.610	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	43.241.240	-	-	-	-	-
- Impairment (-)	-	(43.241.240)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) Items that enhance the loan security such as collaterals were not taken into consideration in determining the amount.

Group did not set provisions for overdue receivables since there was no trouble with the collection from customers in the past and the receivables which were overdue in prior periods were collected without any problem.

The usage of credit limits are continuously monitored by the Group and the credit quality is constantly evaluated by taking into account the clients’ financial position and previous experiences as well as other factors.

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The ageing details of receivables of the Group overdue however not impaired are as follows with their due dates.

Current Period 31 December 2022	Receivables		Bank Deposits	Derivate Instruments	Other
	Trade Receivables	Other Receivables			
Past due 1-30 days	44.748.752	-	-	-	-
Past due 1-3 moths	4.834.034	-	-	-	-
Past due 3-12 months	1.454.206	-	-	-	-
Past due 1-5 years	-	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	51.036.992	-	-	-	-

Current Period 31 December 2021	Receivables		Bank Deposits	Derivate Instruments	Other
	Trade Receivables	Other Receivables			
Past due 1-30 days	18.048.970	-	-	-	-
Past due 1-3 moths	109.529	-	-	-	-
Past due 3-12 months	26.988	-	-	-	-
Past due 1-5 years	124	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	18.185.611	-	-	-	-

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Foreign Currency Risk

	Current Period 31 December 2022				Prior Period 31 December 2021			
	TL Equivalent (Functional currency)	USD	Euro	Other (TL Equivalent)	TL Equivalent (Functional currency)	USD	Euro	Other (TL Equivalent)
1. Trade receivables	511.512.283	24.751.175	2.443.323	-	177.163.091	13.291.518	30	-
2a. Monetary financial assets	1.278.472.647	60.633.442	7.189.949	1.399.435	1.944.250.572	144.857.336	800.642	1.368.089
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	137.821	7.138	219	-	-	-	-	-
4. Current Assets (1+2+3)	1.790.122.751	85.391.755	9.633.491	1.399.435	2.121.413.663	158.148.854	800.672	1.368.089
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	3.275.025	164.374	-	201.514	2.240.128	157.168	-	145.238
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	3.275.025	164.374	-	201.514	2.240.128	157.168	-	145.238
9. Total Assets (4+8)	1.793.397.776	85.556.129	9.633.491	1.600.949	2.123.653.791	158.306.022	800.672	1.513.327
10. Trade payables	144.622.548	3.943.307	3.508.189	695.175	41.734.083	2.460.461	587.508	-
11. Financial liabilities	5.478.961.072	291.602.965	833.934	-	5.332.488.823	399.347.624	-	-
12a. Monetary other liabilities	729.130	27.979	10.266	-	292.713	10.238	10.322	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	5.624.312.750	295.574.251	4.352.389	695.175	5.374.515.619	401.818.323	597.830	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	1.503.497.186	77.708.896	2.396.206	-	448.063.535	33.555.271	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	1.503.497.186	77.708.896	2.396.206	-	448.063.535	33.555.271	-	-
18. Total Liabilities (13+17)	7.127.809.936	373.283.147	6.748.595	695.175	5.822.579.154	435.373.594	597.830	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	33.697.435	1.798.924	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	131.807.480	7.049.169	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	98.347.602	5.250.246	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	(5.300.714.725)	(285.928.094)	2.884.896	905.774	(3.698.925.363)	(277.067.572)	202.842	1.513.327
21. Net foreign currency asset / (liability) position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(5.334.412.160)	(287.727.018)	2.884.896	905.774	(3.698.925.363)	(277.067.572)	202.842	1.513.327
22. Fair value of financial instruments used in foreign currency hedges	-	-	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-	-	-

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Foreign currency risk sensitivity analysis

In case of a fluctuation by 10% in TL against foreign currencies as shown below, the profit or loss statement is expected to be affected as below. While making the analysis, all other variables are assumed to remain unchanged.

Foreign Currency Risk Sensitivity Analysis				
Current Period 31 December 2022	Profit / Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency		Appreciation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(539.258.577)	539.258.577	-	-
2- USD risk hedged (-)	3.369.744	(3.369.744)	-	-
3- USD net effect (1+2)	(535.888.833)	535.888.833	-	-
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	5.726.784	(5.726.784)	-	-
5- EUR risk hedged (-)	-	-	-	-
6- EUR net effect (4+5)	5.726.784	(5.726.784)	-	-
Change in the other foreign currencies against TL by 10 %				
7- Net asset / liability of other currency	90.577	(90.577)	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	90.577	(90.577)	-	-
TOTAL (3+6+9)	(530.071.472)	530.071.472	-	-

Foreign Currency Risk Sensitivity Analysis				
Current Period 31 December 2021	Profit / Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency		Appreciation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(370.348.264)	370.348.264	-	-
2- USD risk hedged (-)	-	-	-	-
3- USD net effect (1+2)	(370.348.264)	370.348.264	-	-
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	304.395	(304.395)	-	-
5- EUR risk hedged (-)	-	-	-	-
6- EUR net effect (4+5)	304.395	(304.395)	-	-
Change in the other foreign currencies against TL by 10 %				
7- Net asset / liability of other currency	151.333	(151.333)	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	151.333	(151.333)	-	-
TOTAL (3+6+9)	(369.892.536)	369.892.536	-	-

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Interest rate sensitivity

Interest Position Table			
		Current Period	Prior Period
Financial instruments with fixed interest rate			
Financial Assets	Fair value through profit or loss assets	-	-
	Available for sale assets	-	-
Financial Liabilities		6.893.815.026	5.055.079.532
Financial instruments with floating interest rate			
Financial Assets		-	-
Financial Liabilities		849.849.561	874.882.511

If annual interest rate on bank loans received as of the end of period was higher/lower by 100 basis point (1%) with all other variables remain constant, the profit before tax and non-controlling interest would be lower/higher by TL 23.165.183.

The Group’s financial liabilities expose the Group to interest rate risk. The Group’s financial liabilities mainly consist of borrowings with floating rate. The Group attempts to acquire loans with lower interest rate to minimize interest rate risk.

Liquidity Risk

Liquidity risk is the probability of the Group defaulting on its liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources bring about liquidity risk. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high-quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. In order to ensure continuous liquidity the Group management, closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Group. Besides, Group’s liquidity management policy consists to prepare cash flow projections, follow up and evaluate actual liquidity rates by comparing to budgeted ratios.

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The Group’s liquidity risk table is as follows.

Current period		Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Contractual maturities	Carrying Amount					
Non-derivative Financial Liabilities						
Bank borrowings	7.638.835.795	8.239.016.091	1.944.871.965	4.386.702.753	1.402.576.177	504.865.196
Right of use obligation	97.036.858	146.785.661	7.862.857	22.320.599	76.718.244	39.883.961
Trade payables	422.446.492	426.646.014	426.646.014	-	-	-
Other payables *	4.975.664	4.975.664	4.975.664	-	-	-
Other current liabilities *	139.330.179	139.330.179	139.330.179		-	-

Prior period		Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Contractual maturities	Carrying Amount					
Non-derivative Financial Liabilities						
Bank borrowings	5.884.067.448	5.992.357.846	1.437.766.026	4.044.914.106	509.677.714	-
Right of use obligation	45.894.595	70.064.325	1.691.704	7.916.313	25.613.276	34.843.032
Trade payables	136.581.903	137.691.993	137.691.993	-	-	-
Other payables *	1.783.571	1.783.571	1.783.571	-	-	-
Other current liabilities *	132.802.450	132.802.450	132.802.450	-	-	-

Capital risk management

In capital management, the Group aims to enhance profitability while keeping a reasonable leverage and sustainability in its operations.

The Group monitors its capital with debt / total capital ratio. This ratio is defined as net debt divided by total capital. Net debt is calculated by deducting cash and cash equivalents from total debt, which includes bank borrowings and financial leases. Total equity is calculated by summing the total equity and net debt as pointed out in the consolidated statement of financial position.

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The net debt / total equity ratio is as follows.

	31 December 2022	31 December 2021
Total debt	7.735.872.653	5.929.962.043
Less: Cash and cash equivalents	1.494.578.864	2.038.466.872
Net debt	6.241.293.790	3.891.495.171
Total shareholders' equity	2.549.980.742	800.468.111
Total equity	8.791.274.532	4.691.963.282
Net debt/Total equity ratio	% 71	% 83

33. FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

“IFRS 7 – Financial Instruments: Disclosure” requires the Companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial assets. The basis for the hierarchy is dependent on the conformity of the data used in fair value calculation. The independency of the source of the data, the assumptions used in calculation of the fair value effects the level of hierarchy.

In the following table, the valuation methodologies of financial instruments made valuation with their fair values are presented. They are described in terms of their levels as follows.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market (unobservable inputs).

31 December 2022

Financial assets	Level 1	Level 2	Level 3
Forward contracts	-	9.462.548	-
	-	9.462.548	-

31 December 2021

Financial assets	Level 1	Level 2	Level 3
Forward contracts	-	-	-
	-	-	-

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34. SUBSEQUENT EVENTS

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. Considering the region in which the Group operates, no direct impact is expected on Group operations.

The regulation abolishing the retirement age requirement for employees who entered employment before 8 September 1999 was published in the Official Gazette on 3 March 2023. Accordingly, those who completed the number of premium days and insurance period among the relevant employees were entitled to retire. Studies to measure the effects of the said regulation on the financial position or performance of the group are ongoing.

35. DISCLOSURES RELATED TO STATEMENT OF CASH FLOW

The group’s cash flow obtained from operating activities amounted to TL 362.799.950 TL (Prior period: 445.020.009). Cash used in investing activities amounted to TL 1.378.657.427 TL (Prior period: 297.086.135 TL). Cash obtained/used in financing activities amounted to TL 471.969.473 TL (31 December 2021: 1.634.697.382)

Reconciliation of cash flows from financing activities with movements of financial liabilities:

	31.December 2021	Cash movements		Non cash movements		31.December 2022
		Inflows	Outflows	Foreign exchange	Other	
Borrowings	5.929.962.043	9.157.699.166	(8.391.590.513)	760.154.712	279.647.241	7.735.872.653

36. DISCLOSURES RELATED TO STATEMENT OF CHANGES IN EQUITY

The Group’s total equity amounted to TL 2.549.980.741 (31 December 2021: TL 800.468.111), which is the sum of TL 2.441.097.978 TL (31 December 2021: 778.281.755 TL) and 108.882.763 TL (31 December 2021: 22.186.356 TL) stands for equity attributable to owners of the company and non-controlling interests respectively.

37. DISCLOSURE OF OTHER MATTERS

Convenience translation to English:

As of December 31, 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 consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.