

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2023**

CONTENTS	INDEX
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3-4
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7-47
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS	7
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	9
NOTE 3 BUSINESS COMBINATIONS	26
NOTE 4 DISCLOSURE OF INTERESTS IN OTHER ENTITIES	26
NOTE 5 SEGMENT REPORTING	27
NOTE 6 CASH AND CASH EQUIVALENTS	28
NOTE 7 FINANCIAL INVESTMENTS	29
NOTE 8 BORROWINGS	29
NOTE 9 OTHER FINANCIAL LIABILITIES	30
NOTE 10 TRADE RECEIVABLES AND PAYABLES	30
NOTE 11 OTHER RECEIVABLES AND PAYABLES	31
NOTE 12 DERIVATIVE INSTRUMENTS	32
NOTE 13 INVENTORIES	32
NOTE 14 RIGHT OF USE ASSETS	33
NOTE 15 PREPAID EXPENSES AND DEFERRED INCOME	33
NOTE 16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	34
NOTE 17 INVESTMENT PROPERTIES	34
NOTE 18 PROPERTY, PLANT AND EQUIPMENT	35
NOTE 19 INTANGIBLE ASSETS	37
NOTE 20 EMPLOYEE BENEFITS	38
NOTE 21 GOVERNMENT GRANTS	38
NOTE 22 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS	38
NOTE 23 COMMITMENTS	39
NOTE 24 PROVISIONS FOR EMPLOYEE BENEFITS	39
NOTE 25 TAX ASSETS AND LIABILITIES	40
NOTE 26 OTHER ASSETS AND LIABILITIES	40
NOTE 27 EQUITY	40
NOTE 28 REVENUE AND COST OF SALES	43
NOTE 29 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES,	43
NOTE 30 EXPENSES BY NATURE	43
NOTE 31 OTHER OPERATING INCOME / EXPENSES	45
NOTE 32 GAINS/LOSSES FROM INVESTMENT ACTIVITIES	45
NOTE 33 FINANCIAL INCOME/EXPENSES	46
NOTE 34 NON-CURRENT ASSETS HELD FOR SALE	46
NOTE 35 INCOME TAXES	46
NOTE 36 EARNINGS PER SHARE	49
NOTE 37 RELATED PARTY DISCLOSURES	49
NOTE 38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	50
NOTE 39 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING)	55
NOTE 40 EVENTS AFTER THE REPORTING PERIOD	56
NOTE 41 THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR ARE REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE CONSOLIDATED FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE	56

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023 AND 31 DECEMBER 2022**

(Amounts on tables expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Unaudited Current Period 30.09.2023	Audited Prior Period 31.12.2022
ASSETS			
Current Assets		7.034.341.659	4.243.789.837
Cash and Cash Equivalents	6	540.043.619	466.548.977
Financial Investments	7	1.099.281.659	480.921.554
Trade Receivables	10	2.463.696.872	1.291.773.490
<i>Third Parties</i>	<i>10</i>	<i>2.455.570.781</i>	<i>1.291.533.655</i>
<i>Related Parties</i>	<i>10-37</i>	<i>8.126.091</i>	<i>239.835</i>
Other Receivables	11	198.852.667	157.955.006
<i>Third Parties</i>	<i>11</i>	<i>170.160.381</i>	<i>106.088.178</i>
<i>Related Parties</i>	<i>11-37</i>	<i>28.692.286</i>	<i>51.866.828</i>
Derivative Instruments	12	105.892.239	78.810.433
Inventories	13	2.218.874.278	1.544.818.657
Prepaid Expenses	15	178.127.884	92.658.501
Other Current Assets	26	229.572.441	130.303.219
Total		7.034.341.659	4.243.789.837
Non-Current Assets		3.458.587.455	3.057.687.357
Other Receivables	11	2.131.274	2.138.417
<i>Third Parties</i>	<i>11</i>	<i>2.131.274</i>	<i>2.138.417</i>
Derivative Instruments	12	48.746.673	70.280.521
Financial Investments	7	1.959	1.959
Right of Use Assets	14	135.714.196	103.362.290
Investment Properties	17	200.734.187	156.695.000
Property, Plant and Equipment	18	3.042.942.573	2.717.137.748
Intangible Assets	19	6.043.648	6.824.557
<i>Other Intangible Assets</i>	<i>19</i>	<i>6.043.648</i>	<i>6.824.557</i>
Prepaid Expenses	15	20.748.640	-
Deferred Tax Assets	35	1.524.305	1.246.865
TOTAL ASSETS		10.492.929.114	7.301.477.194

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

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023 AND 31 DECEMBER 2022**

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited Current Period 30.09.2023	Audited Prior Period 31.12.2022
LIABILITIES			
Current Liabilities			
Short-Term Borrowings	8	2.697.638.226	1.499.562.711
Short-Term Portion of Long-Term Borrowings	8	74.031.050	159.068.429
Trade Payables	10	909.467.951	854.168.945
<i>Third Parties</i>	10	909.190.639	853.047.794
<i>Related Parties</i>	10-37	277.312	1.121.151
Employee Benefits	20	49.213.380	20.080.327
Other Payables	11	146.446.391	47.476.704
<i>Third Parties</i>	11	98.614.660	45.208.067
<i>Related Parties</i>	11-37	47.831.731	2.268.637
Deferred Income	15	1.704.559.151	933.044.943
Current Income Tax Liabilities	35	93.058.813	24.130.958
Short-Term Provisions	22	14.723.410	14.335.619
<i>Other Short-Term Provisions</i>	22	7.131.966	10.004.070
<i>Short-Term Provisions for Employee Benefits</i>	22	7.591.444	4.331.549
Other Current Liabilities	26	1.451.159	2.002
Total		5.690.589.531	3.551.870.638
Non-Current Liabilities			
Long-Term Borrowings	8	400.323.420	351.258.326
Long-Term Provisions	24	20.640.673	24.629.708
<i>Long-Term Provisions for Employee Benefits</i>	24	20.640.673	24.629.708
Deferred Tax Liabilities	35	239.349.152	86.920.646
EQUITY			
Equity Holders of the Parent	27	4.123.129.836	3.275.605.648
Paid-in Share Capital	27	657.570.000	657.570.000
Share Premium	27	119.699.349	119.699.349
Other Comprehensive Income or Expenses not to be reclassified to Profit or Loss	27	1.624.600.856	1.724.049.690
Other Comprehensive Income or Expenses to be reclassified to Profit or Loss	27	(176.652.468)	(158.586.913)
Business combinations under common control	27	(16.001.044)	(16.001.044)
Restricted Reserves	27	51.204.575	29.105.331
Retained Earnings	27	746.529.718	168.525.704
Profit for the Period	27	1.116.178.850	751.243.531
Non-Controlling Interests	27	18.896.502	11.192.228
TOTAL LIABILITIES AND EQUITY		10.492.929.114	7.301.477.194

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

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND
2022**

(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited Current Period	Unaudited Current Period	Unaudited Prior Period	Unaudited Prior Period
		01.01.2023	01.07.2023	01.01.2022	01.07.2022
	Notes	30.09.2023	30.09.2023	30.09.2022	30.09.2022
Revenue	28	8.880.650.482	3.636.352.433	6.747.358.164	2.425.280.518
Cost of Sales (-)	28	(7.059.467.152)	(2.778.084.742)	(5.181.886.886)	(1.969.466.795)
Gross profit from non-finance sector operations		1.821.183.330	858.267.691	1.565.471.278	455.813.723
GROSS PROFIT		1.821.183.330	858.267.691	1.565.471.278	455.813.723
Marketing, Sales and Distribution Expenses (-)	29-30	(423.246.148)	(210.144.099)	(402.039.003)	(134.248.081)
General Administrative Expenses (-)	29-30	(107.431.361)	(39.859.638)	(53.834.779)	(24.647.552)
Research and Development Expenses (-)	29-30	(3.378.125)	(1.455.914)	(1.695.957)	(673.705)
Other Operating Income	31	540.476.771	(217.541.400)	311.829.263	91.848.340
Other Operating Expenses (-)	31	(242.817.338)	100.772.616	(179.264.047)	(38.456.479)
OPERATING PROFIT		1.584.787.129	490.039.256	1.240.466.755	349.636.246
Gains from investment activities	32	305.392.723	235.758.206	50.474.292	28.134.292
Losses from investment activities (-)	32	(11.853.370)	(116.501)	(238.300)	(109.337)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		1.878.326.482	725.680.961	1.290.702.747	377.661.201
Financial Income	33	170.858.615	30.454.547	165.084.097	45.819.361
Financial Expense (-)	33	(690.862.111)	(364.051.308)	(886.837.547)	(270.435.414)
PROFIT BEFORE TAX		1.358.322.986	392.084.200	568.949.297	153.045.148
Tax income/(expense)	35	(242.396.749)	(45.604.202)	(115.293.875)	(22.313.347)
- Current period tax expense		(182.136.584)	(72.824.878)	(117.089.748)	(34.273.895)
- Deferred tax income/expense		(60.260.165)	27.220.676	1.795.873	11.960.548
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1.115.926.237	346.479.998	453.655.422	130.731.801
PROFIT FOR THE PERIOD		1.115.926.237	346.479.998	453.655.422	130.731.801
Attributable to		1.115.926.237	346.479.998	453.655.422	130.731.801
Non-Controlling Interests		(252.613)	(2.331.108)	3.846.152	(601.831)
Equity Holders of the Parent		1.116.178.850	348.811.106	449.809.270	131.333.632
Earnings Per Share					
Earnings Per Share From Continuing Operations	36	1.6974	0.5305	2.1135	0.6171

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

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF OTHER
COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 2022**
(Amounts on tables expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Unaudited Current Period	Unaudited Current Period	Unaudited Prior Period	Unaudited Prior Period
	Notes	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
PROFIT FOR THE PERIOD	36	1.115.926.237	346.479.998	453.655.422	130.731.801
OTHER COMPREHENSIVE INCOME					
Items not to be reclassified to profit or loss		(99.458.588)	(835.311)	231.626.986	(3.135.348)
Property, plant and equipment revaluation surplus		-	-	271.812.539	-
Gains/(losses) on remeasurements of defined benefit plans	24	7.493.897	(1.084.819)	(4.616.933)	(3.919.185)
Taxes relating to other comprehensive income not to be reclassified to profit or loss		(106.952.485)	249.508	(35.568.620)	783.837
- <i>Deferred tax income/expense (PP&E)</i>		(105.228.888)	-	(36.492.008)	-
- <i>Deferred tax income/expense (Actuarial)</i>	35	(1.723.597)	249.508	923.388	783.837
Items to be reclassified to profit or loss		(10.098.914)	181.414.714	(11.409.705)	(3.375.576)
Currency translation differences		50.147.421	(6.699.083)	6.877.619	(3.375.576)
Gains/(losses) on cash flow hedges		(75.307.919)	229.134.426	(21.907.721)	-
Taxes relating to other comprehensive income to be reclassified to profit or loss		15.061.584	(41.020.629)	3.620.397	-
- <i>Deferred tax income/expense</i>		15.061.584	(41.020.629)	3.620.397	-
OTHER COMPREHENSIVE INCOME		(109.557.502)	180.579.403	220.217.281	(6.510.924)
TOTAL COMPREHENSIVE INCOME		1.006.368.735	527.059.401	673.872.703	124.220.877
Attributable to		1.006.368.735	527.059.401	673.872.703	124.220.877
Non-Controlling Interests		7.704.274	(64.626)	4.542.680	(942.766)
Equity Holders of the Parent		998.664.461	527.124.027	669.330.023	125.163.643

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

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Amounts on tables expressed in Turkish Lira ("TL")
unless otherwise indicated.)

Unaudited Prior Period	Notes	Paid-in share capital	Share premium	Business combinations under common control	Items not to be reclassified to profit or loss		Items to be reclassified to profit or loss			Retained Earnings			Non-controlling interests	Total equity
					Gains/(losses) on remeasurements of defined benefit plans	Property, plant and equipment revaluation surplus	Currency translation differences	Gains/(losses) on hedge	Restricted reserves	Prior years income	Profit for the Period	Equity holders of the parent		
Balances at 1 January 2022 (Beginning of the period)	27	212.000.000	-	(16.001.044)	(3.425.389)	554.474.108	14.719.069	(152.742.503)	29.105.331	157.941.274	132.584.430	928.655.276	4.722.784	933.378.060
Transfers	27	-	-	-	-	122.000.000	-	-	-	10.584.430	(132.584.430)	-	-	-
Capital increases		21.500.000	-	-	-	-	-	-	-	-	-	21.500.000	5.745	21.505.745
Share premium		-	-	-	-	-	-	-	-	-	-	543.769.349	-	543.769.349
Total Comprehensive Income		-	-	-	(3.695.435)	235.320.532	6.182.979	(18.287.324)	-	-	449.809.270	669.330.022	4.542.681	673.872.703
-Profit for the Period	27	-	-	-	-	-	-	-	-	-	449.809.270	449.809.270	3.846.152	453.655.422
-Other Comprehensive Income		-	-	-	(3.695.435)	235.320.532	6.182.979	(18.287.324)	-	-	-	219.520.752	696.529	220.217.281
Balances at 30 September 2022 (End of the period)	27	233.500.000	-	(16.001.044)	(7.120.824)	911.794.640	20.902.048	(171.029.827)	29.105.331	168.525.704	449.809.270	2.163.254.647	9.271.210	2.172.525.857
Unaudited Current Period														
Balances at 1 January 2023 (Beginning of the period)	27	657.570.000	119.699.349	(16.001.044)	(12.878.239)	1.736.927.929	32.351.815	(190.938.728)	29.105.331	168.525.704	751.243.531	3.275.605.648	11.192.228	3.286.797.876
Transfers	27	-	-	-	-	-	-	-	-	22.099.244	729.144.287	(751.243.531)	-	-
Dividends paid		-	-	-	-	-	-	-	-	-	(151.140.273)	(151.140.273)	-	(151.140.273)
Total Comprehensive Income		-	-	-	5.780.054	(105.228.888)	42.180.780	(60.246.335)	-	-	1.116.178.850	998.664.461	7.704.274	1.006.368.735
-Profit for the Period	27	-	-	-	-	-	-	-	-	-	1.116.178.850	1.116.178.850	(252.613)	1.115.926.237
-Other Comprehensive Income		-	-	-	5.780.054	(105.228.888)	42.180.780	(60.246.335)	-	-	-	(117.514.389)	7.956.887	(109.557.502)
Balances at 30 September 2023 (End of the period)	27	657.570.000	119.699.349	(16.001.044)	(7.098.185)	1.631.699.041	74.532.595	(251.185.063)	51.204.575	746.529.718	1.116.178.850	4.123.129.836	18.896.502	4.142.026.338

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

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 2022
(Amounts on tables expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Unaudited	Unaudited
		Current	Prior
		Period	Period
		01.01.2023	01.01.2022
		30.09.2023	30.09.2022
A) CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FOR THE PERIOD			
		1.115.926.237	453.655.422
Profit for the Period from Continuing Operations		1.115.926.237	453.655.422
Adjustments to reconcile profit for the period to cash generated from operating activities		254.993.079	112.687.060
Depreciation and amortisation	17,18,19	87.932.306	56.306.609
Adjustments for Impairment Loss (Reversal of impairment loss)	10	863.195	3.787.812
<i>Adjustments for Receivables Impairment (Reversal)</i>	10	863.195	3.937.588
<i>Adjustments for Other Impairment (Reversal)</i>		-	128.963
<i>Adjustments for Inventory Impairment (Reversal)</i>	13	-	(278.739)
Adjustments for Provisions	22-24	17.031.676	6.764.677
<i>Adjustments for Provision for Employee Benefits (Reversal)</i>	22-24	19.903.780	4.113.743
<i>Adjustments for Provision for Litigations or Lawsuits, Penalties (Reversal)</i>	22	(2.872.104)	1.556.531
<i>Adjustments for Other Provisions (Reversal)</i>	22	-	1.094.403
Adjustments for interest income and expenses		263.604.352	21.483.804
<i>Adjustments for Interest Income</i>	31	286.950.893	(54.641.519)
<i>Adjustments for Interest Expenses</i>	31	(23.346.541)	76.125.323
Adjustments for unrealized currency translation differences		(39.675.795)	-
Adjustments for gains/(losses) on fair value		(298.731.821)	(91.059.054)
<i>Investment properties</i>	17	-	(22.340.000)
<i>Financial assets</i>		(298.731.821)	-
<i>Derivative instruments</i>	12	-	(68.719.054)
Adjustments for tax income/expense	35	229.336.202	115.293.875
Adjustments for losses/(gains) on disposal of non-current assets		(5.367.036)	109.337
Changes in Working Capital		(1.196.374.237)	(229.746.900)
Adjustments for Gains/Losses on Trade Receivables	10	(1.172.786.577)	(283.795.912)
Adjustments for Gains/Losses on Other Receivables Related to Operations	11	(40.890.518)	327.875.911
Changes in Derivative Assets		(65.794.293)	-
Changes in Inventories	13	(674.055.621)	(773.544.369)
Changes in Prepaid Expenses	15	(106.218.023)	(59.962.747)
Adjustments for Gains/Losses on Trade Payables	10	55.299.006	(19.563.013)
Adjustments for gains (losses) on payables due to employee benefits	20	34.913.107	6.393.875
Adjustments for Gains/Losses In Other Payables Related to Operations	11	98.969.687	46.041.207
<i>Related parties</i>	11-37	45.563.094	(8.866.263)
<i>Third parties</i>		53.406.593	54.907.470
Changes in Deferred Income	15	771.514.208	534.200.168
Adjustments for gains/(losses) on other changes in working capital		-	(5.910.847)
Changes in other assets related to operations		(98.774.370)	-
Changes in other liabilities related to operations		1.449.157	(1.481.173)
Cash Flows from Operating Activities		174.545.079	336.595.582
Adjustments for gains/losses on provisions for employee benefits	22-24	(20.632.921)	(1.744.314)
Income taxes refund/(paid)	35	(113.208.729)	(88.193.517)
Net Cash From Operating Activities		40.703.429	246.657.751
B) CASH FLOWS FROM INVESTING ACTIVITIES		(756.683.522)	(248.017.977)
Cash inflows from sale of property, plant and equipment and intangible asset	18	12.428.600	18.064
Cash outflows from purchase of property, plant and equipment and intangible assets	18	(405.444.651)	(248.036.041)
Cash outflows from purchase of investment properties		(44.039.187)	-
Cash outflows from dividends and other financial instruments	7	(319.628.284)	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		747.326.001	419.759.186
Cash inflows from share premium and other equity instruments		-	543.769.349
Cash inflows from borrowings		1.162.103.230	(95.803.539)
Cash outflows from payments of lease liabilities	14	(32.604)	(6.689.697)
Dividends paid		(151.140.273)	-
Interest Paid/Received, net		(263.604.352)	(21.516.927)
D) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		31.345.908	418.398.960
BEFORE EFFECT OF EXCHANGE RATE CHANGES		42.180.780	6.182.979
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		73.526.688	424.581.939
Net Increase/(Decrease) in Cash and Cash Equivalents		115.707.468	430.764.918
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	466.516.931	310.435.432
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	582.224.400	741.200.350

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

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 1 – GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi (“the Company” or “Kocaer Çelik”) was established on 25 December 1984 in İzmir, Aliğa with the title of Kocaer Haddecilik Sanayi ve Ticaret Anonim Şirketi. The title of Kocaer Haddecilik Sanayi ve Ticaret Anonim Şirketi has been changed to Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi on 20 May 2021 and published in Official Gazette numbered 10331. In 2021, the Company was restructured as engage in business activities iron and steel, transportation. In accordance with the restructuring, by merging with all its subsidiaries operating in the business activities of iron and steel, transportation and automotive and excluded other subsidiaries, the Company has a structure that only have iron, steel and transportation.

Kocaer Çelik operates its business activities in its production facility in Aliğa, İzmir. Kocaer Çelik’s business activities include supplying, shaping, manufacturing and trading all kinds of iron and steel products, semi-finished products and raw materials.

The registered address of the Kocaer Çelik is as follows:

Gümüşçay Mahallesi, Menderes Bulvarı, No: 45 Merkezefendi/Denizli

The Company has three steel profile production facilities, a galvanizing factory and a service center in Aliğa. In addition, the Company has branches in İzmir, İstanbul and Denizli. Besides, Kocaer Çelik has foreign operations in the foreign market with its subsidiary, Kocaer Steel UK LTD (Former title: Mymetal LTD), which was established in England.

The detailed information and registered address of the branches and offices is as follows:

- İstanbul Branch: Levazım Mahallesi Korlu Sokak Zorlu Center Teras Evler No:307 Beşiktaş / İstanbul,
- Aliğa Branch 3: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevki 19. Cadde No:1 Aliğa / İzmir,
- Aliğa Branch: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevki 19. Cadde No:2 Aliğa / İzmir,
- Aliğa Branch 2:Yeni Foça yolu üzeri 2. km Sanayi Caddesi Bozköy mevki No:31 Aliğa / İzmir,
- İzmir Alsancak Branch: Akdeniz Mahallesi Şehit Fethibey Caddesi No:55/161 Konak/İzmir.

As of 30 September 2023 and 31 December 2022, the principal shareholders and their respective shareholding rates in Kocaer Çelik are as follows:

Shareholders	30.09.2023		31.12.2022	
	Amount	Share (%)	Amount	Share (%)
Hakan KOCAER	500.384.989	76	520.084.989	79
Other	157.185.011	24	137.485.011	21
Total share capital	657.570.000	100	657.570.000	100

The initial public offering of the Group was approved with the official circular on 16 June 2022 and the bulletin numbered 2022/30 of the Capital Markets Board (“CMB”). The relevant stocks of initial public offering was paid from the share capital amounting to TL 657.570.000, the group’s shares amounting to TL 21.500.000 and the remaining TL 34.600.000 was paid from disposal of the shares of the shareholders, with total amount of TL 56.100.000. The capital increase amounting to TL 424.070.000 was realized from the emission premium that arising from after the public initial public offering and was recognised in equity. The capital increase was published in Official Gazette on 30 November 2022 and numbered 10715.

The functional breakdown of the subsidiaries (“Subsidiaries”) and the associates (“Associates”) their country of incorporation, effective interests, nature of business and their respective business segments are as follows:

Subsidiaries	Country of incorporation	Nature of business
Yağız Nakliyat San. ve Tic.A.Ş. ⁽¹⁾	Turkey	International Road Transport
Kocaer Steel UK LTD (Eski Unvanı: MYMETAL LTD) ⁽²⁾	England	Wholesale Trade of Iron and Steel Products
Kocaer Steel Ireland Limited ^(**)	Ireland	Wholesale Trade of Iron and Steel Products
Kocaer Enerji A.Ş. ^{(***)⁽⁴⁾}	Turkey	Energy Production

Investments Accounted for Using the Equity Method (Associate)	Country of incorporation	Nature of business
Kocaer Metal San.ve Tic.A.Ş. ^{(3)(*)}	Turkey	Iron and Steel

* As of 20 May 2022, Kocaer Metal Sanayi ve Ticaret A.Ş. has been in liquidation process. The relevant matter was published in Official Gazette on 26 May 2022 and numbered 10585. Accordingly, Kocaer Metal Sanayi ve Ticaret A.Ş. entered into liquidation process and has not material impact on the consolidated financial statements and therefore, Kocaer Metal is not included in the scope of consolidation for the period ended 30 September 2023. The liquidation process Kocaer Metal Sanayi was completed as of 22 March 2023 and the relevant completion of the liquidation process was published in Official Gazette on 22 March 2023 and numbered 10795.

(**)Kocaer Steel Ireland Limited was established on 23 November 2022 by Kocaer Steel UK LTD and included in the scope of consolidation. The share capital of Kocaer Steel Ireland Limited is amounting to EUR 100. The reason of the establishment of Kocaer Steel Ireland Limited is increasing exports in the European market. As of 30 September 2023, Kocaer Steel Ireland Limited is inactive and has not been carrying on any business or operation.

(***) Kocaer Enerji Anonim Şirketi was established on 4 July 2023 and the registration of the establishment was published in Official Gazette on 4 July 2023 and numbered 10863.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The registered address of the Kocaer Enerji is as follows:

Bozköy Mah. Sanayi Caddesi No:31/2 Aliağa/ İzmir

Kocaer Enerji's business activities include ensuring the development of projects for producing electricity, steam and heat, to establish facilities by preparing the relevant feasibility, to produce electricity and steam energy in these facilities, and to transport the produced electricity and steam to its customers.

Country of incorporation, nature of business and respective business segments of the subsidiaries ("Subsidiaries") and the associates ("Associates") are as follows:

- 1- Yağız Nakliyat San. ve Tic. A.Ş. ("Yağız Nakliyat") was established on 18 August 1995. The registered address of Yağız Nakliyat is Menderes Bulvarı No:53 Merkez/Denizli. Yağız Nakliyat's business activities include ensuring domestic and international transportation, cargo, contracting services and commodity trading. Kocaer Çelik acquired Yağız Nakliyat in 2018. Yağız Nakliyat has been consolidated in accordance with the full consolidation method. The abovementioned consolidation has been considered as "business combination under common control" and consolidated retrospectively for the periods presented with pooling of interest method in scope of TFRS 3. Another subsidiary of the Kocaer Çelik is KCR Otomotiv and Yağız Nakliyat acquired KCR Otomotiv on 25 June 2021 through business combination. Voting rights and effective ownership interest of the Group have been disclosed in Note 2.03.
- 2- Kocaer Steel UK LTD (Former title: Mymetal LTD) was established on 14 January 2013. The registered address of My Metal is 204 Field End Road Eastcote Pinner Middlesex Ha5 1Rd London England. MY Metal's business activities include wholesale of iron and steel products. My Metal has been consolidated in accordance with the full consolidation method. Kocaer Çelik acquired My Metal in 2015. The abovementioned consolidation has been considered as "business combination under common control" in the accompanying consolidated financial statements. Voting rights and effective ownership interest of the Group have been disclosed in Note 2.03. The title of Mymetal Limited was changed and registered as Kocaer Steel UK Limited on 29 September 2022.
- 3- Kocaer Metal San. A.Ş. was established on 14 February 2012. The business title of Kocaer Çelik Endüstrisi San.ve Tic.A.Ş has been changed to Kocaer Metal San. A.Ş. on 11 May 2021 and published in Official Gazette numbered 250. The registered address of Kocaer Metal is Yeni Foça Yolu 2.Km Sanayi Caddesi Bozköy Köyü Mevkii Aliağa/İzmir. Kocaer Metal has been accounted for using the equity method in the accompanying consolidated financial statements. Kocaer Metal's business activities include purchasing, selling, marketing, importing and exporting iron and steel raw materials and semi-finished products. As of 20 May 2022, Kocaer Metal Sanayi ve Ticaret A.Ş. has been in liquidation process. The relevant matter was published in Official Gazette on 26 May 2022 and numbered 10585. Kocaer Metal has not been included in the scope of consolidation since the Company is in liquidation process and immaterial to the consolidated financial statements for the period 30 September 2023. The relevant completion of the liquidation process was published in Official Gazette on 22 March 2023 and numbered 10795.
- 4- Kocaer Enerji Anonim Şirketi was established on 4 July 2023 and included in the scope of consolidation. The registration of the establishment was published in Official Gazette on 4 July 2023 and numbered 10863. The registered address of the Kocaer Enerji is Bozköy Mah. Sanayi Caddesi No:31/2 Aliağa/ İzmir. Kocaer Enerji's business activities include ensuring the development of projects for producing electricity, steam and heat, to establish facilities by preparing the relevant feasibility, to produce electricity and steam energy in these facilities, and to transport the produced electricity and steam to its customers. Voting rights and effective ownership interest of the Group have been disclosed in Note 2.03. The current issued share capital of Kocaer Enerji comprise of 300.000 number of outstanding shares each with a nominal value of TL 1. Accordingly, current share capital of Kocaer Enerji is amounting to TL 300.000.000. The amount of TL 3.000.000 representing 3.000 number of outstanding shares was committed to paid-in cash by Hakan Kocaer and the remaining amount of TL 297.000.000 representing 297.000 number of outstanding shares was committed to paid-in cash by Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi. Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi has paid its capital commitment during the period.

For the purpose of the consolidated financial statements and notes to the consolidated financial statements, Kocaer Çelik and its consolidated subsidiaries and associates are hereinafter referred to as "the Group".

Total end of interim period and average number of personnel employed by Kocaer Çelik is 942 (31 December 2022: 887).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.01 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards ("TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The Group and its subsidiaries and associates maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion except for property, plant and equipment including land, buildings, land improvements and plant, machinery and equipment at fair value and financial assets and liabilities at fair value with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TFRS and presented in Turkish Lira.

Foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the TFRS, have been accounted for in the statutory financial statements, which are prepared in accordance with the historical cost principle.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

In addition, the consolidated financial statements were published by POA in accordance with the “Announcement regarding to “TAS Taxonomy 2019”, and revised “TAS Taxonomy 2022” which was published on 15 April 2019 and 4 October 2022, respectively. In addition, these consolidated financial statements were prepared in accordance with the “Financial Statements User Guide” published by the Capital Markets Board (“CMB”).

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare complete set of consolidated financial statements in the interim periods. Accordingly, these complete set of consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022. These complete set of consolidated financial statements are prepared in accordance with TFRS issued by POA.

Reporting currency

i) Functional and presentation currency

Items included in the consolidated financial statements of the subsidiaries and associates of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in TL, which is Kocaer Çelik’s functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of other comprehensive income.

iii) Translation of financial statements of subsidiaries and associates operating in foreign countries

Assets and liabilities of subsidiaries operating in foreign countries are translated into TL at the exchange rates prevailing at the balance sheet dates. Comprehensive income items of those subsidiaries are translated into TL using average exchange rates for the period (if the average exchange rates for the period do not reasonably reflect the exchange rate fluctuations, transactions are translated using the exchange rates prevailing at the date of the transaction). Exchange differences arising from using average and balance sheet date rates are included in “currency translation differences” under equity.

The year-end and average rates for periods ended 30 September 2023 and 2022 and 31 December 2022 can be summarized as below:

	30.09.2023	31.12.2022	30.09.2022
GBP – as of balance sheet date	33.4238	22.4892	20.5816
GBP –average	27.5853	20.3180	19.8317

2.02 Adjustments of Financial Statements in Hyperinflationary Periods

Before the related legislation of Turkish Commercial Code no. 6102 and the Decree Law no. 660, with the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, Turkish Accounting Standards No. 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

2.03 Basis of Consolidation and Group Accounting

After the restructuring realized by the Group management, the main and sole activities of the Group became iron, steel, transportation and motor vehicle operations and the Group ceased its operations in home textile. In order to present the consolidated financial position and the results of operations solely of the iron, steel, transportation and motor vehicle the Group prepared consolidated financial statements comparatively with the prior period.

The consolidated financial statements include the accounts of the Group, and its subsidiaries from the date on which the control is transferred to the Group until the date that the control ceases. The consolidated financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with Turkish Financial Reporting Standards by applying uniform accounting policies and presentation.

Subsidiaries

The Group has control over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity’s returns. On the other hand, the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In order to be consistent with accounting policies accepted by the Group, accounting policies of the subsidiaries are modified where necessary.

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Kocaer Çelik and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Kocaer Çelik

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

and its subsidiaries are eliminated during the consolidation. The carrying value of the investment held by Kocaer Çelik and its subsidiaries is eliminated against the related equity and other equity items and non-controlling interest are reflected to the consolidated financial statements.

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as “non-controlling interest” in the consolidated statements of comprehensive income and the consolidated statements of changes in equity.

Voting rights of the subsidiaries and their effective interests are as follows:

Subsidiaries	Proportion of voting rights and effective ownership interests held by Kocaer (%)	
	30.09.2023	31.12.2022
Yağız Nakliyat San. Ve Tic. A.Ş.	90.81	90.81
Kocaer Steel UK LTD	90	89.9
Kocaer Enerji A.Ş.	99	-

Kocaer Çelik has the joint control of its subsidiaries and associates within the scope of full consolidation method by using the shares it owns directly or indirectly, or by using the voting rights of Kocaer Family members and related parties on their behalf.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

Non-controlling shares in the net assets and operating results of subsidiaries are separately classified in the consolidated financial statements as “non-controlling interests”.

Business combinations under common control

Legal mergers among the entities controlled by the Group are not evaluated within the scope of the “IFRS 3 (Revised) Business Combinations” standard. Accordingly, in the absence of a specifically applicable IFRS Standard, the receiving company is required to develop its own accounting policy for business combinations under common control, applying the requirements on selecting accounting policies in TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in accordance with the paragraphs 10 and 12 presented under “USGAAP” which describes guidance regarding business combinations under common control.

The financial statements of the acquired entities have been consolidated from the beginning of the financial year in which the business combination occurs. Prior period consolidated financial statements have been restated in the same manner for comparability purposes. As a result of these transactions, no goodwill or negative goodwill has been calculated. Any difference between the consideration paid and the share capital of the acquired entity are accounted under equity as “Business Combinations Under Common Control” included in retained earnings.

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Kocaer Çelik and one or more other parties. The Group’s interest in joint ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its shares of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements. The Group has no joint ventures at the end of the period.

Associates are entities over which the investor has significant influence. The power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. In accordance with the equity method, profit for the period after tax is reflected to the consolidated statement of profit or loss accordingly ownership interest in a subsidiary.

The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the Group’s interest in the associates becomes nil, additional losses are provided for, and a liability recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses not recognized in the accompanying consolidated financial statements.

The carrying amounts of the investments accounted for using the equity method are reviewed whether there is any indication of impairment at each reporting date. If such an indicator exists, the recoverable amount of the asset is estimated.

The recoverable amount of the investments accounted for using the equity method refers to the higher of value-in-use or fair value less cost to sell. Value-in-use is the present value of future cash flows expected to be generated from an asset or cash generating unit.

If the carrying amount of the investments accounted for using the equity method exceeds the recoverable amount, the impairment is accounted for. Impairments are recognized in profit and loss accounts. Impairments are recognised in the statement of profit or loss and other comprehensive income.

In investments accounted for using the equity method, impairments allocated in previous periods are re-evaluated in each reporting period in the event that impairment decreases or there are indicators that impairment is not valid. Impairment is reversed in case of changes in the estimates used when determining recoverable amount. The increase in the carrying amount of the investments due to the reversal of the impairment loss is accounted in such a way that it does not exceed the carrying amount determined if the impairment loss has not been included in the consolidated financial statements in the previous years.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

2.04 Comparatives and Adjustment of Prior Periods' Financial Statements

The current period financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance.

Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period financial statements.

The Group prepared its consolidated statement of financial position as at 30 September 2023 on a comparative basis with consolidated statement of financial position as at 31 December 2022; and consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the period of 1 January - 30 September 2023 on a comparative basis with consolidated financial statements for the period of 1 January - 30 September 2022.

2.05 Changes in Accounting Policies

Whether there are changes and errors in accounting policies and accounting estimates, the amended significant changes and the identified significant accounting errors are implemented retrospectively and the previous periods Group's consolidated financial statements are restated. Whether the changes are amended in accounting policies effect the previous periods, aforementioned policy is implemented retrospectively to the consolidated financial statements as it had been used in. There has been no changes incurred in the accounting policies during the period.

2.06 Changes in Accounting Estimates and Errors

Accounting estimates are based on reliable information and reasonable estimation methods. However, estimates are revised as a result of changes in circumstances, estimating new information or additional developments. If changes in accounting forecasts are related to only one period, amendments are made in the current period. If amendments are related to the forthcoming periods, changes are applied in both current period and forthcoming periods. The nature and amount of a change in the accounting estimate, which has an impact on the outcome of the current period or is expected to have an impact on subsequent periods, is disclosed in the notes to the consolidated financial statements, except when the estimation of the effect on the future periods is not possible. There are no changes in the accounting estimates and errors expected to have an impact on the results of operations in the current period.

2.07 Offsetting

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

2.08 Summary of Significant Accounting Policies

Accounting policies used in the preparation of consolidated financial statements are summarised below:

2.08.01 Revenue Recognition

The Group mainly generates revenue by producing and selling iron and steel products considered as revenue arising from product sales. Revenue is recognized when the goods or services are transferred to the customer and the performance obligation is satisfied.

The Group is producing profile and bar steel produces with the hot rolling method, and can also provide processed product services through its service center.

Kocaer Çelik has been serving in many sectors such as; energy, transportation, mining and tunnel, ship building, agriculture and constructional sectors by supplying customer-oriented steel products (equal angles, U and C profiles, I and H beams, round and deformed bars, mining and tunnelling profiles and fittings, square bars, flat bars) with different sizes, grades and lengths, as well as carrying out operations for product development, sales & dispatch, import/export and custom clearances.

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is satisfied. In accordance with TFRS 15, a five-step model is followed in recognizing revenue for all contracts with customers.

- 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.

A contract with a customer recognized as a revenue will be within the scope of TFRS 15 if all the following conditions are met:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

When assessing the collectability of a consideration, the Group considers only the customer's ability and intention to pay such consideration on time. The price that the Group will be entitled to collect may be lower than the price specified in the contract since it offers a price advantage to its customer on a customer and contract basis.

2.08.02 Inventories

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

Inventories are evaluated at either the lower of acquisition cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Those costs also include systematically distributed costs from fixed and variable general production expenses incurred in covering direct raw material to the goods. The cost of inventories is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of the inventory below its cost, the inventories are reduced to their net realizable value and the expense is reflected in the statement of profit or loss in the year in which the impairment incurred. In cases where the conditions that previously caused the inventories to be reduced to net realizable value lose their validity or there is an increase in the net realizable value due to changing economic conditions, the provision for the impairment allocated is reversed. The reverseal is limited with the allocated impairment. The provision for impairment on inventories is disclosed in **Note 13**.

2.08.03 Property, Plant and Equipment and related depreciation

Land, buildings, land improvements and machinery and equipment have been revaluated by the appraisal firm Elit Gayrimenkul Değerleme A.Ş. authorized by CMB. In accordance with the appraisal report prepared by the firm on 26-28 December 2022 and subsequently, property, plant and equipment carried at their fair value less accumulated depreciation in the accompanying consolidated financial statements.

Property, plant and equipment except land, land improvements, buildings and machinery and equipment are carried at cost less accumulated depreciation as of 31 December 2004 for the items purchased before 1 January 2005 and for the items purchased as of 1 January 2005, less the accumulated depreciation in the accompanying consolidated financial statements.

Gains arising from revaluation of land, buildings, land improvements and machinery and equipment have been classified under assets and changes in the fair value (revaluation surplus) has been recognized under equity. Revaluation surplus arising from revaluation of property, plant and equipment has been initially recognised under profit or loss less impairment, if there is a depreciation related to the property, plant and equipment that was previously presented under profit or loss. The decrease in the book value arising from the revaluation of the aforementioned land, buildings and land improvements has been presented under profit or loss, if the property, plant and equipment in question exceeds the balance in the revaluation fund related to the previous revaluation.

Property, plant and equipment except land and construction in progress are carried at cost less accumulated depreciation. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives. Useful life, residual value and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use. Recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or its fair value less cost to sell.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. In the disposal of the revalued property, plant and equipment, the revaluation fund related to the disposed property, plant and equipment is transferred to retained earnings.

Repairs and maintenance expenses are charged to the income statements during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. All other expenses recognised in the profit or loss in the period which they incurred.

Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Economic useful lives (years)</u>
- Land	Indefinite
- Buildings	10-50
- Plant, Machinery and Equipment	0-25
- Motor Vehicles	4-10
- Furniture and Fixtures	2-50
- Leasehold Improvements	5-10

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under "gains/losses from investing activities" in the current period.

Repairs and maintenance expenses are charged to the income statements during the period in which they are incurred. Machinery and equipment are capitalised and amortised when their capacity is fully available for use.

2.08.04 Intangible Assets and related amortisation

Intangible assets are carried at cost value less accumulated amortization and impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives.

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset and recognised on prospective basis.

Rights and software recognized at their acquisition cost and these intangible assets are amortized on a straight-line basis over their estimated useful lives subsequently for the period between 3-10 years.

Research and development costs (R&D);

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The Group started its operations regarding value-added production by establishing R&D center in its business segment in 2015 with the approval of Republic of Turkey Ministry of Industry and Technology.

Development costs recognized under consolidated statement of other comprehensive income in the period which they incurred.

Internally generated intangible assets resulting from development activities (or the development phase of an internal project) are recognized only when all of the following conditions are met:

- Charge all research cost to expense
- Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

If an entity cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only.

If an intangible item does not meet both the definition of and the criteria for recognition as an intangible asset, TAS 38 requires the expenditure on this item to be recognised as an expense when it is incurred. Development costs recognized as an expense in the prior period cannot be able to capitalized in subsequent period. Capitalized development cost is depreciated using the straight-line basis over an average of 5 years over the life of the project, with the start of commercial production of the product. Its useful life should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate. The research and development activities of the Group have been suspended and the existing research and development projects are still in progress.

Gains and losses arising from the disposal of intangible assets (the difference between net cash and the carrying value), recognized under consolidated statement of profit or loss in the period of disposal of intangible assets.

Intangible assets comprise of rights, computer software and capitalized development costs.

2.08.05 Impairment of Assets

Assets with an indefinite useful life, such as goodwill, are not subject to amortization. An impairment test is applied to these assets each year. For assets subject to amortization, impairment test is applied if the book value cannot be recovered. An impairment loss is recognized if the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets except goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.08.06 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. The financing costs of borrowings attributable to ongoing investments are capitalised until the completion of the investments. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

2.08.07 Financial Instruments

TFRS 9 "Financial Instruments"

TFRS 9 includes requirements for recognition and measurement of financial assets and liabilities. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The details of significant accounting policies and nature of changes in previous accounting policies are as follows:

i.) Classification of financial assets and liabilities under TFRS 9 largely preserves the existing requirements of TAS 39 for the classification and measurement of financial liabilities. However, the previous TAS 39 classification categories for financial assets, loans and receivables to be held to maturity financial assets and financial assets available for sale have been removed.

The application of TFRS 9 did not have a significant impact on the Group's accounting policies for its financial liabilities and derivative financial instruments. The classification and measurement of the financial assets under TFRS 9 are as follows.

The classification of financial assets within the scope of TFRS 9 is generally based on the business model used by the enterprise for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. Within the scope of the standard, the obligation to separate embedded derivatives from financial assets has been eliminated, and the classification of a hybrid contract as a whole should be considered.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

- it is its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument at FVOCI if both of the following conditions are met and the FV is not classified as measured by the difference in profit or loss:

- The retention of the financial asset based on a business model aimed at collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset lead to cash flows that include interest payments on principal and principal balance on certain dates.

The Group may irrevocably make preference about presentation of subsequent changes in its fair value in other comprehensive income on initial recognition of non-trading equity investment. This is made separately for each investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

In the first measurement of the financial assets other than the fair value changes that are reflected to the profit or loss (except for the trade receivables that are measured at the transaction cost and not having an important financing component at the time of the financial statements), the transaction costs directly attributable to the acquisition or issuance thereof are also added to the fair value.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

ii) Impairment of financial assets;

TFRS 9 replaces the ‘incurred loss’ model in TAS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognized earlier than under TAS 39.

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

Under TFRS 9, loss allowances are measured on either of the following bases: financial assets measured at amortized cost

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument and bank balances for which credit risk has not increased significantly since initial recognition;

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

- 360 days overdue

For determining whether a financial instrument has low credit risk, it may use other methodologies that comply with a globally accepted definition of low credit risk and take into account the type and risks of the financial instruments being evaluated.

The maximum time to be measured by the ECLs is the maximum contractual period that the Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (IFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty. The Group performed the calculation of ECL for receivables at the reporting date and loss allowance performances in accordance with the past three year performances. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship.

Impairment of financial assets

The Group management makes assumptions and judgments such as default risk and expected credit losses for the relevant assets when evaluating impairment on financial assets. While making these assumptions and judgments as of each balance sheet date, considering the past experiences and performances of the Group, and the current market conditions and future expectations for the market.

2.08.08 Foreign Currency Translation

Foreign currency transactions are translated into Turkish Lira using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Turkish Lira using the exchange rates at the consolidated balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group operating in the non-finance sectors, have been accounted for under "other operating income/expenses".

The consolidated financial statements are presented in TL, which is Kocaer Çelik's functional and presentation currency. Transactions in currencies other than functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency indexed monetary assets and liabilities are recorded at the rates of exchange prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency as Turkish Lira using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Currency translation differences recognized as profit or loss in the period which they incurred.

2.08.09 Earnings Per Share

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

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

2.08.10 Events After the Reporting Period

Events after the reporting period are those events, which occur between the balance sheet date and the date when the financial statements are authorized for issue.

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements.

2.08.11 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Contingent liabilities are consistently reviewed prior to the probability of any cash out-flow. In case of the cash outflow is probable, provision is allocated in the financial statements of the year the probability of contingent liability accounts is changed. A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made for the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.08.12 Related Parties

For the purpose of these consolidated financial statements, shareholders, parents of Kocaer Çelik Anonim Şirketi, key management personnel and Board of Directors members, their close family members and the legal entities over which these related parties exercise control and significant influence, are considered and expressed as "related parties".

2.08.13 Government Grants

The Group is entitled to have personnel employment and turquality incentives and rights which are considered in the scope of government grants.

2.08.14 Taxes on Income

Income tax expense (or income) is the sum of the current tax expense and the deferred tax expense (or income).

Current tax

Current year tax liability is calculated over the taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that cannot be taxed or deducted. The Group's liability for current tax is calculated using legal statutory tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax assets and liabilities are determined by calculating the temporary differences between the amounts shown in the financial statements and the amounts considered in the statutory tax base in accordance with the balance sheet method. 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 difference can be utilized. Deferred tax liability or asset is not calculated in respect of temporary timing differences arising from the initial recognition of assets or liabilities other than goodwill or business combinations and which do not affect both commercial and financial profit /loss.

Deferred tax liabilities are calculated for all taxable temporary differences related to the investments in subsidiaries and associates and shares in joint ventures, except in cases where the Group is able to control the discontinuation of temporary differences and in the near future it is unlikely that such difference will be eliminated. Deferred tax assets resulting from taxable temporary differences related to such investments and shares are calculated on the condition that it is highly probable that future taxable profit will be available and that it is probable that future differences will be eliminated.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that financial profit will be available to allow the benefit of some or that entire amount.

Deferred tax assets and liabilities are calculated over the tax rates that are expected to be valid in the period when the assets are realized or the liabilities are fulfilled and legalized or substantially legalized as of the balance sheet date (tax regulations). During the calculation of deferred tax assets and liabilities, the tax consequences of the methods that the Group expects to recover or settle the carrying amount of the assets as of the balance sheet date are taken into consideration

Deferred tax assets and liabilities are recognized when there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with the income tax collected by the same tax authority, or if the Group intends to pay off the current tax assets and liabilities.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

Current and deferred tax for the period

The deferred tax, other than those directly attributable to debt or liability recognized in equity (in which case deferred tax is recognized directly in equity) or deferred tax, other than those arising from initial recognition of business combinations, is recognized as income or expense in the income statement. In business combinations, the tax effect is taken into consideration in the calculation of goodwill or in determining the part of the purchaser that exceeds the acquisition cost of the share of the acquiree's identifiable assets, liabilities and contingent liabilities in the fair value.

The taxes included in the consolidated financial statements include current period tax and the change in deferred taxes. The Group calculates current and deferred tax on the results for the period.

Offsetting in tax assets and liabilities

The amount of corporate tax payable is netted because it is related to prepaid corporate tax amounts. Deferred tax assets and liabilities are also offset in the same way.

2.08.15 Provision for Employment Termination Benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections. TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses and recognised under consolidated statement of other comprehensive income.

2.08.16 Statement of Cash Flow

Cash and cash equivalents are carried at cost in the consolidated statement of financial position. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements. Cash flows from operating activities represent the cash flows generated from the Group's activities such as cash on hand, bank deposits and liquid investments.

Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

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

2.08.17 Investment Properties

Investment properties that are held in the production of supply of goods or services or for administrative purposes or for long term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Daily repair and maintenance is not included in the aforementioned costs. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. 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 statement of profit or loss in the year of retirement or disposal.

Investment properties has been revaluated by the appraisal firm Elit Gayrimenkul Değerleme A.Ş. authorized by CMB. In accordance with the appraisal report prepared by the firm, investment properties carried at their fair value on 8 April 2022 in the accompanying consolidated financial statements for the period ended 30 September 2023. The detailed information regarding investment properties is disclosed under **Note 17**.

2.08.18 Leases

Group - as a lessee

For lease contracts before 1 January 2019, whether the contract is, a or contains, a lease based on the substance of the relevant agreement;

- (a) whether the performance of the contract depends on the use of a particular asset or assets; and
- (b) making an assessment as to whether the contract transfers the right to use the relevant asset.

The Group has applied predecessor TFRS 16 "Leases" standard to contracts contain leases by applying TAS 17 "Leases" and TFRIC Interpretation 4 "Determining whether an Arrangement Contains a Lease". TFRS 16 "Leases" standard has not been applied to the contracts that were previously defined as not contains a lease by applying TAS 17 "Leases" and TFRIC Interpretation 4 "Determining whether an Arrangement Contains a Lease". Therefore, prior year consolidated financial statements are not restated and the consolidated financial statements are presented in accordance with TAS 17 "Leases" and TFRIC Interpretation 4 "Determining whether an Arrangement Contains a Lease". The Group as a lessee has classified the lease where the risks and benefits of ownership of the underlying asset previously subject to lease belong to the group as finance lease. Other leases classified as operating leases. As of 1 January 2019, which is the transition date to TFRS 16 "Leases" standard, the Group has measured the lease liability over the present value of the unpaid lease payments at that date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. Lease payments included in the measurement of the lease liability comprise the following:

- The Group has applied a single discount rate to a portfolio of leases with reasonably certain in nature.
- As an alternative to reviewing the impairment, the Group has made its assessment of whether the leases are economically disadvantaged or not by applying TAS 37 “Provisions, Contingent Liabilities and Contingent Assets” just before the initial transition.
- The Group has applied previous performance, trends and experiences for determining the lease term for lease contracts that include terminate and extension options.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above mentioned factors. At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group, and
- d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, the Group measures the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any remeasurement of the lease liability.

The Group applies the depreciation requirements in TAS 16 “Property, Plant and Equipment” in depreciating the right-of-use asset. In the event that the supplier transfers the ownership of the underlying asset to the Group at the end of the lease term or if the cost of use rights indicates that the Group will use a purchase option, the Group depreciates the right of use asset from the effective date of the lease to the end of the useful life of the underlying asset. In other cases, the Group depreciates the right of use assets on the basis of the shorter of the useful life or the lease term of the asset, starting from the effective date of the lease.

The Group applies TAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group’s incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable,
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- d) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made, and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The interest on the lease liabilities for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liabilities. The periodic interest rate, if easily determined, is the implied interest rate on the lease. If this rate cannot be easily determined, the Group uses the Group’s incremental borrowing interest rate.

After the effective date of the lease, the Group remeasures the lease liabilities to reflect changes in lease payments. The Group reflects the remeasurement amount of the lease liabilities to the consolidated financial statements as an adjustment to the right of use assets.

The Group remeasures its lease liabilities by deducting the adjusted lease payments at a revised discount rate if either of the following conditions occurs:

- (a) A change in the lease term. The Group determines adjusted lease payments based on the adjusted lease term.
- (b) A change in these payments as a result of an index or rate change used to determine future lease payments. The Group remeasures the lease liabilities to reflect the adjusted lease payments only when there is a change in cash flows.

The Group calculates the adjusted discount rate for the remainder of the lease term if the implicit interest rate in the lease can be easily determined; if it cannot be easily determined, the Group determines the alternative borrowing interest rate at the date of the revaluation.

The Group remeasures its lease liabilities by reducing the adjusted lease payments if either of the following conditions incurred:

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

(a) Changes in the amounts expected to be paid under a residual value commitment. The Group determines the adjusted lease payments to reflect the change in the amounts expected to be paid under the residual value commitment.

(b) A change in these payments as a result of an index or rate change used to determine future lease payments. The Group remeasures the lease liabilities to reflect the adjusted lease payments only when there is a change in cash flows.

The Group determines the adjusted lease payments for the remaining lease term based on the adjusted contractual payments. In this case, the Group uses an unchanged discount rate.

The Group recognizes the restructuring of the lease as a separate lease if both of the following conditions are met:

(a) The restructuring shall extend the scope of the lease by adding the right of use on one or more underlying assets; and

(b) The increase in the lease amount by the appropriate price adjustment to reflect the price of the increase alone and the terms of the relevant contract.

Right of use assets of the Group is disclosed under Note 14.

Group - as a Lessor

The Group classifies each of the leases as operating leases or finance leases. A lease is classified as a finance lease when all risks and gains of ownership of the underlying asset are substantially transferred. A lease is classified as an operating lease if all risks and gains of ownership of the underlying asset are not substantially transferred. For a contract that includes one or more additional leasing components or not carrying a component, the Group distributes the contractual value by applying TFRS 15, "Revenue from Contracts with Customers".

2.09 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with TFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the statement of profit or loss and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates.

The key assumptions concerning the future and other key resources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

a) Provision for employment termination benefits is determined by using actuarial assumptions (discount rates, future salary increases and employee exit rates) (Note 24).

b) The Group has been applied revaluation model on property, plant and equipment and investment properties in the accompanying consolidated financial statements. The fair value of property, plant and equipment and investment properties have been determined by appraisal firm authorized by CMB (Note 17 and 18).

c) The Group depreciates its property, plant and equipment and intangible assets on a straight-line basis over their useful lives. Expected useful life residual value and amortization method are reviewed every year for possible effects of changes in estimates and are accounted for prospectively if there is a change in estimates (Note 2.08.03-2.08.04).

d) On the provision for lawsuits, the probability of losing these cases regarding collecting the receivables and the consequences to be faced if these cases are lost evaluated in accordance with the opinions of the Group's legal counsel as of 30 September 2023 and 31 December 2022 (Note 22).

e) In determining the impairment of trade receivables, creditworthiness of debtors, past payment performances and restructuring conditions, collaterals of mortgages and receivable insurance amounts taken into consideration. In accordance with the transition to TFRS 9 standard, "Expected Credit Loss" (ECL) has been superseded TAS 39 "Incurred Loss" model (Note 10).

f) The Group has calculated the deferred tax in accordance with TAS and TFRS and reflected to the consolidated financial statements (Note 35).

g) The physical properties of the inventories and the past are examined in relation to the inventory impairment, the availability of the personnel is determined according to the opinions of the technical personnel and provision is made for the items that are estimated to be unavailable. Average sales prices are used to determine the net realizable value of inventories and provision for impairment is allocated in the accompanying consolidated financial statements when net realizable value is below the cost. The information about the inventory impairment that has been set as of the balance sheet date is given in Note 13.

2.10 Dividends

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

2.11 Going Concern

As of 30 September 2023, the Group has prepared its consolidated financial statements with the assumption on the Group's ability to continue its operations in the foreseeable future as a going concern basis of accounting.

2.12 New and Revised Turkish Financial Reporting Standards

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The new standards, amendments, and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at 30 September 2023 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TFRS/TAS”) and interpretations effective as of 1 January 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.

The new standards, amendments and interpretations and interpretations to the existing previous standards which are effective from 30 September 2023 are as follows:

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

On January 15, 2021, the POA issued amendments to TAS 1 “Presentation of Financial Statements”. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Early application is permitted.

The Group is assessing the potential significant material impact of the amendments on its financial position or performance.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the commencement of the effective date. Earlier application is permitted. The Group is assessing the potential significant material impact of the amendments on its financial position or performance.

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

In August 2021, the 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 issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (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 judgment 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 Group is assessing the potential significant material impact of the amendments on its financial position or performance.

Standards, amendments and interpretations that are issued but not effective as at 30 September 2023

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.

Amendment to TAS 1 – Non-current liabilities with covenants

The amendment is effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements

The amendment is effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

Amendment to TFRS 16 – Lease liability in a sale and leaseback

The amendment is effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

TFRS S1 - General requirements for disclosure of sustainability-related financial information

The standard is effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

TFRS S2 - Climate-related disclosures'

The standard is effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

NOTE 3 – BUSINESS COMBINATIONS

Business combination transactions with non-controlling interests

Business combinations are accounted for by using the acquisition method in the scope of TFRS 3 “Business combinations”. Any excess of the cost of acquisition over the acquirer’s interest in the (i) net fair value of the acquiree’s identifiable assets and contingent liabilities as of the acquisition date, (ii) amount of any non-controlling interest in the acquired entity and (iii) fair value of any equity interest previously held by acquirer is accounted for as goodwill. If those amounts are less than fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss. Goodwill recognised in business combinations is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment, instead of amortisation. Identifiable assets, liabilities and contingent liabilities of the business acquired are measured initially at their fair values at the acquisition date and any difference exceeding the initial acquisition cost directly recognised under profit or loss in the scope of TFRS 3.

For share purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Consolidation is based on the concept of 'control' and changes in ownership interests while control is maintained are accounted for as transactions between owners as owners in equity for the annual periods beginning on or after 1 July 2009 in accordance with the TAS 27 (Revised) standard. The Group has no business combination transactions with non-controlling interests at the end of the periods in accordance with the TFRS 3.

Business combinations under common control

Legal mergers among the entities controlled by the Group are not evaluated within the scope of the “TFRS 3 (Revised) Business Combinations” standard. Accordingly, in the absence of a specifically applicable IFRS Standard, the receiving company is required to develop its own accounting policy for business combinations under common control, applying the requirements on selecting accounting policies in TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in accordance with the paragraphs 10 and 12 presented under “POA” which describes applications and policies regarding business combinations under common control.

The financial statements of the acquired entities have been consolidated from the beginning of the financial year in which the business combination occurs. Prior period consolidated financial statements have been restated in the same manner for comparability purposes. As a result of these transactions, no goodwill or negative goodwill has been calculated. Any difference between the consideration paid and the share capital of the acquired entity are accounted under equity as “Business Combinations Under Common Control” included in retained earnings.

NOTE 4 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES

None.

NOTE 5 - SEGMENT REPORTING

The reportable segments of Kocaer Çelik have been organized by the Group management which are strategic businesses that present various products and services. Those segments include steel, transportation, machinery industry and various other sectors.

Operating segments which have been prepared in accordance with the reportable segments of Kocaer Çelik for the periods ended 30 September 2023 and 2022 are as follows:

30.09.2023

	Steel	Transportation	Elimination/ Adjustments	Total
Revenue	9.252.058.497	77.490.923	(448.898.938)	8.880.650.482
Cost of Sales (-)	(7.463.748.862)	(71.998.295)	476.280.005	(7.059.467.152)
Gross Profit from Non-Finance Sector Operations	1.788.309.635	5.492.628	27.381.067	1.821.183.330
GROSS PROFIT	1.788.309.635	5.492.628	27.381.067	1.821.183.330
Marketing, Sales and Distribution Expenses (-)	(423.246.148)	-	-	(423.246.148)
General Administrative Expenses (-)	(106.220.742)	(1.210.619)	-	(107.431.361)
Research and Development Expenses (-)	(3.378.125)	-	-	(3.378.125)
Other Operating Income	540.641.491	181.457	(346.177)	540.476.771
Other Operating Expenses (-)	(242.612.380)	(204.958)	-	(242.817.338)
OPERATING PROFIT	1.553.493.731	4.258.508	27.034.890	1.584.787.129
Gains from investment activities	348.167.370	33.898	(42.808.545)	305.392.723
Losses from investment activities (-)	(11.736.869)	(116.501)	-	(11.853.370)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	1.889.924.232	4.175.905	(15.773.655)	1.878.326.482
Financial Income	170.849.291	9.324	-	170.858.615
Financial Expense (-)	(690.858.082)	(4.029)	-	(690.862.111)
PROFIT BEFORE TAX	1.369.915.441	4.181.200	(15.773.655)	1.358.322.986

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

30.09.2022

	Steel	Transportation	Elimination/ Adjustments	Total
Revenue	7.441.003.526	38.349.543	(731.994.905)	6.747.358.164
Cost of Sales (-)	(5.871.654.162)	(37.988.851)	727.756.127	(5.181.886.886)
Gross Profit from Non-Finance Sector Operations	1.569.349.364	360.692	(4.238.778)	1.565.471.278
GROSS PROFIT	1.569.349.364	360.692	(4.238.778)	1.565.471.278
Marketing, Sales and Distribution Expenses (-)	(403.243.390)	-	1.204.387	(402.039.003)
General Administrative Expenses (-)	(53.367.638)	(535.276)	68.135	(53.834.779)
Research and Development Expenses (-)	(1.695.957)	-	-	(1.695.957)
Other Operating Income	311.457.913	628.543	(257.193)	311.829.263
Other Operating Expenses (-)	(179.153.079)	(300.026)	189.058	(179.264.047)
OPERATING PROFIT	1.243.347.213	153.933	(3.034.391)	1.240.466.755
Gains from investment activities	50.474.292	-	-	50.474.292
Losses from investment activities (-)	(238.300)	-	-	(238.300)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	1.293.583.205	153.933	(3.034.391)	1.290.702.747
Financial Income	165.083.796	301	-	165.084.097
Financial Expense (-)	(886.831.060)	(6.487)	-	(886.837.547)
PROFIT BEFORE TAX	571.835.941	147.747	(3.034.391)	568.949.297

NOTE 6 - CASH AND CASH EQUIVALENTS

As of 30 September 2023 and 31 December 2022, the functional breakdown of cash and cash equivalents is as follows:

Account Name	30.09.2023	31.12.2022
Cash on hand	85.614	71.508
Banks	539.958.005	466.462.769
- Demand deposits	497.657.676	274.278.887
- Time deposits	42.300.329	192.183.882
Other	-	14.700
Cash and cash equivalents, net	540.043.619	466.548.977

As of 30 September 2023 and 31 December 2022, the functional breakdown of cash on hand is as follows:

Cash on hand	30.09.2023		31.12.2022	
	Original currency amount	TL equivalent	Original currency amount	TL equivalent
TL	20.859	20.814	11.457	11.457
USD	103	2.820	1.235	23.076
EUR	2.135	61.980	1.855	36.953
GBP	-	-	1	22
Total	85.614	85.614	71.508	71.508

As of 30 September 2023 and 31 December 2022, the functional breakdown of banks is as follows:

Banks	30.09.2023		31.12.2022	
	Original currency amount	TL equivalent	Original currency amount	TL equivalent
TL	52.567.632	52.567.717	67.357.886	67.357.886
USD	15.521.465	424.926.481	18.155.355	339.474.265
EUR	922.390	26.777.443	2.345.736	46.762.028
GBP	1.065.850	35.686.364	572.212	12.868.590
Total	539.958.005	539.958.005	466.462.769	466.462.769

As of 30 September 2023 and 31 December 2022, the functional breakdown of time deposits is as follows:

Banks	30.09.2023	30.09.2023	31.12.2022	31.12.2022
	Original currency amount	Annual effective interest rate (%)	Original currency amount	Annual effective interest rate (%)
TL	42.300.329	25.00-30.00	5.574.772	12.50-13.50
USD	-	-	186.609.110	1.47
Total	42.300.329		192.183.882	
Maturity schedule			30.09.2023	31.12.2022
1-30 days			42.300.329	191.610.344
30-90 days			-	573.538
Total			42.300.329	192.183.882

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 30 September 2023 and 31 December 2022, the Group has no blocked deposits.

As of 30 September 2023 and 31 December 2022, total cash and cash equivalents presented under consolidated statement of cash flow less blocked accounts and current customer balances.

Statement of cash flow reconciliation	30.09.2023	31.12.2022
Cash and cash equivalents	540.043.619	466.548.977
Less: Interest income arising from time deposits (-)	-	(32.046)
Total	540.043.619	466.516.931

NOTE 7 - FINANCIAL INVESTMENTS

As of 30 September 2023 and 31 December 2022, the breakdown and details of short-term financial investments are as follows:

Account Name	30.09.2023	31.12.2022
Time deposits over 90 days (*)	423.474	-
Financial assets at fair value through profit or loss (**)	1.098.858.185	480.921.554
Short-term financial investments, net	1.099.281.659	480.921.554

(*) Represents time deposits over 90 days amounting to TL 423.474 in Kuveyt Türk Bankası with 22% annual effective interest rate, effective maturity ending on 23 October 2023 for the period ended 30 September 2023 (31 December 2022: None).

(**) Financial assets at fair value through profit or loss comprise of equity securities and fund accounts. These relevant accounts are carried at their fair value in the accompanying consolidated financial statements as of 30 September 2023.

As of 30 September 2023 and 31 December 2022, the breakdown and details of long-term financial investments are as follows:

Account Name	30.09.2023	31.12.2022
Kocaer Steel Ireland Limited (*)	1.959	1.959
Total	1.959	1.959

(*)Kocaer Steel Ireland Limited was established on 23 November 2022 by Kocaer Steel UK LTD and included in the scope of consolidation. The share capital of Kocaer Steel Ireland Limited is amounting to EUR 100. The reason of the establishment of Kocaer Steel Ireland Limited is increasing exports in the European market. As of 30 September 2023, Kocaer Steel Ireland Limited is inactive and has not been carrying on any business or operation.

NOTE 8 – BORROWINGS

As of 30 September 2023 and 31 December 2022, the detailed analysis of short-term borrowings are as follows:

Account Name	30.09.2023	31.12.2022
Bank borrowings	2.590.609.794	1.401.425.185
Finance lease liabilities	105.683.432	95.693.587
Lease liabilities	1.214.805	2.050.487
Other	130.195	393.452
Short-term borrowings, net	2.697.638.226	1.499.562.711

As of 30 September 2023 and 31 December 2022, the breakdown of short-term portion of long-term borrowings is as follows:

Account Name	30.09.2023	31.12.2022
Principal and interest installments of long-term borrowings	74.031.050	159.068.429
Short-term portion of long-term borrowings, net	74.031.050	159.068.429

As of 30 September 2023 and 31 December 2022, the detailed analysis of long-term borrowings are as follows:

Account Name	30.09.2023	31.12.2022
Bank borrowings	230.454.674	182.441.296
Finance lease liabilities	33.539.740	67.769.245
Lease liabilities	136.329.006	101.047.785
Long-term borrowings, net	400.323.420	351.258.326

Repayment schedule of borrowings is as follows:

Loans	30.09.2023	31.12.2022
0-3 months	855.188.424	281.047.133
4-12 months	1.809.452.420	1.279.839.933
13-36 months	230.454.674	182.441.296
Total	2.895.095.518	1.743.328.362

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

Finance lease liabilities	30.09.2023	31.12.2022
0-3 months	35.098.407	24.785.702
4-12 months	80.929.922	70.907.885
13-36 months	23.194.843	64.755.991
36-60 months	-	3.013.254
Total	139.223.172	163.462.832

Lease liabilities	30.09.2023	31.12.2022
0-3 months	739.969	654.895
4-12 months	474.836	1.395.592
1 year and over	136.329.006	101.047.785
Total	137.543.811	103.098.272

Annual effective interest rates of borrowings in terms of currencies are as follows:

30.09.2023

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	1.627.197.088	1.627.327.257	4.11%-37.96%
EUR	4.293.132	124.856.307	2.70% - 5.50%
USD	38.793.544	1.063.951.746	3.90%-10.86%
GBP	2.362.205	79.090.403	7.50%
Total		2.895.225.713	

31.12.2022

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	935.465.510	935.465.510	6.25%-19.55%
EUR	9.199.484	183.996.116	2.70% - 5.50%
USD	33.254.979	623.866.736	3.90%-6.75%
Total		1.743.328.362	

Annual effective interest rates of finance leases in terms of currencies are as follows:

30.09.2023

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	123.568	123.568	3%
EUR	2.017.452	58.761.108	1%-7%
USD	2.924.899	80.338.496	3%-7%
Total		139.223.172	

31.12.2022

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	226.162	226.162	15%
EUR	3.835.029	76.703.255	1%-5%
USD	4.612.631	86.533.415	1%-4%
Total		163.462.832	

NOTE 9 - OTHER FINANCIAL LIABILITIES

None.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

As of 30 September 2023 and 31 December 2022, the breakdown of short-term trade receivables is as follows:

Account Name	30.09.2023	31.12.2022
Trade Receivables from Third Parties	2.455.570.781	1.291.533.655
-Customers	2.134.781.430	1.109.074.494
-Notes receivables	320.789.351	182.459.161
- Doubtful trade receivables	20.188.262	18.116.340
- Provision for doubtful trade receivables (-)	(20.188.262)	(18.116.340)
Trade Receivables from Related Parties (Note 37)	8.126.091	239.835
Short-term trade receivables, net	2.463.696.872	1.291.773.490

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The movements of provision for doubtful receivables are as follows:

	01.01.2023 30.09.2023	01.01.2022 30.09.2022
Beginning of the period – 1 January	18.116.341	21.913.658
Increases during the period (Note 31)	4.603.388	4.834.088
Provisions no longer required	(2.854.927)	(302.059)
Currency translation differences	323.460	(594.441)
End of the period – 30 September	20.188.262	25.851.246

The Group has been organized its sales mainly from according to customers orders. A significant portion of domestic and foreign sales are made under the scope of receivables insurance, and foreign sales are made within the scope of confirmed letter of credit. Accordingly, the Group mitigates the risk arising from its sales with avoiding losses on cash flow.

As of 30 September 2023 and 31 December 2022, the Group has no long-term trade receivables.

As of 30 September 2023 and 31 December 2022, the breakdown of short-term trade payables is as follows:

Account Name	30.09.2023	31.12.2022
Trade Payables to Third Parties	909.190.639	853.047.794
- Suppliers	909.190.639	853.047.794
Trade Payables to Related Parties (Note 37)	277.312	1.121.151
Short-term trade payables, net	909.467.951	854.168.945

As of 30 September 2023 and 31 December 2022, the Group has no long-term trade payables.

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

As of 30 September 2023 and 31 December 2022, the detailed analysis of short-term other receivables is as follows:

Account Name	30.09.2023	31.12.2022
Other Receivables from Third Parties	170.160.381	106.088.178
- Deposits and guarantees given	2.176.829	3.872.077
- Receivables from tax office	153.208.587	96.724.641
- Due from employee	773.450	335.567
- Other	14.001.515	5.155.893
Other Receivables from Related Parties (Note 37)	28.692.286	51.866.828
Short-term other receivables, net	198.852.667	157.955.006

As of 30 September 2023 and 31 December 2022, the details of long-term other receivables are as follows:

Account Name	30.09.2023	31.12.2022
Other Receivables from Third Parties	2.131.274	2.138.417
- Deposits and guarantees given	2.131.274	2.138.417
Long-term other receivables, net	2.131.274	2.138.417

As of 30 September 2023 and 31 December 2022, the details of short-term other payables are as follows:

Account Name	30.09.2023	31.12.2022
Other Payables to Third Parties	98.614.660	45.208.067
- Other liabilities	6.645.367	15.804.711
- Taxes payable	91.780.914	29.312.677
- Other	188.379	90.679
Other Payables to Related Parties (Note 37)	47.831.731	2.268.637
Short-term other payables, net	146.446.391	47.476.704

As of 30 September 2023 and 31 December 2022, the Group has no long-term other payables.

NOTE 12 - DERIVATIVE INSTRUMENTS

The breakdown of short-term derivative instruments as of 30 September 2023 and 31 December 2022 is as follows:

Account Name	30.09.2023	31.12.2022
Derivative assets	105.892.239	78.810.433
Total	105.892.239	78.810.433

The breakdown of long-term derivative instruments as of 30 September 2023 and 31 December 2022 is as follows:

Account Name	30.09.2023	31.12.2022
Derivative assets	48.746.673	70.280.521
Total	48.746.673	70.280.521

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

The Group uses hedge accounts on its consolidated balance sheet by borrowing in the same currency against the foreign currency denominated risks arising from the foreign currency sales amounts to be realized in the subsequent periods within the scope of the agreements.

In this context, repayments of foreign currency denominated borrowings, which are subject to hedge accounting and determined as hedging instrument, are made with foreign currency sales cash flows that are realized on closing dates and determined as hedged item within the scope of hedge accounting.

In accordance with the currency risk management strategy determined by the Group management, unrealized firm commitment applies hedge accounting to hedge the currency risk component of the fair value risk and hedge the cash flow risk of the highly probable forecast transaction currency risk component and is formed on the hedged item and the hedging instrument. The Group aims to present a precise income statement by netting the foreign exchange rate fluctuations that have not yet been realized and by following the currency fluctuations of bank borrowings, which are defined as hedge instruments, under the consolidated statement of other comprehensive income.

NOTE 13 – INVENTORIES

As of 30 September 2023 and 31 December 2022, the breakdown of inventories is as follows:

Account Name	30.09.2023	31.12.2022
Raw materials and supplies	680.321.140	293.494.139
Finished goods	1.024.937.089	693.208.271
Merchandise	509.312.279	553.786.125
Other inventories	4.303.770	4.330.122
Total	2.218.874.278	1.544.818.657

Movements of provision for impairment on inventories are as follows:

	01.01.2023	01.01.2022
	30.09.2023	31.12.2022
Beginning of the period – 1 January	-	278.739
Reversals (-)	-	(278.739)
End of the period	-	-

NOTE 14 – RIGHT OF USE ASSETS

As of 30 September 2023 and 2022, the movements for right of use assets, and related depreciation are as follows:

30.09.2023

Cost	Opening balance – 1 January 2023	Additions	Disposals	Currency translation differences	Closing balance – 30 September 2023
Motor vehicles	4.715.492	419.298	-	-	5.134.790
Buildings	117.259.224	-	(386.696)	53.898.617	170.771.145
Total	121.974.716	419.298	(386.696)	53.898.617	175.905.935

Accumulated depreciation (-)	Opening balance – 1 January 2023	Current period depreciation	Disposals	Currency translation differences	Closing balance – 30 September 2023
Motor vehicles	(2.642.458)	(934.625)	-	-	(3.577.083)
Buildings	(15.969.966)	(13.638.509)	-	(7.006.181)	(36.614.656)
Total	(18.612.424)	(14.573.134)	-	(7.006.181)	(40.191.739)
Net book value	135.871.648				135.714.196

30.09.2022

Cost	Opening balance – 1 January 2022	Contractual additions	Rent increase additions	Currency translation differences	Closing balance – 30 September 2022
Motor vehicles	3.317.556	-	1.261.388	-	4.578.944
Buildings	25.141.679	-	73.678.457	-	98.820.136
Total	28.459.235	-	74.939.845	-	103.399.080

Accumulated depreciation (-)	Opening balance – 1 January 2022	Current period depreciation	Disposals	Closing balance – 30 September 2022
Motor vehicles	(1.605.942)	(743.251)	-	(2.349.193)
Buildings	(5.399.488)	(6.230.150)	-	(11.629.638)
Total	(7.005.430)	(6.973.401)	-	(13.978.831)
Net book value	21.453.805			89.420.249

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME

As of 30 September 2023 and 31 December 2022, the breakdown short-term prepaid expenses is as follows:

Account Name	30.09.2023	31.12.2022
Prepaid Expenses to Third Parties	178.127.884	92.658.501
<i>Short-term prepaid expenses</i>	4.426.641	23.426.227
<i>Advances given for purchases</i>	173.383.204	69.139.716
<i>Advances given to employee</i>	232.165	83.740
<i>Business cash advances</i>	85.874	8.818
Short-term prepaid expenses, net	178.127.884	92.658.501

As of 30 September 2023 and 31 December 2022, the breakdown long-term prepaid expenses is as follows:

Account Name	30.09.2023	31.12.2022
Advances given (*)	20.748.640	-
Long-term prepaid expenses, net	20.748.640	-

(*) Includes advances given for property, plant and equipment ordered for purchases

As of 30 September 2023 and 31 December 2022, the breakdown short-term deferred income is as follows:

Account Name	30.09.2023	31.12.2022
Deferred Income from Third Parties	1.704.559.151	933.044.943
<i>Short-term deferred income</i>	-	357.361
<i>Advances received (*)</i>	1.704.559.151	932.687.582
Short-term deferred income, net	1.704.559.151	933.044.943

(*) Includes advances received from domestic and foreign customers

As of 30 September 2023 and 31 December 2022, the Group has no long-term deferred income.

NOTE 16 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 20 May 2022, Kocaer Metal Sanayi ve Ticaret A.Ş. has been in liquidation process. The relevant matter was published in Official Gazette on 26 May 2022 and numbered 10585. Accordingly, Kocaer Metal Sanayi ve Ticaret A.Ş. entered into liquidation process and has not material impact on the consolidated financial statements and therefore, Kocaer Metal is not included in the scope of consolidation for the period ended 30 September 2023. The liquidation process Kocaer Metal Sanayi was completed as of 22 March 2023 and the relevant completion of the liquidation process was published in Official Gazette on 22 March 2023 and numbered 10795.

NOTE 17 - INVESTMENT PROPERTIES

As of 30 September 2023 and 2022, the functional breakdown and relevant financial information regarding investment properties are as follows:

30.09.2023

Cost	Opening balance –				Closing balance –
	1 January 2023	Additions	Disposals	Revaluation surplus	
Land	70.920.000	-	-	-	70.920.000
Buildings (*)	85.775.000	44.039.187	-	-	129.814.187
Total	156.695.000	44.039.187	-	-	200.734.187

(*) Kocaer Steel UK LIMITED included in the scope of consolidation, acquired a building amounting to EUR 1.240.000 equivalent of TL 43.938.138 on 12 September 2023. As of 30 September 2023, the Group management assessed the purpose of the building and decided the recognise the building as investment property in the accompanying consolidated financial statement.

The fair value of the investment properties was determined as of 26-28 December 2022 and the changes in fair value were reflected to the consolidated financial statements for the period ended 30 September 2023. In the determination of the fair values of the investment properties as of 26-28 December 2022, the fair values determined as a result of the appraisal studies carried out by Elit Gayrimenkul Değerleme A.Ş, which is authorized by the Capital Markets Board for the valuation of investment properties and those values have been reflected to the accompanying consolidated financial statements. As of 30 September 2023, the detailed information of investment properties is as follows:

	Net book value	September 2023 appraisal value	September 2023 revaluation surplus	Accumulated revaluation surplus
Aliağa 393 No'lu Parsel	17.155.000	48.925.000	31.770.000	43.855.000
Ankara 15 Adet B.B.	9.465.000	27.435.000	17.790.381	25.402.863
Denizli Zeytinköy Dubleks Mesken	2.835.000	6.425.000	1.428.967	3.789.759
Kuşpınar 2 Arsa + Villa	9.670.000	21.725.000	12.055.000	20.265.153
Denizli Cankurtaran Arsa	2.270.000	6.280.000	4.010.000	6.080.000
İstanbul Acarkent Villa	18.000.000	45.905.000	26.687.349	40.209.332
Total	59.395.000	156.695.000	93.741.697	139.602.107

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

30.09.2022

Cost	Opening balance – 1 January 2022	Additions	Disposals	Revaluation surplus	Closing balance – 30 September 2022
Land	27.000.000	-	-	9.450.000	36.450.000
Buildings	32.395.000	-	-	12.890.000	45.285.000
Total	59.395.000	-	-	22.340.000	81.735.000

The fair value of the investment properties was determined as of 8 April 2022 and the changes in fair value were reflected to the carve-out consolidated financial statements for the period ended 30 September 2022. In the determination of the fair values of the investment properties as of 8 April 2022, the fair values determined as a result of the appraisal studies carried out by Elit Gayrimenkul Değerleme A.Ş, which is authorized by the Capital Markets Board for the valuation of investment properties and those values have been reflected to the accompanying carve-out consolidated financial statements. As of 30 September 2022, the detailed information of investment properties is as follows:

30.09.2022	Net book value	September 2022 appraisal value	September 2022 revaluation surplus	Accumulated revaluation surplus
Aliağa 393 No'lu Parsel	17.155.000	24.000.000	6.845.000	18.930.000
Ankara 15 Adet B.B.	9.465.000	11.985.000	2.520.000	10.132.482
Denizli Zeytinköy Dupleks Mesken	2.835.000	3.430.000	595.000	2.955.792
Kuşpınar 2 Arsa + Villa	9.670.000	11.855.000	2.185.000	10.395.153
Denizli Cankurtaran Arsa	2.270.000	2.960.000	690.000	2.760.000
İstanbul Acarkent Villa	18.000.000	27.505.000	9.505.000	23.026.983
Total	59.395.000	81.735.000	22.340.000	68.200.410

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

As of 30 September 2023 and 2022, the movements for property, plant and equipment, and related depreciation are as follows:

30.09.2023

Cost	Opening balance – 1 January 2023	Additions	Disposals	Transfers	Revaluation surplus	Closing balance – 30 September 2023
Land	1.329.324.521	1.347.725	-	-	-	1.330.672.246
Land improvements	13.334.827	-	-	-	-	13.334.827
Buildings	612.109.506	5.452.314	-	7.110.909	-	624.672.729
Plant, machinery and equipment	591.234.730	20.944.205	(303.127)	7.864.300	-	619.740.108
Motor vehicles	57.626.426	47.483.575	(7.331.917)	-	-	97.778.084
Furniture and fixtures	36.854.707	3.594.461	(44.368)	-	-	40.404.800
Other property, plant and equipment	129.450	-	-	-	-	129.450
Leasehold improvements	1.066.753	-	-	-	-	1.066.753
Constructions in progress	293.337.574	326.538.522	-	(17.905.814)	-	601.970.282
Total	2.935.018.494	405.360.802	(7.679.412)	(2.930.605)	-	3.329.769.279

Accumulated depreciation (-)

	Opening balance – 1 January 2023	Current period depreciation	Disposals	Transfers	Revaluation surplus	Closing balance – 30 September 2023
Land	-	-	-	-	-	-
Land improvements	(1.194.858)	(648.696)	-	-	-	(1.843.554)
Buildings	(20.234.190)	(11.988.617)	-	-	-	(32.222.807)
Plant, machinery and equipment	(173.364.605)	(44.999.928)	285.381	-	-	(218.079.152)
Motor vehicles	(10.036.421)	(8.136.588)	292.464	-	-	(17.880.545)
Furniture and fixtures	(12.351.770)	(3.659.768)	40.003	-	-	(15.971.535)
Other property, plant and equipment	(32.146)	(32.274)	-	-	-	(64.420)
Leasehold improvements	(666.756)	(97.937)	-	-	-	(764.693)
Constructions in progress	-	-	-	-	-	-
Total	(217.880.746)	(69.563.808)	617.848	-	-	(286.826.706)
Net book value	2.717.137.748	-	-	-	-	3.042.942.573

30.09.2022

Cost	Opening balance – 1 January 2022	Additions	Disposals	Transfers	Revaluation surplus	Closing balance – 30 September 2022
Land	486.360.000	-	-	-	178.705.000	665.065.000
Land improvements	1.692.446	1.035.364	-	-	-	2.727.810
Buildings	181.739.102	51.977.103	-	-	20.871.815	254.588.020
Plant, machinery and equipment	407.709.104	44.611.223	(635.726)	-	65.438.903	517.123.504
Motor vehicles	19.239.051	8.952.506	-	-	2.809.296	31.000.853
Furniture and fixtures	26.106.201	8.627.730	(19.088)	-	3.987.525	38.702.368
Other property, plant and equipment	-	129.450	-	-	-	129.450
Leasehold improvements	1.066.753	-	-	-	-	1.066.753
Constructions in progress	184.358.010	131.948.497	-	5.899.527	-	322.206.034
Total	1.308.270.667	247.281.873	(654.814)	5.899.527	271.812.539	1.832.609.792

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

Accumulated depreciation (-)	Opening balance – 1 January 2022	Current period depreciation	Disposals	Transfers	Revaluation surplus	Closing balance – 30 September 2022
Land	-	-	-	-	-	-
Land improvements	(1.086.123)	(68.316)	-	-	-	(1.154.439)
Buildings	(14.668.448)	(4.026.567)	-	-	-	(18.695.015)
Plant, machinery and equipment	(138.407.125)	(31.881.455)	635.726	-	-	(169.652.854)
Motor vehicles	(5.853.695)	(2.947.692)	512	-	-	(8.800.875)
Furniture and fixtures	(8.432.722)	(2.731.740)	512	-	-	(11.163.950)
Other property, plant and equipment	-	(21.269)	-	-	-	(21.269)
Leasehold improvements	(526.566)	(107.185)	-	-	-	(633.751)
Constructions in progress	-	-	-	-	-	-
Total	(168.974.679)	(41.784.224)	636.750	-	-	(210.122.153)
Net book value	1.139.295.988					1.622.487.639

In the determination of the fair values of the property, plant and equipment, the fair values determined as a result of the appraisal studies carried out by Elit Gayrimenkul Değerleme A.Ş, which is authorized by the Capital Markets Board for the valuation of investment properties and those values have been reflected to the accompanying consolidated financial statements. As of 30 September 2022, the detailed information of investment properties is as follows:

30.09.2022	Net book value	September 2022 appraisal value	September 2022 revaluation surplus	Accumulated revaluation surplus
Aliağa A1 Tesisi	78.305.765	98.220.000	19.914.235	75.983.118
Aliağa A-2 Tesisi 1116 Ada 3-No'lu Parsel	3.150.000	4.310.000	1.160.000	4.257.374
Aliağa A-2 Tesisi 1116 Ada 4 No'lu Parsel	174.930.108	225.920.000	50.989.892	218.234.297
Aliağa A3 Tesisi	93.487.222	122.635.000	29.147.778	68.453.561
Kınık OSB Tesisi	1.605.000	2.085.000	480.000	1.793.506
Denizli Haddehane	24.570.000	30.530.000	5.960.000	29.241.152
Denizli Kocaer Tekstil-2 Tesisi 6 Parsel	10.850.000	15.315.000	4.465.000	12.948.057
Denizli Kocaer Tekstil-2 Tesisi 5 Parsel	94.105.090	118.365.000	24.259.910	73.315.713
Aliağa 1116 Ada 16 No'lu Parsel	195.880.000	259.080.000	63.200.000	228.948.803
Aliağa 1116 Ada 10 No'lu Parsel	1.155.000	1.155.000	-	1.039.247
Total	678.038.185	877.615.000	199.576.815	714.214.828

Total insurance coverage on property, plant and equipment has been presented under **Note 22**.

The functional breakdown of depreciation and amortisation charges on property, plant and equipment have been presented under **Note 30**.

NOTE 19 - INTANGIBLE ASSETS

As of 30 September 2023 and 2022, the movements for intangible assets, and related depreciation are as follows:

Other intangible assets

30.09.2023

Cost	Opening balance – 1 January 2023	Additions	Disposals	Transfers	Closing balance – 30 September 2023
Rights	7.497.967	83.850	-	-	7.581.817
Development Costs	56.162.432	-	-	2.930.605	59.093.037
Total	63.660.399	83.850	-	2.930.605	66.674.854

Accumulated depreciation (-)	Opening balance – 1 January 2023	Current period depreciation	Disposals	Transfers	Closing balance – 30 September 2023
Rights	(6.447.013)	(217.144)	-	-	(6.664.157)
Development Costs	(50.388.829)	(3.578.220)	-	-	(53.967.049)
Total	(56.835.842)	(3.795.364)	-	-	(60.631.206)
Net book value	6.824.557	-	-	-	6.043.648

30.09.2022

Cost	Opening balance – 1 January 2022	Additions	Disposals	Transfers	Closing balance – 30 September 2022
Rights	6.440.393	334.699	-	-	6.775.092
Development Costs	68.388.965	445.001	-	(5.899.527)	62.934.439
Total	74.829.358	779.700	-	(5.899.527)	69.709.531

Accumulated depreciation (-)	Opening balance – 1 January 2022	Current period depreciation	Disposals	Closing balance – 30 September 2022
Rights	(6.419.100)	(14.390)	-	(6.433.490)
Development Costs	(51.219.425)	(7.534.594)	-	(58.754.019)
Total	(57.638.525)	(7.548.984)	-	(65.187.509)
Net book value	17.190.833	-	-	4.522.022

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

Total insurance coverage on intangible assets has been presented under **Note 22**.
The functional breakdown of depreciation and amortisation charges on intangible assets have been presented under **Note 30**.

NOTE 20 - EMPLOYEE BENEFITS

As of 30 September 2023 and 31 December 2022, the breakdown of employee benefits is as follows:

Account Name	30.09.2023	31.12.2022
Due to employees	19.513.737	6.883.639
Taxes payable	6.500.304	3.063.649
Social security premiums payable	23.199.339	10.133.039
Employee benefits, net	49.213.380	20.080.327

NOTE 21 – GOVERNMENT GRANTS

The Group is entitled to have personel employment, turquality incentives and deductible corporate tax rights which are considered in the scope of government grants.

NOTE 22 – PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) Other short-term provisions

Account Name	30.09.2023	31.12.2022
Provisions for lawsuit	7.131.966	10.004.070
Provisions for unused vacation	7.591.444	4.331.549
Total	14.723.410	14.335.619

As of 30 September 2023 and 2022, the movements of provisions for lawsuits are as follows:

Provisions for lawsuit	30.09.2023	30.09.2022
Beginning of the period – 1 January	10.004.070	6.367.953
Increases during the period (Note 31)	415.517	2.150.738
Provisions no longer required (Note 31)	(3.287.621)	(594.207)
End of the Period – 30 September	7.131.966	7.924.484

As of 30 September 2023 and 2022, the movements of provisions for unused vacation are as follows:

Provisions for unused vacation	30.09.2023	30.09.2022
Beginning of the period – 1 January	4.331.549	2.249.388
Increases during the period	3.259.895	1.094.403
End of the Period – 30 September	7.591.444	3.343.791

ii) Contingent liabilities and contingent assets

None.

iii) Commitments, mortgages and guarantees not included in the liability

As of 30 September 2023 and 31 December 2022, the breakdown of collaterals/pledges/mortgages/bill of guarantees (“CPMB”) is as follows:

		30.09.2023	
	Currency	Original currency amount	TL equivalent
Letters of Guarantee Given	TL	335.515.420	335.515.420
Letters of Guarantee Given	EUR	4.099.100	118.998.923
Letters of Guarantee Given	USD	34.542	945.645
Mortgages and Bill of Gurantees Given	TL	230.000.000	230.000.000
Pledges Given	TL	100.000.000	100.000.000
Pledges Given	USD	9.000.000	246.390.300
Pledges Given	EUR	6.000.000	174.183.000
Total CPMB’s given, net			1.206.033.288
Letters of Guarantee Received	TL	22.540.000	22.540.000
Letters of Guarantee Received	USD	150.000	4.106.505
Letters of Guarantee Received	EUR	34.740	1.008.520
Total CPMB’s received, net			26.646.505

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

	31.12.2022		
	Currency	Original currency amount	TL equivalent
Letters of Guarantee Given	TL	78.620.429	78.620.429
Letters of Guarantee Given	EUR	9.180.073	183.003.837
Mortgages and Bill of Gurantees Given	TL	230.000.000	230.000.000
Pledges Given	TL	181.000.000	181.000.000
Pledges Given	USD	28.250.000	528.226.975
Pledges Given	EUR	6.000.000	119.609.400
Total CPMB's given, net			1.320.460.641
Letters of Guarantee Received	TL	4.985.000	4.985.000
Letters of Guarantee Received	USD	172.000	3.216.108
Total CPMB's received, net			8.201.108

The functional breakdown of letters of guarantee which has been provided to various institutions during the period given accordingly to Customs Office, Electricity and Natural Gas distributor companies and tribunals. On the other hand, the Group has obtained letters of guarantees from its shareholders considered as bill of guarantees for acquisition of raw materials and supplies which were considered as deposit.

iv) Ratio of guarantees and mortgages to equity

As of 30 September 2023 and 31 December 2022, the Group's collateral/pledge/mortgage/bill of guarantees ("C&P&M&B") position is as follows:

Collateral, Pledge, Mortgages, Bill of Guarantees Given by the Group	30.09.2023	31.12.2022
A. Total amount of CPMB's given in the name of its own legal personality	627.593.867	428.943.601
B. Total amount of CPMB's given on behalf of the fully consolidated subsidiaries	-	-
C. Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPMB's given	578.439.421	891.517.040
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-
ii) Total amount of CPMB's given to on behalf of other group companies which are not in scope of B and C	578.439.421	891.517.040
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	1.206.033.288	1.320.460.641

The ratio of other CPMB's given by the Group to its equity is 29% as of 30 September 2023 (31 December 2022: 27%).

v) Total insurance coverage on assets

As of 30 September 2023, total insurance coverage on property, plant and equipment is amounting to TL 2.457.698.289, USD 32.000.000 and EUR 95.000 against wide variety of risks as collateral (31 December 2022 :TL 1.930.415.227, USD 63.650.000 and EUR 95.000).

NOTE 23 - COMMITMENTS

None.

NOTE 24 – PROVISIONS FOR EMPLOYEE BENEFITS

	30.09.2023	31.12.2022
Provision for employment termination benefits	20.640.673	24.629.708
Total	20.640.673	24.629.708

Under Turkish Labour Law, Kocaer Çelik and its subsidiaries and associates incorporated in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

As of 30 September 2023, the amount payable consists of one month's salary limited to a maximum of TL 23.489,83 (31 December 2022: TL 19.982,83) for each year of service.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of total liabilities:

The principal assumption is that the maximum liability for each year of service increases in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for future inflation effects.

As of 30 September 2023, the provisions in the accompanying consolidated financial statements are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. As of 30 September 2023, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 21% and an interest rate of 27%, resulting in a discount rate of 5%.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The movements of provisions for employment termination benefits for the period are as follows:

	01.01.2023 30.09.2023	01.01.2023 30.09.2022
Beginning of the Period – 1 January	24.629.708	9.382.749
Payments during the period (-)	(20.632.921)	(1.744.314)
Interest cost	2.925.272	1.130.415
Service cost	3.122.209	1.875.178
Loss on remeasurements of defined benefit plans	18.090.302	1.108.151
Actuarial gains/losses	(7.493.897)	4.616.932
End of the Period – 30 September	20.640.673	16.369.111

NOTE 25 - TAX ASSETS AND LIABILITIES

As of 30 September 2023 and 31 December 2022, the Group has no current income tax assets and liabilities.

NOTE 26 - OTHER ASSETS AND LIABILITIES

As of 30 September 2023 and 31 December 2022, the breakdown of other current assets is as follows:

Account Name	30.09.2023	31.12.2022
Deferred VAT	229.572.441	130.303.219
Other current assets, net	229.572.441	130.303.219

As of 30 September 2023 and 31 December 2022, the breakdown of other current liabilities is as follows:

Account Name	30.09.2023	31.12.2022
Expense accruals	1.451.159	2.002
Other current liabilities, net	1.451.159	2.002

As of 30 September 2023 and 31 December 2022, the Group has no other non-current liabilities.

NOTE 27 – EQUITY

i) Non-controlling interests

From all equity account group items of subsidiaries within the scope of consolidation, including paid/issued share capital, the amounts corresponding to the shares other than the parent company and subsidiaries are deducted and disclosed in the equity of the consolidated balance sheet as “Non-Controlling Interests”.

As of 30 September 2023 and 2022, the movements of non-controlling interests are as follows:

	01.01.2023 30.09.2023	01.01.2022 30.09.2022
Beginning of the Period – 1 January	11.192.228	4.722.784
Capital increase, net	8.690.081	-
Business combination, net	-	5.746
Gains/(losses) on remeasurements of defined benefit plans, net	(9.754)	1.889
Currency translation differences, net	4.989.141	694.639
Retained earnings, net	(5.712.581)	-
Profit for the period, net	(252.613)	3.846.152
End of the Period – 30 September	18.896.502	9.271.210

ii) Share capital / Capital adjustments due to cross-ownership

As of 30 September 2023 and 31 December 2022, the principal shareholders and their respective shareholding rates in Kocaer Çelik are as follows:

Shareholders	30.09.2023		31.12.2022	
	Amount	Share (%)	Amount	Share (%)
Hakan KOCAER	500.384.989	76	520.084.989	79
Other	157.185.011	24	137.485.011	21
Total share capital	657.570.000	100	657.570.000	100

Number of shares, class of shares and privileges

The initial public offering of the Group was approved with the official circular on 16 June 2022 and the bulletin numbered 2022/30 of the Capital Markets Board (“CMB”). The relevant stocks of initial public offering was paid from the share capital amounting to TL 657.570.000, the group’s shares amounting to TL 21.500.000 and the remaining TL 34.600.000 was paid from disposal of the shares of the shareholders, with total amount of TL 56.100.000. The capital increase amounting to TL 424.070.000 was realized from the emission premium that arising from after the public initial public offering and was recognised in equity. The capital increase was published in Official Gazette on 30 November 2022 and numbered 10715.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

Capital adjustments due to cross-ownership

None.

iii) Capital reserves

None.

iv) Restricted reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical 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 historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

The details of the restricted reserves are as follows:

Account Name	30.09.2023	31.12.2022
Legal reserves	25.374.323	3.275.079
Gain on disposal of a subsidiary and property, plant and equipment	25.830.252	25.830.252
Total	51.204.575	29.105.331

v) Retained earnings

As of 30 September 2023 and 31 December 2022, the functional breakdown of retained earnings is as follows:

Account Name	30.09.2023	31.12.2022
Extraordinary reserves	1.777.367	1.777.367
Retained earnings	744.752.351	166.748.337
Total	746.529.718	168.525.704

vi) Share premium

None.

vi) Other Comprehensive Income or Expenses to be reclassified to Profit or Loss

As of 30 September 2023 and 31 December 2022, the detailed table of other comprehensive income or expenses to be reclassified to the consolidated statement of profit or loss recognised under equity is as follows:

Account Name	30.09.2023	31.12.2022
Currency translation differences	74.532.595	32.351.815
Gains/(losses) on hedges	(251.185.063)	(190.938.728)
Total	(176.652.468)	(158.586.913)

vii) Other Comprehensive Income or Expenses not to be reclassified to Profit or Loss

As of 30 September 2023 and 31 December 2022, the detailed table of other comprehensive income or expenses not to be reclassified to the consolidated statement of profit or loss recognised under equity is as follows:

Account Name	30.09.2023	31.12.2022
Gains/(losses) on revaluation and remeasurement	1.631.699.041	1.736.927.929
Gains/(losses) on remeasurements of defined benefit plans	(7.098.185)	(12.878.239)
Total	1.624.600.856	1.724.049.690

viii) Business combinations under common control

Account Name	30.09.2023	31.12.2022
Business combination under common control	(16.001.044)	(16.001.044)
Total	(16.001.044)	(16.001.044)

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

viii) Equity

Account Name	30.09.2023	31.12.2022
Paid-in Share Capital	657.570.000	657.570.000
Other Comprehensive Income or Expenses not to be Reclassified to Profit Or Loss	1.624.600.856	1.724.049.690
Share Premium	119.699.349	119.699.349
Other Comprehensive Income or Expenses to be Reclassified to Profit Or Loss	(176.652.468)	(158.586.913)
Business Combinations under Common Control	(16.001.044)	(16.001.044)
Restricted Reserves	51.204.575	29.105.331
Retained Earnings	746.529.718	168.525.704
Profit for the Period	1.116.178.850	751.243.531
Equity holders of the parent	4.123.129.836	3.275.605.648
Non-controlling interests	18.896.502	11.192.228
Total equity	4.142.026.338	3.286.797.876

NOTE 28 - REVENUE AND COST OF SALES

As of 30 September 2023 and 2022, the functional breakdown of revenue and cost of sales is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Domestic Sales	2.653.534.246	874.710.377	1.544.302.297	595.290.818
Foreign Sales	6.164.629.723	2.699.252.178	5.201.221.299	1.827.877.451
Other Revenue	63.490.413	63.308.757	6.533.537	2.543.850
Sales Returns (-)	(137.058)	(135.208)	(1.137.598)	(429.847)
Sales Discounts (-)	(866.842)	(783.671)	(3.561.371)	(1.754)
Net Sales	8.880.650.482	3.636.352.433	6.747.358.164	2.425.280.518
Cost of Sales (-)	(7.059.467.152)	(2.778.084.742)	(5.181.886.886)	(1.969.466.795)
Cost of Merchandise Sold (-)	(660.680.561)	(248.221.266)	(590.527.078)	(83.892.022)
Cost of Goods Sold (-)	(5.829.289.298)	(2.283.450.329)	(4.257.340.025)	(1.759.779.661)
Cost of Services Sold (-)	(57.414.604)	(17.500.084)	(31.765.355)	(11.205.447)
Other Cost of Sales (-)	(147.102.826)	(56.858.930)	(123.225.224)	(55.804.558)
Personnel Expenses	(301.700.461)	(150.965.821)	(133.106.129)	(43.586.399)
Depreciation and Amortisation Charges(-)	(63.279.402)	(21.088.312)	(45.923.075)	(15.198.708)
Gross Profit	1.821.183.330	858.267.691	1.565.471.278	455.813.723

NOTE 29 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

As of 30 September 2023 and 2022, the functional breakdown of operating expenses is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Marketing, Sales and Distribution Expenses (-)	(423.246.148)	(210.144.099)	(402.039.003)	(134.248.081)
General Administrative Expenses (-)	(107.431.361)	(39.859.638)	(53.834.779)	(24.647.552)
Research and Development Expenses (-)	(3.378.125)	(1.455.914)	(1.695.957)	(673.705)
Total Operating Expenses (-)	(534.055.634)	(251.459.651)	(457.569.739)	(159.569.338)

NOTE 30 - EXPENSES BY NATURE

As of 30 September 2023 and 2022, the functional breakdown of marketing, sales and distribution expenses, research and development expenses and general administrative expenses recognized in expenses by nature is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Marketing, Sales and Distribution Expenses (-)	(423.246.148)	(210.144.099)	(402.039.003)	(134.248.081)
Personnel expenses	(17.795.970)	(7.669.991)	(7.583.551)	(3.244.151)
Freight costs	(209.392.260)	(108.963.439)	(254.179.975)	(80.936.173)
Export costs	(75.437.947)	(35.121.528)	(52.501.752)	(19.325.853)
Transportation costs	(31.699.353)	(11.625.315)	(21.929.929)	(6.216.537)
Customs duty and expenses	(3.121.020)	(1.050.886)	(2.692.737)	(729.615)
Consumable costs	(37.765.257)	(19.346.770)	(27.107.723)	(7.609.914)
Sales commission expenses	(15.991.891)	(11.826.239)	(26.190.989)	(13.354.375)
Depreciation and amortisation charges	(599.137)	(203.812)	(114.858)	(80.845)
Depreciation and amortisation charges – TFRS 16	(934.624)	(416.366)	(956.691)	(353.876)
Advertising expenses	(678.750)	(243.000)	(284.594)	(197.500)
Maintenance and repair expenses	(82.771)	(64.702)	(50.470)	(38.913)
Information systems expenses	(2.462.108)	(352.440)	(288.610)	(23.476)
Audit and consultancy expenses	(3.559.012)	(1.354.936)	(1.519.358)	(528.546)
Education costs	(90.031)	(52.088)	(44.380)	(10.923)
Utility expenses	(71.141)	(25.454)	(57.538)	(24.270)

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

Fair and promotion expenses	(11.370.636)	(6.743.122)	(1.536.821)	(222.514)
Communication expenses	(552.830)	(297.171)	(249.859)	(29.309)
Rent expenses	(88.977)	(13.580)	(234.865)	(85.545)
Litigation and notary costs, fees and charges	(54.874)	(2.313)	(1.021.139)	(989.401)
Stationery expenses	(178.153)	(8.310)	(66.517)	(3.968)
Travel expenses	(2.076.690)	(530.810)	(715.541)	(329.926)
Insurance expenses	(926.860)	(394.913)	(1.532.241)	(822.975)
Fuel expenditures	(187.681)	(88.811)	(245.606)	(109.605)
Representation and hospitality expenses	(45.974)	(8.557)	(14.029)	(13.809)
Taxes, duties and charges	(298.364)	(20.550)	(38.987)	(177)
Other	(7.783.837)	(3.718.996)	(880.243)	1.034.115
General Administrative Expenses (-)	(107.431.361)	(39.859.638)	(53.834.779)	(24.647.552)
Personnel expenses	(44.418.183)	(16.750.453)	(22.758.926)	(9.057.772)
Transportation costs	(25.115)	(23.415)	(7.100)	(7.100)
Consumable costs	(1.739.081)	(700.126)	(1.151.021)	(421.829)
Advertising expenses	(29.700)	(25.000)	(919.686)	(919.686)
Depreciation and amortisation charges	(13.447.254)	(4.861.537)	(3.178.182)	(2.294.849)
Depreciation and amortisation charges – TFRS 16	(9.596.108)	(3.141.671)	(6.016.710)	(3.233.969)
Grants and donations	-	-	(68.705)	(40.812)
Maintenance and repair expenses	(1.052.127)	(599.934)	(1.005.906)	(388.206)
Information systems expenses	(2.659.490)	(787.458)	(2.099.818)	(96.689)
Audit and consultancy expenses	(6.408.336)	(1.457.680)	(6.127.919)	(1.860.068)
Education costs	(5.368.745)	(4.403.539)	(452.926)	(87.016)
Utility expenses	(861.101)	(316.463)	(284.455)	(202.993)
Fair and promotion expenses	-	-	(72.180)	(72.180)
Communication expenses	(1.840.035)	(1.663.906)	(331.368)	(11.672)
Rent expenses	(100.119)	(65.979)	(1.350.088)	(1.250.445)
Litigation and notary costs, fees and charges	(3.385.556)	(719.760)	(1.523.861)	(666.222)
Stationery expenses	(47.585)	(22.385)	(85.084)	(54.858)
Travel expenses	(3.018.981)	(1.439.174)	(1.343.313)	(752.711)
Insurance expenses	(1.442.107)	(528.571)	(695.261)	(253.676)
Motor vehicle expenditures	(939.955)	(454.915)	(1.031.345)	(374.722)
Representation and hospitality expenses	(1.273.082)	(1.164.957)	(230.803)	(45.982)
Taxes, duties and charges	(2.184.782)	-	(1.731.083)	(1.493.510)
Other	(7.593.919)	(732.715)	(1.369.039)	(1.060.585)
Research and Development Expenses (-)	(3.378.125)	(1.455.914)	(1.695.957)	(673.705)
Personnel expenses	(3.060.414)	(1.245.878)	(1.578.864)	(701.086)
Depreciation and amortisation charges	(75.781)	(25.260)	(117.093)	(44.152)
Other	(241.930)	(184.776)	-	71.533
Total operating expenses (-), net	(534.055.634)	(251.459.651)	(457.569.739)	(159.569.338)

The functional breakdown of depreciation and amortisation charges recognized under consolidated statement of profit or loss is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Cost of Sales (-)	(63.279.402)	(21.088.312)	(45.923.075)	(15.198.708)
Marketing, Sales and Distribution Expenses (-)	(1.533.761)	(620.178)	(1.071.549)	(434.721)
General Administrative Expenses (-)	(23.043.362)	(8.003.208)	(9.194.892)	(5.528.818)
Research and Development Expenses (-)	(75.781)	(25.260)	(117.093)	(44.152)
Depreciation and amortisation charges, net	(87.932.306)	(29.736.958)	(56.306.609)	(21.206.399)

The functional breakdown of personnel expenses recognized under consolidated statement of profit or loss is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Cost of Sales (-)	(301.700.461)	(150.965.821)	(133.106.129)	(43.586.399)
Marketing, Sales and Distribution Expenses (-)	(17.795.970)	(7.669.991)	(7.583.551)	(3.244.151)
General Administrative Expenses (-)	(44.418.183)	(16.750.453)	(22.758.926)	(9.057.772)
Research and Development Expenses (-)	(3.060.414)	(1.245.878)	(1.578.864)	(701.086)
Personnel expenses, net	(366.975.028)	(176.632.143)	(165.027.470)	(56.589.408)

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 31 - OTHER OPERATING INCOME / (EXPENSES)

As of 30 September 2023 and 2022, the functional breakdown of other operating income/expenses is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Other Operating Income	540.476.771	(217.541.400)	311.829.263	91.848.340
Provisions No Longer Required (Doubtful receivables)	2.854.927	12.600	302.059	(264.116)
Provisions No Longer Required (Inventory impairment)	-	-	278.739	278.739
Provisions No Longer Required (Lawsuits)	3.287.621	1.579.393	594.207	68.124
Rent Income	2.277.699	750.750	1.738.607	767.683
Foreign Exchange Gains	515.994.449	(226.670.182)	301.925.820	89.158.607
Income from Tax Discounts and Deductions	4.400.000	-	-	-
Income from Government Grants	-	-	346.753	346.753
Income from Insurance Compensation and Claims	-	-	4.697.905	27.729
Income from reversal of discounts	1.517.534	-	-	-
Commission income	-	-	273.816	273.816
Income from 5% employer social security premium law numberd 5510	-	-	114.257	114.257
Income from employer social security premium law numberd 27103	-	-	42.095	42.095
Income from prior periods	67.036	823	98.789	9.501
Other	10.077.505	6.785.216	1.416.216	1.025.152
Other Operating Expenses (-)	(242.817.338)	100.772.616	(179.264.047)	(38.456.479)
Provisions for Doubtful Receivables	(4.603.388)	(1.486.707)	(4.834.088)	(594.440)
Provisions for Lawsuits	(415.517)	66.801	(2.150.738)	(221.562)
	(163.187.006)	142.059.885		
Foreign Exchange Losses			(170.523.734)	(37.210.450)
Expenses from Grants and Donations	(2.754.885)	(2.438.603)	(25.000)	(25.000)
Expenses from compensations and penalties	(75.793)	(16.718)	-	-
Expenses from reversal of discounts	(308.807)	744.082	-	-
Expenses from additional corporate tax and tax base increases	(69.641.897)	(39.979.732)	-	-
Expenses from prior periods	(11.920)	-	(409.708)	(158.062)
Other	(1.818.125)	1.823.608	(1.320.779)	(246.965)
Other operating income/(expenses), (net)	297.659.433	(116.768.784)	132.565.216	53.391.861

NOTE 32 - GAINS/ (LOSSES) FROM INVESTMENT ACTIVITES

As of 30 September 2023 and 2022, the functional breakdown of gains and losses from investment activities is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Gains from Investment Activities	305.392.723	235.758.206	50.474.292	28.134.292
Gain on Sale of Property, Plant and Equipment and Intangible Assets	5.483.537	(188.376)	-	-
Investment Properties Revaluation Surplus	-	-	22.340.000	-
Gain on Sale of Securities	298.731.821	234.769.217	-	28.134.292
Gain on Reversal of Provision for Impairment	1.177.365	1.177.365	28.134.292	-
Losses from Investment Activities (-)	(11.853.370)	(116.501)	(238.300)	(109.337)
Loss on Sale of Property, Plant and Equipment and Intangible Assets	(116.501)	(116.501)	(109.337)	(109.337)
Loss on Sale of Securities	(11.736.869)	-	-	-
Loss on Provision for Impairment on Subsidiaries	-	-	(128.963)	-
Gains/(losses) from investment activities, (net)	293.539.353	235.641.705	50.235.992	28.024.955

NOTE 33 - FINANCIAL INCOME / EXPENSES

As of 30 September 2023 and 2022, the functional breakdown of financial income and expenses is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Financial Income	170.858.615	30.454.547	165.084.097	45.819.361
Interest Income	15.541.705	(11.911.987)	20.117.841	7.534.148
Foreign Exchange Gains	147.512.074	37.943.698	110.442.578	37.839.776
Interest Income arising from Group Companies and Shareholders	7.804.836	4.422.836	34.523.678	445.437
Financial Expenses (-)	(690.862.111)	(364.051.308)	(886.837.547)	(270.435.414)
Interest Expenses	(286.118.987)	(117.961.700)	(73.275.817)	(48.067.205)
Foreign Exchange Losses	(340.677.526)	(219.624.397)	(767.875.634)	(211.548.036)
Bank Comissions, Fees and Charges	(57.182.573)	(23.837.963)	(42.836.590)	(8.817.421)
Interest expense from TFRS 16	(6.883.025)	(2.627.248)	(2.849.506)	(2.002.752)
Financial income/(expenses), (net)	(520.003.496)	(333.596.761)	(721.753.450)	(224.616.053)

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

NOTE 34 – NON-CURRENT ASSETS HELD FOR SALE

None.

NOTE 35 – INCOME TAXES

The Group's tax expense (or income) consists of current period corporate income tax expense and deferred tax expense or income and the functional breakdown of income taxes is as follows:

Account Name	01.01.2023 30.09.2023	01.01.2022 30.09.2022
Current period tax expense	(182.136.584)	(117.089.748)
Deferred tax income/expense	(60.260.165)	1.795.873
Total tax income/(expense)	(242.396.749)	(115.293.875)

i) Corporate tax

The Group, its subsidiaries and associates operating in Turkey, are subject to the tax legislation and practices in force in Turkey. Provisions have been allocated in the accompanying consolidated financial statements for the estimated tax liabilities of the Group regarding the current period operating results.

Account Name	30.09.2023	31.12.2022
Current period tax expense	182.159.017	133.697.661
Less: Prepaid income tax	(89.100.204)	(109.566.703)
Current income tax liabilities, net	93.058.813	24.130.958

The corporate tax to be accrued on the taxable income is calculated on the basis of the deduction of the expenses that cannot be deducted from the tax base expense in the determination of the earnings, and the amount of dividends received from domestic companies, taxable income and investment allowances.

Corporate tax rates

The Corporate Tax Law has been amended with the Law No. 5520 on 13 June 2006. The aforementioned new Corporate Tax Law No. 5520 was originally published in the Official Gazette as of 21 June 2006. However provisions of the amended corporate tax law is effective from 1 January 2006. As of 30 September 2023, corporate tax rate applied in Turkey is 25% (31 December 2022: 23%). The Corporate Tax rate is applied to the tax base that will be calculated as a result of including the expenses that are not considered as deductible in accordance with the tax laws to the operating profit of the entities and deducting the exemptions and allowances (subsidiary earnings, investment discount, etc.) and deductions (Exemptions from research and development, etc.) included in the tax laws. Additional tax is not paid if the profit is not distributed.

In the Official Gazette dated 17 November 2020, amendments were made regarding both tax regulations and other regulations. As per Article 35 of the Law No. 7256 on Restructuring of Some Receivables and Amending Some Laws ("Law No. 7256"), published in the Official Gazette dated 17 November 2020 effective from 1 January 2021. For the institutions at least 20% of whose shares are offered to the public to be traded in Borsa Istanbul Equity Market for the first time, the corporate tax rate will be applied at a 2 point discounted rate for 5 accounting periods starting from the fiscal period during which their shares are offered to the public for the first time. However, the above mentioned discount on corporate tax rate is not applicable for banks, leasing companies, factoring companies, financing companies, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. In case the condition disclosed in the aforementioned paragraph regarding the share ratio is lost within 5 accounting periods starting from the accounting period benefiting from the discount, taxes that are not accrued on time due to the reduced tax rate application are collected together with delay interest without any tax loss penalty.

According to Turkish Corporate Tax Law, losses can be carried forward to offset the future taxable income for a maximum period of 5 years. On the other hand, such losses cannot be carried back to offset prior years' profits.

According to corporate tax law article numbered 24, the corporate tax is imposed by the taxpayer's tax returns. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their corporate tax returns between 1-30 April following the close of the accounting year. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Dividend payments by resident corporations to resident joint-stock company in Turkey again in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated. Dividend income (excluding profits from investment funds 'participation certificates and investment trusts' shares) obtained from participating in the capital of another corporation which is fully taxpayed is exempt from corporation tax.

The Group has been capitalised basic incentives and supports set forth under the Law No. 5746 pertaining the Support of Research and Development Activities for the R&D investment projects in its legal records. 100% of all eligible R&D and innovation expenditures made within technology centres, R&D centres (which should employ at least 15 (may increase to 30 for specific sectors) full-time equivalent R&D personnel), R&D and innovation projects supported by governmental institutions, foundations established by law, or international funds and design expenditures made within design centres (which should employ at least 10 full-time equivalent design personnel) and design projects supported by the above institutions can be deducted from the corporate income tax base in accordance with the necessary calculations which has been reflected in the accompanying consolidated financial statements.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 30 September 2023 and 2022, provision for income tax has been calculated is as follows:

	30.09.2023	30.09.2022
Operating Profit	910.201.373	499.116.292
Tax Base Additions	134.807.765	41.751.856
<i>Non-deductible expenses</i>	134.807.765	41.751.856
Tax Allowances and Deductions (-)	67.872.389	28.383.260
Operating Profit, net (domestic)	977.136.749	512.484.889
Operating Profit, net (foreign)	-	48.218.535
Provision for income tax	224.834.234	117.089.748
Tax deductions arising from production activities	33.936.024	-
Tax deductions arising from investment incentives and government grants	8.761.626	-
Current period tax expense, net	182.136.584	117.089.748

Income withholding tax

In addition to the corporate tax, it is required to calculate income tax withholding on any dividends, except for those distributed to all taxpayer entities and Turkish branches of foreign companies gaining dividend for such distribution and declaring these dividends within the corporate profit. The rate of income withholding tax implemented as 10% between 24 April 2003 and 22 July 2006. The rate of withholding tax has been increased from 10% to 15% upon the Cabinet decision No: 2006/10731, which was published in Official Gazette on July 23, 2006. Undistributed dividends incorporated in share capital are not subject to income tax withholding. In accordance with the decision of Cabinet numbered 2009-14592 dated 12 January 2009, the rate has been applied as 15%. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

ii) Deferred tax

The deferred tax asset and tax liability is based on the temporary differences, which arise between the financial statements prepared according to TAS and statutory tax financial statements. These differences usually due to the recognition of revenue and expenses in different reporting periods for the TAS and tax purposes, the differences explained as below.

As of 30 September 2023 and 31 December 2022, the breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

Account Name	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Depreciation and amortisation	55.251.083	59.195.854	12.707.749	11.839.170
Reversal of capitalised financing costs	332.283.644	306.440.571	76.425.239	61.288.115
Reversal of revaluation fund	474.664.777	474.664.777	109.172.899	94.932.955
PP&E Revaluation Surplus (Land and Buildings)	(1.316.242.963)	(1.316.242.963)	(227.051.911)	(131.624.296)
PP&E Revaluation Surplus (Buildings)	(346.310.231)	(346.310.231)	(79.651.353)	(69.262.046)
PP&E Revaluation Surplus (Machinery, Furniture and fixtures, Leasehold improvements, Motor vehicles)	(315.461.553)	(315.461.553)	(72.556.157)	(63.092.311)
Investment Properties Revaluation Surplus	(139.602.107)	(139.602.107)	(32.108.485)	(27.920.421)
Profit elimination of constructions in progress	42.808.545	-	9.845.965	-
Employment Termination Benefits	20.640.673	24.629.708	4.747.355	4.925.942
Provisions for Doubtful Receivables	18.813.946	14.951.524	4.327.207	3.139.820
Provisions for Lawsuits	7.131.966	10.004.070	1.640.352	2.100.855
Provisions for Loan Interest	1.136.626	4.005.977	261.424	841.255
Provisions for Unused Vacation	7.591.444	4.331.549	1.746.032	909.625
Adjustments for TFRS 16 "Leases"	1.569.199	1.038.220	360.916	218.026
Adjustments for customs discharge	-	(807.345)	-	(169.542)
Discount on notes receivables	308.807	1.517.534	71.026	318.682
Adjustments for derivative instruments	(154.638.912)	(149.090.954)	(31.008.475)	(29.898.883)
Adjustments for inventories	23.655.651	27.034.887	5.440.800	5.136.629
Capitalised policy interest recognised as an expense	47.947.594	4.403.211	11.027.947	924.674
Adjustments for sale and leaseback arrangements	73.307.313	73.307.313	16.860.682	15.394.536
Adjustments for internal rate of return	64.630	32.046	14.865	6.730
Adjustments for gain on sale of securities	(171.897.977)	8.991.850	(39.536.535)	1.888.289
Adjustments for currency translation differences	(187.098.820)	(5.003.190)	(43.032.729)	(1.050.670)
Interest and currency translation differences arising from sale and leaseback arrangements	141.175.393	167.395.437	32.470.340	33.479.085
Deferred tax assets / (liabilities), net			(237.824.847)	(85.673.781)

Movements in deferred tax assets/(liabilities) are as follows:

	01.01.2023	01.01.2022
	30.09.2023	31.12.2022
Beginning of the period - 1 January	(85.673.781)	(18.799.558)
Deferred tax income/expense during the period, net	(60.260.165)	83.599.423
PP&E Revaluation Surplus	(105.228.888)	(159.763.197)
Additions arising from Derivative Instruments	15.061.584	6.921.952
Actuarial Gains/Losses on Deferred Tax, net	(1.723.597)	2.367.599
End of the period	(237.824.847)	(85.673.781)

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

Reconciling the effective current period tax expense and profit for the period is as follows:

	30.09.2023	30.09.2022
Profit Before Tax	1.379.715.698	571.983.688
Tax calculated at domestic tax rate	(258.270.251)	(122.030.044)
Non-deductible expenses	(25.304.731)	(8.770.281)
Gains on tax allowances and tax rate differences/changes	28.237.300	15.506.450
Other	12.940.933	-
Tax income/(expense)	(242.396.749)	(115.293.875)

NOTE 36 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Accordingly, the weighted average number of shares used in earnings per share calculation as of 30 September 2023 and 2022, which is as follows:

Account Name	01.01.2023 30.09.2023	01.07.2023 30.09.2023	01.01.2022 30.09.2022	01.07.2022 30.09.2022
Profit for the period	1.116.178.850	348.811.106	449.809.270	131.333.632
Weighted average number of shares	657.570.000	657.570.000	212.824.658	212.824.658
Earnings per share	1.6974	0.5305	2.1135	0.6171

NOTE 37 - RELATED PARTY DISCLOSURES

a) Related party balances are as follows:

30.09.2023	Trade receivables /Prepaid expenses	Other receivables	Trade payables	Other payables
Other	-	800.884	-	47.831.731
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	6.406.114	-	6.005	-
Chakra Mağazacılık Ticaret ve Anonim Şirketi	1.718.273	27.889.094	271.307	-
KCR Tekstil A.Ş.	1.704	2.308	-	-
TOTAL	8.126.091	28.692.286	277.312	47.831.731

31.12.2022	Trade receivables	Other receivables	Trade payables	Other payables
Other	-	28.371.976	-	2.268.637
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	-	3.330.794	-	-
Chakra Mağazacılık Ticaret ve Anonim Şirketi	239.835	20.088.711	106.799	-
Kocaer Metal Sanayi A.Ş.	-	75.347	1.014.352	-
TOTAL	239.835	51.866.828	1.121.151	2.268.637

b) Related party transactions are as follows:

30.09.2023

Purchases	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	-	-	5.190	5.190
Chakra Mağazacılık Ticaret ve Anonim Şirketi	-	-	501.084	501.084
Total	-	-	506.274	506.274

Sales	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	1.706.568	1.254.300	1.641.605	4.602.473
Hakan Kocaer	75.847	-	-	75.847
İbrahim Kocaer	75.847	-	-	75.847
Chakra Mağazacılık Ticaret ve Anonim Şirketi	313.250	6.550.536	750.200	7.613.986
Total	2.171.512	7.804.836	2.391.805	12.368.153

30.09.2022

Purchases	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	-	83.741	83.741
Chakra Mağazacılık Ticaret ve Anonim Şirketi	126.028	-	-	126.028
Total	126.028	0	83.741	209.769

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

Sales	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	1.350.000	2.562.805	3.080.912	6.993.717
Kocaer Çelik Endüstrisi Sanayi ve Ticaret A.Ş.	6.750	-	-	6.750
KCR Tekstil A.Ş.	-	-	30.698.499	30.698.499
Hakan Kocaer	49.500	-	-	49.500
İbrahim Kocaer	58.500	-	5.169	63.669
Chakra Mağazacılık Ticaret ve Anonim Şirketi	-	1.262.373	379.340	1.196.277
Total	1.464.750	3.825.178	34.163.920	39.008.412

c) Key management compensation

Account Name	01.01.2023	01.01.2022
Key management compensation	14.436.456	7.425.735
Total	14.436.456	7.425.735

NOTE 38 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Capital risk management

The Group, while trying to maintain the continuity of its activities in capital management on one hand, aims to increase its profitability by using the balance between debts and resources on the other hand. The capital structure of the Group consists of cash and cash equivalents explained in note 6, borrowings explained in note 8 and equity items containing respectively issued share capital, capital reserves, profit reserves and profits of previous years explained in note 27. Risks, associated with each capital class, and the senior management evaluates the capital cost. It is aimed that the capital structure will be stabilized by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the senior management evaluations.

The Group monitors capital on the basis of the net financial debt/total equity ratio. This ratio calculated as dividing net debt by total capital. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (includes borrowings, finance leases and trade payables as disclosed in the consolidated statement of financial position). Total capital is calculated as equity, as presented in the consolidated statement of financial position, plus net debt.

General strategy based on the Group's equity does not differ from the previous period. The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimise potential adverse effects on the Group's financial performance.

Consolidated net financial debt/invested capital ratio as of 30 September 2023 and 31 December 2022 are as follows:

	30.09.2023	31.12.2022
Total borrowings	6.350.902.776	4.014.679.318
Less: Cash and cash equivalents	(540.043.619)	(466.548.977)
Net financial debt	5.810.859.157	3.548.130.341
Equity	4.142.026.338	3.286.797.876
Invested capital	9.952.885.495	6.834.928.217
Net financial debt/invested capital ratio	0.5838	0.5191

Foreign exchange risk

Foreign exchange risk arises from the fact that the Group has liabilities denominated in USD, EURO and GBP.

Foreign exchange transactions result in foreign exchange risk arising from foreign exchange denominated assets and liabilities into Turkish Lira. The Group's exposure to foreign exchange risk arises from its borrowings, receivables and payables denominated in foreign currencies. In order to minimize this risk, the Group monitors its financial position and cash inflows/outflows with detailed cash flow statements as of 30 September 2023 and 31 December 2022. Derivative financial instruments are also used as instruments for foreign exchange risk management for hedging purposes, when needed. Assets and liabilities denominated in foreign currency are as follows:

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

As of 30 September 2023 and 31 December 2022, foreign exchange position of the Group is as follows:

Foreign Exchange Position

	30.09.2023				31.12.2022			
	TL equivalent	USD	EURO	GBP	TL equivalent	USD	EURO	GBP
1. Trade Receivables	2.324.502.811	81.839.042	2.894.195	-	1.353.036.249	64.245.042	7.612.939	-
2a. Monetary Financial Assets	452.193.980	15.537.018	924.525	68	399.164.969	18.156.590	2.347.591	572.213
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	288.074	6.664	3.638	-	-	-	-	-
4. Total Current Assets (1+2+3)	2.776.984.865	97.382.724	3.822.358	68	1.752.201.218	82.401.632	9.960.530	572.213
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Total Non-Current Assets(5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	2.776.984.865	97.382.724	3.822.358	68	1.752.201.218	82.401.632	9.960.530	572.213
10. Trade Payables	371.469.167	12.868.914	660.022	-	537.927.661	27.795.408	824.122	-
11. Financial Liabilities	1.162.155.222	39.726.041	2.569.274	-	828.189.739	37.451.407	6.279.660	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	1.533.624.389	52.594.955	3.229.296	-	1.366.117.400	65.246.815	7.103.782	-
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	163.157.498	1.992.402	3.741.310	-	277.317.084	9.501.525	4.953.203	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
16b. Other Non- Monetary Liabilities	-	-	-	-	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	163.157.498	1.992.402	3.741.310	-	277.317.084	9.501.525	4.953.203	-
18. Total Liabilities (13+17)	1.696.781.887	54.587.357	6.970.606	-	1.643.434.484	74.748.340	12.056.985	-
19. Off-Balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)	-	-	-	-	-	-	-	-
19a. Total Asset Amount of Hedged	-	-	-	-	-	-	-	-
19b. Total Liabilities Amount of Hedged	-	-	-	-	-	-	-	-
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	1.080.202.978	42.795.366	(3.148.248)	68	108.766.734	7.653.292	-	2.096.455
21. Monetary Items Net Foreign Exchange Asset / (Liabilities) Position (1+2a+3+5+6a-10-11-12a-14-15-16a)	1.080.202.978	42.795.366	(3.148.248)	68	108.766.734	7.653.292	-	2.096.455
22. Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-	-	-	-
23. Export	5.575.431.706	248.177.940	-	-	7.202.208.377	407.473.140	25.315.530	-
24. Import	2.320.543.883	107.072.121	-	-	1.488.569.894	90.742.180	61.210	-

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

The following table details the Group's foreign currency sensitivity as at 30 September 2023 and 31 December 2022 for the changes at the rate of 10%:

Exchange Rate Sensitivity Analysis		
30.09.2023		
	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change in USD against TL by 10%		
1- USD Net Asset / Liability	117.159.591	(117.159.591)
2- Hedged portion of USD Risk (-)	-	-
3- USD Net Effect (1+2)	117.159.591	(117.159.591)
Change in EUR against TL by 10%		
4- EURO Net Asset / Liability	(9.139.520)	9.139.520
5- Hedged portion of EURO Risk (-)	-	-
6- EURO Net Effect (4+5)	(9.139.520)	9.139.520
Change in GBP against TL by 10%		
7- GBP Net Asset / Liability	228	(228)
8- Hedged portion of GBP Risk (-)	-	-
9- GBP Net Effect (7+8)	228	(228)
TOTAL	108.020.298	(108.020.298)

Exchange Rate Sensitivity Analysis		
31.12.2022		
	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change in USD against TL by 10%		
1- USD Net Asset / Liability	13.848.408	(13.848.408)
2- Hedged portion of USD Risk (-)	-	-
3- USD Net Effect (1+2)	13.848.408	(13.848.408)
Change in EUR against TL by 10%		
4- EURO Net Asset / Liability	(4.258.596)	4.258.596
5- Hedged portion of EURO Risk (-)	-	-
6- EURO Net Effect (4+5)	(4.258.596)	4.258.596
Change in GBP against TL by 10%		
7- GBP Net Asset / Liability	1.286.861	(1.286.861)
8- Hedged portion of GBP Risk (-)	-	-
9- GBP Net Effect (7+8)	1.286.861	(1.286.861)
TOTAL	10.876.673	(10.876.673)

Interest rate risk

The Group is exposed interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed and floating interest such as time deposits (Note 6) and short-long term nature of borrowings (Note 8) as well as using derivative instruments for hedging purposes.

	30.09.2023	31.12.2022
Fixed-Interest Rate Financial Instruments		
Financial Assets	42.300.329	192.183.882
Financial Liabilities	3.034.448.885	1.906.791.194
Floating-Interest Rate Financial Instruments		
Financial Assets	-	-
Financial Liabilities	-	-

Equity securities and other related risks related financial instruments

The Group does not have any securities and similar financial assets sensitive to changes in fair value.

Credit risk management

Holding financial instruments also carries the risk of the other party not meeting the requirements of the agreement. The Group's collection risk mainly arises from its trade receivables. Trade receivables are evaluated by taking into consideration the Group's accounting policies and procedures and accordingly, trade receivables are allocated in the consolidated statement of financial position less provision for doubtful receivables in the consolidated statement of financial position (Note 10).

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 30 September 2023 and 31 December 2022, the exposure of consolidated financial asset to credit risk is as follows:

CREDIT RISK DETAILS IN RESPECT OF FINANCIAL INSTRUMENT TYPES

30.09.2023	Receivables				Notes	Bank deposits	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	8.126.091	2.455.570.781	28.692.286	170.160.381	10-11	540.381.479	6
- Maximum risk secured with guarantees and collaterals	-	1.473.342.469	-	-	10-11	-	
A. Net book value of neither past due nor impaired financial assets	8.126.091	2.455.570.781	28.692.286	170.160.381	10-11	540.381.479	6
B. Conditions are renegotiated otherwise, net book value of past due but not impaired financial assets	-	-	-	-	10-11		6
C. Net book value of past due but not impaired financial assets	-	-	-	-	10-11		
- Secured with guarantees and collaterals	-	-	-	-	10-11		6
D. Net book value of impaired assets	-	-	-	-	10-11		
- Past due (gross book value)	-	20.188.262	-	-	10-11		6
- Impairment (-)	-	20.188.262	-	-	10-11		6
- Secured with guarantees and collaterals	-	-	-	-	10-11		6

31.12.2022

	Receivables				Notes	Bank deposits	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	239.835	1.291.533.655	51.866.828	106.088.178	10-11	466.477.469	6
- Maximum risk secured with guarantees and collaterals	-	776.968.232	-	-	10-11	-	
A. Net book value of neither past due nor impaired financial assets	239.835	1.291.533.655	51.866.828	106.088.178	10-11	466.477.469	6
B. Conditions are renegotiated otherwise, net book value of past due but not impaired financial assets	-	-	-	-	10-11	(-)	6
C. Net book value of past due but not impaired financial assets	-	-	-	-	10-11	(-)	
- Secured with guarantees and collaterals	-	-	-	-	10-11	(-)	6
D. Net book value of impaired assets	-	-	-	-	10-11	(-)	
- Past due (gross book value)	-	18.116.340	-	-	10-11	(-)	6
- Impairment (-)	-	(18.116.340)	-	-	10-11	(-)	6
- Secured with guarantees and collaterals	-	-	-	-	10-11	(-)	6

Liquidity risk management

The Group tries to manage the liquidity risk by maintaining the continuation of sufficient funds and loan reserves by means of matching the financial instruments and terms of liabilities by following the cash flow regularly.

Liquidity risk statements

Liquidity risk is the risk that a Group will be unable to meet its funding needs. Prudent liquidity risk management is to provide sufficient cash and cash equivalents, to enable funding with the support of credit limits provided by reliable credit institutions and to close funding deficit. The Group provides funding by balancing cash inflows and outflows through the provision of credit lines in the business environment.

Undiscounted contractual cash flows of the derivative and non-derivative consolidated financial liabilities in TL as of 30 September 2023 and 31 December 2022 are as follows:

30.09.2023

	Carrying Value	Total Contractual Cash Outflows	Demand or up to 3 months	4-12 months	1-5 years
Non-Derivative Financial Liabilities	4.276.986.328	4.239.078.180	1.845.813.916	2.022.239.201	371.025.063
Bank Borrowings	2.895.095.518	2.849.784.018	704.324.420	1.936.143.146	209.316.451
Finance Lease Liabilities	139.223.172	142.399.033	35.175.581	82.525.792	24.697.661
Lease Liabilities	137.543.811	141.771.302	1.190.088	3.570.263	137.010.951
Trade Payables	909.467.951	909.467.951	909.467.951	-	-
Other Payables	195.655.876	195.655.876	195.655.876	-	-

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

31.12.2022

	Carrying Value	Total Contractual Cash Outflows	Demand or up to 3 months	4-12 months	1-5 years
Non-Derivative Financial Liabilities	2.931.221.99	2.976.269.83	1.231.124.361	1.415.282.135	329.863.341
<i>Bank Borrowings</i>	<i>1.742.934.91</i>	<i>1.774.980.12</i>			
	<i>0</i>	<i>4</i>	<i>283.170.962</i>	<i>1.337.888.102</i>	<i>153.921.060</i>
<i>Finance Lease Liabilities</i>	<i>163.462.832</i>	<i>171.683.332</i>	<i>24.911.116</i>	<i>73.445.113</i>	<i>73.327.103</i>
<i>Lease Liabilities</i>	<i>103.098.272</i>	<i>107.880.405</i>	<i>1.316.307</i>	<i>3.948.920</i>	<i>102.615.178</i>
<i>Trade Payables</i>	<i>854.168.945</i>	<i>854.168.945</i>	<i>854.168.945</i>	-	-
<i>Other Payables</i>	<i>67.557.031</i>	<i>67.557.031</i>	<i>67.557.031</i>	-	-

Fair value of financial assets and liabilities

Fair value is the amount for which a financial instrument could be exchanged, or a liability settled between, willing parties during current transaction, other than in a forced sale or liquidation, and is best evidenced through a quoted market price, if one exists. Foreign currency denominated receivables and payables are translated with the exchange rates prevailing as of the date of the consolidated financial statements.

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

Financial assets

The carrying values of cash and cash equivalents including cash on hand and demand deposits, accrued interests and other financial assets are considered to approximate their respective carrying values due to their short-term nature and insignificant credit risk. The carrying values of trade receivables less provision for doubtful receivables are considered to approximate their respective carrying values.

Financial liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of the bank borrowings after discount are considered to be approximate to their corresponding carrying values. Bank borrowings are expressed with discounted cost and transaction costs are added to the initial cost of the loan. The fair values of the loans after discount are considered to be approximate to their corresponding carrying values. In addition, it is considered that the fair values of the trade payables are approximate to their respective carrying value due to their short-term nature.

NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING)

Fair value hedge of foreign currency risk

The Group uses hedge accounts on its balance sheet by borrowing in the same currency against the foreign currency denominated risks arising from the foreign currency sales amounts to be realized in the subsequent periods within the scope of the agreements.

In this context, repayments of foreign currency denominated borrowings, which are subject to hedge accounting and determined as hedging instrument, are made with foreign currency sales cash flows that are realized on closing dates and determined as hedged item within the scope of hedge accounting.

In accordance with the currency risk management strategy determined by the Group management, unrealized firm commitment applies hedge accounting to hedge the currency risk component of the fair value risk and hedge the cash flow risk of the highly probable forecast transaction currency risk component and is formed on the hedged item and the hedging instrument. The Group aims to present a precise income statement by netting the foreign exchange rate fluctuations that have not yet been realized and by following the currency fluctuations of bank borrowings, which are defined as hedge instruments, under the consolidated statement of other comprehensive income.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 (Amounts are expressed in Turkish Lira unless otherwise indicated.)

In accordance with the hedge accounting strategy established by the Group management, the Group tries to maintain a 100% hedge ratio and a hedge effectiveness between 70% and 130%. As of 30 September 2023, hedge ratio and hedge effectiveness have been calculated as 110% and 90%, respectively.

<i>TL</i>	30.09.2023
The amount of the hedged item's risk component recognised in the assets under balance sheet (firm commitment)	155.042.373
<i>USD</i>	30.09.2023
The present value of the hedged item (current)	70.941.210
The present value of the hedged item (non-current)	3.454.707
The present value of the hedging instrument (current)	65.211.802
The present value of the hedging instrument (non-current)	3.330.782
<i>EUR</i>	30.09.2023
The present value of the hedged item (current)	4.650.532
The present value of the hedged item (non-current)	2.864.270
The present value of the hedging instrument (current)	4.561.630
The present value of the hedging instrument (non-current)	2.097.293
<i>TL</i>	30.09.2023
The cumulative exchange difference on hedged item (current)	402.726.526
The cumulative exchange difference on hedged item (non-current)	107.445.495
The cumulative exchange difference on hedging instrument (current)	(366.069.475)
The cumulative exchange difference on hedging instrument (non-current)	(93.098.645)
Hedge effectiveness ratio	90%
Exchange rate difference amount in inactive markets maintained within a band in the balance sheet	15.216.216
Exchange rate difference amount in inactive markets maintained within a band in the statement of profit or loss	-
<i>Hedge ratio</i>	TL
The total amount of future expected cash flows of the hedged item (Cash flow hedge)	2.340.621.405
The total amount of future expected cash flows of the instrument used for hedging purposes (Cash flow hedge)	2.136.113.926
Hedge ratio, net	110%

Financial instruments and financial risk management

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk, interest rate risk at fair value, price risk) credit risk, cash flow interest rate risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative instruments and forward contracts to hedge risk exposures.

Fair value of financial instruments

Fair value is the amount for which a financial instrument could be exchanged, or a liability settled between, willing parties during current transaction, other than in a forced sale or liquidation, and is best evidenced through a quoted market price, if one exists.

The Group determined fair value of financial instruments by using available market information and appropriate valuation methods. However, evaluating the market information and forecasting the real values requires interpretation. As a result, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair value of each financial instrument for which it is practicable to estimate fair value.

Monetary assets

The carrying values of financial assets including cash and cash equivalents are carried at cost which is considered to approximate their respective carrying values due to their short-term nature and insignificant credit risk. The carrying values of trade receivables less provision for doubtful receivables are considered to approximate their respective carrying values.

Monetary liabilities

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists

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

Financial assets

The fair values of financial assets carried at cost including cash and cash equivalents and other financial assets are considered to approximate their respective carrying values due to their short-term nature and insignificant credit risk.

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2023 *(Amounts are expressed in Turkish Lira unless otherwise indicated.)*

Debt and equity securities are carried at fair value in accordance with the market prices, if one exists.

The classification of the Group's consolidated financial assets and liabilities at fair value is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities: The fair value of financial assets and financial liabilities are determined with reference to quoted market prices.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices):

Level 3: Inputs for the asset or liability that are not based on observable market data.

NOTE 40 - EVENTS AFTER THE REPORTING PERIOD

None.

NOTE 41 - THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR ARE REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE CONSOLIDATED FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.