

(Convenience translation into English of the independent auditors' report and consolidated financial statements originally issued in Turkish – See Note 38)

# **İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Consolidated financial statements for the year ended  
31 December 2023 and independent auditors' report**



**Building a better  
working world**

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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 2023, 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 at 31 December 2023, 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 the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA) and adopted within the framework of Capital Markets Board (CMB) regulations. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA and other ethical principles included in CMB legislation, 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.

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

| Key audit matter   | How the matter was addressed in the audit  |
|--|--|
| <p data-bbox="180 533 794 591"><b><i>Fair value measurement of investment properties and property, plant, and equipment</i></b></p> <p data-bbox="180 600 794 1106">The Group has accounted for its investment properties, lands, buildings, and machinery, plant, and equipment at their fair values as of 31 December 2023, in the consolidated financial statements as of that date, based on the results of fair value valuation conducted by an independent valuation institution authorized by the CMB as of 31 December 2023. The net book value of the related property, plant, and equipment has increased by an amount of TL 5.352.641.507 and after deducting the tax effect, a revaluation increase of TL 4.024.547.911 recognized in other comprehensive income under property, plant and equipment revaluation fund. For the current period ending as of 31 December 2023, a fair value increase of TL 53.773.897 has been recorded for investment properties.</p> <p data-bbox="180 1142 794 1321">The processes of accounting for these transactions in the financial statements are significant to our audit due to the valuation studies involving significant expertise, judgment, and assumptions, and therefore have been identified as a key audit matter by us.</p> <p data-bbox="180 1357 794 1447">Detailed disclosures related to investment properties and property, plant, and equipment are included in Note 2, Note 11, and Note 12.</p> | <p data-bbox="801 600 1394 739">During our audit, the following audit procedures were applied in relation to the fair value measurement of investment properties and the revaluation model measurement of property, plant, and equipment:</p> <p data-bbox="801 775 1394 1030">In relation to the fair value measurement studies, we have evaluated the licensing, competence, and impartiality of the real estate valuation experts appointed by management. As part of our audit, the appropriateness of the methods used by the valuation experts in the valuation reports that form the basis for the fair values of the related investment properties and property, plant, and equipment has been assessed.</p> <p data-bbox="801 1066 1394 1411">To check the consistency of the assumptions used by the independent valuation experts with market data, valuation experts from another firm and valuation experts from another firm within the same audit network as our firm have been involved. In this context, as a result of the work and reviews carried out by the experts on the real estate valuation calculations, we have evaluated whether the estimates and assumptions used in the valuation report are within an acceptable range of the fair value as appraised by the Group's independent valuation experts.</p> <p data-bbox="801 1447 1394 1536">The appropriateness of the valuation method used has been checked in conjunction with the intended uses of the related assets.</p> <p data-bbox="801 1572 1394 1736">Furthermore, within the scope of the specialized accounting mentioned above, the adequacy of the information presented in the financial statements and explanatory notes has been questioned by us in accordance with TAS 16 and TAS 40.</p> |

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| Key audit matter   | How the matter was addressed in the audit   |
|--|---|
| <p><b><i>Application of the hyperinflationary accounting</i></b></p> <p>As stated in Note 2 to the consolidated financial statements, the Group has started to apply "TAS 29 Financial Reporting in Hyperinflation Economies" since the functional currency of the Group (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of 31 December 2023.</p> <p>In accordance with TAS 29, consolidated financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Group utilized the Turkey consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in Note 2.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.</p> | <p>Our audit procedures included the followings:</p> <p>We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed,</p> <p>We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations,</p> <p>We have audited the restatements of corresponding figures as required by TAS 29,</p> <p>We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.</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 InAS 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 InAS, 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.

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

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

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

#### **B) Report on Other Legal and Regulatory Requirements**

- 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 3 May 2024.
- 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 2023 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 DENETÇİ

3 May 2024  
İzmir, Türkiye

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

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Consolidated statement of financial position  
as of 31 December 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

| ASSETS  | Note | <i>Audited</i>                     |                                  |
|---|------|------------------------------------|----------------------------------|
|   |      | Current period<br>31 December 2023 | Prior period<br>31 December 2022 |
| <b>Current Assets</b>   |      |                                    |                                  |
| Cash and Cash Equivalents   | 5    | 1.405.397.382                      | 2.462.661.213                    |
| Financial Investments   | 6    | 292.252.833                        | 46.299.378                       |
| Trade Receivables   |      | 982.422.473                        | 1.543.518.278                    |
| <i>Trade receivables from related parties</i>   | 4    | 3.133.982                          | 143.279.166                      |
| <i>Trade receivable from third parties</i>  | 7    | 979.288.491                        | 1.400.239.112                    |
| Other Receivables   |      | 59.459.786                         | 8.416.276                        |
| <i>Other Receivables from related parties</i>   | 4    | 39.508.980                         | -                                |
| <i>Other receivables from third parties</i>   | 8    | 19.950.806                         | 8.416.276                        |
| Inventories   | 9    | 6.006.495.804                      | 5.890.832.212                    |
| Prepaid Expenses  | 10   | 325.821.836                        | 284.214.271                      |
| Other Current Assets  | 20   | 59.381.554                         | 61.792.545                       |
| <b>TOTAL CURRENT ASSETS</b>   |      | <b>9.131.231.668</b>               | <b>10.297.734.173</b>            |
| <b>Non-Current Assets</b>   |      |                                    |                                  |
| Financial Investment  | 6    | 9.854.717                          | 9.854.717                        |
| Other Receivables   | 8    | 20.532.762                         | 22.465.143                       |
| Investment Properties   | 11   | 388.090.000                        | 334.316.013                      |
| Property, Plant and Equipment   | 12   | 22.235.918.067                     | 12.665.410.929                   |
| Right of use assets   | 13   | 196.399.038                        | 228.389.353                      |
| Intangible Assets   | 14   | 1.994.970                          | 2.430.928                        |
| Prepaid Expenses  | 10   | 1.372.498.600                      | 1.241.947.332                    |
| Deferred Tax Asset  | 28   | 83.180.023                         | 8.453.254                        |
| <b>TOTAL NON-CURRENT ASSETS</b>   |      | <b>24.308.468.177</b>              | <b>14.513.267.669</b>            |
| <b>TOTAL ASSETS</b>   |      | <b>33.439.699.845</b>              | <b>24.811.001.842</b>            |
| <b>LIABILITIES</b>  |      |                                    |                                  |
| <b>Current Liabilities</b>  |      |                                    |                                  |
| Short-term Borrowings   | 32   | 9.270.206.961                      | 9.161.026.378                    |
| Short-term Portion of Long-term Borrowings  | 32   | 1.045.166.848                      | 1.010.609.905                    |
| Trade Payables  |      | 744.927.099                        | 696.077.414                      |
| <i>Trade payables to related parties</i>  | 4    | 5.105.698                          | 8.938.385                        |
| <i>Other payables to third payables</i>   | 7    | 739.821.401                        | 687.139.029                      |
| Employee Benefits Liabilities   | 17   | 171.605.131                        | 93.891.312                       |
| Other Payables  | 8    | 20.115.475                         | 8.198.547                        |
| Liabilities arising from customer contracts   | 20   | 481.424.402                        | 775.130.163                      |
| Derivative Instruments  | 31   | 2.180.462                          | 15.591.717                       |
| Deferred Income   |      | 7.221.410                          | 1.249.821                        |
| Current Income Tax Liability  | 28   | 64.250.559                         | 99.480.058                       |
| Other Current Liabilities   | 20   | 4.855.618                          | 164.038.028                      |
| <b>TOTAL CURRENT LIABILITIES</b>  |      | <b>11.811.953.965</b>              | <b>12.025.293.343</b>            |
| <b>Non-current Liabilities</b>  |      |                                    |                                  |
| Long-term Borrowings  | 32   | 2.498.335.778                      | 2.574.986.868                    |
| Deferred Income   |      | 9.626.112                          | -                                |
| Long-term Provisions  |      | 174.405.799                        | 249.049.596                      |
| <i>Long term provisions related to employee benefits</i>                                    | 17   | 174.405.799                        | 249.049.596                      |
| Deferred Tax Liabilities  | 28   | 784.031.149                        | 200.888.109                      |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |      | <b>3.466.398.838</b>               | <b>3.024.924.573</b>             |
| <b>EQUITY</b>   |      |                                    |                                  |
| <b>Equity Attributable to Owners of the Company</b>   |      |                                    |                                  |
| Paid-in Capital   | 21   | 1.500.000.000                      | 1.500.000.000                    |
| Adjustment on Capital   | 21   | 8.361.821.747                      | 8.361.821.747                    |
| Share premiums  | 21   | 1.093.172.742                      | 10.073.861                       |
| Mutual investment capital adjustment (-)  | 21   | (45.419.137)                       | -                                |
| Other Accumulated Comprehensive Income/ Expense not to be Reclassified under Profit or Loss |      | 3.639.791.836                      | (96.644.347)                     |
| <i>Gain/ loss on revaluation and re-measurement</i>   |      | 3.639.791.836                      | (96.644.347)                     |
| Legal Reserves  | 21   | 307.561.671                        | 307.561.671                      |
| Retained Earnings/(Losses)  | 21   | (602.063.235)                      | (5.087.815.615)                  |
| Net Profit/(Loss) for the Period  | 21   | 1.093.165.766                      | 4.441.274.059                    |
| <b>Non-controlling Interests</b>  |      | <b>2.813.315.652</b>               | <b>324.512.550</b>               |
| <b>TOTAL EQUITY</b>   | 21   | <b>18.161.347.042</b>              | <b>9.760.783.926</b>             |
| <b>TOTAL LIABILITIES</b>  |      | <b>33.439.699.845</b>              | <b>24.811.001.842</b>            |

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)

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Consolidated statement of profit or loss  
for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

|  | Note | <i>Audited</i>                                       | <i>Audited</i>                                     |
|--|------|--|--|
|  |      | Current Period<br>1 January –<br>31 December<br>2023 | Prior Period<br>1 January –<br>31 December<br>2022 |
| <b>PROFIT OR LOSS</b>                          |      |  |  |
| Revenue  | 22   | 35.511.303.384                                       | 47.252.206.479                                     |
| Cost of Sales (-)                              | 22   | (34.336.126.029)                                     | (43.387.619.204)                                   |
| <b>GROSS PROFIT</b>                            |      | <b>1.175.177.355</b>                                 | <b>3.864.587.275</b>                               |
| General Administrative Expenses (-)            | 23   | (328.268.638)  | (255.999.315)                                      |
| Marketing Expenses (-)                         | 23   | (138.075.985)  | (108.523.175)                                      |
| Other Income from Operating Activities         | 24   | 618.236.769  | 933.416.923  |
| Other Expenses from Operating Activities (-)   | 24   | (470.817.493)  | (1.266.966.721)                                    |
| <b>OPERATING PROFIT</b>                        |      | <b>856.252.008</b>                                   | <b>3.166.514.987</b>                               |
| Income from Investing Activities               | 25   | 477.386.090  | 147.307.704  |
| Expenses from Investing Activities (-)         | 25   | (137.183.378)  | (29.363.028)                                       |
| <b>OPERATING PROFIT BEFORE FINANCE EXPENSE</b> |      | <b>1.196.454.720</b>                                 | <b>3.284.459.663</b>                               |
| Finance Income                                 | 26   | 414.797.228  | 576.257.484  |
| Finance Expenses (-)                           | 26   | (6.731.874.111)                                      | (5.012.145.155)                                    |
|  |      | 5.794.422.704  | 5.426.113.354                                      |
| <b>OPERATING LOSS BEFORE TAX</b>               |      | <b>673.800.541</b>                                   | <b>4.274.685.346</b>                               |
| <b>Tax Income/(Expense)</b>                    |      | <b>735.255.760</b>                                   | <b>354.630.791</b>                                 |
| Tax Expense                                    | 28   | (84.421.565)   | (168.922.840)                                      |
| Deferred Tax Income                            | 28   | 819.677.325  | 523.553.631  |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>            |      | <b>1.409.056.301</b>                                 | <b>4.629.316.137</b>                               |
| <b>Profit/(Loss) Attributable to</b>           |      |  |  |
| Non-controlling Interests                      | 21   | 315.890.535  | 188.042.078  |
| Owners of the Company                          |      | 1.093.165.766  | 4.441.274.059                                      |
| Diluted Profit/(Losses) Per Share              | 29   | 0,7289   | 2,9608   |

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)

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Consolidated statement of other comprehensive income  
for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

|   | <b>Note</b> | <i>Audited</i>   | <i>Audited</i>   |
|---|-------------|--|--|
|   |             | <b>Current Period<br/>1 January –<br/>31 December<br/>2023</b> | <b>Prior Period<br/>1 January –<br/>31 December<br/>2022</b> |
| <b>NET PROFIT (LOSS) FOR THE PERIOD</b>   |             | <b>1.409.056.301</b>   | <b>4.629.316.137</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |             | <b>4.003.141.152</b>   | <b>(97.128.293)</b>  |
| <b>Items not to be reclassified through profit or loss</b>                                      |             |  |  |
| Property, plant and equipment revaluation fund  | 12          | 5.352.641.507  | -  |
| Actuarial Gain/(Losses) on Employee Termination Benefit Obligation                              | 17          | (21.406.759)   | (121.410.366)  |
| Taxes Relating to Other Comprehensive Income/ Expenses not to be Reclassified to Profit or Loss | 27          | (1.328.093.596)  | 24.282.073   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |             | <b>4.003.141.152</b>   | <b>(97.128.293)</b>  |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>  |             | <b>5.412.197.453</b>   | <b>4.532.187.844</b>   |
| <b>Attributable to</b>  |             |  |  |
| Non-controlling Interests   |             |  |  |
| Shareholders' of the parent   |             | 364.557.046  | 187.558.131  |

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)

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Consolidated statement of changes in equity for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

|  | Paid-in Capital      | Adjustment on Capital | Share Premiums       | Mutual investment capital adjustment | 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          |
|--|----------------------|-----------------------|----------------------|--------------------------------------|---|--|--------------------|------------------------------|------------------------------------|--|---------------------------|-----------------------|
| <b>PRIOR PERIOD</b>  |                      |                       |                      |                                      |   |  |                    |                              |                                    |  |                           |                       |
| <b>Balance at 1 January 2022</b>   |                      |                       |                      |                                      |   |  |                    |                              |                                    |  |                           |                       |
| <b>(Beginning of the period)</b>   | <b>1.500.000.000</b> | <b>8.361.821.747</b>  | <b>10.073.861</b>    | -                                    | -   | -  | <b>307.561.671</b> | <b>(5.044.397.871)</b>       | -                                  | <b>5.135.059.408</b>                         | <b>139.328.266</b>        | <b>5.274.387.674</b>  |
| Dividends  | -                    | -                     | -                    | -                                    | -   | -  | -                  | 19.698                       | -                                  | 19.698                                       | (19.721)                  | (23)                  |
| Other comprehensive income/loss  | -                    | -                     | -                    | -                                    | -   | (96.644.347)                                 | -                  | -                            | -                                  | (96.644.347)                                 | (483.946)                 | (97.128.293)          |
| Net profit/(loss) for the period   | -                    | -                     | -                    | -                                    | -   | -  | -                  | -                            | 4.441.274.059                      | 4.441.274.059                                | 188.042.078               | 4.629.316.137         |
| Increase/decrease due to other changes   | -                    | -                     | -                    | -                                    | -   | -  | -                  | (43.437.442)                 | -                                  | (43.437.442)                                 | (2.354.128)               | (45.791.569)          |
| <b>Balance at 31 December 2021</b>   |                      |                       |                      |                                      |   |  |                    |                              |                                    |  |                           |                       |
| <b>(End of the period)</b>   | <b>1.500.000.000</b> | <b>8.361.821.747</b>  | <b>10.073.861</b>    | -                                    | -   | <b>(96.644.347)</b>                          | <b>307.561.671</b> | <b>(5.087.815.615)</b>       | <b>4.441.274.059</b>               | <b>9.436.271.376</b>                         | <b>324.512.550</b>        | <b>9.760.783.926</b>  |
| <b>CURRENT PERIOD</b>  |                      |                       |                      |                                      |   |  |                    |                              |                                    |  |                           |                       |
| <b>Balance at 1 January 2023</b>   |                      |                       |                      |                                      |   |  |                    |                              |                                    |  |                           |                       |
| <b>(Beginning of the period)</b>   | <b>1.500.000.000</b> | <b>8.361.821.747</b>  | <b>10.073.861</b>    | -                                    | -   | <b>(96.644.347)</b>                          | <b>307.561.671</b> | <b>(5.087.815.615)</b>       | <b>4.441.274.059</b>               | <b>9.436.271.376</b>                         | <b>324.512.550</b>        | <b>9.760.783.926</b>  |
| Transfers  | -                    | -                     | -                    | -                                    | -   | -  | -                  | 4.441.274.059                | (4.441.274.059)                    | -  | -                         | -                     |
| Dividends  | -                    | -                     | -                    | -                                    | -   | -  | -                  | 21.886                       | -                                  | 21.886                                       | (21.912)                  | (26)                  |
| Other comprehensive income/loss  | -                    | -                     | -                    | -                                    | 3.965.612.765                                     | (11.138.123)                                 | -                  | -                            | -                                  | 3.954.474.642                                | 48.666.510                | 4.003.141.152         |
| Net profit/(loss) for the period   | -                    | -                     | -                    | -                                    | -   | -  | -                  | -                            | 1.093.165.766                      | 1.093.165.766                                | 315.890.535               | 1.409.056.301         |
| Increase (Decrease) Due to Treasury Stock Transactions (Note 21)   | -                    | -                     | -                    | (45.419.137)                         | -   | -  | -                  | -                            | -                                  | (45.419.137)                                 | (18.096.377)              | (63.515.514)          |
| Increase/Decrease Due to Changes in Ownership Interest in Subsidiaries without Loss of Control (Note 21) | -                    | -                     | 1.083.098.881        | -                                    | (221.134.574)                                     | 3.096.115                                    | -                  | 44.456.435                   | -                                  | 909.516.857                                  | 2.142.364.346             | 3.051.881.2023        |
| <b>Balance at 31 December 2022</b>   |                      |                       |                      |                                      |   |  |                    |                              |                                    |  |                           |                       |
| <b>(End of the period)</b>   | <b>1.500.000.000</b> | <b>8.361.821.747</b>  | <b>1.093.172.742</b> | <b>(45.419.137)</b>                  | <b>3.744.478.191</b>                              | <b>(104.686.358)</b>                         | <b>307.561.671</b> | <b>(602.063.235)</b>         | <b>1.093.165.766</b>               | <b>15.348.031.390</b>                        | <b>2.813.315.652</b>      | <b>18.161.347.042</b> |

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

## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

Consolidated statement of cash flows  
for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

|   | Notes | <i>Audited</i>                                       | <i>Audited</i>                                     |
|---|-------|--|--|
|   |       | Current Period<br>1 January –<br>31 December<br>2023 | Prior Period<br>1 January –<br>31 December<br>2022 |
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES, NET</b>                                 |       | <b>(58.469.318)</b>                                  | <b>(332.080.257)</b>                               |
| Net profit/(loss) for the period  |       | 1.409.056.301  | 4.629.316.137                                      |
| <b>Adjustments for net profit/loss for the period reconciliation</b>                |       | <b>(1.520.222.455)</b>                               | <b>(2.676.634.042)</b>                             |
| Adjustments for depreciation and amortization                                       | 18    | 711.905.674  | 716.273.370  |
| Adjustments for impairment (cancellation)   |       | (49.981.262)   | 224.004.936  |
| - Adjustments for impairment (cancellation) receivables                             | 7     | 11.598.199   | (31.798.166)                                       |
| - Adjustments for impairment (cancellation) inventory                               | 9     | (108.906.712)  | 231.527.608  |
| - Adjustments for impairment (cancellation) fixed assets                            | 12    | 47.327.251   | 24.275.494   |
| Adjustments related with provisions   | 17    | 77.126.478   | 47.724.393   |
| Adjustments for interest income and expenses  | 24,26 | 760.072.313  | 553.797.362  |
| Adjustments to (gain)/loss on fair value  |       | (146.763.573)  | (138.652.964)                                      |
| - Adjustments to (gain)/loss on fair value of investment properties                 | 25    | (53.773.987)   | (136.006.198)                                      |
| - Adjustments to (gain)/loss on fair value of financial instruments                 | 26    | (70.352.753)   | (2.646.766)  |
| - Adjustments related to fair value gains on financial assets                       |       | (22.636.833)   | -  |
| Adjustments for tax expense/(income)  | 28    | (735.255.760)  | (354.630.791)                                      |
| Other adjustments for non-cash items  |       | 2.089.990.694  | 1.250.175.458                                      |
| Adjustments for (gain)/loss on disposal of tangible assets                          | 25    | 719.956  | 5.087.534  |
| Other adjustments related to profit and loss reconciliation                         | 26    | 225.207.475  | 73.841.769   |
| Adjustments related to monetary position losses (gains)                             |       | (4.453.244.450)                                      | -5.054.255.109                                     |
| <b>Changes in working capital</b>   |       | <b>233.849.317</b>                                   | <b>(2.170.447.812)</b>                             |
| Adjustments for (increase)/decrease in trade receivables                            |       | 568.987.776  | (817.197.913)                                      |
| Adjustments for (increase)/decrease in other receivables                            |       | (7.710.386)  | (11.955.184)                                       |
| Adjustments for (increase)/decrease in inventories                                  |       | 30.900.590   | (643.993.821)                                      |
| Adjustments for increase/(decrease) in trade payables                               |       | 5.382.173  | 326.152.078  |
| Adjustments for increase/(decrease) in other payables                               |       | 29.105.000   | (24.950.558)                                       |
| Adjustments for increase/(decrease) in working capital                              |       | (392.815.836)  | (998.502.414)                                      |
| <b>Net cash provided from operating activities</b>                                  |       | <b>122.683.163</b>                                   | <b>(217.765.717)</b>                               |
| Payment for the employee benefits provisions  | 17    | (79.627.915)   | (13.378.210)                                       |
| Taxes paid  |       | (101.524.566)  | (100.936.330)                                      |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES, NET</b>                                 |       | <b>(5.589.623.731)</b>                               | <b>(2.705.330.827)</b>                             |
| Proceeds from sales of property, plant and equipment and intangible assets          |       | 2.480.733  | 4.253.741  |
| Purchase of property, plant and equipment and intangible assets                     | 12,14 | (3.360.455.033)                                      | (722.766.951)                                      |
| Proceeds from sales of investment property  |       | -  | 11.361.093   |
| Cash advances given   |       | (2.261.738.237)                                      | (1.857.778.246)                                    |
| Interest received   |       | 271.605.906  | 3.287.118  |
| Cash outflows from profit sharing and other financial instruments                   |       | (269.616.000)  | (46.299.378)                                       |
| Cash inflows from profit sharing and other financial instruments                    |       | 28.098   | -  |
| Cash outflows used in obtaining control of subsidiaries or other businesses         |       | -  | (97.388.204)                                       |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES, NET</b>                                 |       | <b>5.666.773.730</b>                                 | <b>1.374.824.090</b>                               |
| Cash inflows from capital increase  |       | 3.051.881.203  | -  |
| Cash inflows from borrowings  |       | 17.162.570.341                                       | 16.753.623.344                                     |
| Repayments of borrowings  |       | (13.518.001.533)                                     | (15.160.632.295)                                   |
| Increase/(decrease) in due to related parties                                       |       | (24.163.982)   | 296.778.922  |
| Payments of lease liabilities   |       | (38.976.255)   | (34.801.528)                                       |
| Cash inflows related to derivatives   |       | 81.632.347   | 170.286.021  |
| Cash outflows related to derivatives  |       | (24.690.849)   | (152.047.538)                                      |
| Interest paid   |       | (831.966.340)  | (488.217.401)                                      |
| Interest received   |       | 100.535.907  | 63.676.359   |
| Dividend paid   |       | (26)   | (25)   |
| Other cash outflows   |       | (228.531.569)  | (73.841.769)                                       |
| Cash outflows from the sale of the entity's own shares and other equity instruments |       | (63.515.514)   | -  |
| <b>D. INFLATION EFFECT ON CASH AND CASH EQUIVALENTS</b>                             |       | <b>(1.080.729.982)</b>                               | <b>(1.393.928.252)</b>                             |
| <b>E. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>      |       | <b>4.785.470</b>                                     | <b>1.621.286</b>                                   |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>                 |       | <b>18.680.681</b>                                    | <b>(1.662.586.994)</b>                             |
| <b>F. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                          | 5     | <b>2.462.661.213</b>                                 | <b>5.517.555.173</b>                               |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+B+C+D+E+F)</b>                     | 5     | <b>1.405.397.382</b>                                 | <b>2.462.661.213</b>                               |

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

## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 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 Aliağa heavy industrial zone at a plant located over 550,000 m<sup>2</sup> 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 2023<br>Shareholding rate | 31 December 2022<br>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     | %71,51                                | %94,86                                |
| İzdemir Solar Enerji A.Ş.           | -                     | -                                     | %94,86                                |

Indirect affiliated partnership İzdemir Solar Enerji A.Ş. has merged under İzdemir Enerji Elektrik Üretim A.Ş. İzdemir Elektrik Üretim A.Ş., by acquiring all the assets and liabilities as a whole of its wholly-owned subsidiary İzdemir Solar Enerji A.Ş., has consolidated it within İzdemir Enerji Elektrik Üretim A.Ş. through a simplified procedure.

#### Akdemir Çelik Sanayi ve Ticaret A.Ş.

Akdemir Çelik Sanayi ve Ticaret A.Ş. was established in 1993. It operates in the İzmir Aliağa heavy industrial zone, with a total production area of 46,000 m<sup>2</sup>, including 18,500 m<sup>2</sup> of covered space. The company owns a rolling mill with an annual capacity of 350,000 tons.

#### İDÇ Liman İşletmeleri A.Ş.

The company began its port operations in 1983 and took the name İDÇ Liman İşletmeleri A.Ş. in 2004. The types of port services offered include bulk dry cargo and general cargo. With a modern machinery park, the company has the capacity to handle 7.5 million tons of loading and unloading annually. It also has storage facilities spanning 42,905 square meters of covered and open warehouses.

#### İzdemir Enerji Elektrik Üretim A.Ş.

İzdemir Enerji Elektrik Üretim A.Ş. was established in 2007 to operate in the energy market. The construction of a 350 MW supercritical thermal power plant investment began in İzmir Aliağa in 2011 and was completed and commissioned in 2014. The installed capacity of the plant was increased to 370 MW in 2021. Built with the latest technology in compliance with national and international technical and environmental standards, the plant can supply up to 2,664,000,000 kWh of electricity annually to the national grid in an environmentally friendly, continuous, reliable, and high-quality manner. Additionally, the company has commissioned a 24.1 MWe Solar Power Plant (GES) in the Salihli district of Manisa Province as part of its ongoing investments in renewable energy sources, which is planned to be operational in 2024.

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

## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 1. Organization and nature of business (continued)

##### Shareholding structure:

|                               | Share Amount<br>(TL) | Share<br>(%) |
|-------------------------------|----------------------|--------------|
| Şahin – Koç Çelik Sanayi A.Ş. | 871.889.341          | 58,13        |
| Other (Publicly traded)       | 628.110.659          | 41,87        |
| <b>Total</b>                  | <b>1.500.000.000</b> | <b>100</b>   |

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<br>Management | Total |
|------------------|-------------|--------------|---------|-------------------|-------|
| 31 December 2023 | 1.236       | 714          | 36      | 7                 | 1.993 |
| 31 December 2022 | 1.276       | 664          | 33      | 7                 | 1.980 |

#### 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

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

## **İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

### **Notes to the consolidated financial statements for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

## **2. Basis of presentation of consolidated financial statements**

### **2.1 Basis of Presentation (continued)**

#### **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.

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.

The shares of the Group’s subsidiary, İzdemir Enerji Elektrik Üretim A.Ş., have been offered to the public. The initial public offering (IPO) was conducted through a combination of a secondary sale by existing shareholders and a capital increase. Through the capital increase, shares with a nominal value of TL 75.000.000 were issued, and through the secondary sale, shares with a nominal value of TL 63.120.000 owned by the main shareholder İzmir Demir Çelik Sanayi A.Ş. were sold, totaling the sale of shares with a nominal value of TL 138.120.000. Gains arising from changes in ownership interest that did not result in a loss of control have been accounted for under equity.

##### **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.

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Notes to the consolidated financial statements  
for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**2. Basis of presentation of consolidated financial statements**

**2.1 Basis of Presentation (continued)**

**Amendment of financial statements on hyperinflation periods**

Entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

The accompanying financial statements are prepared on a historical cost basis, except for financial investments measured at fair value and investment properties measured at revalued amounts.

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish lira and, as a result, are expressed in terms of purchasing power of Turkish lira as of 31 December 2023 as per TAS 29.

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes (CPI) published by Turkey Statistical Institute according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

| <b>Year-end</b> | <b>Index</b> | <b>Index, %</b> | <b>Conversion Factor</b> |
|-----------------|--------------|-----------------|--------------------------|
| 2004            | 113,86       | 13,86           | 16,33                    |
| 2005            | 122,65       | 7,72            | 15,16                    |
| 2006            | 134,49       | 9,65            | 13,83                    |
| 2007            | 145,77       | 8,39            | 12,76                    |
| 2008            | 160,44       | 10,06           | 11,59                    |
| 2009            | 170,91       | 6,53            | 10,88                    |
| 2010            | 181,85       | 6,40            | 10,22                    |
| 2011            | 200,85       | 10,45           | 9,26                     |
| 2012            | 213,23       | 6,16            | 8,72                     |
| 2013            | 229,01       | 7,40            | 8,12                     |
| 2014            | 247,72       | 8,17            | 7,51                     |
| 2015            | 269,54       | 8,81            | 6,90                     |
| 2016            | 292,54       | 8,53            | 6,36                     |
| 2017            | 327,41       | 11,92           | 5,68                     |
| 2018            | 393,88       | 20,30           | 4,72                     |
| 2019            | 440,50       | 11,84           | 4,22                     |
| 2020            | 504,81       | 14,60           | 3,68                     |
| 2021            | 686,95       | 36,08           | 2,71                     |
| 2022            | 1128,45      | 64,27           | 1,65                     |
| 2023            | 1859,38      | 64,77           | 1                        |

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Notes to the consolidated financial statements  
for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**2. Basis of presentation of consolidated financial statements**

**2.1 Basis of Presentation (continued)**

Assets and liabilities were separated into those that were monetary and non-monetary, with non-monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items (other than index-linked monetary items) and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of 31 December 2023. Non-monetary items which are not expressed in terms of measuring unit as of 31 December 2023 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value. Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.

Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e before 1 January 2005, were restated by applying the change in the CPI from 1 January 2005 to 31 December 2023.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the Turkish lira presented in Net Monetary Position Gains (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

In addition, in the first reporting period in which TAS 29 is applied, the requirements of the Standard are applied as if the economy had always been hyperinflationary. Therefore, the statement of financial position at the beginning of the earliest comparative period, i.e as of 1 January 2022, was restated as the base of all subsequent reporting. Restated retained earnings/losses in the statement of financial position as of 1 January 2022 was derived as balancing figure in the restated statement of financial position.

**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. Basis of presentation of consolidated financial statements**

**2.3 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on 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 January 1, 2023 are as follows:**

**Amendments to TAS 8 - Definition of Accounting Estimates**

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. 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 POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendments did not have a significant impact on the financial position or performance of the Group.

**Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. 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. The amendments did not have a significant impact on the financial position or performance of the Group.

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

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. 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. The amendments did not have a significant impact on the financial position or performance of the Group.

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**2. Basis of presentation of consolidated financial statements**

**2.3 The new standards, amendments and interpretations (continued)**

**Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules**

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023. 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 TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2017, POA 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.

**TFRS 17 - The new Standard for insurance contracts**

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

In March 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 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, January 2023 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 TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa. The amendments did not have a significant impact on the financial position or performance of the Group.

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**2. Basis of presentation of consolidated financial statements**

**2.3 The new standards, amendments and interpretations (continued)**

**Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback**

In January 2023, POA issued amendments to TFRS 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 TFRS 16 under “Subsequent measurement of the 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 TFRS 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 TAS 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 TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements**

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. The Company / the Group is in the process of assessing the impact of the amendments on financial position or performance of the Company / the Group.

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 and IFRS 18 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments and new Standard are issued and become effective under TFRS.

**Amendments to IAS 21 - Lack of exchangeability**

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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#### **2. Basis of presentation of consolidated financial statements**

##### **2.3 The new standards, amendments and interpretations (continued)**

###### **IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements**

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

##### **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 2023 comparatively with the consolidated statement of financial position as at 31 December 2022, 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 2023 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 2022.

##### **2.5. Going concern**

The consolidated financial statements as of December 31, 2023, have been prepared on a going concern basis.

##### **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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

***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**

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.

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## **2. Basis of presentation of consolidated financial statements**

### **2.7 Summary of Significant Accounting Policies (continued)**

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.

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:

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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:*

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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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. 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.

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## **2. Basis of presentation of consolidated financial statements**

### **2.7 Summary of Significant Accounting Policies (continued)**

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).

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 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**

Intangible fixed assets are reflected in the financial statements at their net book value, which is determined by adjusting the acquisition costs for the purchasing power of the Turkish Lira as of December 31, 2023, and then deducting accumulated amortization and, if applicable, any impairment losses.

Amortization rates that are mentioned below are determined by considering estimated useful lives.

Rights 3-5 years%

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

***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 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.

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

***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.

**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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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 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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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**

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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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.

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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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.

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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

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**

**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.

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## **2. Basis of presentation of consolidated financial statements**

### **2.7 Summary of Significant Accounting Policies (continued)**

#### **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 İzmir 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.

#### **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.

#### **Dağı Giyim Sanayi ve Ticaret A.Ş.**

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

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## **2. Basis of presentation of consolidated financial statements**

### **2.7 Summary of Significant Accounting Policies (continued)**

#### 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.

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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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.

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.

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**2. Basis of presentation of consolidated financial statements**

**2.7 Summary of Significant Accounting Policies (continued)**

**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.

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.

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## **2. Basis of presentation of consolidated financial statements**

### **2.7 Summary of Significant Accounting Policies (continued)**

#### **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 17 – Provisions, contingent assets and liabilities
- Note 28 – Tax assets and liabilities
- Note 32 – Financial derivatives
- Note 35 – 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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(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

### 3. Segment reporting (continued)

| 1 January - 31 December 2023                                | <i>Iron Steel<br/>Operations</i> | <i>Ship<br/>Operations</i> | <i>Harbour<br/>Operations</i> | <i>Energy<br/>Operations</i> | <i>Consolidation<br/>Adjustments</i> | <i>Consolidated</i>   |
|---|----------------------------------|----------------------------|-------------------------------|------------------------------|--------------------------------------|-----------------------|
| Domestic Sales  | 22.489.600.680                   |                            | 254.921.379                   | 5.418.444.092                | -                                    | 28.162.966.151        |
| Export Sales  | 6.944.146.517                    | 400.777.863                | 3.412.853                     | -                            | -                                    | 7.348.337.233         |
| Intersegment Sales  | 3.754.633                        | -                          | 344.680.775                   | 2.118.539.653                | (2.466.975.061)                      | -                     |
| <b>Total Sales</b>  | <b>29.437.501.830</b>            | <b>400.777.863</b>         | <b>603.015.007</b>            | <b>7.536.983.745</b>         | <b>(2.466.975.061)</b>               | <b>35.511.303.384</b> |
| Cost Of Sales (-)   | (29.368.186.352)                 | (285.347.191)              | (435.363.574)                 | (6.782.341.714)              | 2.535.112.802                        | (34.336.126.029)      |
| <b>GROSS PROFIT/(LOSS)</b>                                  | <b>69.315.478</b>                | <b>115.430.672</b>         | <b>167.651.433</b>            | <b>754.642.031</b>           | <b>68.137.741</b>                    | <b>1.175.177.355</b>  |
| General Administrative Expenses (-)                         | (245.931.273)                    | -                          | (20.938.795)                  | (64.240.050)                 | 2.841.480                            | (328.268.638)         |
| Marketing Expenses (-)                                      | (143.294.525)                    | -                          | -                             | -                            | 5.218.540                            | (138.075.985)         |
| Other Income from Operating Activities                      | 570.836.113                      | 35.060.460                 | 23.897.433                    | 69.521.354                   | (81.078.591)                         | 618.236.769           |
| Other Expenses from Operating Activities (-)                | (426.596.684)                    | -                          | (4.943.436)                   | (82.784.545)                 | 43.507.172                           | (470.817.493)         |
| <b>OPERATING PROFIT/(LOSS)</b>                              | <b>(175.670.891)</b>             | <b>150.491.132</b>         | <b>165.666.635</b>            | <b>677.138.790</b>           | <b>38.626.342</b>                    | <b>856.252.008</b>    |
| Income from Investing Activities                            | 475.294.586                      | -                          | 2.091.504                     | -                            | -                                    | 477.386.090           |
| Expense from Investing Activities (-)                       | (135.188.362)                    | -                          | (2.169.728)                   | 174.712                      | -                                    | (137.183.378)         |
| <b>OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE</b>      | <b>164.435.333</b>               | <b>150.491.132</b>         | <b>165.588.411</b>            | <b>677.313.502</b>           | <b>38.626.342</b>                    | <b>1.196.454.720</b>  |
| Financial Incomes   | 454.639.937                      | -                          | 2.002.818                     | 19.661.517                   | (61.507.044)                         | 414.797.228           |
| Financial Expenses (-)                                      | (6.354.450.747)                  | -                          | (31.147.516)                  | (415.483.675)                | 69.207.827                           | (6.731.874.111)       |
| Monetary (losses) gains                                     | 5.378.332.297                    | (23.656.724)               | (23.082.815)                  | 456.505.081                  | 6.324.865                            | 5.794.422.704         |
| <b>OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>            | <b>(357.043.180)</b>             | <b>126.834.408</b>         | <b>113.360.898</b>            | <b>737.996.425</b>           | <b>52.651.990</b>                    | <b>673.800.541</b>    |
| <b>Tax Income/(Expense)</b>                                 | <b>345.683.452</b>               | <b>-</b>                   | <b>(25.408.346)</b>           | <b>370.655.798</b>           | <b>44.324.856</b>                    | <b>735.255.760</b>    |
| Tax Income/(Expense)  | (37.763.128)                     | -                          | (28.842.093)                  | (17.816.344)                 | -                                    | (84.421.565)          |
| Deferred Tax Income / (Expense)                             | 383.446.580                      | -                          | 3.433.747                     | 388.472.142                  | 44.324.856                           | 819.677.325           |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                         | <b>(11.359.728)</b>              | <b>126.834.408</b>         | <b>87.952.552</b>             | <b>1.108.652.223</b>         | <b>96.976.846</b>                    | <b>1.409.056.301</b>  |
| <b>Profit/(Loss) Attributable to</b>                        |                                  |                            |                               |                              |                                      |                       |
| Non-controlling Interests                                   | 14.274                           | -                          | 7.158                         | 315.869.103                  | -                                    | 315.890.535           |
| Shareholders' of the parent                                 | (11.374.002)                     | 126.834.408                | 87.945.394                    | 792.783.120                  | 96.976.846                           | 1.093.165.766         |
| <b>Segment Assets</b>                                       |                                  |                            |                               |                              |                                      |                       |
| Tangible and intangible fixed assets, investment properties | 12.177.715.869                   | 491.417.826                | 2.023.070.117                 | 7.545.709.225                | -                                    | 22.237.913.037        |
| Amortization and depreciation expenses                      | 389.925.034                      | -                          | 92.536.807                    | 267.806.682                  | -                                    | 750.268.523           |
| Interest income   | 154.551.893                      | -                          | 2.002.818                     | 19.661.517                   | (61.507.044)                         | 114.709.184           |
| Interest expense  | 1.120.675.687                    | -                          | 11.740.041                    | 67.139.548                   | -                                    | 1.199.555.276         |

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

## Izmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements

for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

### 3. Segment reporting (continued)

| 1 January - 31 December 2022                                | <i>Iron Steel<br/>Operations</i> | <i>Ship<br/>Operations</i> | <i>Harbour<br/>Operations</i> | <i>Energy<br/>Operations</i> | <i>Consolidation<br/>Adjustments</i> | <i>Consolidated</i>   |
|---|----------------------------------|----------------------------|-------------------------------|------------------------------|--------------------------------------|-----------------------|
| Domestic Sales  | 29.514.585.201                   | -                          | 298.180.175                   | 9.045.785.628                | -                                    | 38.858.551.004        |
| Export Sales  | 7.604.020.022                    | 716.703.320                | 72.932.133                    | -                            | -                                    | 8.393.655.475         |
| Intersegment Sales  | 7.059.363                        | -                          | 418.412.832                   | 3.555.046.899                | (3.980.519.094)                      | -                     |
| <b>Total Sales</b>  | <b>37.125.664.586</b>            | <b>716.703.320</b>         | <b>789.525.140</b>            | <b>12.600.832.527</b>        | <b>(3.980.519.094)</b>               | <b>47.252.206.479</b> |
| Cost Of Sales (-)   | (37.782.882.425)                 | (197.911.299)              | (407.879.086)                 | (8.935.967.236)              | 3.937.020.842                        | (43.387.619.204)      |
| <b>GROSS PROFIT/(LOSS)</b>                                  | <b>(657.217.839)</b>             | <b>518.792.021</b>         | <b>381.646.054</b>            | <b>3.664.865.291</b>         | <b>(43.498.252)</b>                  | <b>3.864.587.275</b>  |
| General Administrative Expenses (-)                         | (191.599.976)                    | -                          | (11.113.183)                  | (56.650.804)                 | 3.364.648                            | (255.999.315)         |
| Marketing Expenses (-)                                      | (121.691.504)                    | -                          | -                             | -                            | 13.168.329                           | (108.523.175)         |
| Other Income from Operating Activities                      | 1.002.210.114                    | 28.724.021                 | 3.262.156                     | 64.255.904                   | (165.035.272)                        | 933.416.923           |
| Other Expenses from Operating Activities (-)                | (406.025.417)                    | -                          | 27.049                        | (949.570.478)                | 88.602.125                           | (1.266.966.721)       |
| <b>OPERATING PROFIT/(LOSS)</b>                              | <b>(374.324.622)</b>             | <b>547.516.042</b>         | <b>373.822.076</b>            | <b>2.722.899.913</b>         | <b>(103.398.422)</b>                 | <b>3.166.514.987</b>  |
| Income from Investing Activities                            | 145.718.830                      | -                          | 1.509.572                     | 79.302                       | -                                    | 147.307.704           |
| Expense from Investing Activities (-)                       | 54.185                           | -                          | (1.362.321)                   | (3.779.398)                  | (24.275.494)                         | (29.363.028)          |
| <b>OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE</b>      | <b>(228.551.607)</b>             | <b>547.516.042</b>         | <b>373.969.327</b>            | <b>2.719.199.817</b>         | <b>(127.673.916)</b>                 | <b>3.284.459.663</b>  |
| Financial Incomes   | 575.222.078                      | -                          | 1.338.873                     | 72.367                       | (375.834)                            | 576.257.484           |
| Financial Expenses (-)                                      | (3.871.629.789)                  | -                          | (7.549.457)                   | (1.154.910.168)              | 21.944.259                           | (5.012.145.155)       |
| Monetary (losses) gains                                     | 3.842.602.763                    | (81.473.056)               | 20.261.247                    | 1.612.306.701                | 32.415.699                           | 5.426.113.354         |
| <b>OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>            | <b>317.643.445</b>               | <b>466.042.986</b>         | <b>388.019.990</b>            | <b>3.176.668.717</b>         | <b>(73.689.792)</b>                  | <b>4.274.685.346</b>  |
| <b>Tax Income/(Expense)</b>                                 | <b>(169.580.878)</b>             | <b>-</b>                   | <b>(72.078.218)</b>           | <b>480.125.802</b>           | <b>116.164.085</b>                   | <b>354.630.791</b>    |
| Tax Income/(Expense)  | -                                | -                          | (70.930.532)                  | (97.992.308)                 | -                                    | (168.922.840)         |
| Deferred Tax Income / (Expense)                             | (169.580.878)                    | -                          | (1.147.686)                   | 578.118.110                  | 116.164.085                          | 523.553.631           |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                         | <b>148.062.567</b>               | <b>466.042.986</b>         | <b>315.941.772</b>            | <b>3.656.794.519</b>         | <b>42.474.293</b>                    | <b>4.629.316.137</b>  |
| <b>Profit/(Loss) Attributable to</b>                        |                                  |                            |                               |                              |                                      |                       |
| Non-controlling Interests                                   | (369)                            | -                          | 49.488                        | 187.992.959                  | -                                    | 188.042.078           |
| Shareholders' of the parent                                 | 148.062.936                      | 466.042.986                | 315.892.284                   | 3.468.801.560                | 42.474.293                           | 4.441.274.059         |
| <b>Segment Assets</b>                                       | <b>5.101.917.462</b>             | <b>464.567.119</b>         | <b>952.705.515</b>            | <b>6.148.651.761</b>         | <b>-</b>                             | <b>12.667.841.857</b> |
| Tangible and intangible fixed assets, investment properties | 396.995.865                      | -                          | 91.212.646                    | 265.073.420                  | -                                    | 753.281.931           |
| Amortization and depreciation expenses                      | 80.017.183                       | -                          | 1.338.874                     | 5.160.173                    | (375.834)                            | 86.140.396            |
| Interest income   | 656.961.352                      | -                          | 5.671.074                     | 188.724.006                  | -                                    | 851.356.432           |
| Interest expense  | -                                | -                          | -                             | -                            | -                                    | -                     |

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 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 2023 | 31 December 2022   |
|---|------------------|--------------------|
| Şahin Kömür Ticaret A.Ş. (*)              | 2.502.669        | 142.982.917        |
| İDÇ Denizcilik San. Tic. A.Ş. (*)         | 483.808          | 186.884            |
| Şahin-Koç Çelik San. A.Ş. (**)            | 90.213           | 92.807             |
| Şahin Şirketler Grubu Holding A.Ş. (***)  | 40.564           | -                  |
| Begonviller Turizm Yatçılık Ltd. Şti. (*) | 16.728           | 16.558             |
|   | <b>3.133.982</b> | <b>143.279.166</b> |

The majority of the receivable from Şahin Kömür Ticaret A.Ş. pertains to coal sales.

#### Other receivables from related parties

|  | 31 December 2023  | 31 December 2022 |
|--|-------------------|------------------|
| Şahin Şirketler Grubu Holding A.Ş. (***) | 39.508.980        | -                |
|  | <b>39.508.980</b> | <b>-</b>         |

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 2023 | 31 December 2022 |
|--|------------------|------------------|
| İDÇ Denizcilik San. ve Tic. A.Ş. (*)       | 2.866.729        | 6.563.931        |
| Agora Sigorta Aracılık Hizmetleri A.Ş. (*) | 2.194.411        | 2.298.228        |
| Şahin Şirketler Grubu Holding A.Ş. (***)   | 44.558           | 76.226           |
|  | <b>5.105.698</b> | <b>8.938.385</b> |

IDC Denizcilik provides crewing, maintenance, and technical support for the vessels owned by the group. It also offers freight services. Insurance policies are obtained from Agora Sigorta.

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

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#### 4. Related party disclosures (continued)

##### Income from related parties

|  | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|--|---------------------------------|---------------------------------|
| Şahin Kömür Ticaret A.Ş.(*)              | 15.865.440                      | 14.163.106                      |
| İDÇ Denizcilik Sanayi ve Ticaret A.Ş.(*) | 7.766.633                       | 5.195.378                       |
|  | <b>23.632.073</b>               | <b>19.358.484</b>               |

##### Purchases from related parties in cost of goods sold

|   | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|---|---------------------------------|---------------------------------|
| İDÇ Denizcilik Sanayi ve Ticaret A.Ş. (*)       | 119.157.762                     | 91.974.574                      |
| Agora Sigorta Aracılık Hizmetleri Ltd. Şti. (*) | 92.426.451                      | 41.801.361                      |
|   | <b>211.584.213</b>              | <b>133.775.935</b>              |

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

|   | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|---|---------------------------------|---------------------------------|
| İDÇ Denizcilik Sanayi ve Ticaret A.Ş. (*)       | 329.362                         | 150.771                         |
| Agora Sigorta Aracılık Hizmetleri Ltd. Şti. (*) | 3.797                           | 1.502                           |
|   | <b>333.159</b>                  | <b>152.273</b>                  |

##### Expenses from related parties in general administrative expenses

|  | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|--|---------------------------------|---------------------------------|
| Agora Sigorta Aracılık Hizmetleri Ltd. Şti.(*) | 4.947.192                       | 2.570.009                       |
| Şahin Şirketler Grubu Holding A.Ş.(***)        | 254.054                         | 197.084                         |
|  | <b>5.201.246</b>                | <b>2.767.093</b>                |

##### Income from related parties in other operating income and profit

|  | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|--|---------------------------------|---------------------------------|
| Şahin Kömür Ticaret A.Ş.                               | 42.265.994                      | 18.920.261                      |
| İDÇ Denizcilik San. ve Tic. A.Ş. (*)                   | 689.645                         | 868.394                         |
| Agora Sigorta Aracılık Hizmetleri A.Ş. (*)             | 216.601                         | 105.635                         |
| Şahin - Koç Çelik Sanayi A.Ş. (**)                     | 94.089                          | 58.289                          |
| Şahin Şirketler Grubu Holding A.Ş. (***)               | 87.750                          | 53.993                          |
| Begonviller Turizm Yatçılık Ltd. Şti. (*)              | 25.713                          | 15.082                          |
| Karbeyaz Çimento Madencilik Sanayi ve Ticaret A.Ş. (*) | 10.382                          | 5.768                           |
| Şahin Gemicilik Nakliyat San. ve Tic. A.Ş. (*)         | -                               | 9.181                           |
|  | <b>43.390.174</b>               | <b>20.036.603</b>               |

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**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

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for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**4. Related party disclosures (continued)**

**Income from related parties in finance income**

|  | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|--|---|---|
| Şahin Şirketler Grubu Holding A.Ş. (***) | 12.812.562                              | 7.610.050                               |
| Şahin - Koç Çelik Sanayi A.Ş. (**)       | 2.532.436                               | -                                       |
|  | <b>15.344.998</b>                       | <b>7.610.050</b>                        |

**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 8.573.181 TL (1 January - 31 December 2022: 4.467.926 TL). As of the reporting date, the group has no outstanding debt to senior management.

**5. Cash and cash equivalents**

|   | <b>31 December 2023</b> | <b>31 December 2022</b> |
|---|-------------------------|-------------------------|
| Cash on hand                            | 216.515                 | 120.417                 |
| Banks – Demand deposit                  | 565.652.293             | 516.875.419             |
| Banks – Time deposit                    | 839.242.230             | 1.943.635.575           |
| Banks – Income accrual for time deposit | 284.455                 | 2.026.689               |
| Other                                   | 1.889                   | 3.113                   |
|   | <b>1.405.397.382</b>    | <b>2.462.661.213</b>    |

There are no blockage and pledge over the Group's time and demand deposits. (31 December 2022: None)

**Demand Deposits**

|              | <b>31 December 2023</b>     |                           | <b>31 December 2022</b>     |                           |
|--------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|              | <b>Foreign<br/>Currency</b> | <b>TL<br/>Equivalence</b> | <b>Foreign<br/>Currency</b> | <b>TL<br/>Equivalence</b> |
| TL           | 51.731.750                  | 51.731.750                | 93.128.808                  | 93.128.808                |
| USD          | 15.661.209                  | 461.037.802               | 10.277.902                  | 316.659.447               |
| EUR          | 1.194.280                   | 38.902.371                | 3.189.949                   | 104.781.276               |
| JPY          | 1.870.044                   | 387.972                   | 864.384                     | 201.249                   |
| GBP          | 5.550                       | 207.800                   | 6.312                       | 233.882                   |
| CAD          | 214                         | 4.746                     | 214                         | 4.859                     |
| CHF          | 39.218                      | 1.371.303                 | 56.010                      | 1.864.403                 |
| DKK          | 32                          | 138                       | 339                         | 1.495                     |
| RUB          | 36.823.192                  | 12.008.411                | -                           | -                         |
| <b>Total</b> | <b>565.652.293</b>          | <b>565.652.293</b>        | <b>516.875.419</b>          | <b>516.875.419</b>        |

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#### 5. Cash and cash equivalents (continued)

##### Time Deposits

| <b>Currency</b> | <b>Weighted Average Interest Rate</b> | <b>Maturity Date</b> | <b>TL Balance<br/>31 December 2022</b> |
|-----------------|---------------------------------------|----------------------|--|
| USD             | % 3,50                                | 02.01.2024           | 684.732.532                            |
| TL              | % 40                                  | 02.01-15.01.2024     | 154.509.698                            |
|                 |                                       |                      | <b>839.242.230</b>                     |

  

| <b>Currency</b> | <b>Weighted Average Interest Rate</b> | <b>Maturity Date</b> | <b>TL Balance<br/>31 December 2021</b> |
|-----------------|---------------------------------------|----------------------|--|
| USD             | % 2,81                                | 02.01.2023           | 1.551.440.815                          |
| EUR             | %2                                    | 02.01.2023           | 131.389.266                            |
| TL              | % 19,14                               | 02.01-23.01.2023     | 260.805.494                            |
|                 |                                       |                      | <b>1.943.635.575</b>                   |

The group's financial assets and liabilities' exposure to currency risks and sensitivity analyses are disclosed in Note 34.

#### 6. Financial investments

Details of short term financial investments are as follows:

|                | <b>31 December 2023</b> | <b>31 December 2022</b> |
|----------------|-------------------------|-------------------------|
| Hedged deposit | 292.252.833             | 46.299.378              |
|                | <b>292.252.833</b>      | <b>46.299.378</b>       |

Hedged deposits have been accounted for at fair value through profit or loss. The classifications of the Group's financial assets and liabilities at fair value are as follows:

Level 1: Financial assets and liabilities are valued at the exchange prices traded in an active market for identical assets and liabilities.

Level 2: Financial assets and liabilities are valued using inputs other than the exchange prices mentioned in Level 1 that are directly or indirectly observable in the market for the relevant asset or liability.

Level 3: Financial assets and liabilities are valued using inputs for the asset or liability that are not based on observable market data.

The Group's financial investments have been valued at Level 2.

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 6. Financial investments (continued)

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 |
|--|-----------|------------------|-----------|------------------|
| <b>Investments and Associates</b>        |           |                  |           |                  |
| İtaş İzmir Teknopark Ticaret A.Ş.        | 0,125     | 38.330           | 0,125     | 38.330           |
| Enda Enerji Holding A.Ş.                 | 0,188     | 7.488.493        | 0,188     | 7.488.493        |
| Egenda Ege Enerji Üretim A.Ş.            | 0,03      | 747.421          | 0,03      | 747.421          |
| Nemrut Kılavuz ve Römorkör Hizmet A.Ş.   | 16,66     | 79.278           | 16,66     | 79.278           |
| Enerji Piyasaları İşletim Anonim Şirketi | 0,80      | 1.501.195        | 0,80      | 1.501.195        |
| <b>Total</b>                             |           | <b>9.854.717</b> |           | <b>9.854.717</b> |

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 Aliağa region. The Group's does not have a commercial relationship with Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.

#### 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.

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

## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 7. Trade receivables and payables

##### Short term trade receivables

|  | 31 December 2023   | 31 December 2022     |
|--|--------------------|----------------------|
| Trade receivables                            | 953.143.728        | 1.221.130.949        |
| Notes receivables                            | 26.144.763         | 179.108.163          |
| Doubtful trade receivables                   | 35.541.265         | 39.451.687           |
| Provision for doubtful trade receivables (-) | (35.541.265)       | (39.451.687)         |
|  | <b>979.288.491</b> | <b>1.400.239.112</b> |

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.

Maturity details of notes receivables are as follows.

|            | 31 December 2023  | 31 December 2022   |
|------------|-------------------|--------------------|
| 1 month    | 12.520.763        | 49.761.421         |
| 2-5 months | 13.624.000        | 129.346.742        |
|            | <b>26.144.763</b> | <b>179.108.163</b> |

Movement of provision for doubtful trade receivables is as follows

|   | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|---|---------------------------------|---------------------------------|
| Beginning of the period                         | 39.451.687                      | 117.041.847                     |
| Reversal of impairment losses                   | (441.397)                       | (31.861.038)                    |
| Provision /(Reversal) in compliance with TFRS 9 | 11.495.524                      | (33.655)                        |
| Provision for the period                        | 544.072                         | 96.527                          |
| Monetary Loss/Gain                              | (15.508.621)                    | (45.791.993)                    |
| <b>End of the period</b>                        | <b>35.541.265</b>               | <b>39.451.687</b>               |

Foreign currency and liquidity risk on short term trade receivables of the Group are disclosed on Note 33.

##### Short term trade payables

|  | 31 December 2023   | 31 December 2022   |
|--|--------------------|--------------------|
| Trade payables                             | 739.821.401        | 687.139.029        |
| Trade payables to related parties (Note 4) | 5.105.698          | 8.938.385          |
|  | <b>744.927.099</b> | <b>696.077.414</b> |

Trade payables are rediscounted by using effective interest method. The effective discount rates used are %9,04, %3,61 and %43,28 for receivables denominated in USD, EUR and TL respectively. (31 December 2022: USD:%7,98 EUR:%3,29 TL:%20,)

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

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

## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

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#### 8. Other receivables and payables

##### Short term other receivables

|                              | 31 December 2023  | 31 December 2022 |
|------------------------------|-------------------|------------------|
| VAT refund receivable        | 17.959.993        | 5.352.073        |
| Deposit and guarantees given | 1.990.813         | 3.064.203        |
|                              | <b>19.950.806</b> | <b>8.416.276</b> |

##### Long term other receivables

|                              | 31 December 2023  | 31 December 2022  |
|------------------------------|-------------------|-------------------|
| Deposit and guarantees given | 20.532.762        | 22.465.143        |
|                              | <b>20.532.762</b> | <b>22.465.143</b> |

The majority of the given deposits and guarantees consist of guarantees provided to customs authorities.

##### Short term other payables

|                          | 31 December 2023  | 31 December 2022 |
|--------------------------|-------------------|------------------|
| Taxes and duties payable | 14.892.674        | 5.703.123        |
| Deposits received        | 1.910.745         | 1.201.450        |
| Other payables           | 3.312.056         | 1.293.974        |
|                          | <b>20.115.475</b> | <b>8.198.547</b> |

#### 9. Inventories

|                               | 31 December 2023     | 31 December 2022     |
|-------------------------------|----------------------|----------------------|
| Raw materials                 | 3.758.669.537        | 3.208.474.990        |
| Work in process               | 247.872.655          | 230.202.219          |
| Finished goods                | 1.344.193.465        | 1.281.167.310        |
| Goods on transit              | 606.062.334          | 766.829.324          |
| Merchandised goods            | 81.686.134           | 636.315.228          |
| Impairment on inventories (*) | (31.988.321)         | (232.156.859)        |
|                               | <b>6.006.495.804</b> | <b>5.890.832.212</b> |

(\*) The Group has calculated inventory write-downs for situations where the net realizable value of raw materials and finished goods inventories falls below cost, and has reflected this in the income statement. As of the end of the period, the remaining depreciation amount on inventories is TL 37.657.472 (December 31, 2022: TL 35.949.110).

As of the end of the period, there is no inventory pledged as collateral for liabilities (December 31, 2022: None). There is no inventory expected to be converted into cash in a period longer than twelve months from the date of the statement of financial position.

Movement of provision for impairment on inventories is as follows.

|  | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|--|---------------------------------|---------------------------------|
| Beginning of the period                      | 232.156.859                     | 54.960                          |
| Reversal of previous period                  | (232.156.859)                   | (54.960)                        |
| Impairment on inventories for current period | 31.988.321                      | 232.156.859                     |
| <b>End of the period</b>                     | <b>31.988.321</b>               | <b>232.156.859</b>              |

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

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#### 10. Prepaid expenses

##### Short Term Prepaid Expenses

|                    | 31 December 2023   | 31 December 2022   |
|--------------------|--------------------|--------------------|
| Advances given     | 298.782.486        | 263.687.478        |
| Insurance expenses | 18.001.575         | 10.653.973         |
| Other expenses     | 9.037.775          | 9.872.820          |
|                    | <b>325.821.836</b> | <b>284.214.271</b> |

##### Long Term Prepaid Expenses

|                                | 31 December 2023     | 31 December 2022     |
|--------------------------------|----------------------|----------------------|
| Advances given for fixed asset | 1.372.498.600        | 1.241.947.332        |
|                                | <b>1.372.498.600</b> | <b>1.241.947.332</b> |

The majority of advances have been given for the ongoing new steel mill investment and the power plant project.

#### 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<br>31 December<br>2023 | Fair Value<br>31 December<br>2022 |
|-------|----------|-------------|--------|------------------|-----------------------------------|-----------------------------------|
| İzmir | Aliağa   | Samurlu     | Field  | 1.630.160        | 337.390.000                       | 286.350.616                       |
| İzmir | Aliağa   | Horozgediği | Field  | 94.169           | 39.500.000                        | 32.888.675                        |
| İzmir | Aliağa   | Horozgediği | Plot   | 11.599           | 1.200.000                         | 1.894.889                         |
| İzmir | Aliağa   | Çakmaklı    | Plot   | 525.000          | 10.000.000                        | 13.181.833                        |
|       |          |             |        | <b>2.260.928</b> | <b>388.090.000</b>                | <b>334.316.013</b>                |

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**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Notes to the consolidated financial statements  
for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**11. Investment properties (continued)**

As of the end of the period, there is no insurance coverage or collateral on investment properties. (31 December 2022: None).

|  | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|--|---|---|
| Beginning of the period                    | 334.316.013                             | 375.895.477                             |
| Change in fair value                       | 53.773.987                              | 136.006.197                             |
| Transfer to property, plant and equipment* | -                                       | (168.496.787)                           |
| Disposals                                  | -                                       | (9.088.874)                             |
| <b>Fair value at the end of the period</b> | <b>388.090.000</b>                      | <b>334.316.013</b>                      |

(\*) 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.

| <b>31 December 2022</b>     |                |                |                |
|-----------------------------|----------------|----------------|----------------|
| <b>Non-financial assets</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Investment properties       | -              | 388.090.000    | -              |

  

| <b>31 December 2021</b>     |                |                |                |
|-----------------------------|----------------|----------------|----------------|
| <b>Non-financial assets</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Investment properties       | -              | 334.316.013    | -              |

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## Izmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 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                  |
|--|----------------------|----------------------|------------------------|-------------------------|----------------------|----------------------|------------------------|------------------------|--------------------------|------------------------|
| <b>Cost</b>                                  |                      |                      |                        |                         |                      |                      |                        |                        |                          |                        |
| 1 January 2023 opening                       | 2.209.818.602        | 175.369.631          | 2.860.394.675          | 10.865.838.553          | 208.978.822          | 1.266.034.958        | 241.303.407            | 64.048.350             | 1.652.584.202            | 19.544.371.200         |
| Additions                                    | 516.266.296          | 5.398.183            | 23.838.254             | 114.364.711             | 25.564.495           | -                    | 25.626.236             | -                      | 4.251.201.151            | 4.962.259.326          |
| Disposals                                    | -                    | -                    | -                      | (10.495.070)            | (1.955.631)          | -                    | (671.378)              | -                      | -                        | (13.122.079)           |
| Transfers                                    | -                    | 10.004.157           | 31.025.745             | 124.046.705             | -                    | -                    | -                      | -                      | (165.076.607)            | -                      |
| Transfer from investment property            | 1.917.289.685        | 11.454.143           | 822.960.134            | 2.600.937.545           | -                    | -                    | -                      | -                      | -                        | 5.352.641.507          |
| Impairment reversal                          | -                    | -                    | 29.601.713             | 51.635.537              | -                    | 46.029.784           | -                      | -                      | -                        | 127.267.034            |
| Impairment                                   | (132.027.850)        | (4.435.572)          | -                      | -                       | -                    | -                    | -                      | -                      | -                        | (136.463.422)          |
| <b>31 December 2023 closing balance</b>      | <b>4.511.346.733</b> | <b>197.790.542</b>   | <b>3.767.820.521</b>   | <b>13.746.327.981</b>   | <b>232.587.686</b>   | <b>1.312.064.742</b> | <b>266.258.265</b>     | <b>64.048.350</b>      | <b>5.738.708.746</b>     | <b>29.836.953.566</b>  |
| <b>Accumulated depreciation</b>              |                      |                      |                        |                         |                      |                      |                        |                        |                          |                        |
| 1 January 2023 opening                       | -                    | (107.421.228)        | (1.116.535.887)        | (4.453.311.763)         | (158.916.439)        | (801.467.840)        | (178.327.672)          | (62.979.442)           | -                        | (6.878.960.271)        |
| Additions                                    | -                    | (8.115.834)          | (71.290.079)           | (580.271.204)           | (15.045.009)         | -                    | (18.788.693)           | (354.935)              | -                        | (693.865.754)          |
| Disposals                                    | -                    | -                    | -                      | 7.493.698               | 1.756.313            | -                    | 671.378                | -                      | -                        | 9.921.389              |
| Impairment reversal                          | -                    | -                    | (2.943.935)            | (16.007.851)            | -                    | (19.179.077)         | -                      | -                      | -                        | (38.130.863)           |
| <b>31 December 2023 closing balance</b>      | <b>-</b>             | <b>(115.537.062)</b> | <b>(1.190.769.901)</b> | <b>(5.042.097.120)</b>  | <b>(172.205.135)</b> | <b>(820.646.917)</b> | <b>(196.444.987)</b>   | <b>(63.334.377)</b>    | <b>-</b>                 | <b>(7.601.035.499)</b> |
| <b>Net Book Value as of 1 January 2023</b>   | <b>2.209.818.602</b> | <b>67.948.403</b>    | <b>1.743.858.788</b>   | <b>6.412.526.790</b>    | <b>50.062.383</b>    | <b>464.567.118</b>   | <b>62.975.735</b>      | <b>1.068.908</b>       | <b>1.652.584.202</b>     | <b>12.665.410.929</b>  |
| <b>Net Book Value as of 31 December 2023</b> | <b>4.511.346.733</b> | <b>82.253.480</b>    | <b>2.577.050.620</b>   | <b>8.704.230.861</b>    | <b>60.382.551</b>    | <b>491.417.825</b>   | <b>69.813.278</b>      | <b>713.973</b>         | <b>5.738.708.746</b>     | <b>22.235.918.067</b>  |

In accordance with TAS 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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(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**12. Property, plant and equipment (continued)**

The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2023 amounted to TL 693.865.754. As of end of the period, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 37.657.472 .

A first level mortgage was placed on the property in the town of Horozgediği in Aliağa 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 2023 is composed of TL 5.255.191.492 for environmental infrastructure and melt shop investment expenditures within the frame of modernization of İzmir Demir Çelik Sanayi A.Ş., TL 18.009.719 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 27.825.546 for the expenditures of İDÇ Liman İşletmeleri A.Ş. and TL 437.681.991 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 2023 is as follows:

| <b>31 December 2023</b>      | <b>Lands</b>       | <b>Buildings and land improvements</b> | <b>Machinery and equipment</b> |
|------------------------------|--------------------|--|--------------------------------|
| Cost                         | 428.720.307        | 1.928.233.750                          | 5.632.010.506                  |
| Accumulated depreciation (-) | -                  | (980.120.538)                          | (3.161.173.345)                |
| <b>Net Book Value</b>        | <b>428.720.307</b> | <b>948.113.212</b>                     | <b>2.470.837.161</b>           |

  

| <b>31 December 2022</b>      | <b>Lands</b>      | <b>Buildings and land improvements</b> | <b>Machinery and equipment</b> |
|------------------------------|-------------------|--|--------------------------------|
| Cost                         | 23.303.900        | 1.107.518.862                          | 3.243.921.010                  |
| Accumulated depreciation (-) | -                 | (569.503.258)                          | (1.775.404.876)                |
| <b>Net Book Value</b>        | <b>23.303.900</b> | <b>538.015.604</b>                     | <b>1.468.516.134</b>           |

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**12. Property, plant and equipment (continued)**

Movement in the property, plant and equipment is as follows for the period ended 31 December 2022:

|  | Lands                | Land Improvements    | Buildings              | Machinery and Equipment | Vehicles             | Ships                | Furniture and Fixtures | Leasehold Improvements | Construction in Progress | Total                  |
|--|----------------------|----------------------|------------------------|-------------------------|----------------------|----------------------|------------------------|------------------------|--------------------------|------------------------|
| <b>Cost</b>                                      |                      |                      |                        |                         |                      |                      |                        |                        |                          |                        |
| 1 January 2022                                   | 1.857.192.371        | 165.964.019          | 2.774.988.352          | 10.710.768.283          | 180.781.065          | 1.266.034.958        | 221.674.927            | 63.721.703             | 140.015.148              | 17.381.140.826         |
| Additions  | 109.048.515          | 9.035.974            | 30.095.289             | 86.368.069              | 31.962.742           | -                    | 16.336.390             | 326.647                | 1.672.296.940            | 1.955.470.566          |
| Disposals  | -                    | -                    | -                      | (30.153.413)            | (3.764.985)          | -                    | (1.899.510)            | -                      | -                        | (35.817.908)           |
| Transfers  | -                    | 369.638              | 55.311.034             | 98.855.614              | -                    | -                    | 5.191.600              | -                      | (159.727.886)            | -                      |
| transfer from investment property                | 168.496.787          | -                    | -                      | -                       | -                    | -                    | -                      | -                      | -                        | 168.496.787            |
| Other  | 75.080.929           | -                    | -                      | -                       | -                    | -                    | -                      | -                      | -                        | 75.080.929             |
| <b>31 December 2022</b>                          | <b>2.209.818.602</b> | <b>175.369.631</b>   | <b>2.860.394.675</b>   | <b>10.865.838.553</b>   | <b>208.978.822</b>   | <b>1.266.034.958</b> | <b>241.303.407</b>     | <b>64.048.350</b>      | <b>1.652.584.202</b>     | <b>19.544.371.200</b>  |
| <b>Accumulated depreciation</b>                  |                      |                      |                        |                         |                      |                      |                        |                        |                          |                        |
| 1 January 2022                                   | -                    | (98.974.682)         | (1.045.617.588)        | (3.865.249.885)         | (150.934.633)        | (801.467.840)        | (164.199.442)          | (62.517.237)           | -                        | (6.188.961.307)        |
| Additions  | -                    | (8.446.546)          | (70.918.299)           | (608.338.721)           | (11.599.480)         | -                    | (16.022.561)           | (462.205)              | -                        | (715.787.812)          |
| Disposals  | -                    | -                    | -                      | 20.276.843              | 3.617.674            | -                    | 1.894.331              | -                      | -                        | 25.788.848             |
| <b>31 December 2022</b>                          | <b>-</b>             | <b>(107.421.228)</b> | <b>(1.116.535.887)</b> | <b>(4.453.311.763)</b>  | <b>(158.916.439)</b> | <b>(801.467.840)</b> | <b>(178.327.672)</b>   | <b>(62.979.442)</b>    | <b>-</b>                 | <b>(6.878.960.271)</b> |
| <b>Net Book Value<br/>as of 31 December 2022</b> | <b>1.857.192.371</b> | <b>66.989.337</b>    | <b>1.729.370.764</b>   | <b>6.845.518.398</b>    | <b>29.846.432</b>    | <b>464.567.118</b>   | <b>57.475.485</b>      | <b>1.204.466</b>       | <b>140.015.148</b>       | <b>11.192.179.519</b>  |
| <b>Net Book Value<br/>as of 31 December 2022</b> | <b>2.209.818.602</b> | <b>67.948.403</b>    | <b>1.743.858.788</b>   | <b>6.412.526.790</b>    | <b>50.062.383</b>    | <b>464.567.118</b>   | <b>62.975.735</b>      | <b>1.068.908</b>       | <b>1.652.584.202</b>     | <b>12.665.410.929</b>  |

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**12. Property, plant and equipment (continued)**

The depreciation expense for tangible fixed assets for the past period is TL 715.787.812. As of the end of the period, the depreciation amount related to tangible fixed assets remaining in inventories is TL 35.949.110.

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

|                                 | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---------------------------------|---|---|
| Cost of goods sold              | 581.234.593                             | 603.807.507                             |
| Cost of service                 | 66.003.069                              | 65.417.495                              |
| Capitalized on inventories      | 38.362.851                              | 37.008.560                              |
| General administrative expenses | 8.265.241                               | 9.554.250                               |
|                                 | <b>693.865.754</b>                      | <b>715.787.812</b>                      |

**13. Right of use assets**

| <b>31 December 2023</b>                | <b>Buildings</b> | <b>Vehicles</b> | <b>Machine<br/>equipment</b> | <b>Total</b>  |
|--|------------------|-----------------|------------------------------|---------------|
| <b><u>Cost</u></b>                     |                  |                 |                              |               |
| Opening balance                        | 69.822.691       | 53.888.163      | 170.794.029                  | 294.504.883   |
| Additions                              | 22.803.364       | 889.471         | -                            | 23.692.835    |
| Disposals                              | -                | (1.474.630)     | -                            | (1.474.630)   |
| Closing Balance                        | 92.626.055       | 53.303.004      | 170.794.029                  | 316.723.088   |
| <b><u>Accumulated depreciation</u></b> |                  |                 |                              |               |
| Opening balance                        | (12.695.035)     | (14.343.880)    | (39.076.615)                 | (66.115.530)  |
| Cost for the period                    | (8.356.342)      | (12.431.522)    | (34.895.286)                 | (55.683.150)  |
| Disposals                              | -                | 1.474.630       | -                            | 1.474.630     |
| Closing balance                        | (21.051.377)     | (25.300.772)    | (73.971.901)                 | (120.324.050) |
| Net book value prior period            | 57.127.656       | 39.544.283      | 131.717.414                  | 228.389.353   |
| Net book value current period          | 71.574.678       | 28.002.232      | 96.822.128                   | 196.399.038   |
| <b><u>31 December 2022</u></b>         |                  |                 |                              |               |
| <b><u>Cost</u></b>                     |                  |                 |                              |               |
| Opening                                | 88.331.654       | 24.874.100      | 99.249.774                   | 212.455.528   |
| Additions                              | (18.508.963)     | 34.340.270      | 71.544.255                   | 87.375.562    |
| Disposals                              | -                | (5.326.207)     | -                            | (5.326.207)   |
| Closing Balance                        | 69.822.691       | 53.888.163      | 170.794.029                  | 294.504.883   |
| <b><u>Accumulated depreciation</u></b> |                  |                 |                              |               |
| Opening                                | (12.045.226)     | (17.612.400)    | (4.981.731)                  | (34.639.357)  |
| Additions                              | (649.809)        | (2.057.687)     | (34.094.884)                 | (36.802.380)  |
| Disposals                              | -                | 5.326.207       | -                            | 5.326.207     |
| Closing balance                        | (12.695.035)     | (14.343.880)    | (39.076.615)                 | (66.115.530)  |
| Net book value prior period            | 76.286.428       | 7.261.700       | 94.268.043                   | 177.816.171   |
| Net book value current period          | 57.127.656       | 39.544.283      | 131.717.414                  | 228.389.353   |

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**14. Intangible assets**

| <b>Cost</b>             | <b>Rights</b>     |
|-------------------------|-------------------|
| 1 January 2023          | 43.840.309        |
| Purchases               | 283.663           |
| <b>31 December 2023</b> | <b>44.123.972</b> |

**Accumulated amortization**

|   |                     |
|---|---------------------|
| 1 January 2023                              | (41.409.381)        |
| Charge for the period                       | (719.621)           |
| <b>31 December 2023</b>                     | <b>(42.129.002)</b> |
| <b>Net Book Value as of 1 January 2023</b>  | <b>2.430.928</b>    |
| <b>Net Book Value as of 31 December 202</b> | <b>1.994.970</b>    |

**Prior Period:**

| <b>Cost</b>             | <b>Rights</b>     |
|-------------------------|-------------------|
| 1 January 2022          | 42.888.821        |
| Purchases               | 951.488           |
| <b>31 December 2022</b> | <b>43.840.309</b> |

**Accumulated amortization**

|  |                     |
|--|---------------------|
| 1 January 2021                               | (40.717.642)        |
| Charge for the period                        | (691.739)           |
| <b>31 December 2021</b>                      | <b>(41.409.381)</b> |
| <b>Net Book Value as of 1 January 2021</b>   | <b>2.171.179</b>    |
| <b>Net Book Value as of 31 December 2021</b> | <b>2.430.928</b>    |

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

|                                 | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---------------------------------|---|---|
| Cost of goods sold              | 388.503                                 | 473.571                                 |
| General administrative expenses | 331.118                                 | 218.168                                 |
|                                 | <b>719.621</b>                          | <b>691.739</b>                          |

**15. Government grants and incentives**

During the period, the Group has recognized a total employment and disability incentive income of TL 41.894.250, arising from the obligations under the Law No. 6661, Labor Law No. 4857, and Social Insurance and General Health Insurance Law No. 5510, which has been reflected in the profit or loss statement. (Previous period: TL 35.752.703). The incentive income is not a collected incentive but consists of the amount covered by the Treasury from the accrued insurance premiums. The said incentive income has been netted within the cost of sales and general administrative expenses.

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**16. Commitments**

| <b>Guarantees and bails received by the Group</b> | <b>31 December 2023</b> | <b>31 December 2022</b> |
|---|-------------------------|-------------------------|
| Letters of guarantee received                     | 1.608.579.762           | 1.230.148.080           |
| Bails received                                    | 36.458.842.832          | 41.754.950.773          |
|   | <b>38.067.422.594</b>   | <b>42.985.098.853</b>   |

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.

| <b>Bails received</b> | <b>EUR</b> | <b>USD</b>    | <b>TL</b>     | <b>Total TL</b> |
|-----------------------|------------|---------------|---------------|-----------------|
| 31 December 2023      | 33.260.000 | 1.118.990.000 | 2.434.383.500 | 36.458.842.832  |
| 31 December 2022      | 33.260.000 | 1.264.740.000 | 1.859.270.426 | 41.754.950.773  |

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

|   | <b>31 December 2023</b> |                          |                    |                      |
|---|-------------------------|--------------------------|--------------------|----------------------|
|   |                         | <b>Original Currency</b> |                    | <b>Total</b>         |
| <b>GUARANTEE- PLEDGE-MORTGAGES (GPM)</b>  | <b>EUR</b>              | <b>USD</b>               | <b>TL</b>          | <b>TL</b>            |
| A. Total amount of GPM given on behalf of own legal entities within Group   | -                       | 31.106.879               | 332.074.420        | 1.247.804.946        |
| B. Total amount of GPM given in favor of consolidated subsidiaries  | -                       | 44.800.000               | 660.610.362        | 1.979.441.722        |
| 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  | -                       | -                        | 2.116.512          | 2.116.512            |
| 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                        | -                       | -                        | 2.116.512          | 2.116.512            |
| iii. Total amount of GPM given for third parties which C doesn't comprise   | -                       | -                        | -                  | -                    |
| <b>Total</b>  | -                       | <b>75.906.879</b>        | <b>994.801.294</b> | <b>3.229.363.180</b> |

The ratio of other Total Risk Insurances (TRIs) provided by the Group to the Group's total equity is 0.01%."

|   | <b>31 December 2022</b> |                          |                      |                       |
|---|-------------------------|--------------------------|----------------------|-----------------------|
|   | <b>EU R</b>             | <b>Original Currency</b> |                      | <b>Total</b>          |
| <b>GUARANTEE- PLEDGE-MORTGAGES (GPM)</b>  |                         | <b>USD</b>               | <b>TL</b>            | <b>TL</b>             |
| A. Total amount of GPM given on behalf of own legal entities within Group   | -                       | 32.192.000               | 6.417.185.097        | 7.410.799.647         |
| B. Total amount of GPM given in favor of consolidated subsidiaries  | -                       | 374.800.000              | 2.233.812.416        | 13.802.113.030        |
| 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   | -                       | -                        | -                    | -                     |
| <b>Total</b>  | -                       | <b>406.992.000</b>       | <b>8.650.997.513</b> | <b>21.212.912.677</b> |

The ratio of other Total Return Investments (TRIs) provided by the Group to the Group's total equity is zero.

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**16. Commitments (continued)**

| <b>GUARANTEE</b>                            | <b>31 December 2023</b>  |                   |                    |                      |
|---|--------------------------|-------------------|--------------------|----------------------|
|   | <b>Original Currency</b> |                   |                    | <b>Total</b>         |
|   | <b>EUR</b>               | <b>USD</b>        | <b>TL</b>          | <b>TL</b>            |
| Mortgage given to banks                     | -                        | 30.906.879        | -                  | 909.842.885          |
| Given to EPIAŞ                              | -                        | -                 | 14.070.000         | 14.070.000           |
| Given to suppliers                          | -                        | 200.000           | -                  | 5.887.640            |
| Given to natural gas distribution companies | -                        | -                 | 273.917.104        | 273.917.104          |
| Given to electricity distribution companies | -                        | -                 | 22.813.774         | 22.813.774           |
| Given to customs office                     | -                        | -                 | 13.298.681         | 13.298.681           |
| Given to tax office                         | -                        | -                 | 3.218.954          | 3.218.954            |
| Other letters of guarantee given            | -                        | -                 | 4.755.907          | 4.755.908            |
| <b>Total</b>                                | <b>-</b>                 | <b>31.106.879</b> | <b>332.074.420</b> | <b>1.247.804.946</b> |

| <b>GUARANTEE</b>                            | <b>31 December 2022</b>  |                   |                      |                      |
|---|--------------------------|-------------------|----------------------|----------------------|
|   | <b>Original Currency</b> |                   |                      | <b>Total</b>         |
|   | <b>EUR</b>               | <b>USD</b>        | <b>TL</b>            | <b>TL</b>            |
| Mortgage given to banks                     | -                        | -                 | 2.553.980.238        | 2.553.980.238        |
| Business fixed asset pledge                 | -                        | -                 | 2.142.047.942        | 2.142.047.942        |
| Given to banks                              | -                        | 27.592.000        | -                    | 851.634.340          |
| Given to EPIAŞ                              | -                        | -                 | 599.888.765          | 599.888.765          |
| Given to suppliers                          | -                        | 4.600.000         | -                    | 141.980.210          |
| Given to natural gas distribution companies | -                        | -                 | 167.462.467          | 167.462.467          |
| Given to electricity distribution companies | -                        | -                 | 13.571.960           | 13.571.960           |
| Given to customs office                     | -                        | -                 | 21.507.283           | 21.507.283           |
| Given to tax office                         | -                        | -                 | 911.693.428          | 911.693.428          |
| Other letters of guarantee given            | -                        | -                 | 7.033.014            | 7.033.014            |
| <b>Total</b>                                | <b>-</b>                 | <b>32.192.000</b> | <b>6.417.185.097</b> | <b>7.410.799.647</b> |

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

| <b>Bails given to fully consolidated companies</b> | <b>31 December 2023</b>  |                    |                      |
|--|--------------------------|--------------------|----------------------|
|  | <b>Original Currency</b> |                    | <b>Total</b>         |
|  | <b>USD</b>               | <b>TL</b>          | <b>TL</b>            |
| - Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.    | -                        | 344.683.821        | 344.683.821          |
| - Given to İDÇ Liman İşletmeleri A.Ş.              | 15.000.000               | 19.676.541         | 461.249.541          |
| - Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.   | 29.800.000               | 296.250.000        | 1.173.508.360        |
| <b>Total</b>                                       | <b>44.800.000</b>        | <b>660.610.362</b> | <b>1.979.441.722</b> |

| <b>Bails given to fully consolidated companies</b> | <b>31 December 2022</b>  |                      |                       |
|--|--------------------------|----------------------|-----------------------|
|  | <b>Original Currency</b> |                      | <b>Total</b>          |
|  | <b>USD</b>               | <b>TL</b>            | <b>TL</b>             |
| - Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.    | -                        | 1.178.923.574        | 1.178.923.574         |
| - Given to İDÇ Liman İşletmeleri A.Ş.              | 15.000.000               | 30.253.199           | 493.232.146           |
| - Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.   | 359.800.000              | 1.024.635.643        | 12.129.957.310        |
| <b>Total</b>                                       | <b>374.800.000</b>       | <b>2.233.812.416</b> | <b>13.802.113.030</b> |

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**17. Employee benefits**

**Short-term employee benefits**

|                                  | <b>31 December 2023</b> | <b>31 December 2022</b> |
|----------------------------------|-------------------------|-------------------------|
| Payables to personnel            | 91.504.789              | 39.364.259              |
| Social security premiums payable | 74.317.124              | 39.564.041              |
| Income tax payable               | 5.783.218               | 14.963.012              |
|                                  | <b>171.605.131</b>      | <b>93.891.312</b>       |

**Long-term employee benefits**

|                              | <b>31 December 2023</b> | <b>31 December 2022</b> |
|------------------------------|-------------------------|-------------------------|
| Employee severance indemnity | 149.039.569             | 227.310.242             |
| Vacation pay liability       | 25.366.230              | 21.739.354              |
|                              | <b>174.405.799</b>      | <b>249.049.596</b>      |

Movement of employment termination benefits is as follows.

|   | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Employee Severance Indemnity              |   |   |
| Provision at the beginning of the period  | 227.310.242                             | 136.113.109                             |
| Service cost                              | 27.747.002                              | 34.283.194                              |
| Interest cost                             | 34.488.411                              | 3.006.135                               |
| Actuarial loss / (gain)                   | 21.406.759                              | 121.410.366                             |
| Payment during the year                   | (79.627.915)                            | (13.378.210)                            |
| Past service cost                         | 7.071.670                               | -                                       |
| Monetary loss/(gain)                      | (89.356.600)                            | (53.253.522)                            |
| Reversal of provision                     | -                                       | (870.830)                               |
| <b>Provision at the end of the period</b> | <b>149.039.569</b>                      | <b>227.310.242</b>                      |

Actuarial loss/gain is recognized in other comprehensive income.

The regulation that removes the retirement age requirement for employees who joined the company before September 8, 1999, was published in the Official Gazette on March 3, 2023. Accordingly, the relevant employees who have completed the required number of premium days and the duration of insurance are entitled to retire. The impact of this regulation on the timing and probability of fulfilling severance payments has been assessed, and the total effect has been presented as past service cost under other expenses in the main operations account.

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 2023, the amount payable as compensation for each year served is equal to one month's salary subject to a ceiling of TL 23.489,83 (31 December 2021: 15.371,40 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 23.489,83 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.

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**17. Employee benefits (continued)**

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

|                       | <b>31 December 2023</b> | <b>31 December 2022</b> |
|-----------------------|-------------------------|-------------------------|
| Inflation rate        | % 22                    | % 19,90                 |
| Nominal interest rate | % 25                    | % 21,82                 |
| Real discount rate    | % 2,46                  | % 1,60                  |

The sensitivity analysis prepared for the effect of changes in the significant assumptions used in the calculation of the provision for severance pay is as follows.

| <b>31 December 2023</b>           | Net discount rate |             | Retirement probability rate |            |
|-----------------------------------|-------------------|-------------|-----------------------------|------------|
|                                   | % 0,5             | % 0,5       | % 1                         | % 1        |
| Sensitivity level                 | decrease          | increase    | % 1 decrease                | increase   |
| Rate %                            | %1,96             | %2,96       | %96                         | %98        |
| Change in severance pay liability | 7.801.273         | (7.289.824) | (12.910.503)                | 14.737.806 |
| <b>31 December 2022</b>           | Net discount rate |             | Retirement probability rate |            |
|                                   | % 0,5             | % 0,5       | % 1                         | % 1        |
| Sensitivity level                 | decrease          | increase    | % 1 decrease                | increase   |
| Rate %                            | %1,10             | %2,10       | %96                         | %98        |
| Change in severance pay liability | 6.639.761         | (6.270.521) | (9.436.267)                 | 10.812.253 |

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 2022: 97%).

Movement of the vacation pay liability is as follows.

|                          | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|--------------------------|---|---|
| Beginning of the period  | 21.739.354                              | 17.139.003                              |
| Change for the period    | 12.172.706                              | 11.305.894                              |
| Monetary loss/(gain)     | (8.545.830)                             | (6.705.543)                             |
| <b>End of the period</b> | <b>25.366.230</b>                       | <b>21.739.354</b>                       |

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. As permitted by TAS 16 Property, Plant and Equipment, the leave accruals of employees directly involved in the acquisition or construction of the tangible fixed asset have been capitalized on the investments.

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#### 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.

|                                       | 1 January -<br>31 December 2022 | 1 January -<br>31 December 2021 |
|---------------------------------------|---------------------------------|---------------------------------|
| Direct material expense               | 29.097.283.771                  | 37.677.181.001                  |
| Personnel and labor expenses          | 1.406.103.045                   | 1.056.285.508                   |
| Depreciation and amortization expense | 711.905.674                     | 716.273.370                     |
| General manufacturing expenses        | 2.744.845.904                   | 3.940.670.594                   |
| Change in inventories                 | (430.350.087)                   | (303.838.429)                   |
| Other                                 | 1.517.158.906                   | 980.814.937                     |
|                                       | <b>34.802.470.652</b>           | <b>43.752.699.195</b>           |

#### Fees paid for services provided by Independent Audit firm

|                           | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|---------------------------|---------------------------------|---------------------------------|
| Fee for independent audit | 1.915.000                       | 1.631.252                       |

#### 19. Fees paid for services provided by independent audit firm

In accordance with the Public Oversight, Accounting and Auditing Standards Authority's board decision on the disclosure of audit fees published in the Official Gazette, the fees for the independent audit services for the Group's reporting period are disclosed below.

a. Independent Audit Fee: TL 1.915.000 (Previous period: TL 1.631.252)

b. Fees for Other Services:

• Fee for Other Assurance Services: No service received.  
(Previous period: No service received)

• Fee for Tax Advisory Services: No service received.  
(Previous period: No service received)

• Fees for Other Non-Audit Services: TL 48.000  
(Previous period: No service received)

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

### Notes to the consolidated financial statements for the year ended 31 December 2023

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 20. Other assets and liabilities

##### Other Current Assets

|                              | 31 December 2023  | 31 December 2022  |
|------------------------------|-------------------|-------------------|
| Deferred VAT                 | 52.045.399        | 51.455.049        |
| Prepaid tax                  | 5.957.392         | 8.529.560         |
| Other various current assets | 1.378.763         | 1.807.936         |
|                              | <b>59.381.554</b> | <b>61.792.545</b> |

##### Other Current Liabilities

|                                 | 31 December 2023 | 31 December 2022   |
|---------------------------------|------------------|--------------------|
| VAT payable                     | 4.662.088        | 135.687.089        |
| Tax relating to the Law No.7326 | -                | 28.321.287         |
| Other liabilities               | 193.530          | 29.652             |
|                                 | <b>4.855.618</b> | <b>164.038.028</b> |

##### Liabilities from Customer Contracts

|                                  | 31 December 2023   | 31 December 2022   |
|----------------------------------|--------------------|--------------------|
| Advances received from customers | 481.424.402        | 775.130.163        |
|                                  | <b>481.424.402</b> | <b>775.130.163</b> |

#### 21. 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 Kuruş and of Group B which has 149.999.999.200 units written to name each valued 1 Kuruş. 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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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

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#### 21. Capital, reserves and other equity items (continued)

The capital structure is as follows.

| Shareholders                       | (%)        | 31 December 2022     | (%)        | 31 December 2021     |
|------------------------------------|------------|----------------------|------------|----------------------|
| 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          |
| <b>Capital with historic value</b> | <b>100</b> | <b>1.500.000.000</b> | <b>100</b> | <b>1.500.000.000</b> |

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.

#### Premiums related to shares

The shares of the subsidiary İzdemir Enerji Elektrik Üretim A.Ş. were offered to the public in the current period. The initial public offering (IPO) was conducted through a method of capital increase and sale of shares by existing shareholders. The Group has generated a cash inflow of TL 3.051.881.203 as a result of this IPO. The capital gains from the sale of shares owned by İzmir Demir Çelik Sanayi A.Ş. have been accounted for in equity, net of IPO expenses.

The gains derived from the change in shareholding percentage due to the capital increase related to the IPO of İzdemir Enerji Elektrik Üretim A.Ş., which did not result in a loss of control in the subsidiaries, have been recorded under 'Premiums related to shares' in equity.

#### Mutual participation capital adjustment

The subsidiary İzdemir Enerji Elektrik Üretim A.Ş. has acquired shares with a nominal value of TL 12.034.964 from the parent company İzmir Demir Çelik Sanayi A.Ş. for a consideration of TL 63.515.514.

#### Inflation Adjustment on Capital

|                                 | 31 December 2023     | 31 December 2022     |
|---------------------------------|----------------------|----------------------|
| Inflation adjustment on capital | 8.361.821.747        | 8.361.821.747        |
|                                 | <b>8.361.821.747</b> | <b>8.361.821.747</b> |

#### Legal Reserves

|                | 31 December 2023   | 31 December 2022   |
|----------------|--------------------|--------------------|
| Legal reserves | 307.561.671        | 307.561.671        |
|                | <b>307.561.671</b> | <b>307.561.671</b> |

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.

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

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#### 21. Capital, reserves and other equity items (continued)

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.

#### Retained Earnings/(Losses)

|                            | 31 December 2023     | 31 December 2022       |
|----------------------------|----------------------|------------------------|
| Retained Earnings/(Losses) | (602.063.235)        | (5.087.815.615)        |
|                            | <b>(602.063.235)</b> | <b>(5.087.815.615)</b> |

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.

According to the Tax Procedure Law and the relevant communiqué published in the Official Gazette No. 32415 (2nd Duplicate) dated December 30, 2023, the balance sheet as of December 31, 2023, prepared in accordance with the Tax Procedure Law, has been adjusted using the Producer Price Index (PPI) published by the Turkish Statistical Institute within the scope of inflation accounting application. The attached financial statements have been subjected to inflation adjustment using the Consumer Price Index (CPI) published by the Turkish Statistical Institute in accordance with TAS 29, and consequently, the amounts for the current and previous reporting periods have been expressed in terms of the purchasing power as of December 31, 2023.

Due to the use of different indices in the Tax Procedure Law and TAS 29 inflation accounting application and the adjustment of the amounts for previous reporting periods to the purchasing power of December 31, 2023, under TAS 29 application, differences have arisen between the amounts presented in the balance sheet prepared according to the Tax Procedure Law and the amounts presented in the financial statements prepared in accordance with TAS/IFRS. These differences have been reflected in the 'Prior Years' Profits or Losses' line item in the TAS/IFRS financial statements, and the details of these differences are provided below:

|  | 31 December 2023               |                |   |   |
|--|--------------------------------|----------------|---|---|
|  | Capital Adjustment Differences | Share Premiums | Mutual Participation Capital Adjustment | Restricted Reserves Appropriated from Profits |
| According to TAS/IFRS Financial Statements | 9.062.763.854                  | 1.524.712.549  | (63.515.514)                            | 307.561.670                                   |
| According to the Tax Procedure Law         | 15.970.182.474                 | 1.454.410.187  | -                                       | 470.100.778                                   |
| Difference *                               | 6.907.418.620                  | (70.302.362)   | (63.515.514)                            | 162.539.108                                   |

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**21. Capital, reserves and other equity items (continued)**

|  | <b>31 December 2022</b>        |                |   |   |
|--|--------------------------------|----------------|---|---|
|  | Capital Adjustment Differences | Share Premiums | Mutual Participation Capital Adjustment | Restricted Reserves Appropriated from Profits |
| According to TAS/IFRS Financial Statements | 8.428.140.667                  | 10.073.861     | -                                       | 307.561.670                                   |
| According to the Tax Procedure Law         | 26.010.706                     | 2.884.035      | -                                       | 25.832.374                                    |
| Difference *                               | (8.402.129.961)                | (7.189.826)    | -                                       | (281.729.296)                                 |

(\*) The aforementioned differences have been reflected in the Company/Group's Prior Years' Profits and Losses account

As of January 1, 2022, the amount of Prior Years' Losses not adjusted for inflation is TL 1.559.784.454 and after the inflation adjustment in accordance with TAS 29, the amount of Prior Years' Losses as of January 1, 2022, adjusted to the purchasing power of December 31, 2023, is TL 2.194.011.489.

**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.

|   | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Beginning of the period   | (96.644.347)                            | -                                       |
| Tangible Fixed Assets Revaluation Increase                            | 3.965.612.763                           | -                                       |
| Depreciation transfer from revaluation fund                           | -                                       | -                                       |
| Deferred tax calculated over depreciation                             | -                                       | -                                       |
| Losses on revaluation of employee benefits                            | (21.105.686)                            | (120.805.434)                           |
| Deferred tax calculated on losses on revaluation of employee benefits | 9.967.563                               | 24.161.087                              |
| Effect of change in shareholding at subsidiary                        | (218.038.457)                           | -                                       |
| <b>End of the period</b>  | <b>3.639.791.836</b>                    | <b>(96.644.347)</b>                     |

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## İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries

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#### 21. Capital, reserves and other equity items (continued)

##### Non-Controlling Interests

|  | 31 December 2023     | 31 December 2022   |
|--|----------------------|--------------------|
| Shares in capital                        | 163.821.418          | 25.701.418         |
| Capital Inflation Adjustment Differences | 700.942.109          | 125.923.182        |
| Premiums on Shares                       | 431.539.807          | -                  |
| Revaluation fund                         | 270.002.939          | -                  |
| Actuarial loss / (gain)                  | (3.781.916)          | (483.946)          |
| Shares in accumulated profit / (losses)  | 952.997.137          | (14.670.182)       |
| Mutual participation capital adjustment  | (18.096.377)         | -                  |
| Share in profit / (loss) for the period  | 315.890.535          | 188.042.078        |
|  | <b>2.813.315.652</b> | <b>324.512.550</b> |

The shares of the Group's subsidiary, İzdemir Enerji Elektrik Üretim A.Ş., have been offered to the public. The initial public offering (IPO) was conducted through a method of capital increase and sale of shares by existing shareholders. With the capital increase, shares with a nominal value of TL 75.000.000 were issued, and through the sale of shares by the main shareholder, İzmir Demir Çelik Sanayi A.Ş., a total of TL 138.120.000 nominal value of shares, including TL 63.120.000 nominal value of shares owned by the main shareholder, were sold. Gains arising from changes in shareholding percentages that did not result in a loss of control have been accounted for under equity.

#### 22. Revenue and cost of sales

|                                     | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|-------------------------------------|---------------------------------|---------------------------------|
| Domestic sales                      | 28.187.565.568                  | 38.879.125.540                  |
| Export sales                        | 7.366.010.470                   | 8.434.423.724                   |
| Sales returns (-)                   | (22.038.051)                    | (23.662.243)                    |
| Other deductions from sales (-) (*) | (20.234.603)                    | (37.680.542)                    |
| <b>Revenue</b>                      | <b>35.511.303.384</b>           | <b>47.252.206.479</b>           |
| Cost of goods sold                  | (33.444.670.479)                | (42.108.931.234)                |
| Cost of merchandise sold            | (383.144.473)                   | (713.145.372)                   |
| Cost of services                    | (508.311.077)                   | (565.542.598)                   |
| <b>Cost of Sales</b>                | <b>(34.336.126.029)</b>         | <b>(43.387.619.204)</b>         |
| <b>Gross Profit</b>                 | <b>1.175.177.355</b>            | <b>3.864.587.275</b>            |

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

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**23. General administrative expenses, marketing expenses, research and development expenses**

|                                 | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---------------------------------|---|---|
| General administrative expenses | 328.268.638                             | 255.999.315                             |
| Marketing expenses              | 138.075.985                             | 108.523.175                             |
|                                 | <b>466.344.623</b>                      | <b>364.522.490</b>                      |

**General Administrative Expenses**

|   | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Personnel expenses                        | 168.391.138                             | 121.143.101                             |
| Insurance expenses                        | 5.226.252                               | 27.688.993                              |
| Taxes and other legal dues                | 18.010.993                              | 13.938.481                              |
| Depreciation and amortization expenses    | 25.776.901                              | 17.596.151                              |
| Contracted labour expenses                | 9.407.702                               | 7.245.431                               |
| Employee termination benefit expenses     | 9.830.302                               | 6.191.099                               |
| Counselling and consultation expenses     | 10.781.930                              | 6.517.609                               |
| Information technology expenses           | 7.689.989                               | 6.560.032                               |
| Subscription expenses                     | 5.625.539                               | 4.732.796                               |
| Representation and accommodation expenses | 7.024.564                               | 4.283.488                               |
| Communication expenses                    | 1.360.653                               | 1.212.126                               |
| Electricity market operating expenses     | 2.175.714                               | 1.640.021                               |
| Other expenses                            | 54.754.921                              | 35.863.908                              |
|   | <b>328.268.638</b>                      | <b>255.999.315</b>                      |

**Marketing Expenses**

|                         | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|-------------------------|---|---|
| Commission expenses     | 39.772.843                              | 45.496.293                              |
| Transportation expenses | 34.619.759                              | 21.487.365                              |
| Personnel expenses      | 21.835.994                              | 16.658.741                              |
| Port services           | 22.761.960                              | 11.764.089                              |
| Export expenses         | 6.728.426                               | 6.610.392                               |
| Other expenses          | 12.357.003                              | 6.506.295                               |
|                         | <b>138.075.985</b>                      | <b>108.523.175</b>                      |

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**24. Other income and expenses from operating activities**

**Other Income from Operating Activities**

|   | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Foreign exchange gains, net                           | 462.200.350                             | 696.189.324                             |
| Indemnity income                                      | 47.945.068                              | 69.229.475                              |
| Income from group savings responsible for balance     | 17.395.888                              | 424.085                                 |
| Late fee  | 15.730.471                              | 49.774.559                              |
| Reversal of provisions                                | 441.397                                 | 53.575.551                              |
| Profit from sale of ship fuel                         | 3.303.460                               | 26.234.339                              |
| Profit from sale of operating equipment, raw material | 29.935.951                              | 19.102.859                              |
| Rediscount income                                     | 12.934.680                              | 5.090.548                               |
| Other   | 28.349.504                              | 13.796.183                              |
|   | <b>618.236.769</b>                      | <b>933.416.923</b>                      |

**Other Expenses from Operating Activities**

|  | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|--|---|---|
| Foreign exchange losses, net           | 372.815.723                             | 344.601.281                             |
| Loss from sale of merchandise          | 59.980.060                              | 682.333.467                             |
| IFRS 9 expected credit losses          | 11.495.524                              | -                                       |
| Effect of severance pay plan amendment | 7.230.079                               | -                                       |
| Cost of transport services delivered   | 6.442.595                               | 10.476.870                              |
| Doubtful receivables                   | 544.072                                 | 98.960                                  |
| Impairment inventory                   | -                                       | 218.054.661                             |
| Rediscount expenses                    | -                                       | 8.709.304                               |
| Other                                  | 12.309.440                              | 2.692.178                               |
|  | <b>470.817.493</b>                      | <b>1.266.966.721</b>                    |

**25. Income and expenses from investing activities**

**Income from Investing Activities**

|   | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Currency protected deposit income                                       | 311.839.100                             | 3.513.488                               |
| Reversal of impairment of tangible fixed assets                         | 89.136.171                              | -                                       |
| Increase in value in investment properties                              | 53.773.987                              | 136.006.198                             |
| FVTPL (Fair Value Through Profit or Loss) gain on financial instruments | 22.636.832                              | -                                       |
| Gain on sale of investment property                                     | -                                       | 7.708.717                               |
| Dividend income from subsidiaries                                       | -                                       | 79.301                                  |
|   | <b>477.386.090</b>                      | <b>147.307.704</b>                      |

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**25. Income and expenses from investing activities (continued)**

**Expenses from Investing Activities**

|  | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|--|---|---|
| Impairment losses on fixed asset               | 136.463.422                             | 24.275.494                              |
| Loss on sales of property, plant and equipment | 719.956                                 | 5.087.534                               |
|  | <b>137.183.378</b>                      | <b>29.363.028</b>                       |

**26. Financial income and expenses**

**Financial Income**

|  | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|--|---|---|
| Foreign exchange gain                      | 276.901.453                             | 409.294.640                             |
| Interest income                            | 114.709.184                             | 86.140.396                              |
| Profit on derivative financial instruments | 18.373.986                              | 80.411.971                              |
| Letter of credit premium income            | 4.812.605                               | 410.477                                 |
|  | <b>414.797.228</b>                      | <b>576.257.484</b>                      |

**Financial Expenses**

|  | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|--|---|---|
| Foreign exchange loss                          | 5.247.022.620                           | 4.026.623.580                           |
| Interest expenses                              | 1.199.555.277                           | 851.356.431                             |
| Bank charges                                   | 228.531.569                             | 73.841.769                              |
| Interest expense on employee benefits          | 35.265.841                              | -                                       |
| Fair value difference of financial instruments | 11.421.141                              | 15.591.717                              |
| Loss on derivative financial instruments       | 10.077.663                              | 44.731.658                              |
|  | <b>6.731.874.111</b>                    | <b>5.012.145.155</b>                    |

**27. Analysis of other comprehensive income components**

|   | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Actuarial Gain/(Losses) on Employee Termination Benefit Obligation            | (21.406.759)                            | (121.410.366)                           |
| Tax Effect Actuarial Gain/(Losses) on Employee Termination Benefit Obligation | 10.066.781                              | 24.282.073                              |
| Revaluation surplus of property, plant, and equipment                         | 5.352.641.507                           | -                                       |
| Deferred tax effect on revaluation VUK  | (1.338.160.377)                         | -                                       |
|   | <b>4.003.141.152</b>                    | <b>(97.128.293)</b>                     |

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**28. Income taxes (included deferred tax assets and liabilities)**

| <b>Corporate Tax Payable</b> | <b>31 December 2023</b> | <b>31 December 2022</b> |
|------------------------------|-------------------------|-------------------------|
| Deferred tax asset           | 46.391.735              | -                       |
| Provision for income taxes   | 39.817.260              | 168.922.840             |
| Prepaid taxes and funds      | (21.958.436)            | (69.442.782)            |
|                              | <b>64.250.559</b>       | <b>99.480.058</b>       |

  

| <b>Tax Provision for the Period</b> | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|-------------------------------------|---|---|
| Corporate tax provision             | (50.417.399)                            | (168.922.840)                           |
| Deferred tax income / (expense)     | 819.677.325                             | 523.553.631                             |
| Tax effect of VUK revaluation       | (34.004.166)                            | -                                       |
|                                     | <b>735.255.760</b>                      | <b>354.630.791</b>                      |

- (\*) As per the Law No. 7440 on the Restructuring of Certain Receivables and Amendments to Some Laws, published in the Official Gazette on March 12, 2023, an additional tax has been introduced for corporate tax payers to be shown in the 2022 accounting period declaration. The additional tax will be calculated at a rate of 10% on the amounts of exemptions and deductions that are deducted from corporate earnings, as well as on the taxable bases subject to reduced corporate tax, in accordance with the regulations in the laws. For the exemption earnings obtained from abroad and documented to carry a tax burden of at least 15%, as regulated in paragraph (a) of the first clause of Article 5 of Law No. 5520, the rate will be 5%. Due to this legal regulation, as of December 31, 2023, the group has incurred and paid a total tax liability of 34,004,167 TL.

**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 25% 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.

Corporate tax is calculated on the commercial profit by adding back expenses that are recognized as deductions in determining the commercial income but are not deductible from the tax base, and by subtracting dividends received from domestic resident companies and non-taxable incomes, with the tax being applied to the remaining base.

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#### 28. Income taxes (included deferred tax assets and liabilities) (continued)

##### 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 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).

In the calculation of deferred tax, a tax rate of 25% has been applied. A deferred tax asset has not been recognized for the current period's financial loss. The items that form the basis for deferred tax and corporate tax are specified below.

In accordance with the Tax Procedure Law and the relevant Communiqué published in the Official Gazette No. 32415 (2nd Repetitive) dated December 30, 2023; an inflation adjustment has been made to the non-monetary items of the balance sheet prepared as of December 31, 2023, pursuant to the Tax Procedure Law for the corporate tax calculation. Accordingly, as of December 31, 2023, the values adjusted for inflation in accordance with the Tax Procedure Law have been taken as the basis for the tax value in the deferred tax calculations. However, in accordance with the said legislation, the tax base for the 2023 accounting period has been calculated based on the profits determined according to the financial statements before the adjustment.

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**28. Income taxes (included deferred tax assets and liabilities) (continued)**

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

|  | 31December<br>2023      | 31December<br>2023     | 31 December<br>2022     | 31 December<br>2022    |
|--|-------------------------|------------------------|-------------------------|------------------------|
|  | Temporary<br>Difference | Deferred Tax           | Temporary<br>Difference | Deferred Tax           |
| <b>Deferred Tax Assets</b>                           |                         |                        |                         |                        |
| Inventories  | -                       | -                      | 48.714.240              | 9.742.848              |
| Employee termination benefits                        | 149.039.569             | 37.259.892             | 227.310.240             | 45.462.048             |
| Vacation pay liability                               | 25.366.230              | 6.341.557              | 21.739.354              | 4.347.871              |
| Trade receivables                                    | 25.366.230              | 6.341.557              | 21.739.354              | 4.347.871              |
| Property, plant and equipment and intangible assets  | 2.575.723.589           | 643.930.898            | 1.704.337.889           | 340.867.578            |
| Other current assets                                 | 182.978.998             | 45.744.750             | -                       | -                      |
| Financial debts                                      | -                       | -                      | 17.830.274              | 3.566.055              |
| Provision for collective bargaining wage differences | 77.682.148              | 19.420.537             | -                       | -                      |
| Fair values of derivative financial instruments      | -                       | -                      | 17.830.274              | 3.566.055              |
| Financial investments                                | 7.758.991               | 1.939.748              | -                       | -                      |
| Tax losses carried forward                           | -                       | 100.258.325            | -                       | 482.562.781            |
| Assets stemming from capital increase tax incentive  | -                       | 204.354.461            | -                       | 90.755.355             |
| Other  | 7.249.282               | 1.812.320              | -                       | -                      |
|  |                         | <b>1.371.454.242</b>   |                         | <b>1.006.091.498</b>   |
| <b>Deferred Tax Liabilities</b>                      |                         |                        |                         |                        |
| Revaluation surplus on tangible fixed assets         | (7.214.853.720)         | (1.803.713.430)        | (3.014.754.621)         | (619.709.064)          |
| Investment properties                                | (385.829.072)           | (48.228.634)           | (330.590.615)           | (33.059.062)           |
| Inventories  | (503.671.940)           | (125.917.985)          | (73.978.629)            | (14.795.726)           |
| Property, plant and equipment and intangible assets  | (216.130.731)           | (54.032.683)           | (2.267.752.572)         | (453.550.514)          |
| Other current assets                                 | -                       | -                      | (272.117.048)           | (54.423.410)           |
| Cash and equivalents                                 | (2.692.636)             | (673.159)              | -                       | -                      |
| Financial debts                                      | (72.378.114)            | (18.094.528)           | -                       | -                      |
| Financial investment                                 | -                       | -                      | (8.174.539)             | (1.634.908)            |
| Trade payables                                       | (9.569.011)             | (2.392.253)            | (6.374.583)             | (1.292.405)            |
| Lease operations                                     | (77.010.739)            | (19.252.685)           | (100.306.322)           | (20.061.264)           |
|  |                         | <b>(2.072.305.362)</b> |                         | <b>(1.198.526.353)</b> |
| <b>Net Deferred Tax Liabilities</b>                  |                         | <b>(700.851.126)</b>   |                         | <b>(192.434.855)</b>   |

| <b>Statement of Financial Position</b> | <b>31 December 2023</b> | <b>31 December 2022</b> |
|--|-------------------------|-------------------------|
| Deferred Tax Assets                    | 83.180.023              | 8.453.254               |
| Deferred Tax Liabilities               | 784.031.149             | 200.888.109             |
| <b>Net asset</b>                       | <b>(700.851.126)</b>    | <b>(192.434.855)</b>    |

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#### 28. Income taxes (included deferred tax assets and liabilities) (continued)

The Group's subsidiary, İzdemir Enerji Elektrik Üretim A.Ş., has received two investment incentive certificates, each valid for three years, from the Republic of Turkey Ministry of Industry and Technology, with numbers 555185 dated June 21, 2023, and 559912 dated October 19, 2023. The total amount of the incentive certificates is 1.337.342.066 TL as of the report date. The said investment incentive certificate has been obtained for the establishment of a solar power plant in the field of renewable energy production on the lands owned by the subsidiary in the province of Manisa. Within the scope of the investment incentive, benefits such as a 30% investment contribution rate, employer's share of insurance premiums (for 6 years), and VAT exemption will be utilized. This state contribution will be realized by paying less corporate tax in future periods. In the current period, an investment expenditure of 1.028.737.563 TL has been made under the investment incentive certificate. From this expenditure, 302.682.644 TL, which can be deducted from corporate tax in future periods, has been accounted for as a deferred tax asset in the financial statements.

Income and profit projections have been made for the recognition of deferred tax assets arising from investment incentives in the financial statements. The projections assume that the investment will be completed in 2024 and will start generating revenue from 2025 onwards. Long-term inflation and foreign exchange rate forecasts have been considered. Any deviations in these assumptions will not affect the recoverability of the tax asset but will affect the period of recovery.

There is no time restriction on the utilization of the tax reduction obtained from the investment incentive certificate. Nevertheless, the company management anticipates that it will be able to generate taxable financial profit in the near future based on its profit projections. On the other hand, according to the provision added to Article 32/A of the Corporate Tax Law by Law No. 6745; with the condition of the investment's completion, the remaining investment contribution amount, excluding the portion utilized by applying the reduced corporate tax rate, can be considered by increasing it according to the revaluation rate determined for those years under the provisions of the Tax Procedure Law in the years following the account period in which the investment is completed. This regulation prevents the erosion of the contribution amounts that could not be used due to insufficient earnings of the investor or other reasons such as exemptions and deductions, and which are carried forward to subsequent periods, against inflation. However, the said indexing application can be applied from the accounting periods following the account period in which the investment is completed.

| <b>Movements Deferred Tax Asset / (Liability)</b>           | <b>1 January -<br/>31 December 2023</b> | <b>1 January -<br/>31 December 2022</b> |
|---|---|---|
| Balance at the beginning of the period                      | (192.434.855)                           | (740.270.559)                           |
| Tax effect of actuarial loss /(gain) of severance indemnity | 10.066.781                              | 24.282.073                              |
| Deferred tax income   | 819.677.325                             | 523.553.631                             |
| Deferred tax effect of revaluation                          | (1.338.160.377)                         | -                                       |
| <b>Balance at the end of the period</b>                     | <b>(700.851.126)</b>                    | <b>(192.434.855)</b>                    |

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**28. Income taxes (included deferred tax assets and liabilities) (continued)**

Movement of deferred tax assets and liabilities are presented below:

|  | 1 January<br>2022    | Recognised in<br>profit loss<br>statement | Recognized in<br>other<br>comprehensive<br>income | 31 December<br>2022  |
|--|----------------------|---|---|----------------------|
| <b>Deferred Tax Assets</b>                               |                      |   |   |                      |
| 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           |
|  | <b>431.984.079</b>   | <b>42.176.601</b>                         | <b>649.821.901</b>                                | <b>1.123.982.581</b> |
| <b>Deferred Tax Liabilities</b>                          |                      |   |   |                      |
| 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)            |
|  | <b>(418.202.571)</b> | <b>20.881.697</b>                         | <b>-</b>  | <b>(397.320.874)</b> |
| <b>Net Deferred Tax Assets/ (Liabilities)</b>            | <b>13.781.508</b>    | <b>63.058.298</b>                         | <b>649.821.901</b>                                | <b>726.661.707</b>   |

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

|  | Tax<br>rate | 1 January –<br>31 December<br>2023 | Tax<br>rate | 1 January –<br>31 December<br>2022 |
|--|-------------|------------------------------------|-------------|------------------------------------|
| <b>Reconciliation of tax provision</b>                       |             |                                    |             |                                    |
| Net profit/(loss) for the period                             |             | <b>673.800.541</b>                 |             | 4.274.685.346                      |
| Total tax income / (expense)                                 |             | <b>735.255.760</b>                 |             | 354.630.791                        |
| Tax on profit per statutory tax rate of the parent company   | %25         | <b>(168.450.135)</b>               | %23         | (983.177.630)                      |
| Non-deductible expenses                                      |             | <b>(128.928.741)</b>               |             | (81.449.849)                       |
| Tax exempt income  |             | <b>367.710.812</b>                 |             | 126.783.606                        |
| Discount on tax rate   |             | <b>6.721.748</b>                   |             | 12.701.960                         |
| Effect of change on corporation tax rate                     |             | <b>108.175.163</b>                 |             | (1.032.625)                        |
| Cancellation of retained earnings                            |             | <b>(261.498.519)</b>               |             | (28.036.288)                       |
| Effect of taxable loss for prior periods                     |             | -                                  |             | 208.026.307                        |
| Effect of capital increase tax incentive                     |             | <b>27.494.048</b>                  |             | 45.302.745                         |
| Effect of the cancellation of the legal inflation adjustment |             | 1.907.866.740                      |             | -                                  |
| Impact of inflation adjustment under TFRS on reporting       |             | (814.149.333)                      |             | 1.055.829.180                      |
| Tax revenue linked to investment incentive certificate       |             | 302.682.644                        |             | -                                  |
| Effect of non-capitalized current period financial loss      |             | (368.364.233)                      |             | -                                  |
| Other  |             | <b>(244.004.434)</b>               |             | (316.616)                          |
| <b>Total tax income</b>                                      |             | <b>735.255.760</b>                 |             | 354.630.791                        |

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**28. Income taxes (included deferred tax assets and liabilities) (continued)**

The maturity of the tax losses are as follows:

| Period, tax losses occurred | Maturity of tax losses | 31 December 2023           |                              | 31 December 2022           |                              |
|-----------------------------|------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
|                             |                        | Tax losses carried forward | booked as deferred tax asset | Tax losses carried forward | booked as deferred tax asset |
| 2018                        | 2023                   | -                          | -                            | 85.075.533                 | -                            |
| 2019                        | 2024                   | 415.267.057                | -                            | 415.267.057                | 415.267.057                  |
| 2020                        | 2025                   | 184.321.483                | 184.321.483                  | 368.642.965                | 368.642.965                  |
| 2021                        | 2026                   | 191.263.218                | 191.263.218                  | 382.526.436                | 382.526.436                  |
| 2022                        | 2027                   | -                          | -                            | 297.890.273                | 297.890.273                  |
| 2023                        |                        | 1.498.905.532              | 25.448.601                   |                            |                              |
| <b>Total</b>                |                        | <b>2.289.757.290</b>       | <b>401.033.302</b>           | <b>1.549.402.264</b>       | <b>1.464.326.731</b>         |

**29. Earnings per share**

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

|  | 1 January -<br>31 December 2023 | 1 January -<br>31 December 2022 |
|--|---------------------------------|---------------------------------|
| Profit for the period attributable to parent company | 1.093.165.766                   | 4.441.274.059                   |
| Weighted average number of ordinary shares           | 1.500.000.000                   | 1.500.000.000                   |
| Treasury shares                                      | (336.643)                       | -                               |
| Weighted average number of shares outstanding        | 1.499.663.357                   | -                               |
| Earnings / (losses) per share TL                     | 0,7289                          | 2,9608                          |
| Earnings / (losses) per share                        | %72,89                          | %296,08                         |

**30. Effects of changes in foreign exchange rates**

Analyse of changes in foreign exchange rates is depicted in note 33. Foreign exchange loss recorded on income statement for the current period is TL 4.880.736.546.

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#### 31. Derivative instruments

|   | 31 December 2023 | 31 December 2022  |
|---|------------------|-------------------|
| Expense accrual on derivative instruments | 2.180.462        | 15.591.717        |
|   | <b>2.180.462</b> | <b>15.591.717</b> |

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 2023.

#### 32. Financial instruments

| <b>Financial assets</b>   | <b>31 December 2023</b> | <b>31 December 2022</b> |
|---------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 1.405.397.382           | 2.462.661.213           |
| Trade receivables         | 982.422.473             | 1.543.518.278           |
| Financial investments     | 302.107.550             | 56.154.095              |

| <b>Financial liabilities</b> |                |                |
|------------------------------|----------------|----------------|
| Financial liabilities        | 12.813.709.587 | 12.746.623.151 |
| Trade payables               | 744.927.099    | 696.077.414    |

| <b>Financial Borrowings</b>                  | <b>31 December 2023</b> | <b>31 December 2022</b> |
|--|-------------------------|-------------------------|
| Short term borrowings                        | 2.918.831.024           | 1.905.513.313           |
| Letter of credit borrowings                  | 6.315.931.521           | 7.213.469.790           |
| Lease contracts                              | 35.444.416              | 42.043.275              |
|  | <b>9.270.206.961</b>    | <b>9.161.026.378</b>    |
| Short term portion of long term borrowings   | 1.045.166.848           | 1.010.609.905           |
| <b>Total short term financial borrowings</b> | <b>10.315.373.809</b>   | <b>10.171.636.283</b>   |
| Long term borrowings                         | 2.417.030.206           | 2.457.139.680           |
| Lease contracts                              | 81.305.572              | 117.847.188             |
| <b>Total long term financial borrowings</b>  | <b>2.498.335.778</b>    | <b>2.574.986.868</b>    |
| <b>Total financial borrowings</b>            | <b>12.813.709.587</b>   | <b>12.746.623.151</b>   |

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#### 32. Financial instruments (continued)

Breakdown of short term and long term financial borrowings with respect to currency are as follows:

##### 31 December 2023

| Currency | Short term    | Long term  | Total         | TL equivalent         |
|----------|---------------|------------|---------------|-----------------------|
| USD      | 300.090.237   | 79.990.891 | 380.081.128   | 11.222.982.746        |
| EURO     | 804.329       | 1.509.733  | 2.314.062     | 75.513.867            |
| TL       | 1.425.179.083 | 90.033.891 | 1.515.212.974 | 1.515.212.974         |
|          |               |            |               | <b>12.813.709.587</b> |

##### 31 December 2022

| Currency | Short term    | Long term   | Total         | TL equivalent         |
|----------|---------------|-------------|---------------|-----------------------|
| USD      | 291.602.965   | 77.708.896  | 369.311.861   | 11.398.907.776        |
| EURO     | 806.105       | 2.244.574   | 3.050.679     | 100.387.083           |
| TL       | 1.144.707.958 | 102.620.334 | 1.247.328.292 | 1.247.328.292         |
|          |               |             |               | <b>12.746.623.151</b> |

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

| Short term      | 31 December 2023      | 31 December 2022              |
|-----------------|-----------------------|-------------------------------|
| USD borrowings  | %7,50 - % 10          | Libor+1 - %14                 |
| EURO borrowings | %3,75-%3,85           | %3,75-%3,85                   |
| TL borrowings   | %25 - % 55- TLREF+4   | %14,75 - % 26,17              |
| Long term       | 31 December 2023      | 31 December 2022              |
|                 | %3,77-%10,80-%SOFR+5- |                               |
| USD borrowings  | libor+6,35            | %6,75, Libor+3,40- Libor+6,60 |
| EURO borrowings | %3,75-%3,85           | %3,75-%3,85                   |
| TL borrowings   | TL REF+4%             | %15,56-%18,61                 |

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

|               | 31 December 2023   | 31 December 2022   |
|---------------|--------------------|--------------------|
| 2022          | -                  | 10.171.636.281     |
| 2023          | 10.315.373.810     | 777.364.089        |
| 2024          | 734.364.597        | 517.533.248        |
| 2025          | 598.972.465        | 440.167.626        |
| 2026 ve after | 401.954.343        | 276.016.165        |
|               | <b>763.044.372</b> | <b>563.905.742</b> |

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**33. 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<br>31 December 2023  | Receivables       |                |                   |                | Bank Deposits | Derivate<br>Instruments | Other |
|---|-------------------|----------------|-------------------|----------------|---------------|-------------------------|-------|
|   | Trade Receivables |                | Other Receivables |                |               |                         |       |
|   | Related<br>Party  | Other<br>Party | Related<br>Party  | Other<br>Party |               |                         |       |
| Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)          | 3.133.982         | 979.288.491    | 39.508.980        | 40.483.568     | 1.404.894.523 |                         |       |
| - The secured part of maximum credit risk                                   | -                 | -              | -                 | -              | -             | -                       | -     |
| A. Net book value of financial assets that are neither impaired nor overdue | 3.133.982         | 679.816.202    | 39.508.980        | 40.483.568     | 1.404.894.523 | -                       | -     |
| B. Net book value of impaired assets  | -                 | 299.472.289    | -                 | -              | -             | -                       | -     |
| C. Net book values of the impaired assets                                   | -                 | -              | -                 | -              | -             | -                       | -     |
| - Overdue (gross book value)  | -                 | 35.541.265     | -                 | -              | -             | -                       | -     |
| - Impairment (-)  | -                 | (35.541.265)   | -                 | -              | -             | -                       | -     |
| - 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<br>31 December 2022  | Receivables       |                |                   |                | Bank Deposits | Derivate<br>Instruments | Other |
|---|-------------------|----------------|-------------------|----------------|---------------|-------------------------|-------|
|   | Trade Receivables |                | Other Receivables |                |               |                         |       |
|   | Related<br>Party  | Other<br>Party | Related<br>Party  | Other<br>Party |               |                         |       |
| Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)          | 143.279.166       | 1.400.239.111  | -                 | 25.529.346     | 2.460.510.993 | -                       | -     |
| - The secured part of maximum credit risk                                   | -                 | -              | -                 | -              | -             | -                       | -     |
| A. Net book value of financial assets that are neither impaired nor overdue | 94.621.535        | 1.364.801.602  | -                 | 25.529.346     | 2.460.510.993 | -                       | -     |
| B. Net book value of impaired assets  | 48.657.631        | 35.437.509     | -                 | -              | -             | -                       | -     |
| C. Net book values of the impaired assets                                   | -                 | -              | -                 | -              | -             | -                       | -     |
| - Overdue (gross book value)  | -                 | 39.451.687     | -                 | -              | -             | -                       | -     |
| - Impairment (-)  | -                 | (39.451.687)   | -                 | -              | -             | -                       | -     |
| - 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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**33. Nature and level of risks derived from financial instruments (continued)**

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

| <b>Current Period<br/>31 December 2023</b> | <b>Receivables</b>           |                              | <b>Bank<br/>Deposits</b> | <b>Derivate<br/>Instruments</b> | <b>Other</b> |
|--|------------------------------|------------------------------|--------------------------|---------------------------------|--------------|
|  | <b>Trade<br/>Receivables</b> | <b>Other<br/>Receivables</b> |                          |                                 |              |
| Past due 1-30 days                         | 38.008.099                   | -                            | -                        | -                               | -            |
| Past due 1-3 moths                         | 122.819.598                  | -                            | -                        | -                               | -            |
| Past due 3-12 months                       | 138.521.392                  | -                            | -                        | -                               | -            |
| Past due 1-5 years                         | 123.200                      | -                            | -                        | -                               | -            |
| Past due 5 years or more                   | -                            | -                            | -                        | -                               | -            |
|  | <b>299.472.289</b>           | -                            | -                        | -                               | -            |

| <b>Current Period<br/>31 December 2022</b> | <b>Receivables</b>           |                              | <b>Bank<br/>Deposits</b> | <b>Derivate<br/>Instruments</b> | <b>Other</b> |
|--|------------------------------|------------------------------|--------------------------|---------------------------------|--------------|
|  | <b>Trade<br/>Receivables</b> | <b>Other<br/>Receivables</b> |                          |                                 |              |
| Past due 1-30 days                         | 73.733.823                   | -                            | -                        | -                               | -            |
| Past due 1-3 moths                         | 7.965.179                    | -                            | -                        | -                               | -            |
| Past due 3-12 months                       | 2.396.138                    | -                            | -                        | -                               | -            |
| Past due 1-5 years                         | -                            | -                            | -                        | -                               | -            |
| Past due 5 years or more                   | -                            | -                            | -                        | -                               | -            |
|  | <b>84.095.140</b>            | -                            | -                        | -                               | -            |

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**33. Nature and level of risks derived from financial instruments (continued)**

**Foreign Currency Risk**

|   | Current Period 31 December 2023           |                      |                    |                          | Prior Period 31 December 2022             |                      |                  |                             |
|---|---|----------------------|--------------------|--------------------------|---|----------------------|------------------|-----------------------------|
|   | TL Equivalent<br>(Functional<br>currency) | USD                  | Euro               | Other<br>(TL Equivalent) | TL Equivalent<br>(Functional<br>currency) | USD                  | Euro             | Other<br>(TL<br>Equivalent) |
| 1. Trade receivables  | 516.597.869                               | 16.857.966           | 624.110            | -                        | 511.512.283                               | 24.751.175           | 2.443.323        | -                           |
| 2a. Monetary financial assets   | 1.198.774.292                             | 38.925.061           | 1.194.520          | 13.980.370               | 1.278.472.647                             | 60.633.442           | 7.189.949        | 1.399.435                   |
| 2b. Non-monetary financial assets   | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| 3. Other  | 143.456                                   | 4.873                | -                  | -                        | 137.821                                   | 7.138                | 219              | -                           |
| <b>4. Current Assets (1+2+3)</b>  | <b>1.715.515.617</b>                      | <b>55.787.900</b>    | <b>1.818.630</b>   | <b>13.980.370</b>        | <b>1.790.122.751</b>                      | <b>85.391.755</b>    | <b>9.633.491</b> | <b>1.399.435</b>            |
| 5. Trade receivables  | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| 6a. Monetary financial assets   | 5.169.527                                 | 163.758              | -                  | 348.792                  | 3.275.025                                 | 164.374              | -                | 201.514                     |
| 6b. Non-monetary financial assets   | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| 7. Other  | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| <b>8. Non-Current Assets (5+6+7)</b>  | <b>5.169.527</b>                          | <b>163.758</b>       | <b>-</b>           | <b>348.792</b>           | <b>3.275.025</b>                          | <b>164.374</b>       | <b>-</b>         | <b>201.514</b>              |
| <b>9. Total Assets (4+8)</b>  | <b>1.720.685.144</b>                      | <b>55.951.658</b>    | <b>1.818.630</b>   | <b>14.329.162</b>        | <b>1.793.397.776</b>                      | <b>85.556.129</b>    | <b>9.633.491</b> | <b>1.600.949</b>            |
| 10. Trade payables  | 459.931.890                               | 6.978.049            | 7.784.714          | 104.682                  | 144.622.548                               | 3.943.307            | 3.508.189        | 695.175                     |
| 11. Financial liabilities   | 8.876.298.557                             | 300.090.238          | 804.329            | -                        | 5.478.961.072                             | 291.602.965          | 833.934          | -                           |
| 12a. Monetary other liabilities   | 2.065.967                                 | 27.980               | 38.023             | -                        | 729.130                                   | 27.979               | 10.266           | -                           |
| 12b. Non-monetary other liabilities   | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| <b>13. Short Term Liabilities (10+11+12)</b>  | <b>9.338.296.414</b>                      | <b>307.096.267</b>   | <b>8.627.066</b>   | <b>104.682</b>           | <b>5.624.312.750</b>                      | <b>295.574.251</b>   | <b>4.352.389</b> | <b>695.175</b>              |
| 14. Trade payables  | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| 15. Financial liabilities   | 2.408.301.887                             | 79.990.891           | 1.509.734          | -                        | 1.503.497.186                             | 77.708.896           | 2.396.206        | -                           |
| 16a. Monetary other liabilities   | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| 16b. Non-monetary other liabilities   | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| <b>17. Long Term Liabilities (14+15+16)</b>   | <b>2.408.301.887</b>                      | <b>79.990.891</b>    | <b>1.509.734</b>   | <b>-</b>                 | <b>1.503.497.186</b>                      | <b>77.708.896</b>    | <b>2.396.206</b> | <b>-</b>                    |
| <b>18. Total Liabilities (13+17)</b>  | <b>11.746.598.301</b>                     | <b>387.087.158</b>   | <b>10.136.800</b>  | <b>104.682</b>           | <b>7.127.809.936</b>                      | <b>373.283.147</b>   | <b>6.748.595</b> | <b>695.175</b>              |
| 19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)                              | 147.191.000                               | 5.000.000            | -                  | -                        | 33.459.878                                | 1.798.923            | -                | -                           |
| 19a. Off-balance sheet foreign currency derivative assets   | 147.191.000                               | 5.000.000            | -                  | -                        | 131.807.480                               | 7.049.169            | -                | -                           |
| 19b. Off-balance sheet foreign currency derivative liabilities  | -   | -                    | -                  | -                        | 98.347.602                                | 5.250.246            | -                | -                           |
| <b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>  | <b>(9.878.722.157)</b>                    | <b>(326.135.500)</b> | <b>(8.318.170)</b> | <b>14.224.480</b>        | <b>(5.300.952.282)</b>                    | <b>(285.928.094)</b> | <b>2.884.896</b> | <b>905.774</b>              |
| 21. Net foreign currency asset / (liability) position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | (10.025.913.157)                          | (331.135.500)        | (8.318.170)        | 14.224.480               | (5.334.412.160)                           | (287.727.018)        | 2.884.896        | 905.774                     |
| 22. Fair value of financial instruments used in foreign currency hedges   | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |
| 23. Hedged foreign currency assets  | -   | -                    | -                  | -                        | -   | -                    | -                | -                           |

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**33. Nature and level of risks derived from financial instruments (continued)**

**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.

| <b>Foreign Currency Risk Sensitivity Analysis</b>         |                                  |                                 |               |                                  |
|---|----------------------------------|---------------------------------|---------------|----------------------------------|
| <b>Current Period<br/>31 December 2023</b>                | <b>Profit / Loss</b>             |                                 | <b>Equity</b> |                                  |
|   | 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                           | (976.858.738)                    | 976.858.738                     | -             | -                                |
| 2- USD risk hedged (-)                                    | 14.745.650                       | (14.745.650)                    | -             | -                                |
| <b>3- USD net effect (1+2)</b>                            | <b>(962.113.088)</b>             | <b>962.113.088</b>              | -             | -                                |
| Change in the EUR against TL by 10 % :                    |                                  |                                 |               |                                  |
| 4- Net asset / liability of EURO                          | (27.155.026)                     | 27.155.026                      | -             | -                                |
| 5- EUR risk hedged (-)                                    | -                                | -                               | -             | -                                |
| <b>6- EUR net effect (4+5)</b>                            | <b>(27.155.026)</b>              | <b>27.155.026</b>               | -             | -                                |
| Change in the other foreign currencies against TL by 10 % |                                  |                                 |               |                                  |
| 7- Net asset / liability of other currency                | 1.422.448                        | (1.422.448)                     | -             | -                                |
| 8- Other currency risk hedged (-)                         | -                                | -                               | -             | -                                |
| <b>9- Other currencies net effect (7+8)</b>               | <b>1.422.448</b>                 | <b>(1.422.448)</b>              | -             | -                                |
| <b>TOTAL (3+6+9)</b>                                      | <b>(987.845.666)</b>             | <b>987.845.666</b>              | -             | -                                |

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

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**33. Nature and level of risks derived from financial instruments (continued)**

**Interest rate sensitivity**

| <b>Interest Position Table</b>                           |                       |                     |
|--|-----------------------|---------------------|
|  | <b>Current Period</b> | <b>Prior Period</b> |
| <b>Financial instruments with fixed interest rate</b>    |                       |                     |
|  | -                     | -                   |
| Financial Assets   | -                     | -                   |
| Financial Liabilities                                    | 11.652.288.050        | 11.346.301.226      |
| <b>Financial instruments with floating interest rate</b> |                       |                     |
| Financial Assets   | -                     | -                   |
| Financial Liabilities                                    | 1.161.421.537         | 1.400.321.925       |

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 123.031.794.

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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**33. Nature and level of risks derived from financial instruments (continued)**

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) |
|---|------------------------|--|------------------------|----------------------------|-------------------------|------------------------|
| <b>Contractual maturities</b>               | <b>Carrying Amount</b> |  |                        |                            |                         |                        |
| <b>Non-derivative Financial Liabilities</b> |                        |  |                        |                            |                         |                        |
| Bank borrowings                             | 12.696.959.599         | 13.491.215.966                                 | 2.504.314.151          | 7.828.618.938              | 2.536.282.275           | 622.000.603            |
| Right of use obligation                     | 116.749.988            | 183.131.125                                    | 6.900.085              | 38.263.444                 | 79.951.856              | 58.015.740             |
| Trade payables                              | 744.927.099            | 756.051.819                                    | 756.051.819            | -                          | -                       | -                      |
| Other payables *                            | 20.115.475             | 20.115.475                                     | 20.115.475             | -                          | -                       | -                      |
| Other current liabilities *                 | 176.267.219            | 176.267.219                                    | 176.267.219            | -                          | -                       | -                      |

| 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) |
|---|------------------------|--|------------------------|----------------------------|-------------------------|------------------------|
| <b>Contractual maturities</b>               | <b>Carrying Amount</b> |  |                        |                            |                         |                        |
| <b>Non-derivative Financial Liabilities</b> |                        |  |                        |                            |                         |                        |
| Bank borrowings                             | 9.695.349.667          | 9.873.782.916                                  | 2.369.049.044          | 6.664.923.028              | 839.810.845             | -                      |
| Right of use obligation                     | 75.621.864             | 115.447.033                                    | 2.787.470              | 13.043.940                 | 42.203.742              | 57.411.881             |
| Trade payables                              | 225.049.988            | 226.879.116                                    | 226.879.116            | -                          | -                       | -                      |
| Other payables *                            | 2.938.842              | 2.938.842                                      | 2.938.842              | -                          | -                       | -                      |
| Other current liabilities *                 | 218.822.473            | 218.822.473                                    | 218.822.473            | -                          | -                       | -                      |

**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.

The net debt / total equity ratio is as follows.

|                                 | 31 December 2023 | 31 December 2022 |
|---------------------------------|------------------|------------------|
| Total debt                      | 12.813.709.587   | 12.746.623.151   |
| Less: Cash and cash equivalents | 1.405.397.382    | 2.462.661.213    |
| Net debt                        | 11.408.312.205   | 10.283.961.938   |
| Total shareholders’ equity      | 18.161.347.042   | 9.760.783.926    |
| Total equity                    | 29.569.659.247   | 20.044.745.864   |
| Net debt/Total equity ratio     | % 39             | % 51             |

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#### 34. 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 2023

| Financial assets  | Level 1 | Level 2          | Level 3 |
|-------------------|---------|------------------|---------|
| Forward contracts | -       | 2.180.462        | -       |
|                   | -       | <b>2.180.462</b> | -       |

#### 31 December 2022

| Financial assets  | Level 1 | Level 2           | Level 3 |
|-------------------|---------|-------------------|---------|
| Forward contracts | -       | 15.591.717        | -       |
|                   | -       | <b>15.591.717</b> | -       |

#### 35. Subsequent events

According to the decision made at the Company's board of directors meeting on March 4, 2024, the Group has sold its three cargo ships for a total consideration amounting of 23.000.000 USD.

#### 36. Disclosures related to statement of cash flow

The group's cash flow obtained from operating activities amounted to TL 58.469.318 TL (Prior period: 332.080.257). Cash used in investing activities amounted to TL 5.589.623.731 TL (Prior period: 2.705.330.827 TL). Cash obtained/used in financing activities amounted to TL 5.666.773.730 TL (31 December 2022: 1.374.824.090)

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

|            | 31.December<br>2022 | Cash movements |                  | Non cash movements  |                 | 31.December<br>2023 |
|------------|---------------------|----------------|------------------|---------------------|-----------------|---------------------|
|            |                     | Inflows        | Outflows         | Foreign<br>exchange | Other           |                     |
| Borrowings | 12.746.623.144      | 13.624.720.731 | (11.140.237.005) | 2.059.755.902       | (4.477.153.185) | 12.813.709.587      |

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

**İzmir Demir Çelik Sanayi A.Ş. and Its Subsidiaries**

**Notes to the consolidated financial statements  
for the year ended 31 December 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**37. Disclosures related to statement of changes in equity**

The Group’s total equity amounted to TL 18.161.347.042 (31 December 2022: TL 9.760.783.926), which is the sum of TL 15.348.031.390 TL (31 December 2022: 9.436.271.376 TL) and 2.813.315.652 TL (31 December 2022: 324.512.550 TL) stands for equity attributable to owners of the company and non-controlling interests respectively.

**38. Disclosure of other matters**

**Convenience translation to English:**

As of December 31, 2023, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.