

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

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR 1 JANUARY- 31 DECEMBER 2022

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kocaeli Çelik Sanayi ve Ticaret Anonim Şirketi

A- Report on the audit of the consolidated financial statements

1-Opinion

We have audited the consolidated financial statements of Kocaeli Çelik Sanayi ve Ticaret Anonim Şirketi (the "Company" or "Kocaeli Çelik") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

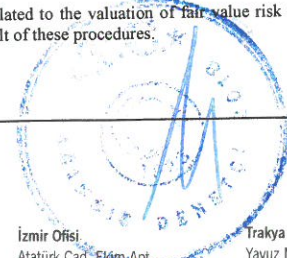
2- Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3-Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Fair value risk and cash flow hedge accounting (Note 12)	
<p>In accordance with the contracts made by the Group management, Kocaeli Çelik applies cash flow hedge transactions on its consolidated balance sheet to manage foreign currency risk due to securities issued at fixed rate and loans and advances at floating rate with cross-currency swap transactions.</p> <p>In this context, the Group applied cash flow hedge accounting arising from fair value risk with unrecognised firm commitment contracts due to highly probable forecast transactions.</p> <p>We considered fair value risk and cash flow hedge accounting are material to consolidated financial statements due to following matters:</p> <p>As of 31 December 2022, losses on fair value hedge transactions arising from foreign currency risk which is presented under assets is amounting to TL 149.090.954 and losses on cash flow hedge transactions presented under equity is amounting to TL 190.938.728 are material to Kocaeli Çelik's consolidated financial statements.</p> <p>The criteria for the application of the hedge accounting include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due to the fact that hedge accounting has complex structure and requires technical calculations, we considered this to be one of the key audit matters.</p>	<p>The audit procedures for testing hedge accounting included below:</p> <p>We have evaluated and examined the documentation and appropriateness of hedging relationships of cash flow hedge and fair value hedge transactions and the main reasons of hedge accounting including strategy and aims determined by the Group management regarding the application of hedge accounting.</p> <p>We have evaluated the effectiveness of hedge accounting. In addition, we have tested whether the gains/losses on the fair value of the income planned to be obtained in the subsequent periods, the gains/losses on the fair value of the loans is between 70% and 130%.</p> <p>We have assessed the compliance of the sales subject to the cash flow hedge accounting with the budget approved by the Group management and the contracts regarding these sales.</p> <p>We have controlled and evaluated the compliance of the methods applied in the calculation of costs regarding contracts applied on hedge accounting transactions.</p> <p>We have controlled the repayment schedule of the Euro and USD loans which are also tested with loan agreements through bank reconciliation statements. We have evaluated in what extent month loan repayment schedule meet the monthly sales.</p> <p>We have controlled the mathematical accuracy and recognition of the accounting records on the hedge accounting.</p> <p>Testing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value risk and cash flow hedge accounting,</p> <p>We had no material findings related to the valuation of fair value risk and cash flow hedge accounting as a result of these procedures.</p>



www.gureli.com.tr

Merkez Ofisi
Spine Tower Maslak Mah. Saat Sok.
No: 5 Kat: 25-26-28
Sarıyer 34485 - İstanbul
T : 444 9 475 (212) 285 01 50
F : +90 (212) 285 03 40-43
gym@gureli.com.tr

Ankara Ofisi
ASO Kule Atatürk Bulvarı
No: 193 Kat: 9
Kavaklıdere 06680 - Ankara
T : +90 (312) 466 84 20
F : +90 (312) 466 84 21
gymankara@gureli.com.tr

Antalya Ofisi
Fener Mah.1964 Sok. No: 36
Kemal Erdoğan Apt. Kat: 1 D: 4
Muratpaşa 07160 - Antalya
T : +90 (242) 324 30 14
F : +90 (242) 324 30 15
gymantalya@gureli.com.tr

Bursa Ofisi
Odunluk Mah. Akademi Cad.
Zeno İş Merkezi D Blok Kat: 7 D: 31
Nilüfer 16265 - Bursa
T : +90 (224) 451 27 10
F : +90 (224) 451 27 79
gymbursa@gureli.com.tr

İzmir Ofisi
Atatürk Cad. Ekim Apt.
No: 174/1 Kat: 5 D: 9
Alsancak 35220 - İzmir
T : +90 (232) 421 21 34
F : +90 (232) 421 21 87
gymizmir@gureli.com.tr

Trakya Ofisi
Yavuz Mah. Ferman Sok.
No: 3/7 Kat: 2
Süleymanpaşa 59100 - Tekirdağ
T : +90 (282) 261 25 30
F : +90 (282) 261 62 56
gymtrakya@gureli.com.tr

Key Audit Matter	How our audit addressed the key audit matter
Fair value of property, plant and equipment (Note 18)	
<p>As disclosed in Note 18, the consolidated financial statements as of 31 December 2022 include property, plant and equipment carried at fair value amounting to TL 2.423.302.873 which includes land, buildings, plant, machinery and equipment, motor vehicles and furniture and fixtures. Aforementioned amount represent a significant portion of the Kocaer Çelik's total assets.</p> <p>Fair values of property, plant and equipment of the Group are recognized according to appraisal reports issued by independent experts.</p> <p>We considered fair values of property, plant and equipment are material to consolidated financial statements due to following matters:</p> <p>The determination of fair valuation study includes data that have unobservable in the market and is determined by using an independent experts,</p> <p>The calculation of fair value is affected by current market conditions,</p> <p>Accordingly, the amount and nature of property, plant and equipment are material to the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the fair value of property, plant and equipment:</p> <p>We have controlled the frequency of revaluation of property, plant and equipment and its compliance in accordance with the TAS 16 "Property, plant and equipment".</p> <p>In accordance with the meetings and discussions made with the Group and independent appraisal experts, we have not observed that there is no significant and irregular change incurred in the fair value of the property, plant and equipment.</p> <p>In accordance with the meetings and discussions made with the Group and independent appraisal experts, we have not observed that there is no significant and irregular change incurred in the assumptions and factors used in the fair value calculation of the property, plant and equipment.</p> <p>We have compared and assessed the comparable sales m² unit values of the property, plant and equipment located in the area close to the land owned by the Group and subject to revaluation at the end of 2022 by the independent appraisal experts appointed by the Group, with the Group's property, plant and equipment carrying values. In addition we have controlled whether impairment on property, plant and equipment incurred during the reporting period.</p> <p>We have tested title deed records ownership interests of property, plant and equipment which includes land and buildings.</p> <p>Testing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value of property, plant and equipment,</p> <p>We had no material findings related to the fair value of property, plant and equipment as a result of these procedures.</p>

4- Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with ISAs is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Merkez Ofisi
Spine Tower Maslak Mah. Saat Sok.
No: 5 Kat: 25-26-28
Sarıyer 34485 - İstanbul
T : 444 9 475 (212) 285 01 50
F : +90 (212) 285 03 40-43
gym@gureli.com.tr

Ankara Ofisi
ASO Küle Atatürk Bulvarı
No: 193 Kat: 9
Kavaklıdere 06680 - Ankara
T : +90 (312) 466 84 20
F : +90 (312) 466 84 21
gymankara@gureli.com.tr

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Kemal Erdoğan Apt. Kat: 1 D: 4
Muratpaşa 07160 - Antalya
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Zeno İş Merkezi D Blok Kat: 7 D: 31
Nilüfer 16265 - Bursa
T : +90 (224) 451 27 10
F : +90 (224) 451 27 79
gymbursa@gureli.com.tr

İzmir Ofisi
Atatürk Cad. Ekim Apt.
No: 174/1 Kat: 5 D: 9
Alsancak 35220 - İzmir
T : +90 (232) 421 21 34
F : +90 (232) 421 21 87
gymizmir@gureli.com.tr

Trakya Ofisi
Yavuz Mah. Fatih Sok.
No: 3/7 Kat: 2
Süleymanpaşa 59100 - Tekirdağ
T : +90 (282) 261 25 30
F : +90 (282) 261 62 56
gymtrakya@gureli.com.tr

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B- Other Responsibilities Arising from Regulatory Requirements

1) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Group's bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Group's articles of association related to financial reporting.

2) In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3) According to the 5th article of the "Corporate Governance Communiqué" numbered II-17.1, "Partnerships that apply to the Board of Directors for the public offering of their shares for the first time and / or to be traded on the stock exchange will be subject to the liabilities of the partners in the third group until the list specified in the second paragraph is announced, it must ensure that the necessary compliance as of the date of the first general meeting to be held after the shares begin to be traded on the stock exchange". The Group has not yet held its first General Assembly after its shares began to be traded on the stock exchange. As of 31 December 2022, the Group's Board of Directors has not established the system and authorized committee stipulated in article 378. According to the Turkish Commercial Code ("TCC") No. 6102 and pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), an independent auditor's report on the Early Risk Identification System and Committee, has not been prepared and presented to the Group's Board of Directors.

The engagement partner responsible for the audit resulting in this independent auditor's report is Metin ETKİN.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
An Independent Member of BAKER TILLY INTERNATIONAL



www.gureli.com.tr

Merkez Ofisi
Spine Tower Maslak Mah. Saat Sok.
No: 5 Kat: 25-26-28
Sarıyer 34485 - İstanbul
T : 444 9 475 (212) 285 01 50
F : +90 (212) 285 03 40-43
gym@gureli.com.tr

Ankara Ofisi
ASO Kule Atatürk Bulvarı
No: 193 Kat: 9
Kavaklıdere 06680 - Ankara
T : +90 (312) 466 84 20
F : +90 (312) 466 84 21
gymankara@gureli.com.tr

Antalya Ofisi
Fener Mah.1964 Sok. No: 36
Kemal Erdoğan Apt. Kat: 1 D: 4
Muratpaşa 07160 - Antalya
T : +90 (242) 324 30 14
F : +90 (242) 324 30 15
gymantalya@gureli.com.tr

Bursa Ofisi
Ođunluk Mah. Akademi Cad.
Zeno İş Merkezi D Blok Kat: 7 D: 31
Nilüfer 16265 - Bursa
T : +90 (224) 451 27 10
F : +90 (224) 451 27 79
gymbursa@gureli.com.tr

İzmir Ofisi
Atatürk Cad. Ekim Apt.
No: 174/1 Kat: 5 D: 9
Alsancak 35220 - İzmir
T : +90 (232) 421 21 34
F : +90 (232) 421 21 87
gymizmir@gureli.com.tr

Trakya Ofisi
Yavuz Mah. Ferman Sok.
No: 3/7 Kat: 2
Süleymanpaşa 59100 - Tekirdağ
T : +90 (282) 261 25 30
F : +90 (282) 261 62 56
gymtrakya@gureli.com.tr

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KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2022 AND 2021

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

		Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
ASSETS	Notes		
Current Assets		4.243.789.837	2.125.444.000
Cash and Cash Equivalents	6	466.548.977	310.435.432
Financial Investments	7	480.921.554	-
Trade Receivables	10	1.291.773.490	521.687.602
<i>Third Parties</i>	10	1.291.533.655	521.056.596
<i>Related Parties</i>	10-37	239.835	631.006
Other Receivables	11	157.955.006	492.104.437
<i>Third Parties</i>	11	106.088.178	55.236.021
<i>Related Parties</i>	11-37	51.866.828	436.868.416
Derivative Instruments	12	78.810.433	139.664.247
Inventories	13	1.544.818.657	625.708.360
Prepaid Expenses	15	92.658.501	35.843.922
<i>Third Parties</i>		92.658.501	35.843.922
Other Current Assets	26	130.303.219	-
Non-Current Assets		3.057.687.357	1.335.406.875
Other Receivables	11	2.138.417	260.544
<i>Third Parties</i>	11	2.138.417	260.544
Derivative Instruments	12	70.280.521	96.456.779
Financial Investments	7	1.959	-
Investments Accounted for Using the Equity Method	16	-	128.963
Right of Use Assets	14	103.362.290	21.453.805
Investment Properties	17	156.695.000	59.395.000
Property, Plant and Equipment	18	2.717.137.748	1.139.322.031
Intangible Assets	19	6.824.557	17.190.833
<i>Other Intangible Assets</i>	19	6.824.557	17.190.833
Deferred Tax Assets	35	1.246.865	1.198.920
TOTAL ASSETS		7.301.477.194	3.460.850.875

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



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

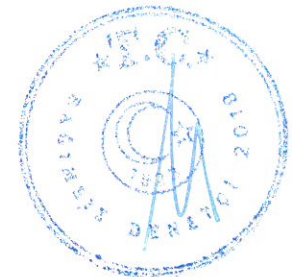
KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2022 AND 2021

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

	Notes	Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
LIABILITIES			
Current Liabilities			
Short-Term Borrowings	8	1.499.562.711	708.933.992
Short Term Portion of Long Term Borrowings	8	159.068.429	669.143.779
Trade Payables	10	854.168.945	437.769.784
<i>Third Parties</i>	10	853.047.794	437.121.068
<i>Related Parties</i>	10-37	1.121.151	648.716
Employee Benefits	20	20.080.327	7.519.080
Other Payables	11	47.476.704	47.432.228
<i>Third Parties</i>	11	45.208.067	34.672.413
<i>Related Parties</i>	11-37	2.268.637	12.759.815
Deferred Income	15	933.044.943	217.428.541
<i>Third Parties</i>		933.044.943	217.428.541
Current Income Tax Liabilities	35	24.130.958	18.649.841
Short Term Provisions	22	14.335.619	8.617.341
<i>Other Short Term Provisions</i>	22	10.004.070	6.367.953
<i>Short Term Provisions for Employee Benefits</i>	22-24	4.331.549	2.249.388
Other Current Liabilities	26	2.002	1.481.173
Non-Current Liabilities			
Long Term Borrowings	8	351.258.326	381.115.829
Long Term Provisions	22	24.629.708	9.382.749
<i>Long Term Provisions for Employee Benefits</i>	22-24	24.629.708	9.382.749
Deferred Tax Liabilities	35	86.920.646	19.998.478
EQUITY			
Equity Holders of the Parent			
Paid-in Share Capital	27	3.275.605.648	928.655.276
Share Premium	27	657.570.000	212.000.000
Share Premium	27	119.699.349	-
Accumulated Other Comprehensive Income or Expenses not to be reclassified to Profit or Loss	27	1.724.049.690	551.048.719
Accumulated Other Comprehensive Income or Expenses to be reclassified to Profit or Loss	27	(158.586.913)	(138.023.434)
Business combinations under common control	27	(16.001.044)	(16.001.044)
Restricted Reserves	27	29.105.331	29.105.331
Retained Earnings	27	168.525.704	157.941.274
Profit for the Period	27	751.243.531	132.584.430
Non-Controlling Interests	27	11.192.228	4.722.784
TOTAL LIABILITIES AND EQUITY		7.301.477.194	3.460.850.875

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



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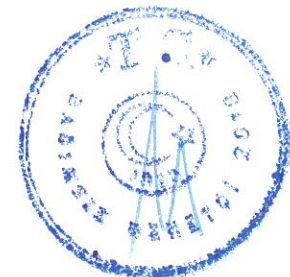
KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

		Audited Current Period	Audited Prior Period
		01.01.2022 31.12.2022	01.01.2021 31.12.2021
Revenue	28	9.418.465.603	4.216.306.544
Cost of Sales (-)	28	(7.255.786.606)	(3.364.737.035)
Gross profit from non-finance sector operations		2.162.678.997	851.569.509
GROSS PROFIT		2.162.678.997	851.569.509
Marketing, Sales and Distribution Expenses (-)	29-30	(564.208.421)	(280.664.456)
General Administrative Expenses (-)	29-30	(83.409.036)	(33.026.377)
Research and Development Expenses (-)	29-30	(2.911.498)	(1.806.951)
Other Operating Income	31	77.959.894	512.111.934
Other Operating Expenses (-)	31	(186.017.579)	(86.266.404)
OPERATING PROFIT		1.404.092.357	961.917.255
Share of profit/loss of investments accounted for using the equity method	16	-	53
Gains from investment activities	32	217.147.385	29.688.367
Losses from investment activities (-)	32	(129.913)	(887.293)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		1.621.109.829	990.718.382
Financial Income	33	100.122.223	23.604.999
Financial Expense (-)	33	(908.545.865)	(834.069.235)
PROFIT BEFORE TAX		812.686.187	180.254.146
Tax income/(expense)	35	(56.942.399)	(44.885.893)
- Current period tax expense		(140.541.822)	(34.547.405)
- Deferred tax income/expense		83.599.423	(10.338.488)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		755.743.788	135.368.253
PROFIT FOR THE PERIOD		755.743.788	135.368.253
Attributable to:		755.743.788	135.368.253
Non-Controlling Interests		4.500.257	2.783.823
Equity Holders of the Parent		751.243.531	132.584.430
Earnings Per Share			
Earnings Per Share From Continuing Operations	36	2,8930	625,3983

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



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

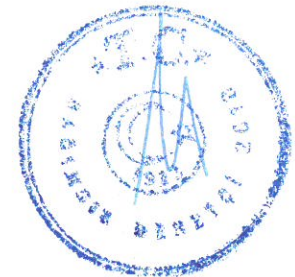
KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

		Audited Current Period	Audited Prior Period
		01.01.2022 31.12.2022	01.01.2021 31.12.2021
PROFIT FOR THE PERIOD	Notes		
OTHER COMPREHENSIVE INCOME:	36	755.743.788	135.368.253
Items not to be reclassified to profit/loss		1.050.983.426	297.184.610
Property, plant and equipment revaluation surplus		1.220.217.017	337.100.235
Gains/(losses) on remeasurements of defined benefit plans	24	(11.837.994)	(1.768.279)
Taxes relating to other comprehensive income not to be reclassified to profit/loss		(157.395.597)	(38.147.346)
- <i>Deferred tax income/expense (PP&E)</i>		(159.763.197)	(38.497.197)
- <i>Deferred tax income/expense (Actuarial)</i>	35	2.367.600	349.851
Items to be reclassified to profit/loss		(18.582.492)	(71.351.178)
Currency translation differences		19.613.733	14.052.093
Gains/(losses) on cash flow hedges		(45.118.177)	(110.913.339)
Taxes relating to other comprehensive income to be reclassified to profit/loss		6.921.952	25.510.068
- <i>Deferred tax income/expense</i>		6.921.952	25.510.068
OTHER COMPREHENSIVE INCOME		1.032.400.934	225.833.432
TOTAL COMPREHENSIVE INCOME		1.788.144.722	361.201.685
Attributable to:		1.788.144.722	361.201.685
Non-Controlling Interests		6.463.699	4.189.330
Equity Holders of the Parent		1.781.681.023	357.012.355

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



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

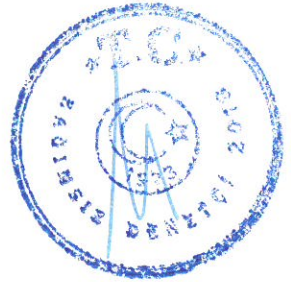
KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

Prior Period (Audited)	Notes	Paid-in share capital	Business combinations under common control	Gains/(losses) on remeasurement 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	Non-controlling interests	Total Equity	Items to be reclassified to profit or loss	
														Retained Earnings	
Balances at 1 January 2021 (Beginning of the period)	27	90,000,000	(15,150,510)	(2,020,715)	377,871,071	2,086,237	(67,339,232)	29,105,331	(237,432,848)	81,378,303	258,497,637	509,231	259,006,868		
Capital increases		122,000,000	-	-	(122,000,001)	-	-	-	81,378,303	(81,378,303)	-	88,977	88,977		
Business combinations under common control		-	(850,534)	-	-	-	-	-	-	-	(850,534)	-	(915,288)		
Effect of carve out consolidated financial statements		-	-	-	-	-	-	-	313,995,819	-	-	-	313,995,819		
Total Comprehensive Income		-	-	(1,404,674)	298,603,038	12,632,832	(85,403,271)	-	313,995,819	132,584,430	4,189,330	-	361,201,685		
- Profit for the Period	27	-	-	(1,404,674)	298,603,038	12,632,832	(85,403,271)	-	-	132,584,430	4,189,330	-	361,201,685		
- Other Comprehensive Income (Expense)		-	-	-	-	-	-	-	-	-	-	-	228,568,255		
Balances at 31 December 2021 (End 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		
Current Period (Audited)															
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		424,070,000	-	-	122,000,000	-	-	-	10,584,430	(132,584,430)	-	-	21,500,000		
Capital increases		21,500,000	-	-	-	-	-	-	-	-	-	-	5,745		
Share premium		-	-	(9,452,850)	1,060,453,821	17,632,746	(38,196,225)	-	-	751,243,531	1,781,681,023	6,463,699	4,788,144,722		
Total Comprehensive Income		-	-	(9,452,850)	1,060,453,821	17,632,746	(38,196,225)	-	-	751,243,531	1,781,681,023	6,463,699	4,788,144,722		
- Profit for the Period	27	-	-	(9,452,850)	1,060,453,821	17,632,746	(38,196,225)	-	-	751,243,531	1,781,681,023	6,463,699	4,788,144,722		
- Other Comprehensive Income (Expense)		-	-	-	-	-	-	-	-	-	-	-	255,743,788		
Balances at 31 December 2022 (End of the period)	27	657,570,000	(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		

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



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

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

Notes	Audited Current Period	Audited Prior Period
	01.01.2022 31.12.2022	01.01.2021 31.12.2021
A) CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT FOR THE PERIOD	755.743.788	135.368.253
Profit for the Period from Continuing Operations	755.743.788	135.368.253
Adjustments to reconcile profit for the period to cash generated from operating activities:		
Depreciation and amortisation	207.440.008	(166.970.674)
Adjustments for Impairment Loss (Reversal)	17,18,19 67.309.319	51.220.483
Adjustments for Receivables Impairment (Reversal)	10 (2.429.560)	8.913.605
Adjustments for Inventory Impairment (Reversal)	10 (2.279.784)	8.634.866
Adjustments for Other Impairment (Reversal)	13 (278.739)	278.739
Adjustments for Provisions	128.963	-
Adjustments for Provision for Employee Benefits (Reversal)	22-24 11.597.891	5.950.499
Adjustments for Provision for Litigations or Lawsuits, Penalties (Reversal)	22-24 5.879.613	3.787.638
Adjustments for Other Provisions (Reversal)	22 3.636.117	2.162.861
Adjustments for interest income and expenses	22 2.082.161	-
Adjustments for Interest Income	31 173.993.321	64.431.407
Adjustments for Interest Expenses	31 (59.662.659)	(17.785.166)
Adjustments for gains/losses on fair value	31 233.655.980	82.216.573
Adjustments for Undistributed Profits of Investments Accounted for Using the Equity Method	(95.927.359)	(211.459.518)
Adjustments for tax income/expense	-	(53)
Adjustments for losses/(gains) on disposal of non-current assets	35 56.942.399	44.885.893
Adjustments for losses/(gains) on disposal of a subsidiary	(4.046.003)	(6.846.074)
Changes in Working Capital	(401.546.471)	(660.422.579)
Adjustments for Gains/Losses on Trade Receivables	10 (767.806.104)	(311.425.164)
Adjustments for Gains/Losses on Other Receivables Related to Operations	11 332.271.558	(427.170.620)
Adjustments for Gains/Losses on Inventories	13 (918.831.558)	(356.231.684)
Adjustments for gains (losses) in prepaid expenses	15 (56.814.579)	(10.895.536)
Adjustments for Gains/Losses on Trade Payables	10 416.399.161	267.034.422
Adjustments for gains (losses) in payables due to employee benefits	20 12.561.247	2.974.897
Adjustments for Gains/Losses In Other Payables Related to Operations	11 44.476	20.602.729
Changes in Deferred Income	15 715.616.402	126.868.601
Changes in other assets related to operations	(130.303.219)	30.512.460
Changes in other liabilities related to operations	(4.683.855)	(2.692.684)
Total Cash Flows from Operating Activities	561.637.325	(692.025.000)
Cash inflows from disposal of other entities or funds or debt instruments	-	321.750.001
Adjustments for Gains/Losses on provisions for employee benefits	22-24 (2.470.648)	(3.712.035)
Income taxes refund/(paid)	35 (128.216.544)	(16.649.397)
Net Cash From Operating Activities	430.950.133	(390.636.431)
B) CASH FLOWS FROM INVESTING ACTIVITIES	(888.800.523)	(141.090.676)
Cash outflows from acquisition of other entities or funds or debt instruments	(1.959)	-
Cash inflows from sale of property, plant and equipment and intangible asset	18 1.848.090	152.644.593
Cash outflows from purchase of property, plant and equipment and intangible assets	18 (406.166.797)	(293.735.269)
Cash outflows from purchase of investment properties	(3.558.303)	-
Cash outflows from dividends and other financial instruments	7 (480.921.554)	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	596.299.143	814.992.068
Cash outflows from share premium and other equity instruments	591.250.000	-
Cash inflows from borrowings	169.771.056	877.759.363
Cash outflows from payments of lease liabilities	14 9.239.362	(653.991)
Interest Paid/Received, net	(173.961.275)	(62.113.304)
D) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES	138.448.753	283.264.961
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	17.632.746	12.632.832
Net Increase/(Decrease) in Cash and Cash Equivalents	156.081.499	295.897.793
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	310.435.432	12.219.536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	466.516.931	308.117.329

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



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022
(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 business title of Kocaer Haddecilik Sanayi ve Ticaret Anonim Şirketi. The business 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 2022, 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.

Turkey’s İzmir region-based Kocaer has annual capacity of 800,000 metric tons of steel, serving 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 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 galvanisation facility 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 associate, 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 mevkii 19. Cadde No:1 Aliğa / İzmir,
- Aliğa Branch: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevkii 19. Cadde No:2 Aliğa / İzmir,
- Aliğa Branch 2:Yeni Foça yolu üzeri 2. km Sanayi Caddesi Bozköy mevkii No:31 Aliğa / İzmir,
- İzmir Alsancak Branch: Akdeniz Mahallesi Şehit Fethibey Caddesi No:55/161 Konak/İzmir

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding rates in Kocaer Çelik are as follows:

Shareholders	31.12.2022		31.12.2021	
	Amount	Share (%)	Amount	Share (%)
Hakan KOCAER	520.084.989	79	169.600.000	80
Ali Rıza KOCAER	-	-	42.400.000	20
Other	137.485.011	21	-	-
Total share capital	657.570.000	100	212.000.000	100

The initial public offering of the Group was approved with the official circular on 16.06.2022 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 numbered 10715 on 30 November 2022.

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:

Associates	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

Investments Accounted for Using the Equity Method (Subsidiaries)	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. Kocaer Metal was not included in the scope consolidation as of 31 December 2022 as it entered the liquidation process and did not have a material impact on the consolidated financial statements.

(**)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

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KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

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

increasing exports in the European market. As of 31 December 2022, Kocaer Steel Ireland Limited is inactive and has not been carrying on any business or operation.

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 18.08.1995. 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 standard. Another subsidiary of the Kocaer Çelik is KCR Otomotiv and Yağız Nakliyat acquired KCR Otomotiv on 25.06.2021 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 14.01.2013. 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 14.02.2012. 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 Aliğa/Izmir. 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 year ended 31 December 2022.
- 4- The former subsidiaries of the Group which do not have business activities of iron, steel, transportation and motor vehicle operations, Chakra Mağazacılık Ticaret ve A.Ş. and Kocaer Tekstil Sanayi ve Ticaret A.Ş. have not been included in scope of consolidation and not included in the accompanying consolidated financial statements accordingly. The aforementioned subsidiaries were sold to KCR Tekstil San. ve Tic.A.Ş. in accordance with the decision of the Board of Directors on 31 December 2021 numbered 35-36.

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

Total end of period and average number of personnel employed by Kocaer Çelik is 887 (31 December 2021: 716).

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.

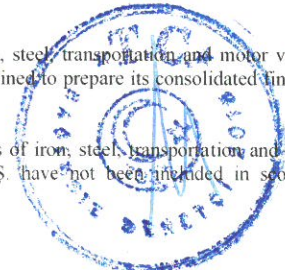
The Group and its subsidiaries and associates maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions except for property, plant and equipment including land, buildings, land improvements and plant, machinery and equipment measured 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.

After the restructuring undertaken in 2021, the main and sole activities of the Group became iron, steel, transportation and motor vehicle operations and cease 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 comparatively for the period 1 January 2022 – 31 December 2021 and therefore, the Group has determined to prepare its consolidated financial statements for the year ended 31 December 2021.

As of 31 December 2021, the former subsidiaries of the Group which do not have business activities of iron, steel, transportation and motor vehicle operations Chakra Mağazacılık Ticaret ve A.Ş. and Kocaer Tekstil Sanayi ve Ticaret A.Ş. have not been included in scope of



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

consolidation and not included in the accompanying consolidated financial statements accordingly. The aforementioned subsidiaries were sold to KCR Tekstil San. ve Tic.A.Ş. in accordance with the decision of the Board of Directors on 31 December 2021 numbered 35-36.

Accordingly, Chakra Mağazacılık Ticaret ve A.Ş. and Kocaer Tekstil Sanayi ve Ticaret A.Ş. which are the former subsidiaries of the Group have been excluded from the accompanying consolidated financial statements for the year ended 31 December 2021. Therefore, the consolidated financial statements include Kocaer Çelik, its subsidiaries and associates' financial statements for the period ended 31 December 2022.

Reporting currency

i) Functional and presentation currency

Items included in the consolidated financial statements 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 the equity.

The year-end and average rates for periods ended 31 December 2022 and 2021 can be summarized as below:

	31.12.2022	31.12.2021
GBP – as of balance sheet date	22.4892	17.9667
GBP – yearly average	20.3180	12.1183
	31.12.2022	31.12.2021
USD – as of balance sheet date	18.6983	13.329
USD – yearly average	16.5453	8.8407
	31.12.2022	31.12.2021
EUR – as of balance sheet date	19.9349	15.0867
EUR – yearly average	17.3604	10.4238

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 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

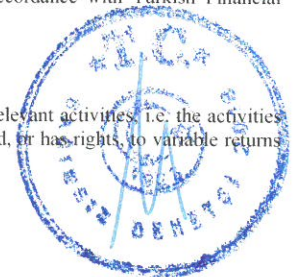
After the restructuring undertaken in the prior period, the main and sole activities of the Group became iron, steel, transportation and motor vehicle operations and cease its operations in home textile. In order to present the consolidated financial position and the results of operations solely of the iron, steel, transportation and motor vehicle comparatively for the prior period.

Accordingly, Chakra Mağazacılık Ticaret ve A.Ş. and Kocaer Tekstil Sanayi ve Ticaret A.Ş. which are the former subsidiaries of the Group have been excluded from the accompanying consolidated financial statements for the year ended 31 December 2021. Therefore, the consolidated financial statements include Kocaer Çelik, its subsidiaries and associates' financial statements for the period ended 31 December 2022.

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.



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In order to be consistent with accounting policies accepted by the Group, accounting policies of the subsidiaries are modified where necessary.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable/receivable balances and sales / purchase transactions are eliminated. 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 Associates and their effective interests are as follows:

Associates	Proportion of voting rights and effective ownership interests held by Kocaer (%)	
	31.12.2022	31.12.2021
Yağız Nakliyat San. Ve Tic. A.Ş.	90.81	90.81
Kocaer Steel UK LTD	89.99	89.99

Another subsidiary of the Kocaer Çelik is KCR Otomotiv and Yağız Nakliyat acquired KCR Otomotiv on 25.06.2021 through business combination.

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.

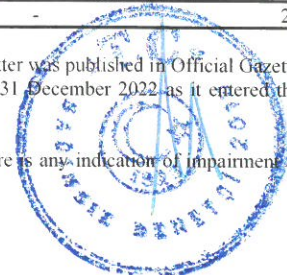
The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. After the Group's interest in the associates becomes nil, additional losses are provided for, 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.

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

Subsidiaries	Proportion of voting rights and effective ownership interests held by Kocaer (%)	
	31.12.2022	31.12.2021
Kocaer Metal San. ve Tic. A.Ş. (*)	-	20

* 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 was not included in the scope consolidation as of 31 December 2022 as it entered the liquidation process and did not have a material impact on the 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.



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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 recorded 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.

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 current period financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. The Group prepared its consolidated balance sheet at 31 December 2022 on a comparative basis with consolidated balance sheet at 31 December 2021; and consolidated statements of income, comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2022 on a comparative basis with consolidated financial statements for the period of 1 January - 31 December 2021.

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 change incurred in the accounting policies of the Group at the end of 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

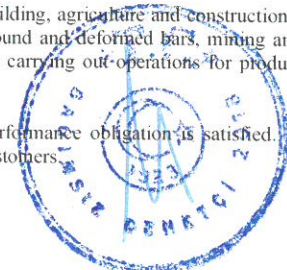
Revenue arising from product sales, the Group mainly generates revenue by producing and selling iron and steel products. Revenue is recognized when the goods or services are transferred to the customer and the performance obligation is satisfied.

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-stage approach is followed in recognizing revenue for all contracts with customers.

- Identification of customer contracts,
- Identification of performance obligations,



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- 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

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 December 31, 2004 for the items purchased before 01 January 2005 and for the items purchased as of January 1, 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.

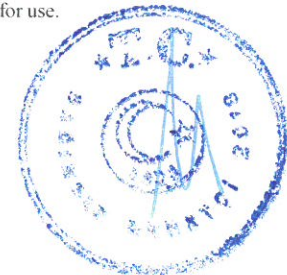
Property, plant and equipment except land and construction in progress are carried at cost less accumulated depreciation. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives. Useful life, residual value and the depreciation method are 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. Machinery and equipment are capitalised and amortised when their capacity is fully available for use.

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



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

	<u>Economic useful lives</u>
- Land	Indefinite
- Buildings	3-10
- Plant, Machinery and Equipment	4-50
- Motor Vehicles	10-25
- Furniture and Fixtures	2-50
- Leasehold Improvements	10-20

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.

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);

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.

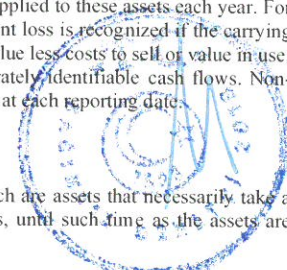
Intangible assets comprise of rights, computer software and capitalized development costs.

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



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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" standard

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
- 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.

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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

- 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).

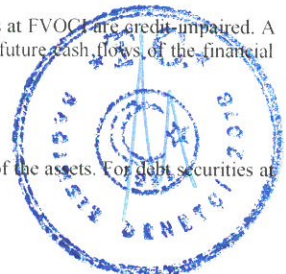
For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (TFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on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



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Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of TFRS 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.

2.08.10 Events After the Reporting Period

Events after the balance sheet date 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 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 financial statements, they are disclosed in the notes to the consolidated financial statements.

2.08.11 Provisions, Contingent Liabilities and Contingent Assets

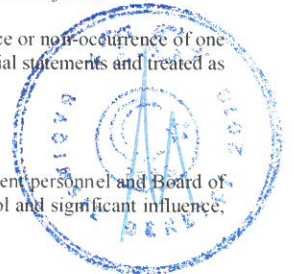
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Contingent liabilities are consistently reviewed prior to the probability of any cash out-flow. In case of the cash outflow is probable, provision is set forth 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 A.Ş., 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".



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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.

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

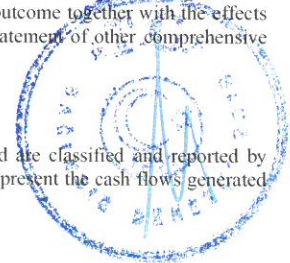
The amount of corporate tax payable is netted because it is related to prepaid corporate tax amounts. Deferred tax assets and liabilities are also offset in the same way.

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 balance sheet. 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 in hand, bank deposits and liquid investments.



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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 of 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 26-28 December 2022 in the accompanying consolidated financial statements. 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.

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 tha 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:

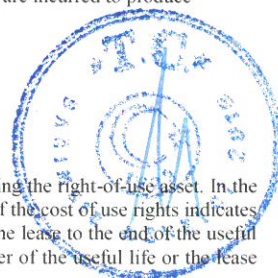
- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group, and
- d) An estimate of costs to be incurred by the Group in dismantling and removing 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 Standard 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 Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.



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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:

- (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" standard.

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.

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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 31 December 2022 and 2021 (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 31 December 2022, 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

New and revised standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/TFRS and ("TAS")/TFRS interpretations effective as of 1 January 2022. 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 31 December 2022 are as follows:

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

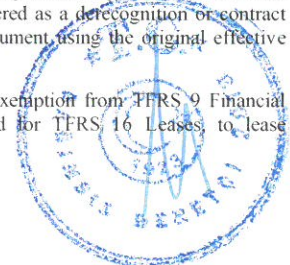
In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR), amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted.

Amendments include the following matters:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.



CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as;

How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes in notes to the financial statements.

The amendments did not have a significant material impact on the financial position or performance of the Group.

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Standards and amendments issued but not yet effective and not early yet adopted as of 31 December 2022

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.

TFRS 17 - The New Standard for Insurance Contracts

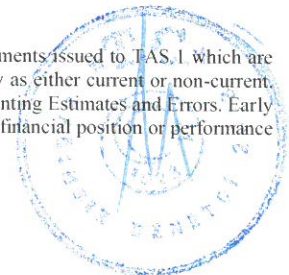
The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted for the entities applied TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers standards.

In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will be applied for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

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 financial position or performance of the Group.



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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 financial position or performance of the Group.

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

In August 2021, 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 financial position or performance of the Group.

Amendments to TFRS 16 – Sale and Leaseback Transactions

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments to TFRS 16 add to requirements explaining 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.

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 period 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.

Current period

None.

Prior period

In accordance with the Turkish Commercial Code numbered 136 and corporate tax law No.5520 article numbered 18,19 and 20, KCR Otomotiv San. ve Tic. A.Ş. and Yağız Nakliyat San. ve Tic. A.Ş. has business combination through merger of entities under common control on 25 June 2021. The abovementioned business combination was published in Official Gazette on 30 June 2021 numbered 10360.



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

For the accounting of business combinations under common control, the Group was acquired as an associate with effective ownership interest rate of 90.86% Yağız Nakliyat San. ve Tic. A.Ş. in 2018, KCR Otomotiv San. ve Tic. A.Ş. with effective ownership interest rate of 89.25% in 2016 and My Metal LTD in 2015 with effective ownership interest rate of 89.9%. As a result of the aforementioned 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. Entities subject to business combination included in scope of consolidation and prior period consolidated financial statements have been restated in the same manner for comparability purposes.

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.

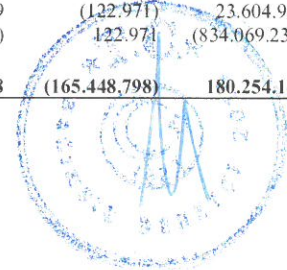
Operating segments which have been prepared in accordance with the reportable segments of Kocaer Çelik for the periods ended 31 December 2022 and 2021 are as follows:

31.12.2022

	Steel	Transportation	Elimination/ Adjustments	Total
Revenue	10.336.160.232	57.059.981	(974.754.610)	9.418.465.603
Cost of Sales (-)	(8.147.474.737)	(56.032.060)	947.720.191	(7.255.786.606)
Gross Profit from Non-Finance Sector Operations	2.188.685.495	1.027.921	(27.034.419)	2.162.678.997
GROSS PROFIT	2.188.685.495	1.027.921	(27.034.419)	2.162.678.997
Marketing, Sales and Distribution Expenses (-)	(564.208.421)	-	-	(564.208.421)
General Administrative Expenses (-)	(82.738.149)	(761.734)	90.847	(83.409.036)
Research and Development Expenses (-)	(2.911.498)	-	-	(2.911.498)
Other Operating Income	77.975.532	420.214	(435.850)	77.959.894
Other Operating Expenses (-)	(185.967.884)	(394.698)	345.003	(186.017.579)
OPERATING PROFIT	1.430.835.075	291.703	(27.034.419)	1.404.092.357
Share of profit/loss of investments accounted for using the equity method	-	-	-	-
Gains from investment activities	217.103.219	44.164	-	217.147.385
Losses from investment activities (-)	(129.913)	-	-	(129.913)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	1.647.808.381	335.867	(27.034.419)	1.621.109.829
Financial Income	100.121.867	356	-	100.122.223
Financial Expense (-)	(908.535.509)	(10.356)	-	(908.545.865)
PROFIT BEFORE TAX	839.394.739	325.867	(27.034.419)	812.686.187

31.12.2021

	Steel	Transportation	Elimination/ Adjustments	Total
Revenue	4.493.741.648	28.764.592	(306.199.696)	4.216.306.544
Cost of Sales (-)	(3.643.371.515)	(27.601.944)	306.236.424	(3.364.737.035)
GROSS PROFIT	850.370.133	1.162.648	36.728	851.569.509
Marketing, Sales and Distribution Expenses (-)	(280.664.456)	-	-	(280.664.456)
General Administrative Expenses (-)	(32.640.365)	(325.700)	(60.312)	(33.026.377)
Research and Development Expenses (-)	(1.806.951)	-	-	(1.806.951)
Other Operating Income	510.480.143	820.458	811.333	512.111.934
Other Operating Expenses (-)	(85.876.823)	(389.581)	-	(86.266.404)
OPERATING PROFIT	959.861.681	1.267.825	787.749	961.917.255
Share of profit/loss of investments accounted for using the equity method	53	-	-	53
Gains from investment activities	190.940.738	4.984.176	(166.236.547)	29.688.367
Losses from investment activities (-)	(887.293)	-	-	(887.293)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	1.149.915.179	6.252.001	(165.448.798)	990.718.382
Financial Income	23.669.601	58.369	(122.971)	23.604.999
Financial Expense (-)	(834.035.754)	(156.452)	122.971	(834.069.235)
PROFIT BEFORE TAX	339.549.026	6.153.918	(165.448.798)	180.254.146



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NOTE 6 - CASH AND CASH EQUIVALENTS

As of 31 December 2022 and 2021, the functional breakdown of cash and cash equivalents is as follows:

Account Name	31.12.2022	31.12.2021
Cash in hand	71.508	45.543
Banks	466.462.769	310.385.565
- Demand Deposits	274.278.887	228.057.462
- Time Deposits	192.183.882	82.328.103
Other	14.700	4.324
Cash and cash equivalents, net	466.548.977	310.435.432

As of 31 December 2022 and 2021, the functional breakdown of cash in hand is as follows:

Cash in hand:	31.12.2022		31.12.2021	
	Original Currency Amount	TL Equivalent	Original Currency Amount	TL Equivalent
TL	11.457	11.457	-	26.520
USD	1.235	23.076	916	12.209
EUR	1.855	36.953	450,00	6.789
GBP	1	22	1,40	25
Total		71.508		45.543

As of 31 December 2022 and 2021, the functional breakdown of banks is as follows:

Banks:	31.12.2022		31.12.2021	
	Original Currency Amount	TL Equivalent	Original Currency Amount	TL Equivalent
TL	67.357.886	67.357.886	-	92.574.212
USD	18.155.355	339.474.265	11.304.694	150.680.271
EUR	2.345.736	46.762.028	4.449.686	67.131.082
GBP	572.212	12.868.590	-	-
Total		466.462.769		310.385.565

As of 31 December 2022 and 2021, the functional breakdown of time deposits is as follows:

Banks:	31.12.2022		31.12.2021	
	Original Currency Amount	Annual effective interest rate %	Original Currency Amount	Annual effective interest rate %
TL	5.574.771	12.50-13.50	82.328.103	15.21 - 17.39
USD	186.609.110	1.47	-	-
Total	192.183.882		82.328.103	
Maturity schedule:			31.12.2022	31.12.2021
1-30 days			191.610.344	82.316.799
30-90 days			573.538	11.304
Total			192.183.882	82.328.103

As of 31 December 2022 and 2021, the Group has no blocked deposits.

As of 31 December 2022 and 2021, total cash and cash equivalents presented under consolidated statement of cash flow less blocked accounts and current customer balances.

Statement of Cash Flow Reconciliation:	31.12.2022	31.12.2021
Cash and cash equivalents	466.548.977	310.435.432
Less: Blocked accounts (-)	-	-
Less: Interest income arising from time deposits (-)	(32.046)	(2.318.103)
Total	466.516.931	308.117.329

NOTE 7 - FINANCIAL INVESTMENTS

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

Account Name	31.12.2022	31.12.2021
Financial assets at fair value through profit or loss	480.921.554	-
Total	480.921.554	-



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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 31 December 2022.

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

Account Name	31.12.2022	31.12.2021
Kocaer Steel Ireland Limited (*)	1.959	-
Total	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 31 December 2022, Kocaer Steel Ireland Limited is inactive and has not been carrying on any business or operation.

NOTE 8 – BORROWINGS

As of 31 December 2022 and 2021, the detailed analysis of short term borrowings are as follows:

Account Name	31.12.2022	31.12.2021
Bank Borrowings	1.401.425.185	572.945.505
Finance Lease Liabilities	95.693.587	135.083.901
Lease Liabilities	2.050.487	790.610
Other	393.452	113.976
Short term borrowings, net	1.499.562.711	708.933.992

As of 31 December 2022 and 2021, short term portion of long term borrowings are as follows:

Account Name	31.12.2022	31.12.2021
Principal and Interest Installments of Long Term Borrowings	159.068.429	669.143.779
Short term portion of long term borrowings, net	159.068.429	669.143.779

As of 31 December 2022 and 2021, the detailed analysis of long term borrowings are as follows:

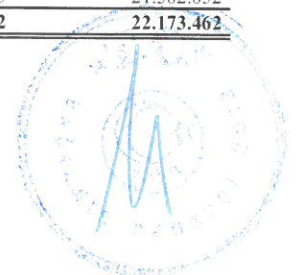
Account Name	31.12.2022	31.12.2021
Bank Borrowings	182.441.296	272.803.084
Finance Lease Liabilities	67.769.245	86.929.893
Lease Liabilities	101.047.785	21.382.852
Long term borrowings, net	351.258.326	381.115.829

Repayment schedule of borrowings is as follows:

Loans	31.12.2022	31.12.2021
0-3 months	281.047.133	508.028.984
4-12 months	1.279.839.933	734.174.276
13-36 months	182.441.296	233.555.160
36-60 months	-	39.247.924
Total	1.743.328.362	1.515.006.344

Finance Lease Liabilities	31.12.2022	31.12.2021
0-3 months	24.785.702	35.181.327
4-12 months	70.907.885	99.902.574
13-36 months	64.755.991	86.929.893
36-60 months	3.013.254	-
Total	163.462.832	222.013.794

Lease Liabilities	31.12.2022	31.12.2021
0-3 months	654.895	183.821
4-12 months	1.395.592	606.789
1 year and over	101.047.785	21.382.852
Total	103.098.272	22.173.462



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

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	

31.12.2021

Currency	Original Currency Amount	TL Equivalent	Annual Effective Interest Rate (%)
TL	84.395.528	84.395.528	8%-22%
EUR	23.301.482	352.176.268	3%-6%
USD	80.763.465	1.078.434.548	1%-8%
Total		1.515.006.344	

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

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%-9%4
Total		163.462.832	

31.12.2021

Currency	Original Currency Amount	TL Equivalent	Annual Effective Interest Rate (%)
TL	360.212	360.212	15%
EUR	5.918.811	89.456.318	1%-6%
USD	9.900.192	132.197.264	6%-8%
Total		222.013.794	

NOTE 9 - OTHER FINANCIAL LIABILITIES

None.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

As of 31 December 2022 and 2021, the breakdown of short term trade receivables is as follows:

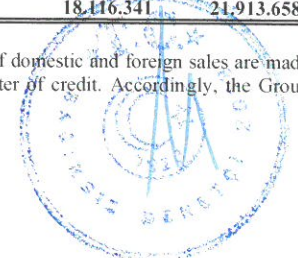
Account Name	31.12.2022	31.12.2021
Trade Receivables from Third Parties	1.291.533.655	521.056.596
-Customers	1.109.074.494	515.382.724
-Notes Receivables	182.459.161	5.486.654
-Other	-	187.218
- Doubtful Trade Receivables	18.116.340	21.913.658
- Provision for Doubtful Trade Receivables (-)	(18.116.340)	(21.913.658)
Trade Receivables from Related Parties (Note 37)	239.835	631.006
Short term trade receivables, net	1.291.773.490	521.687.602

The movements of provision for doubtful receivables are as follows:

	01.01.2022	01.01.2021
	31.12.2022	31.12.2021
Beginning of the period – 1 January	21.913.658	13.278.792
Increases during the period (Note 31)	5.588.413	8.709.982
Provisions no longer required (Note 31)	(9.385.730)	(679.453)
Currency translation differences	-	604.337
End of the period – 31 December	18.116.341	21.913.658

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 31 December 2022 and 2021, the Group has no long term trade receivables.



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As of 31 December 2022 and 2021, the breakdown of short term trade payables is as follows:

Account Name	31.12.2022	31.12.2021
Trade Payables to Third Parties	853.047.794	437.121.068
- Suppliers	853.047.794	437.033.863
- Other	-	87.205
Trade Payables to Related Parties (Note 37)	1.121.151	648.716
Short term trade payables, net	854.168.945	437.769.784

As of 31 December 2022 and 2021, the Group has no long term trade payables.

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

As of 31 December 2022 and 2021, the detailed analysis of short term other receivables is as follows:

Account Name	31.12.2022	31.12.2021
Other Receivables from Third Parties	106.088.178	55.236.021
- Deposits and Guarantees Given	3.872.077	795.791
- Receivables from Tax Office	96.724.641	49.986.730
- Receivables from Personnel	335.567	882.050
- Other	5.155.893	3.571.450
Other Receivables from Related Parties (Note 37) (*)	51.866.828	436.868.416
Short term other receivables, net	157.955.006	492.104.437

(*) Includes the portion amounting to TL 377.213.418 arising from disposal of the subsidiaries of the Group, Chakra Mağazacılık Ticaret ve A.Ş. and Kocaer Tekstil Sanayi ve Ticaret A.Ş., with the business activities of home textile and household linens, and were sold to KCR Tekstil A.Ş. in accordance with the decision of the Board of Directors on 31 December 2021 numbered 35-36 and disposal of Chakra, a subsidiary of the Group, and its trademark rights which were sold to KCR Tekstil A.Ş. in accordance with the decision of the Board of Directors on 31 December 2021 numbered 37.

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

Account Name	31.12.2022	31.12.2021
Other Receivables from Third Parties	2.138.417	260.544
- Deposits and Guarantees Given	2.138.417	260.544
Long term other receivables, net	2.138.417	260.544

As of 31 December 2022 and 2021, short term other payables are as follows:

Account Name	31.12.2022	31.12.2021
Other Payables to Third Parties	45.208.067	34.672.413
- VAT Payables	15.726.900	16.527.049
- Other Liabilities	77.811	37.881
- Taxes Payable	29.312.677	18.054.102
- Other	90.679	53.381
Other Payables to Related Parties (Note 37)	2.268.637	12.759.815
Short term other payables, net	47.476.704	47.432.228

As of 31 December 2022 and 2021, the Group has no long term other payables.

NOTE 12 - DERIVATIVE INSTRUMENTS

The breakdown of short term derivative instruments as of 31 December 2022 and 2021 is as follows:

Account Name	31.12.2022	31.12.2021
Assets Arising From Derivative Instruments	78.810.433	139.664.247
Total	78.810.433	139.664.247

The breakdown of long term derivative instruments as of 31 December 2022 and 2021 is as follows:

Account Name	31.12.2022	31.12.2021
Assets Arising From Derivative instruments	70.280.521	96.456.779
Total	70.280.521	96.456.779

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.

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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 31 December 2022 and 2021, the functional breakdown of inventories is as follows:

Account Name	31.12.2022	31.12.2021
Raw Materials and Supplies	293.494.139	99.729.677
Goods	693.208.271	413.140.146
Merchandise	553.786.125	111.631.915
Other Inventories	4.330.122	1.485.361
Less: Provision for Impairment on Inventories (-)	-	(278.739)
Total	1.544.818.657	625.708.360

Movement of provision for impairment on inventories is as follows:

	01.01.2022	01.01.2021
	31.12.2022	31.12.2021
Beginning of the period – 1 January	278.739	-
Increases during the period (Note 31)	-	278.739
Reversals (Note 31)	(278.739)	-
End of the period – 31 December	-	278.739

NOTE 14 – RIGHT OF USE ASSETS

As of 31 December 2022 and 2021, the movements for right of use assets, and related depreciation are as follows:

31.12.2022

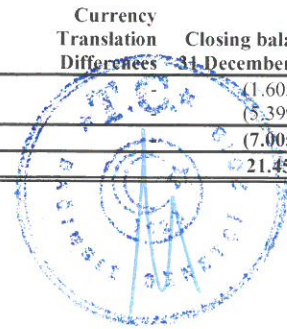
Cost	Opening balance – 1 January 2022	Contractual Additions	Rent Increase Additions	Currency Translation Differences	Closing balance – 31 December 2022
Motor vehicles	3.317.556	-	1.397.936	-	4.715.492
Buildings	25.141.679	84.767.013	430.742	6.919.789	117.259.223
Total	28.459.235	84.767.013	1.828.678	6.919.789	121.974.715

Accumulated depreciation (-)	Opening balance – 1 January 2022	Current Period Depreciation	Currency Translation Differences	Closing balance – 31 December 2022
Motor vehicles	(1.605.942)	(1.036.517)	-	(2.642.458)
Buildings	(5.399.488)	(9.186.520)	(1.383.958)	(15.969.966)
Total	(7.005.430)	(10.223.037)	(1.383.958)	(18.612.425)
Net Book Value	21.453.805			103.362.290

31.12.2021

Cost	Opening balance – 1 January 2021	Contractual Additions	Rent Increase Additions	Currency Translation Differences	Closing balance – 31 December 2021
Motor vehicles	3.303.471	-	14.085	-	3.317.556
Buildings	1.365.371	23.980.597	(204.289)	-	25.141.679
Total	4.668.842	23.980.597	(190.204)	-	28.459.235

Accumulated depreciation (-)	Opening balance – 1 January 2021	Current Period Depreciation	Currency Translation Differences	Closing balance – 31 December 2021
Motor vehicles	(1.035.404)	(570.538)	-	(1.605.942)
Buildings	(417.465)	(4.982.023)	-	(5.399.488)
Total	(1.452.869)	(5.552.561)	-	(7.005.430)
Net Book Value	3.215.973			21.453.805



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NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME

As of 31 December 2022 and 2021, the breakdown short term prepaid expenses is as follows:

Account Name	31.12.2022	31.12.2021
Prepaid Expenses to Third Parties	92.658.501	35.843.922
Short Term Prepaid Expenses	23.426.227	9.386.135
Advances Given for Purchases	69.139.716	26.349.296
Advances Given to Personnel	83.740	73.993
Business Advances	8.818	34.498
Short term prepaid expenses, net	92.658.501	35.843.922

As of 31 December 2022 and 2021, the Group has no long term prepaid expenses.

As of 31 December 2022 and 2021, the breakdown of short term deferred income is as follows:

Account Name	31.12.2022	31.12.2021
Deferred Income from Third Parties	933.044.943	217.428.541
Advances Received (*)	932.687.582	217.428.541
Short term deferred income	357.361	-
Short term deferred income, net	933.044.943	217.428.541

(*) Includes advances received from domestic and foreign customers

As of 31 December 2022 and 2021, the Group has no long term deferred income.

NOTE 16 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 31 December 2022 and 2021, the functional breakdown of the details of carrying values subject to equity accounting of subsidiary is as follows:

Account Name	Proportion of Effective		31.12.2022	31.12.2021
	Interest %			
Kocaer Metal San.A.Ş.(*)	20%	-	-	128.963
Total	-	-	-	128.963
			31.12.2022	31.12.2021
Current assets			-	666.505
Non-current assets			-	25.914
Total assets			-	692.419
Current liabilities			-	47.604
Non-current liabilities			-	-
Equity			-	644.815
Total liabilities and equity			-	692.419
Net sales			-	-
Profit for the period			-	267

The summary financial information of the subsidiary accounted for using the equity method for the period and year ended 31 December 2022 and 2021 respectively, is as follows:

Account Name	31.12.2022	31.12.2021
Beginning of the period – 1 January	-	128.910
Share of profit for the period	-	53
End of the Period – 31 December	-	128.963

(*) 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. has not been considered as an investment accounted for using the equity method and provision for impairment of investments in a subsidiary has been allocated in the accompanying consolidated financial statements as of 31 December 2022.

NOTE 17 - INVESTMENT PROPERTIES

As of 31 December 2022 and 2021, the functional breakdown and relevant financial information regarding investment properties are as follows:

Cost	Opening balance –				Revaluation Surplus	Closing balance –
	1 January 2022	Additions	Disposals			
Land	27.000.000	-	-	43.920.000	-	70.920.000
Buildings	32.395.000	3.558.303	-	49.821.697	-	85.775.000
Total	59.395.000	3.558.303	-	93.741.697	-	156.695.000

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Cost	Opening balance – 1 January 2021	Additions	Disposals	Revaluation Surplus	Closing balance – 31 December 2021
Land	18.085.000	-	-	8.915.000	27.000.000
Buildings	19.355.000	-	-	13.040.000	32.395.000
Total	37.440.000	-	-	21.955.000	59.395.000

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 31 December 2022. 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 31 December 2022 and 2021, the detailed information of investment properties is as follows:

31.12.2022	2022		2022 Revaluation Surplus	Accumulated Revaluation Surplus
	Net Book Value	Appraisal Value		
Aliğa 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 Dupleks 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

31.12.2021	2021		2021 Revaluation Surplus	Accumulated Revaluation Surplus
	Net Book Value	Appraisal Value		
Aliğa 393 No'lu Parsel	11.660.000	17.155.000	5.495.000,00	12.085.000
Ankara 15 Adet B.B.	6.450.000	9.465.000	3.015.000,00	7.612.482
Denizli Zeytinköy Dupleks Mesken	2.000.000	2.835.000	835.000,00	2.360.792
Kuşpınar 2 Arsa + Villa	6.435.000	9.670.000	3.235.000,00	8.210.153
Denizli Cankurtaran Arsa	1.355.000	2.270.000	915.000,00	2.070.000
İstanbul Acarkent Villa	9.540.000	18.000.000	8.460.000,00	13.521.983
Total	37.440.000	59.395.000	21.955.000	45.860.410

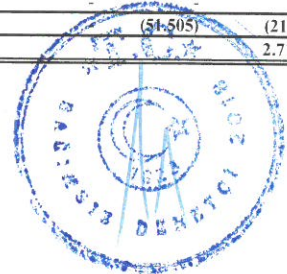
NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2022 and 2021, the movements for property, plant and equipment, and related depreciation are as follows:

31.12.2022

Cost	Opening balance – 1 January 2022	Additions	Disposals	Transfers	Revaluation Surplus	Currency translation differences	Closing balance – 31 December 2022
Land	486.360.000	-	-	162.455	842.802.066	-	1.329.324.521
Land Improvements	1.692.446	-	-	11.642.381	-	-	13.334.827
Buildings	181.739.102	26.222.075	(46.186)	99.081.401	305.113.114	-	612.109.506
Plant, Machinery and Equipment	407.709.104	81.933.603	(3.774.909)	41.021.900	64.293.528	51.504	591.234.730
Motor Vehicles	19.239.051	31.416.914	(14.407)	-	6.984.868	-	57.626.426
Furniture and Fixtures	26.106.201	8.660.973	(247.450)	1.311.542	1.023.441	-	36.854.707
Other Property, Plant and Equipment	-	129.450	-	-	-	-	129.450
Leasehold Improvements	1.066.753	-	-	-	-	-	1.066.753
Constructions in Progress	184.358.010	256.539.787	-	(147.560.223)	-	-	293.337.574
Total	1.308.270.667	404.902.802	(4.082.952)	5.659.456	1.220.217.017	51.504	2.935.018.494

Accumulated depreciation (-)	Opening balance – 1 January 2022	Current Period Depreciation	Disposals	Transfers	Revaluation Surplus	Currency translation differences	Closing balance – 31 December 2022
Land	-	-	-	-	-	-	-
Land Improvements	(1.086.105)	(108.753)	-	-	-	-	(1.194.858)
Buildings	(14.668.448)	(5.611.928)	46.186	-	-	-	(20.234.190)
Plant, Machinery and Equipment	(138.585.618)	(37.466.841)	2.151.080	588.279	-	(51.505)	(173.364.605)
Motor Vehicles	(5.853.711)	(4.187.891)	5.181	-	-	-	(10.036.421)
Furniture and Fixtures	(8.228.188)	(3.758.410)	223.107	(588.279)	-	-	(12.351.770)
Other Property, Plant and Equipment	-	(32.146)	-	-	-	-	(32.146)
Leasehold Improvements	(526.566)	(140.190)	-	-	-	-	(666.756)
Constructions in Progress	-	-	-	-	-	-	-
Total	(168.948.636)	(51.306.159)	2.425.554	-	-	(51.505)	(217.880.746)
Net Book Value	1.139.322.031						2.717.137.748



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31.12.2021

Cost	Opening balance – 1 January 2021	Additions	Disposals	Transfers	Revaluation Surplus	Currency translation differences	Closing balance – 31 December 2021
Land	309.463.000	-	(632.440)	-	177.529.440	-	486.360.000
Land Improvements	1.738.678	-	(46.232)	-	-	-	1.692.446
Buildings	126.130.744	-	(241.172)	-	55.849.530	-	181.739.102
Plant, Machinery and Equipment	299.145.512	8.093.425	(1.157.860)	3.611.666	97.947.697	68.664	407.709.104
Motor Vehicles	8.072.330	12.321.684	(2.578.962)	-	1.423.999	-	19.239.051
Furniture and Fixtures	15.552.725	6.821.980	(618.073)	-	4.349.569	-	26.106.201
Other Property, Plant and Equipment	-	-	-	-	-	-	-
Leasehold Improvements	2.919.791	120.517	(1.973.555)	-	-	-	1.066.753
Constructions in Progress	17.908.492	266.368.428	(99.918.910)	-	-	-	184.358.010
Total	780.931.272	293.726.034	(107.167.204)	3.611.666	337.100.235	68.664	1.308.270.667

Accumulated depreciation (-)	Opening balance – 1 January 2021	Current Period Depreciation	Disposals	Transfers	Revaluation Surplus	Currency translation differences	Closing balance – 31 December 2021
Land	-	-	-	-	-	-	-
Land Improvements	(1.039.025)	(93.330)	46.250	-	-	-	(1.086.105)
Buildings	(11.781.949)	(3.127.671)	241.172	-	-	-	(14.668.448)
Plant, Machinery and Equipment	(112.702.543)	(26.472.243)	1.153.746	(505.150)	-	(59.428)	(138.585.618)
Motor Vehicles	(4.988.630)	(1.347.414)	482.333	-	-	-	(5.853.711)
Furniture and Fixtures	(7.079.343)	(1.659.464)	510.619	-	-	-	(8.228.188)
Other Property, Plant and Equipment	-	-	-	-	-	-	-
Leasehold Improvements	(2.337.451)	(149.068)	1.959.953	-	-	-	(526.566)
Constructions in Progress	-	-	-	-	-	-	-
Total	(139.928.941)	(32.849.190)	4.394.073	(505.150)	-	(59.428)	(168.948.636)
Net Book Value	641.002.331						1.139.322.031

The fair value of the investment properties included in property, plant and equipment 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 31 December 2022. In the determination of the fair values of the property, plant and equipment 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 31 December 2022 and 2021, the detailed information of investment properties is as follows:

	Net Book Value	2022 Appraisal Value	2022 Revaluation Surplus	Accumulated Revaluation Surplus
Aliağa A1 Tesisi	78.001.665	225.380.000	147.378.335	203.447.218
Aliağa A-2 Tesisi 1116 Ada 3-No'lu Parsel	3.150.000	8.720.000	5.570.000	8.667.374
Aliağa A-2 Tesisi 1116 Ada 4 No'lu Parsel	183.451.233	493.190.000	309.738.767	476.983.172
Aliağa A3 Tesisi	94.505.776	260.900.000	166.394.224	205.700.007
Kınık OSB Tesisi	2.050.326	5.840.000	3.789.674	5.103.180
Denizli Haddehane	24.570.000	58.780.000	34.210.000	57.491.152
Denizli Kocaer Tekstil-2 Tesisi 6 Parsel	10.850.000	25.410.000	14.560.000	23.043.057
Denizli Kocaer Tekstil-2 Tesisi 5 Parsel	104.060.351	245.470.000	141.409.649	190.465.453
Aliağa 1116 Ada 16 No'lu Parsel	230.885.000	533.690.000	302.805.000	468.553.803
Aliağa 1116 Ada 10 No'lu Parsel	1.155.000	1.155.000	-	1.039.247
Zorlu Center İstanbul	52.405.469	74.465.000	22.059.531	22.059.531
Total	785.084.820	1.933.000.000	1.147.915.180	1.662.553.194

31.12.2021	Net Book Value	2021 Appraisal Value	2021 Revaluation Surplus	Accumulated Revaluation Surplus
Aliağa A1 Tesisi	49.038.870	78.475.000	29.436.130	56.068.882
Aliağa A-2 Tesisi 1116 Ada 3-No'lu Parsel	1.980.000	3.150.000	1.170.000	3.097.374
Aliağa A-2 Tesisi 1116 Ada 4 No'lu Parsel	111.923.326	175.505.000	63.581.674	167.244.405
Aliağa A3 Tesisi	59.579.860	93.650.000	34.070.140	39.305.783
Kınık OSB Tesisi	935.000	1.605.000	670.000	1.313.506
Denizli Haddehane	17.390.000	24.570.000	7.180.000	23.281.152
Denizli Kocaer Tekstil-2 Tesisi 6 Parsel	6.935.000	10.850.000	3.915.000	8.483.057
Denizli Kocaer Tekstil-2 Tesisi 5 Parsel	63.663.974	94.370.000	30.706.026	49.055.804
Aliağa 1116 Ada 16 No'lu Parsel	107.710.000	170.360.000	62.650.000	165.748.803
Aliağa 1116 Ada 10 No'lu Parsel	1.155.000	1.155.000	-	1.039.247
Total	420.311.030	653.690.000	233.378.970	514.638.013

The fair values of plant, machinery and equipment, motor vehicles and furniture and fixtures presented under property, plant and equipment have been determined in accordance with the appraisal report on 26-28 December 2022. In the determination of the fair values of the plant, machinery and equipment, motor vehicles and furniture and fixtures, the fair values determined as a result of the appraisal studies carried out by Elit

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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. The revaluation surplus of plant, machinery and equipment, motor vehicles and furniture and fixtures are amounting to TL 64.293.528, TL 6.984.868 and TL 1.023.441, respectively (31.12.2021: TL 97.947.697, TL 1.423.999, TL 4.349.569, respectively).

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 31 December 2022 and 2021, the movements for intangible assets, and related depreciation are as follows:

Other intangible assets:

31.12.2022

Cost	Opening balance – 1 January 2022	Additions	Disposals	Transfers	Closing balance – 31 December 2022
Rights	6.440.393	59.960	-	997.614	7.497.967
Development Costs	68.388.965	1.204.035	(6.773.498)	(6.657.070)	56.162.432
Total	74.829.358	1.263.995	(6.773.498)	(5.659.456)	63.660.399

Accumulated depreciation (-)	Opening balance – 1 January 2022	Current Period Depreciation	Disposals	Closing balance – 31 December 2022
Rights	(6.419.100)	(27.913)	-	6.447.013
Development Costs	(51.219.425)	(5.752.210)	6.582.806	50.388.829
Total	(57.638.525)	(5.780.123)	6.582.806	56.835.842
Net Book Value	17.190.833			6.824.557

31.12.2021

Cost	Opening balance – 1 January 2021	Additions	Disposals	Transfers	Closing balance – 31 December 2021
Rights	57.170.202	-	(47.118.143)	(3.611.666)	6.440.393
Development Costs	68.388.965	-	-	-	68.388.965
Total	125.559.167	-	(47.118.143)	(3.611.666)	74.829.358

Accumulated depreciation (-)	Opening balance – 1 January 2021	Current Period Depreciation	Disposals	Transfers	Closing balance – 31 December 2021
Rights	(10.891.622)	(125.383)	4.092.755	505.150	(6.419.100)
Development Costs	(38.526.076)	(12.693.349)	-	-	(51.219.425)
Total	(49.417.698)	(12.818.732)	4.092.755	505.150	(57.638.525)
Net Book Value	76.141.469				17.190.833

Goodwill:

None.

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 31 December 2022 and 2021, the breakdown of employee benefits is as follows:

Account Name	31.12.2022	31.12.2021
Payables to Personnel	6.883.639	3.219.337
Taxes Payable	3.063.649	1.563.074
Social Security Premiums Payable	10.133.039	2.736.669
Employee benefits, net	20.080.327	7.519.080

NOTE 21 – GOVERNMENT GRANTS

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

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NOTE 22 – PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

i) Other Short Term Provisions:

Account Name	31.12.2022	31.12.2021
Provisions for Lawsuit	10.004.070	6.367.953
Provisions for Unused Vacation	4.331.549	2.249.388
Total	14.335.619	8.617.341

As of 31 December 2022 and 2021, the movements of provisions for lawsuits are as follows:

Provisions for Lawsuit:	31.12.2022	31.12.2021
Beginning of the period – 1 January	6.367.953	5.065.333
Increases during the period (Note 31)	3.941.711	2.032.514
Provisions no Longer Required (Note 31)	(305.594)	(729.894)
End of the Period – 31 December	10.004.070	6.367.953

As of 31 December 2022 and 2021, the movements of provisions for unused vacation are as follows:

Provisions for Vacation Provisions:	31.12.2022	31.12.2021
Beginning of the period – 1 January	2.249.388	1.389.147
Increases during the period	2.082.161	860.241
End of the Period – 31 December	4.331.549	2.249.388

ii) Contingent Liabilities and Contingent Assets

None.

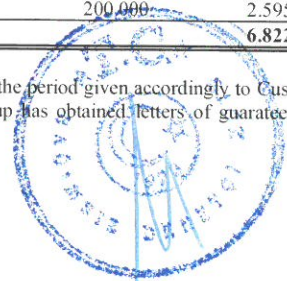
iii) Commitments, Mortgages and Guarantees not included in the liability:

As of 31 December 2022 and 2021, the breakdown of collateral / pledge / mortgage/bill of guarantees ("CPMB") given by the Group is as follows:

	31.12.2022		
	Currency	Original 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 Guarantees 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

	31.12.2021		
	Currency	Original Amount	TL Equivalent
Letters of Guarantee Given	TL	48.651.959	48.651.959
Letters of Guarantee Given	USD	130.000	1.687.075
Letters of Guarantee Given	EUR	11.113.000	163.164.400
Mortgages and Bill of Guarantees Given	TL	230.000.000	230.000.000
Pledges Given	TL	181.000.000	181.000.000
Pledges Given	USD	28.250.000	366.614.375
Pledges Given	EUR	6.000.000	88.093.800
Total CPMB's given, net			1.079.211.609
Letters of Guarantee Received	TL	4.227.000	4.227.000
Letters of Guarantee Received	USD	200.000	2.595.500
Total CPMB's received, net			6.822.500

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



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iv) Ratio of guarantees and mortgages to equity:

As of 31 December 2022 and 2021, 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	31.12.2022	31.12.2021
A. Total amount of CPMB's given in the name of its own legal personality	428.943.602	385.650.098
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	-	-
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	891.517.040	693.561.511
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
Total	1.320.460.641	1.079.211.609

The ratio of other CPMB's given by the Group to its equity is 37% as of 31 December 2022 (31 December 2021: 74%).

v) Total Insurance Coverage on Assets

As of 31 December 2022, total insurance coverage on property, plant and equipment is amounting to TL 1.930.415.227, USD 63.650.000 and EUR 95.000 against wide variety of risks as collateral (31 December 2021 :TL 857.067.600, USD 32.000.000 and EUR 95.000).

NOTE 23 - COMMITMENTS

None.

NOTE 24 – PROVISIONS FOR EMPLOYEE BENEFITS

	31.12.2022	31.12.2021
Provision for Employment Termination Benefits	24.629.708	9.382.749
Total	24.629.708	9.382.749

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 31 December 2022, the amount payable consists of one month's salary limited to a maximum of TL 19.982,83 (31 December 2021: TL 10.848,59) 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 enterprise'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.

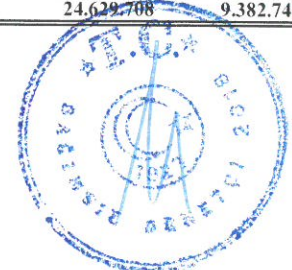
As of 31 December 2022, the provisions in the accompanying consolidated financial statements are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. As of 31 December 2022, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 20% and an interest rate of 26%, resulting in a real discount rate of 5%.

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

	01.01.2022	01.01.2021
	31.12.2022	31.12.2021
Beginning of the Period – 1 January	9.382.749	7.538.867
Payments During the Period (-)	(2.470.648)	(3.712.035)
Interest Cost	1.159.722	832.844
Service Cost	2.977.355	635.519
Loss on remeasurements of defined benefit plans	1.742.536	2.319.275
Actuarial Gains/Losses	11.837.994	1.768.279
End of the Period – 31 December	24.629.708	9.382.749

NOTE 25 - TAX ASSETS AND LIABILITIES

As of 31 December 2022 and 2021, the Group has no current income tax assets and liabilities.



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NOTE 26 - OTHER ASSETS AND LIABILITIES

As of 31 December 2022 and 2021, the breakdown of other current assets is as follows:

Account Name	31.12.2022	31.12.2021
Deferred VAT	130.303.219	-
Other current assets, net	130.303.219	-

As of 31 December 2022 and 2021, the breakdown of other current liabilities is as follows:

Account Name	31.12.2022	31.12.2021
Other VAT	-	1.132.113
Expense Accruals	2.002	349.060
Other current liabilities, net	2.002	1.481.173

As of 31 December 2022 and 2021, 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 31 December 2022 and 2021, the movements of non-controlling interests are as follows:

	01.01.2022	01.01.2021
	31.12.2022	31.12.2021
Beginning of the Period – 1 January	4.722.784	509.231
Business combinations, net	5.746	88.976
Changes in adjustment to share capital, net	-	(390.000)
Gains/(losses) on remeasurements of defined benefit plans, net	(17.546)	(13.754)
Currency translation differences, net	1.980.987	1.419.262
Retained earnings, net	-	325.246
Profit for the period, net	4.500.257	2.783.823
End of the Period – 31 December	11.192.228	4.722.784

ii) Share Capital / Capital Adjustments Due to Cross-Ownership

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding rates in Kocaer Çelik are as follows:

Shareholders	31.12.2022		31.12.2021	
	Amount	Share (%)	Amount	Share (%)
Hakan KOCAER	520.084.989	79	169.600.000	80
Ali Rıza KOCAER	-	-	42.400.000	20
Other	137.485.011	21	-	-
Total share capital	657.570.000	100	212.000.000	100

Number of Shares, Class of Shares and Privileges:

The initial public offering of the Group was approved with the official circular on 16.06.2022 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 numbered 10715 on 30 November 2022.

Capital Adjustments due to Cross Ownership:

None.

iii) Capital Reserves

None.



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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	31.12.2022	31.12.2021
Legal Reserves	3.275.079	3.275.079
Gain on Disposal of a Subsidiary and Property, Plant and Equipment	25.830.252	25.830.252
Total	29.105.331	29.105.331

v) Retained Earnings

As of 31 December 2022 and 2021, the functional breakdown of retained earnings is as follows:

Account Name	31.12.2022	31.12.2021
Extraordinary Reserves	1.777.367	1.777.367
Other Retained Earnings	8.225.603	(2.358.827)
The effect of carve-out consolidated financial statements	158.522.734	158.522.734
Total	168.525.704	157.941.274

vi) Share Premium

None.

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

As of 31 December 2022 and 2021, the detailed table of other comprehensive income or expenses to be reclassified to consolidated statement of profit or loss recognised under equity is as follows:

Account Name	31.12.2022	31.12.2021
Currency translation differences	32.351.815	14.719.069
Gains/(losses) on hedges	(190.938.728)	(152.742.503)
Total	(158.586.913)	(138.023.434)

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

As of 31 December 2022 and 2021, the detailed table of other comprehensive income or expenses not to be reclassified to consolidated statement of profit or loss recognised under equity is as follows:

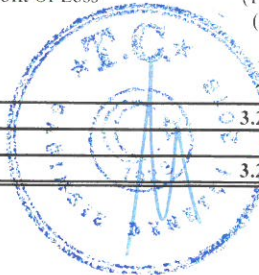
Account Name	31.12.2022	31.12.2021
Gains/losses on revaluation and remeasurement	1.736.927.929	676.474.109
Gains/(losses) on remeasurements of defined benefit plans	(12.878.239)	(3.425.389)
Other	-	(122.000.001)
Total	1.724.049.690	551.048.719

viii) Business Combinations under Common Control

Account Name	31.12.2022	31.12.2021
Business combination under common control	(16.001.044)	(16.001.044)
Total	(16.001.044)	(16.001.044)

viii) Equity

Account Name	31.12.2022	31.12.2021
Paid-in Share Capital	657.570.000	212.000.000
Accumulated Other Comprehensive Income Or Expenses not to be Reclassified to Profit Or Loss	1.724.049.690	551.048.719
Share Premium	119.699.349	-
Accumulated Other Comprehensive Income Or Expenses to be Reclassified to Profit Or Loss	(158.586.913)	(138.023.434)
Business Combinations under Common Control	(16.001.044)	(16.001.044)
Restricted Reserves	29.105.331	29.105.331
Retained Earnings	168.525.704	157.941.274
Profit for the Period	251.243.531	132.584.430
Equity holders of the parent	3.275.605.648	928.655.276
Non-controlling interests	1.192.228	4.722.784
Total Equity	3.286.797.876	933.378.060



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NOTE 28 - REVENUE AND COST OF SALES

As of 31 December 2022 and 2021, the functional breakdown of revenue and cost of sales is as follows:

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Domestic Sales	2.219.594.283	1.290.846.455
Foreign Sales	7.202.208.377	2.923.256.813
Other Revenue	1.683.827	4.894.925
Sales Returns (-)	(1.265.346)	(2.516.362)
Sales Discounts (-)	(3.755.538)	(175.287)
Net Sales	9.418.465.603	4.216.306.544
Cost of Sales (-)	(7.255.786.606)	(3.364.737.035)
Cost of Merchandise Sold (-)	(1.189.570.458)	(305.992.196)
Cost of Goods Sold (-)	(5.601.935.424)	(2.847.862.237)
Cost of Services Sold (-)	(47.173.848)	(19.808.127)
Other Cost of Sales (-)	(192.160.038)	(69.514.539)
Personnel Expenses	(181.898.814)	(78.055.837)
Depreciation and Amortisation Charges(-)	(43.048.024)	(43.504.099)
Gross Profit	2.162.678.997	851.569.509

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

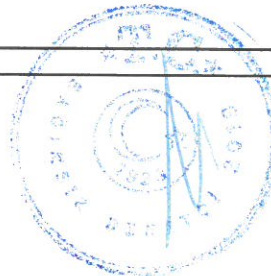
As of 31 December 2022 and 2021, the functional breakdown of operating expenses is as follows:

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Marketing, Sales and Distribution Expenses (-)	(564.208.421)	(280.664.456)
General Administrative Expenses (-)	(83.409.036)	(33.026.377)
Research and Development Expenses (-)	(2.911.498)	(1.806.951)
Total Operating Expenses (-)	(650.528.955)	(315.497.784)

NOTE 30 - EXPENSES BY NATURE

As of 31 December 2022 and 2021, 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	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Marketing, Sales and Distribution Expenses (-)	(564.208.421)	(280.664.456)
Personnel expenses	(10.734.042)	(6.512.855)
Freight costs	(356.638.879)	(195.885.409)
Export costs	(69.589.374)	(30.720.863)
Transportation costs	(31.261.703)	(8.732.593)
Customs expenses	(3.793.306)	(7.338.002)
Consumable costs	(38.345.410)	(12.940.493)
Sales commission expenses	(37.830.352)	(15.172.211)
Depreciation and amortisation charges	(153.145)	(34.026)
Depreciation and amortisation charges – TFRS 16	(1.032.746)	(756.442)
Advertising expenses	(1.646.545)	-
Maintenance and repair expenses	(155.332)	(19.384)
Information systems expenses	(648.212)	(169.420)
Audit and consultancy expenses	(2.206.365)	(40.250)
Education costs	(49.657)	(11.536)
Utility expenses	(73.993)	(28.354)
Fair and promotion expenses	(4.048.543)	(137.890)
Communication expenses	(121.891)	(129.316)
Litigation and notary costs, fees and charges	(1.488.930)	(226.345)
Stationary expenses	(78.609)	(65.944)
Travel expenses	(1.254.015)	(36.623)
Insurance expenses	(2.169.941)	(847.373)
Fuel expenditures	(337.460)	(83.021)
Representation and hospitality expenses	(43.742)	(2.299)
Taxes, duties and charges	(39.693)	(1.206)
Other	(466.536)	(772.601)
General Administrative Expenses (-)	(83.409.036)	(33.026.377)
Personnel expenses	(32.198.451)	(17.690.124)
Transportation costs	(7.450)	(14.602)
Consumable costs	(1.552.524)	(731.178)
Depreciation and amortisation charges	(13.608.489)	(2.032.293)
Depreciation and amortisation charges – TFRS 16	(9.190.291)	(4.796.119)



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Grants and donations	(149.154)	(150.738)
Maintenance and repair expenses	(1.241.905)	(519.283)
Information systems expenses	(1.575.063)	(462.604)
Audit and consultancy expenses	(7.999.980)	(2.317.470)
Education costs	(533.838)	(122.607)
Utility expenses	(506.685)	(98.585)
Communication expenses	(827.343)	(634.998)
Rent expenses	(498.484)	(257.393)
Litigation and notary costs, fees and charges	(1.599.594)	(141.492)
Stationary expenses	(76.754)	(59.649)
Travel expenses	(2.263.557)	(508.625)
Insurance expenses	(1.110.821)	(325.549)
Fuel expenditures	(1.372.841)	(313.619)
Representation and hospitality expenses	(459.793)	(164.080)
Taxes, duties and charges	(1.659.134)	(415.098)
Other	(4.976.885)	(1.270.271)
Research and Development Expenses (-)	(2.911.498)	(1.806.951)
Personnel expenses	(2.094.874)	(1.274.158)
Depreciation and amortisation charges	(276.624)	(97.504)
Other	(540.000)	(435.289)
Total Operating Expenses (-), net	(650.528.955)	(315.497.784)

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

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Cost of Sales (-)	(43.048.024)	(43.504.099)
Marketing, Sales and Distribution Expenses (-)	(1.185.891)	(790.468)
General Administrative Expenses (-)	(22.798.780)	(6.828.412)
Research and Development Expenses (-)	(276.624)	(97.504)
Total	(67.309.319)	(51.220.483)

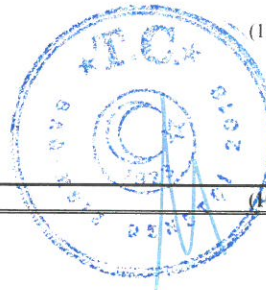
The functional breakdown of personnel expenses recognized under consolidated statement of profit or loss is as follows:

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Cost of Sales (-)	(181.898.814)	(78.055.837)
Marketing, Sales and Distribution Expenses (-)	(10.734.042)	(6.512.855)
General Administrative Expenses (-)	(32.198.451)	(17.690.124)
Research and Development Expenses (-)	(2.094.874)	(1.274.158)
Total	(226.926.181)	(103.532.974)

NOTE 31 - OTHER OPERATING INCOME / (EXPENSES)

As of 31 December 2022 and 2021, the functional breakdown of other operating income/expenses is as follows:

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Other Operating Income	77.959.894	512.111.934
Provisions No Longer Required (Doubtful receivables)	9.385.730	679.453
Provisions No Longer Required (Lawsuits)	305.594	729.894
Provisions No Longer Required (Inventory)	278.739	-
Rent Income	2.080.907	1.632.924
Foreign Exchange Gains	53.323.774	503.972.339
Income arising from government grants	-	1.975.594
Income arising from Insurance Compensation and Claims	8.268.189	2.100
Income arising from lawsuit compensations	2.666.449	-
Other	1.650.512	3.119.630
Other Operating Expenses (-)	(186.017.579)	(86.266.404)
Provisions for Doubtful Receivables	(5.588.413)	(8.709.982)
Provisions for Lawsuits	(3.941.711)	(2.032.514)
Provisions for Inventory Impairment	-	(278.739)
Foreign Exchange Losses	(165.944.711)	(54.634.617)
Expenses arising from grants and donations	(1.600.336)	(599.108)
Expenses arising from compensations and penalties	-	(14.123.287)
Discount expenses	(1.517.534)	(514.863)
Expenses arising from current account closures	(5.590.405)	-
Expenses arising from repatriation of capital	-	(5.023.685)
Other	(1.834.469)	(349.609)
Other Operating Income/(Expenses), (Net)	(108.057.685)	425.845.530



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NOTE 32 - GAINS/ (LOSSES) FROM INVESTMENT ACTIVITIES

As of 31 December 2022 and 2021, the functional breakdown of gains and losses from investment activities is as follows:

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Gains from Investment Activities	217.147.385	29.688.367
Gain on Sale of Property, Plant and Equipment and Intangible Assets	1.965.096	7.733.367
Investment Properties Revaluation Surplus	93.741.697	21.955.000
Gain on Sale of Securities	121.440.592	-
Losses from Investment Activities (-)	(129.913)	(887.293)
Loss on Sale of Property, Plant and Equipment and Intangible Assets	-	(887.293)
Loss on Sale of Securities	(950)	-
Provision for Impairment of Investment in a Subsidiary	(128.963)	-
Gains/(Losses) from Investment Activities, (Net)	217.017.472	28.801.074

NOTE 33 - FINANCIAL INCOME / EXPENSES

As of 31 December 2022 and 2021, the functional breakdown of financial income and expenses is as follows:

Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Financial Income	100.122.223	23.604.999
Interest Income	22.777.354	10.415.921
Foreign Exchange Gains	40.459.564	5.819.833
Interest Income arising from Group Companies and Shareholders	36.885.305	7.369.245
Financial Expenses (-)	(908.545.865)	(834.069.235)
Interest Expenses	(226.778.756)	(80.968.520)
Foreign Exchange Losses	(641.231.432)	(735.337.340)
Interest Expenses arising from Group Companies and Shareholders	-	(623.474)
Bank Comissions, Fees and Charges	(35.175.987)	(15.391.289)
Interest expense arising from TFRS 16	(5.359.690)	(624.579)
Other	-	(1.124.033)
Financial Income/(Expenses), (Net)	(808.423.642)	(810.464.236)

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:

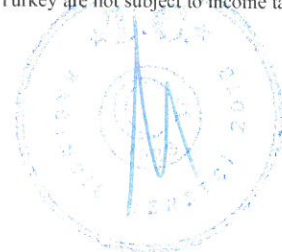
Account Name	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Current period tax expense	(140.541.822)	(34.547.405)
Deferred tax income/expense	83.599.423	(10.338.488)
Total tax income/(expense)	(56.942.399)	(44.885.893)

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	31.12.2022	31.12.2021
Current period tax expense	133.697.661	34.547.405
Less: Prepaid income tax	(109.566.703)	(15.897.564)
Current income tax liabilities, net	24.130.958	18.649.841

Turkey the joint-stock companies, corporation tax and non-responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax. 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.



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Corporate Tax Rates:

As of 31 December 2022, corporation Tax rate applied in Turkey is 23% (31 December 2021: 25%). In the Official Gazette dated April 22, 2021 and numbered 31462, the Law No. 7316 on the procedure for the collection of public receivables and Law Amending Certain Laws has been published and the Provisional Article 13 has been added to the Corporate Tax Law with the 11th article of the stated Law. Corporate tax rate of 20% with the added item will be applied as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period.

In the Official Gazette dated 17.11.2020, 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 1/1/2021. 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.

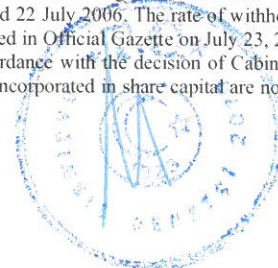
The Group has been capitalised basic incentives and supports set forth under the Law No. 5746 pertaining the Support of Research and Development Activities for the R&D investment projects in its legal records. 100% of all eligible R&D and innovation expenditures made within technology centres, R&D centres (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.

As of 31 December 2022 and 2021, provision for income tax has been calculated is as follows:

	31.12.2022	31.12.2021
Operating Profit /	624.191.542	207.843.640
Tax Base Additions	641.254.044	69.040.558
<i>Non-deductible expenses</i>	<i>641.254.044</i>	<i>69.040.558</i>
Offset from Retained Earnings (-)	-	(2.802.137)
Tax Allowances and Deductions (-)	(574.297.079)	(135.260.187)
<i>Exemption from gain on sale of securities</i>	<i>(732.057)</i>	<i>-</i>
<i>Foreign exchange protected time deposits</i>	<i>(2.407.751)</i>	<i>-</i>
<i>Depreciation and amortization charges</i>	<i>(1.224.154)</i>	<i>-</i>
<i>Exemption from donations to healthcare organizations and facilities</i>	<i>(183.117)</i>	<i>-</i>
<i>Exemption from gain on emission premium (CTL article numbered 5/1-Ç)</i>	<i>(569.750.000)</i>	<i>-</i>
<i>Exemption from Kocaer Tekstil capital increase</i>	<i>-</i>	<i>(42.210.000)</i>
<i>75% exemption from gain on disposal of a subsidiary and brand sales</i>	<i>-</i>	<i>(93.050.187)</i>
Operating Profit, net (domestic)	634.880.151	138.821.875
Operating Profit, net (foreign)	56.268.357	29.909.385
Current period tax expense, net	(145.225.911)	(34.547.405)
Tax deductions arising from production activities (1%)	4.684.089	-
	(140.541.822)	(34.547.405)

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.



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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 31 December 2022, corporation tax rate applied in Turkey is 23%. In the Official Gazette dated April 22, 2021 and numbered 31462, the Law No. 7316 on the procedure for the collection of public receivables and Law Amending Certain Laws has been published and the Provisional Article 13 has been added to the Corporate Tax Law with the 11th article of the stated Law. Corporate tax rate of 20% with the added item will be applied as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. The deferred tax rate has been used as 25%, 23% and 20% on the basis of the separate adjustment item by estimating the end of the 31 December 2021 of temporary differences. The breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

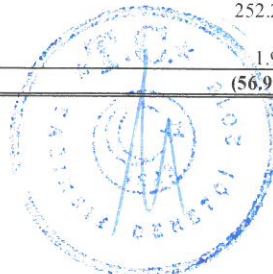
Account Name	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Depreciation and amortisation	59.195.854	29.042.925	11.839.170	5.808.585
Reversal of capitalised financing costs	306.440.571	172.166.313	61.288.115	34.433.263
Reversal of revaluation fund 7326	474.664.777	122.000.002	94.932.955	24.400.000
PP&E Revaluation Surplus (Land and Buildings)	(1.316.242.963)	(473.440.897)	(131.624.296)	(47.344.090)
PP&E Revaluation Surplus (Buildings)	(346.310.231)	(41.197.117)	(69.262.046)	(8.239.423)
PP&E Revaluation Surplus (Machinery, Furniture and fixtures, Leasehold improvements, Motor vehicles)	(315.461.553)	(243.159.716)	(63.092.311)	(48.631.943)
Investment Properties Revaluation Surplus	(139.602.107)	(45.860.410)	(27.920.421)	(9.172.082)
Employment Termination Benefits	24.629.708	9.030.497	4.925.942	1.806.099
Provisions for Doubtful Receivables	14.951.524	20.539.049	3.139.820	5.134.762
Provisions for Lawsuits	10.004.070	6.367.953	2.100.855	1.591.988
Provisions for Loan Interest	4.005.977	(1.818.144)	841.255	(454.536)
Provisions for Unused Vacation	4.331.549	2.230.330	909.625	557.583
Adjustments for TFRS 16 Leases	1.038.220	632.480	218.026	126.496
Inventory impairment	-	278.739	-	69.685
Elimination of profit in inventory	(807.345)	-	(169.542)	-
Discount on Notes Receivables	1.517.534	-	318.682	-
Adjustments for derivative instruments	(149.090.954)	(236.121.026)	(29.898.883)	(59.030.257)
Adjustments for derivative instruments	27.034.887	-	5.136.629	-
Capitalised policy interest recognised as an expense	4.403.211	7.334.873	924.674	1.833.725
Adjustments for Sale and Leaseback Arrangements	73.307.313	215.467.574	15.394.536	53.866.894
Adjustments for internal rate of return	32.046	(2.318.103)	6.730	(579.526)
Adjustments for gain on sale of securities	8.991.850	-	1.888.289	-
Adjustments for currency translation differences	(5.003.190)	(26.718.890)	(1.050.673)	(6.679.723)
Interest and currency translation differences arising from sale and leaseback arrangements	167.395.437	155.962.004	33.479.088	31.192.399
Other	-	2.042.173	-	510.543
Deferred Tax Assets / (Liabilities), net			(85.673.781)	(18.799.558)

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

	01.01.2022	01.01.2021
	31.12.2022	31.12.2021
Beginning of the period - 1 January		
Deferred tax income/expense during the period, net	(18.799.558)	11.930.390
PP&E Revaluation Surplus	83.599.423	(18.092.669)
Additions arising from Derivative Instruments	(159.763.197)	(38.497.197)
Actuarial Gains/Losses on Deferred Tax, net	6.921.951	25.510.067
	2.367.600	349.851
End of the period – 31 December	(85.673.781)	(18.799.558)

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

	31.12.2022	31.12.2021
Profit Before Tax	839.720.606	180.254.146
Tax calculated at domestic tax rate (21%)	(176.414.877)	(45.063.537)
Non-deductible expenses	(134.784.876)	(17.251.767)
Gains on tax allowances and deductions	252.258.196	27.987.536
Tax rate differences/changes	-	(10.558.125)
Other	1.999.158	-
Tax income/(expense)	(56.942.399)	(44.885.893)



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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 31 December 2022 and 2021, which is as follows:

Account Name	01.01.2022	01.01.2021
	31.12.2022	31.12.2021
Profit for the Period	751.243.531	132.584.430
Weighted Average Number of Shares	259.679.918	212.000
Earnings Per Share	2.8930	625.3983

NOTE 37 - RELATED PARTY DISCLOSURES

a) Related party balances are as follows:

31.12.2022	Trade Receivables	Other Receivables	Trade Payables	Other Payables
Other	-	28.371.976	-	2.268.637
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	3.330.794	-	-
Chakra Mağazacılık Ticaret ve A.Ş.	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

31.12.2021	Trade Receivables	Other Receivables	Trade Payables	Other Payables
Other	-	19.538.758	-	10.929.650
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	25.737.301	-	-
Chakra Mağazacılık Ticaret ve A.Ş.	565.477	14.304.587	-	1.830.165
Kocaer Çelik Endüstrisi Sanayi ve Ticaret A.Ş. (Kocaer Metal Sanayi A.Ş. in 2021)	65.529	74.352	648.716	-
KCR Tekstil A.Ş.	-	377.213.418	-	-
TOTAL	631.006	436.868.416	648.716	12.759.815

b) Related party transactions are as follows:

31.12.2022

Purchases	Goods and Services	Rent	Interest	Other Services / Currency translation differences	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	-	-	84.102	84.102
Chakra Mağazacılık Ticaret Ve A.Ş.	-	2.500	-	149.400	151.900
Kocaer Metal Sanayi A.Ş.	-	21.333	-	370.000	391.333
Total	-	23.833	-	603.502	624.729

Sales	Goods and Services	Rent	Interest	Other Services / Currency translation differences	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	1.800.000	2.562.805	4.326.789	8.689.594
Chakra Mağazacılık Ticaret Ve A.Ş.	-	-	1.951.438	381.946	2.333.384
KCR Tekstil A.Ş.	-	-	30.698.499	-	30.698.499
Kocaer Metal Sanayi A.Ş.	-	9.000	-	-	9.000
İbrahim Kocaer	-	78.000	-	5.169	83.169
Hakan Kocaer	-	66.000	1.672.563	-	1.738.563
Total	-	1.953.000	36.885.305	4.713.904	43.552.209

31.12.2021

Purchases	Goods and Services	Rent	Interest	Other services / Currency translation differences	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	3.747	97.481	514.863	20.810	636.901
Chakra Mağazacılık Ticaret Ve A.Ş.	149.786	43.813	-	706	194.305
Kocaer Metal Sanayi A.Ş.	-	36.000	-	-	36.000
Total	153.533	177.294	514.863	21.516	867.206

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Sales	Goods and Services	Rent	Interest	OtherServices/ Currency translation differences	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	1.565.006	1.114.691	7.170.855	-	9.889.723
Çakra Mağazacılık Ticaret Ve A.Ş.	356.135	-	-	1.071.654	1.427.789
KCR Tekstil A.Ş.	-	-	-	377.202.308	377.202.308
Total	1.921.141	1.114.691	7.170.855	378.273.962	388.519.820

c) Key Management Compensation:

Account Name	01.01.2022	01.01.2021
Key Management Compensation	31.12.2022	31.12.2021
	7.425.735	2.702.455
Total	7.425.735	2.702.455

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 financial payables and liabilities, finance leases and trade payables as disclosed in the consolidated balance sheet). Total capital is calculated as equity, as presented in the consolidated balance sheet, 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.

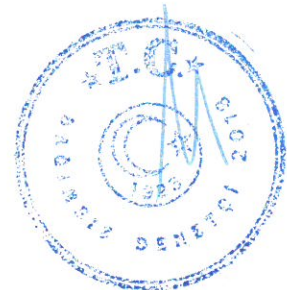
Consolidated net financial debt/invested capital ratios as of 31 December 2022 and 2021 are as follows:

	31.12.2022	31.12.2021
Total borrowings	4.014.679.318	2.527.472.815
Less: Cash and cash equivalents	(466.548.977)	(310.435.432)
Net financial debt	3.548.130.341	2.217.037.383
Equity	3.286.797.876	933.378.060
Invested capital	6.834.928.217	3.150.415.443
Net financial debt/invested capital ratio	0.5191	0.7037

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 loans, 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 31 December 2022. Derivative financial instruments are also used as instruments for currency risk management for hedging purposes, when needed. Assets and liabilities denominated in foreign currency are as follows:



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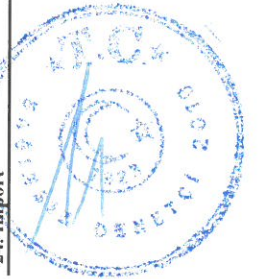
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As of 31 December 2022 and 2021, foreign exchange position table of the Group is as follows:

	Foreign Exchange Position Table								
	31.12.2022			31.12.2021					
	TL Equivalent	USD	EURO	GBP	TL Equivalent	USD	EURO	GBP	Other
1. Trade Receivables	1.353.036.249	64.245.042	7.612.939	-	638.033.827	46.852.964	896.861	-	-
2a. Monetary Financial Assets	399.164.969	18.156.590	2.347.591	572.213	221.711.314	11.529.314	4.509.740	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-
4. Total Current Assets (1+2+3)	1.752.201.218	82.401.632	9.960.530	572.213	859.745.141	58.382.278	5.406.601	-	-
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)	1.752.201.218	82.401.632	9.960.530	572.213	859.745.141	58.382.278	5.406.601	-	-
10. Trade Payables	537.927.661	27.795.408	824.122	-	295.144.473	21.670.021	377.801	4.132	-
11. Financial Liabilities	828.189.739	37.451.407	6.279.660	-	1.295.285.875	77.804.582	16.961.955	-	-
12a. Other Monetary Liabilities	-	-	-	-	2.250.295	-	29.394	100.000	-
12b. Other Non- Monetary Liabilities	-	-	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	1.366.117.400	65.246.816	7.103.782	-	1.592.680.643	99.474.603	17.369.150	104.132	-
14. Trade Payables	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	277.317.084	9.501.525	4.953.203	-	356.978.523	12.859.075	12.258.338	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-
16b. Other Non- Monetary Liabilities	-	-	-	-	-	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	277.317.084	9.501.525	4.953.203	-	356.978.523	12.859.075	12.258.338	-	-
18. Total Liabilities (13+17)	1.643.434.484	74.748.341	12.056.984	-	1.949.659.166	112.333.678	29.627.488	104.132	-
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)	108.766.734	7.653.291	(2.096.454)	572.213	(1.089.914.025)	(53.951.401)	(24.220.887)	(104.132)	-
21. Monetary Items Net Foreign Exchange Asset / (Liabilities) Position (1+2a+3+5+6a-10-11-12a-14-15-16a)	108.766.734	7.653.291	(2.096.454)	572.213	(1.089.914.025)	(53.951.401)	(24.220.887)	(104.132)	-
22. Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-	-	-	-	-
23. Export	7.202.208.377	407.473.140	25.315.530	-	3.591.504.928	250.075.623	17.115.585	-	29.251
24. Import	1.488.569.894	90.742.180	61.210	-	919.643.248	65.665.144	2.942.495	-	-



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The following table details the Group's foreign currency sensitivity as at 31 December 2022 and 2021 for the changes at the rate of 10%:

Exchange Rate Sensitivity Analysis Table		
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)

Exchange Rate Sensitivity Analysis Table		
31.12.2021		
	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change in USD against TL by 10%		
1- USD Net Asset / Liability	(72.181.423)	72.181.423
2- Hedged portion of USD Risk (-)	-	-
3- USD Net Effect (1+2)	(72.181.423)	72.181.423
Change in EUR against TL by 10%		
4- EURO Net Asset / Liability	(36.621.913)	36.621.913
5- Hedged portion of Euro Risk (-)	-	-
6- EURO Net Effect (4+5)	(36.621.913)	36.621.913
Change in GBP against TL by 10%		
7- GBP Net Asset / Liability	(188.067)	188.067
8- Hedged portion of GBP Risk (-)	-	-
9- GBP Net Effect (7+8)	(188.067)	188.067
TOTAL	(108.991.403)	108.991.403

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.

As of 31 December 2022 and 2021, interest position table of the Group is as follows:

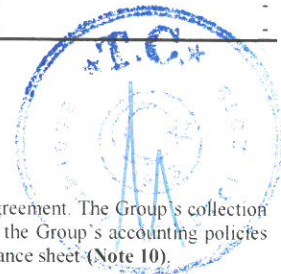
	31.12.2022	31.12.2021
Fixed Interest Rate Financial Instruments		
Financial Assets	192.183.882	82.328.103
Financial Liabilities	1.906.791.194	1.737.020.138
Floating Interest Rate Financial Instruments		
Financial Assets	-	-
Financial Liabilities	-	-

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, net of doubtful receivables provisions are allocated in the consolidated balance sheet (Note 10).



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As of 31 December 2022 and 2021, the exposure of consolidated financial asset to credit risk is as follows:

CREDIT RISK DETAILS IN RESPECT OF FINANCIAL INSTRUMENT TYPES

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 etc	-	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	-	-	-	-	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	-	-	-	-	10-11		6

31.12.2021	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)	631.006	521.056.596	436.868.416	55.236.021	10-11	310.385.565	6
- Maximum risk secured with guarantees etc	-	416.845.277	-	-	10-11	-	
A. Net book value of neither past due nor impaired financial assets	631.006	521.056.596	436.868.416	55.236.021	10-11	310.385.565	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	-	-	-	-	10-11		6
D. Net book value of impaired assets	-	-	-	-	10-11		
- Past due (gross book value)	-	21.913.658	-	-	10-11		6
- Impairment (-)	-	(21.913.658)	-	-	10-11		6
- Secured with guarantees	-	-	-	-	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 31 December 2022 and 2021 are as follows:

31.12.2022	Carrying Value	Total Contractual Cash Outflow	Demand or up to 3 months	4-12 months		1-5 years	
				months	years		
Non-Derivative Financial Liabilities	2.931.615.442	3.761.977.952	1.929.541.638	957.780.802	874.655.512		
Bank Borrowings	1.743.328.362	1.774.980.124	283.170.962	1.337.888.102	453.921.060		
Finance Lease Liabilities	163.462.832	171.683.332	24.911.116	73.445.113	73.327.103		
Lease Liabilities	103.098.272	107.880.405	1.316.307	3.948.920	102.615.178		
Trade Payables	854.168.945	854.168.945	854.168.945	-	-		
Other Payables	67.557.031	67.557.031	67.557.031	-	-		

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

31.12.2021

	Carrying Value	Total Contractual Cash Outflow	Demand or up to 3 months	4-12 months	1-5 years
Non-Derivative Financial Liabilities	2.244.395.612	2.314.444.490	1.031.144.002	866.745.489	416.554.999
Bank Borrowings	1.515.006.344	1.570.452.677	510.214.081	763.007.940	297.230.656
Finance Lease Liabilities	222.013.794	235.682.435	35.408.266	102.778.621	97.495.548
Lease Liabilities	22.173.462	23.107.366	319.643	958.928	21.828.795
Trade Payables	437.769.784	437.769.784	437.769.784	-	-
Other Payables	47.432.228	47.432.228	47.432.228	-	-

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 revalued with the exchange rates valid 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 in 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 after deduction of 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 loans 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)

The fair values of financial instruments are considered to approximate their respective carrying values.

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.

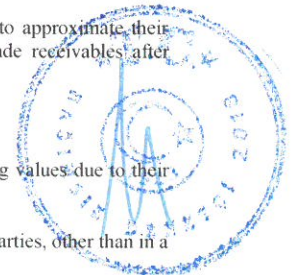
Monetary assets

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 after deduction of provision for doubtful receivables are considered to approximate their respective carrying values.

Monetary 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.

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



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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 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 after deduction of provision for doubtful receivables are considered to approximate their respective carrying values.

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.

