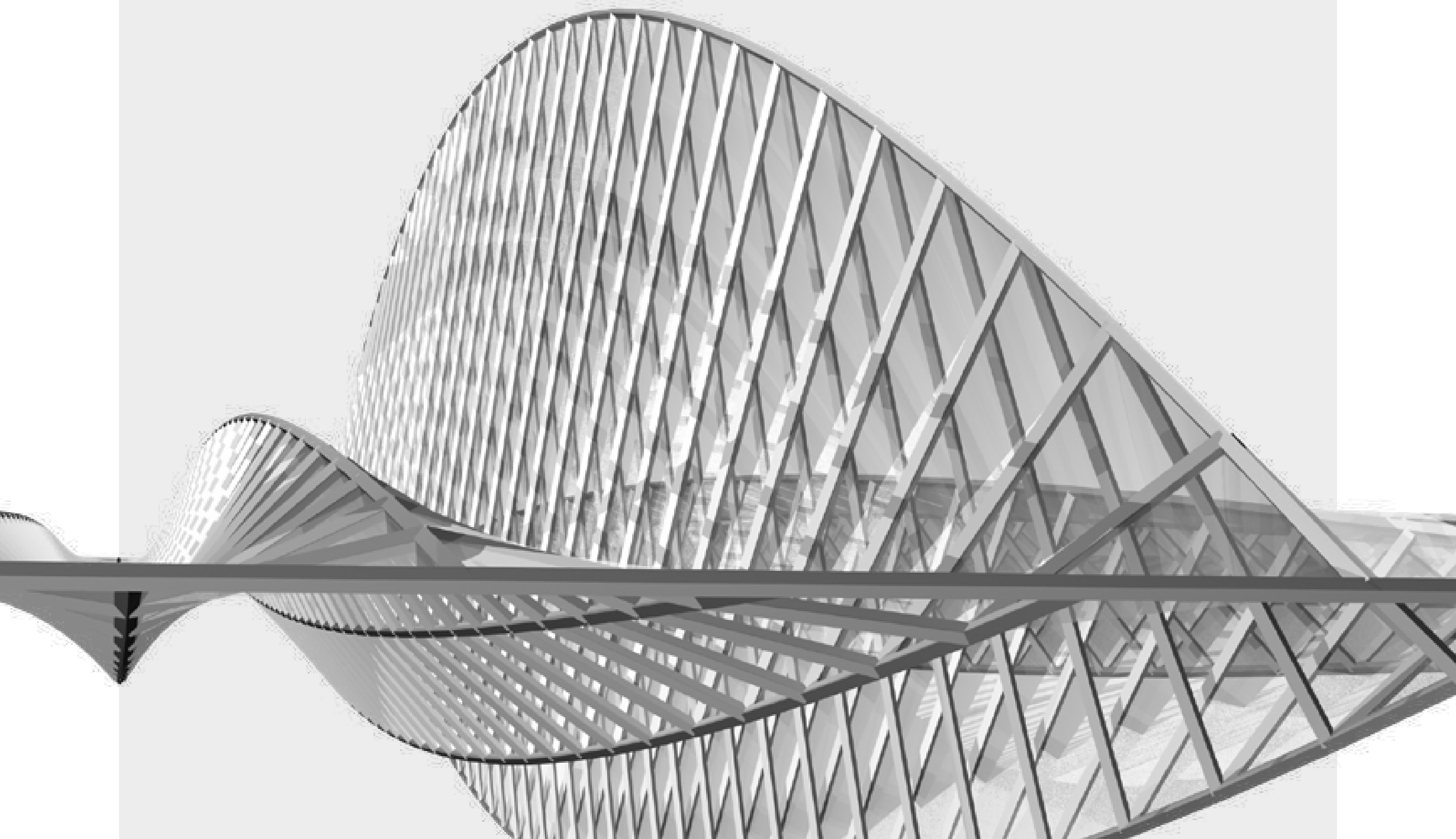
WE SHAPE THE FUTURE OF STEEL!



KOCAER STEEL

Annual Report 2022

Contents

Steel, a familiar substance, is ever more present in our lives in all-new forms!

Kocaer Steel is a family-owned company with a history of vision for continuous development for today and tomorrow. We have 60 years of experience and have a unique business model distinguishing us within our sector.

Steel is our business, but we give it different forms and a different future by leveraging our R&D and product development efforts and experience. Driven by our engineering strength, we manufacture steel profiles specific for solar energy infrastructure, energy transmission lines, structural steel, and steel for the transport, mining, tunnel, shipbuilding, agriculture, machinery production, and defense industries.

We conduct market analyses and create value-added products to address existing requirements. This brings us closer to a sustainable future while propelling us ahead of the competition. Our transparent structure, major technology investments, and value-added products enable us to give steel the shape of the future for those industries where we make a difference and create value.

800
thousand tons
Capacity

140
Export Countries

568
USD million
2022 Turnover

STEEL, SURVIVING CHALLENGES

Amid the growing need for energy, power generation is becoming increasingly important. We need solid, reliable transmission line poles for generated power to be transferred to our households without interruption. To achieve this, we have developed qualified steel products suitable for high-tension lines with the ability to withstand cold temperatures of -60°C, snow load and wind speed of 250 km, and desert temperatures of 60°C.

12 thousand +

Product Variety

SUN-FRIENDLY STEEL

Renewable power generation is on the rise. Solar panels require durable steel constructions that withstand the sun and challenging geographical conditions. Thanks to a galvanizing process making them resistant to harsh weather conditions, we offer our customers the best quality final products ready for use in their projects.

We use SAP, the world's most recognized resource management system, to monitor processes from product entry to the premises, to delivery once packaged error-free and standardized using robotic systems.

100 thousand tons/year

Galvanizing Factory Capacity

TRUSTWORTHY STEEL

Steel is of utmost importance in that it can maintain its presence as long as humanity exists. Indeed, the reliability and robustness of steel is required in many areas of life. At Kocaer Steel, we develop value-added products that enable steel to be used in different and more comprehensive areas by leveraging our modern plants and outstanding engineering capability. For instance, by combining the robustness of steel with innovative ideas, we have produced land slip-resistant underground sliding fortification systems, ensuring the safety of life in the mining industry.

First R&D Center
of the Industry

FRUITFUL STEEL

Steel can contribute to a changing world with added value, only by renewing and transforming itself. On our transformation for the future, and before realizing R&D and Product Development projects, we embraced the expectations of different markets and changing industries as our guiding light. At Kocaer Steel, thanks to our strong engineering capability, we develop value-added products that is used in different and more comprehensive areas. For instance, we add value for labor and soil quality in the agricultural sector with special products that improve harvesters' efficiency while reducing maintenance costs.

21.6 USD million

Total Investment Amount in 2022

STEEL WITH NO BORDERS

We plan to deploy renovation investments in our A1 and A2 plants in 2023 to boost sales of our value-added products. We aim to improve our global competitive edge and exports through continual investments. As a company establishing a distribution channel in the UK and driving its competitive strength through warehouse investments, we serve 140 countries with six sales representatives across diverse geographies. We reach over 2,000 global customers.

435 USD million

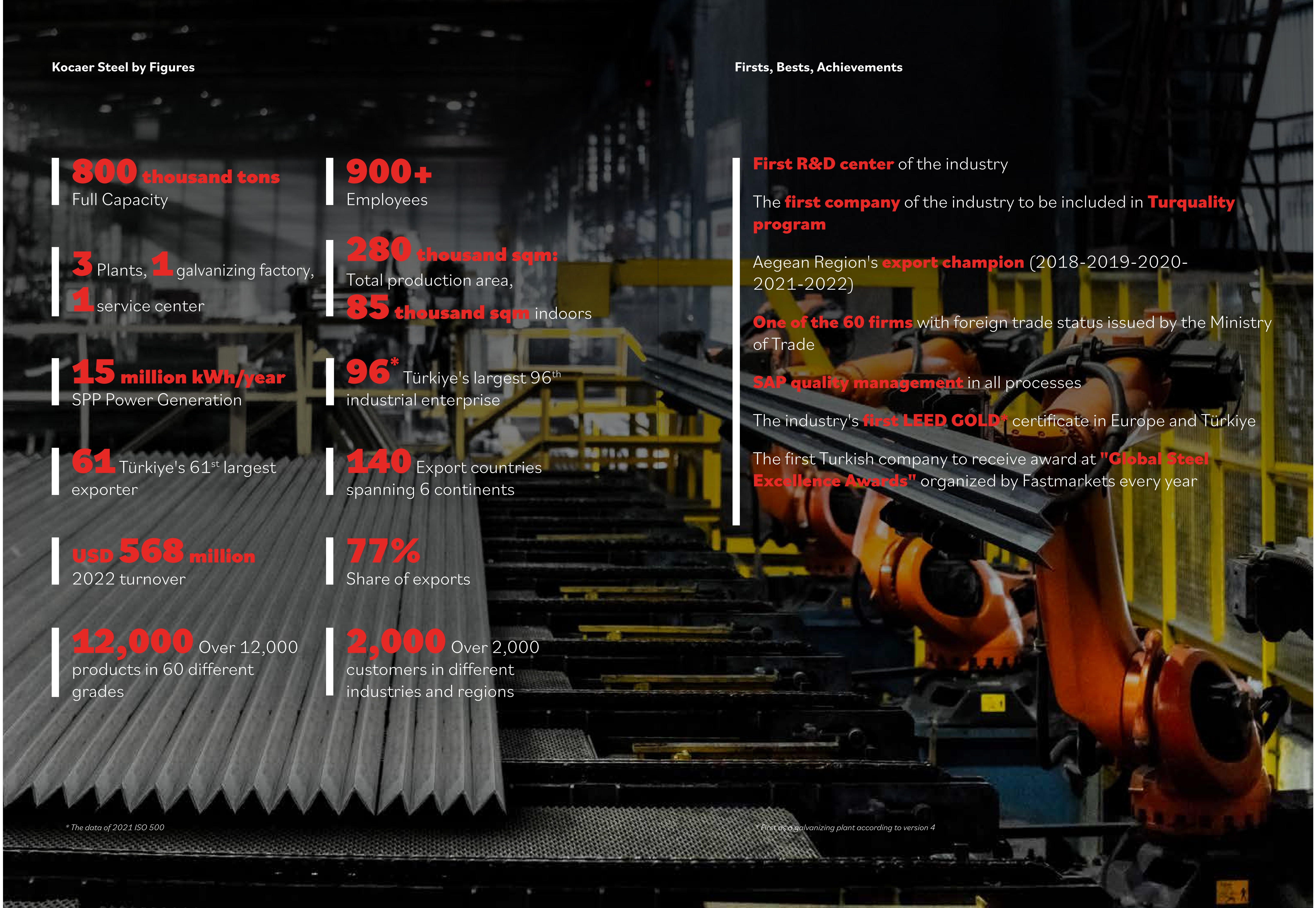
2022 Export Revenue

AWARD-WINNING STEEL

With the first ministry-approved R&D center in the sector, we have transformed into a company with a strong engineering capacity, that develops new products and its own process design with projects developed in an innovative perspective. The innovative products developed through this capacity are highly recognized at national and international levels and have garnered numerous awards. We are proud to receive our industry's innovation award this year.

11

Number of Awards Received over the Past 5 Years



Kocaer Steel by Figures

800 thousand tons
Full Capacity

3 Plants, **1** galvanizing factory, **1** service center

15 million kWh/year
SPP Power Generation

61 Türkiye's 61st largest exporter

USD 568 million
2022 turnover

12,000 Over 12,000 products in 60 different grades

900+
Employees

280 thousand sqm:
Total production area,
85 thousand sqm indoors

96* Türkiye's largest 96th industrial enterprise

140 Export countries spanning 6 continents

77%
Share of exports

2,000 Over 2,000 customers in different industries and regions

* The data of 2021 ISO 500

Firsts, Bests, Achievements

First R&D center of the industry

The **first company** of the industry to be included in **Turquality program**

Aegean Region's **export champion** (2018-2019-2020-2021-2022)

One of the 60 firms with foreign trade status issued by the Ministry of Trade

SAP quality management in all processes

The industry's **first LEED GOLD*** certificate in Europe and Türkiye

The first Turkish company to receive award at **"Global Steel Excellence Awards"** organized by Fastmarkets every year

* First as a galvanizing plant according to version 4

Our Vision, Mission and Values

Our Vision

To be an innovative, strong, reliable, reputable, environment and human-friendly leading company in the sector with its superior product and service quality.

Our Mission

To increase our competitive power with our sustainable product and service quality and innovative structure, while considering our stakeholders as part of our organization with social responsibility and environmental awareness.

Our Values

To be honest, transparent, ethical and fair

Adding value to people and society

Being sensitive to the environment

Ensuring continuity of customer satisfaction

Being participatory and sharing

Continuous learning and innovative approach

Team spirit

We completed our Galvanizing Factory in 2022, which has the first LEED Gold Certificate in Türkiye and Europe, and accelerated our investments to increase value-added products.

3.2%
World economy growth rate in 2022

Esteemed stakeholders,

The global economy experienced a tide of normalization in 2022 following the pandemic. Demand surged once the impact of the pandemic began to dissipate. However, it triggered supply chain disruptions, while regional conflicts and energy crises resulted in a global uptrend in inflation.

The global economy decelerated as a consequence of combating inflation, and with the tightening of monetary policies implemented to stimulate the economy during the pandemic.

The global economy, which grew by 6% in 2021, lost pace in 2022, only reaching an estimated 3.2% for the year, according to the IMF. Aside from the global financial crisis, this marks the weakest growth attained since 2001.

Approximately one-third of the global economy faced negative growth for two consecutive years, states an IMF report which also projects a global inflation hike from 4.7% in 2021 to 8.8% in 2022.

Türkiye, in the meantime, has focused on growth- and export-oriented policy in this period. These policies, rising raw material and energy prices, fluctuating freight and currency prices have led to higher inflation in Türkiye than the global average.

High energy prices and concerns over the global recession have deeply impacted our steel industry. Steel demand experienced its sharpest fall since the 2008 crisis as scrap and ore prices plunged. Global steel production also decreased by 4.3% compared to the previous year.

The war between Russia and Ukraine in 2022 and subsequent decisions to impose sanctions on Russia negatively impacted both countries' international trade, while some of the supply realized from these countries shifted to Türkiye. Meanwhile, many European steel plants slowed their operations due to the energy crisis, offering competitive Turkish steel players an opportunity. However, price increases in electricity and natural gas tariffs raised steel producers' energy costs, curbing their competitive edge in export markets.

The fall in raw steel production in early 2022 continued its pace in the second half of the year as well. Raw steel production in Türkiye decreased by 12.9% to 35.1 million tons in 2022.

Despite these challenging conditions, we increased the export revenue of our Company, which is one of Türkiye's 100 largest companies, by 32% to USD 435 million, and we preserved our title of Iron and Steel Export Champion in the Aegean Region, fifth time in a row. Kocaer Çelik continued its investments in 2022 without slowing down. Our galvanizing factory and steel service center investments were completed and activated in the first half of 2022. Izmir Aliağa A1 and A2 plants' renovation and development investments are ongoing. We have also completed the machinery and equipment procurement for added-value products to be offered to the global solar energy industry, where we have become a key supplier.

At Kocaer Steel, we have set our investment strategy towards energy investments and new value-added products, to attain our growth targets in the coming years. Also contributing to the preservation of the world with the use of renewable and clean energy, Kocaer Steel concluded a consultancy agreement for installing a WPP with a capacity of 15 million kWh/year, on 29.07.2022. We aim to obtain 100% of our 45 million kWh/year electricity consumption through in-house production.

One of the most exciting developments of 2022 was our listing on the Istanbul Stock Exchange, which was the second-largest public offering of the year. Held in June 2022, our public offering was successfully concluded, which helped us share our Company's achievements with the public and domestic and foreign investors and leave a deep-rooted legacy for the future. Our public offering was completed with an additional sale of 4%, with the extra demand and was recorded as the second largest offering of the year with a size of TRY 1 billion 542 million. Investor confidence and support for us shall enhance Kocaer Steel's global competitive capacity and further contribute to its sustainable, profitable growth performance.

Leveraging our ever-growing strength in global markets, we have built our future growth strategy on; diversifying the product range and improving sales and profit margins for high value-added products, expanding international distribution channels to increase access to export markets, generating the power we need for steel production entirely from internal renewable sources thus ending our reliance on external supply, and boosting efficiency through a sustainable digital transformation.

As a strong, reputable, integrated, and preferred Turkish brand globally, we fulfil our responsibilities to the environment and society while growing continuously with our investments. Designed and launched in compliance with LEED v4 BD+C:NC criteria to prevent adverse environmental impacts, our galvanizing factory was granted a LEED Gold certificate by the US Green Buildings Committee (USGBC), thus becoming Europe and Türkiye's first and only steel profile hot dip galvanizing factory certified with LEED v4 BD+C:NC Gold. At our galvanizing factory we aim to decrease energy and water consumption by 50%, carbon emissions by 39%, solid waste by 70%, and maintenance costs by 13%.

We aim to obtain 100% of our 45 million kWh/year electricity consumption through in-house production.

With the employment we create, corporate quality standards, service understanding, and contributions to developing the local economy in our operating regions, we are among the leading pioneers of social and economic development. In this context, we focus our corporate social responsibility projects on schools and hospitals in the Aliağa region where we operate.

The greatest contribution to this journey on which we proceed with bold steps, belongs to our stakeholders, especially our employees. I would like to thank all our employees and stakeholders for supporting us in achieving our goal of contributing to Türkiye's economy and people while leaving a cleaner world to future generations as our legacy.

Kind regards,

Hakan Kocaer
Chairman of the Board

We prioritize sustainability in all our investments.

1.6 TRY billion
EBITDA

Esteemed stakeholders,

2022 was a challenging year for the global economy and our industry. Supply chain disruptions resulted in rising inflation worldwide, while measures taken, high energy costs, and regional conflicts curbed the speed of economic growth, paving the way for concerns over a recession.

Concerns, in return, caused a 4.31%[1] drop in global steel production in 2022. The greatest regression was experienced in the warring regions of Russia and Ukraine, and Europe which had slowed down operations due to energy crises.

This environment posed an opportunity for Türkiye, driving a shift in supply from these countries to our country. However, rising costs and an inflationary environment led to a fall in Türkiye's steel and iron production.

Many plants were required to limit their production or perform maintenance during this period.

Kocaer Steel has concluded the year successfully despite all these fluctuations. The Company's solid corporate structure and the smart growth strategy have been the defining factors in this success. Handling steel profile production, service center, and galvanizing processes within an integrated structure, Kocaer Steel is a pioneering company in Türkiye and Europe; one that has changed its strategy regarding its profile products, derived strength from its engineering genes, leveraged its R&D and design capabilities, and become a global solutions provider delivering tailor-made products.

[1] *Worldsteel*

Focusing on a greater volume of value-added products, the Company has become a preferred brand and made a name in many parts of the world, especially for solar power systems and mines, owing to its durable products that survive the test of challenging weather conditions.

With a pedigree of over 60 years, a qualified workforce, and a sustainable growth strategy, Kocaer Steel has concluded another successful year. In 2022, we have increased our total sales volume by 7.3% compared to the previous year, to 533,238[2] tons. The share of value-added products in total sales has risen remarkably to 42% compared to the previous year.

Compared to 2021, the Company's domestic and international sales revenues increased by 72% and 146%, respectively. This increase of sales volume by 7.3% and the expanding share of value-added products led to a rise of 123% in total revenue to TRY 9.42 billion compared to the previous year. The Company's EBITDA and EBITDA margin have risen considerably in parallel with gross profitability. In 2022, EBITDA rose by 169% to TRY 1.58 billion. In 2022, Kocaer Steel increased its total net profit by 458% compared to the previous year to TRY 756 million.

The goal is to expand the share of value-added products further, with investments to be made using the optimum technology at the A1 and A2 plants in 2023. Maintaining its focus on the energy sector, Kocaer Steel plans to improve its global market share with its new products following the completion of renovation investments in the plants.

Not confining its activities to the Aegean region, Kocaer Steel ranks among Türkiye's top 100 exporters and constantly increases its contributions to the local economy. Our international distribution channels, Kocaer Steel UK and Kocaer Steel Ireland, and overseas sales offices in the US, Italy, Israel, Peru, Colombia, and Morocco help us expand our international presence every year. To enhance our contributions to Türkiye's economy, we intend to expand our international distribution network with structures similar to Kocaer Steel UK.

Kocaer Steel has built its strategy on sustainable digital transformation and improved efficiency. The Company continues its automation and digital transformation projects, such as robotic applications on the production line, intelligent predictive maintenance applications, and robotic process automation (RPA) in line with Industry 4.0 across all business processes. Following the Smart Packaging System, which won first prize among Türkiye's largest organizations in the Ministry of Industry Productivity Project Awards in 2017, another first for the sector was the Robotic Packaging System, implemented in 2020 to meet packaging requirements according to the customer needs.

In 2017, process innovations and adaptations to enterprise resource management software SAP brought the Company a top place at the SAP Quality Awards. Processes developed subsequently enabled the integration of many applications compatible with SAP S4/HANA. In 2022, Success Factors conceptual designs were completed, and integration efforts were initiated. In line with a five-year digitalization roadmap, we aim to improve efficiency and profitability in all business processes - production in particular - and reduce losses.

Kocaer Steel places sustainability at the core of all investments to generate value for the economy, the world, and society. While contributing to the national economy, the Company also adds value to the industry and sector through sustainability activities.

Kocaer Steel has one of the biggest rooftops SPPs in the Aegean region. The Company meets around 33% of the power it consumes from the renewable energy generated by its rooftop Solar Power Plant (SPP), which has a capacity of 15 million kWh/year.

The Company decided to establish an eco-friendly galvanizing factory as early as the project stage, and all necessary sensitivity were exercised from design through to operation. Thanks to this approach, ours is the first and only steel profile hot-dip galvanizing factory in Europe and Türkiye to receive Gold certification according to the globally acknowledged LEED v4 BD+C:NC criteria.

Kocaer Steel has made it a philosophy to respect people and nature, having presented its sustainability perspective to a broad group of stakeholders in its "Sustainability Report" approved by the Global Reporting Initiative's (GRI) standards which require enterprises to report their economic, environmental, and social impact globally.

The Company's sustainable raw material and water management practices allow it to reduce its footprint. Kocaer Steel collects 54 thousand 708 cubic meters of rainwater at its plants to reduce its water footprint. To protect the underground water, it refines 37 thousand 800 cubic meters per annum at its biological waste-water refinement plants. In 2023, the Company aims to cut its water footprint by 5% after conducting measurements with accredited institutions under ISO 14064.

Kocaer Steel uses 100% renewable raw inputs that generate lower amounts of waste or are recyclable for other material procurements. As for its responsible waste management, which plays a key role in sustainable development practices, Kocaer Steel has obtained a zero-waste certificate for its plants. Accordingly, it recycled 87 tons of waste and re-introduced it to the economy in 2021.

As always, we will continue producing with the principle of respect for people and the planet, enhancing the benefits we create for our country and sharpening our globally competitive edge. I thank our stakeholders for their companionship on this journey and our outstanding employees for their contribution to this success.

Kind regards,

Orhan Timurhan
Deputy Chairman of the Board and General Manager

[2] *Other sales are excluded.*

Board of Directors

Hakan Kocaer
Chairman of the Board
Acting as the Chairman of the Board of Directors at Kocaer Çelik Sanayi ve Ticaret A.Ş., Hakan Kocaer was born in Denizli in 1972. Started his career in the iron and steel industry in 1990, he took part in all departments and processes of the Company. He continued to work in the factories established in Izmir as of 1996 and took an active role in the growth of the Company with the strategic decisions he gave in line with his vision. He has been serving as the Chairman of the Board of Directors since 2012.

İbrahim Kocaer
Founding Member of the Board
İbrahim Kocaer, the founder of Kocaer Çelik Sanayi ve Ticaret A.Ş., was born in Denizli in 1939. He started his business life in the early 1960s and until 1984 he made partnerships in various companies in the iron and steel industry. In 1984, he established Kocaer Steel in Denizli. He played an important role in the investment and establishment of the A1 plant, which was completed in Izmir in 1996.

Orhan Timurhan
Deputy Chairman of the Board and General Manager
Orhan Timurhan was born in Adapazarı in 1970 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1992. Started his career at İktisat Bank in 1994, Timurhan worked at Finansbank A.Ş., Fiba Factoring A.Ş. and Odeabank A.Ş. respectively. He then joined Kocaer Çelik San. ve Tic A.Ş. as CEO in May 2018 and currently serves as the Deputy Chairman of the Board and General Manager of the Company.

Ferda Besli
Member of the Board
With more than 30 years of experience in corporate finance, project finance, loan and bank relationship management, strategic marketing, Besli is the founder and CEO of Besfin. He started his career at Akbank T.A.Ş in 1987. In addition to serving the Inspection Board, he was the Head of Branch, followed by various titles including Corporate Banking Department Manager, and President in charge of Commercial and SME Banking. From 2006 to 2011, Besli was the Assistant General Manager in charge of Commercial Banking and SME Marketing, Credit Committee Member, and Assistant General Manager in charge of Project Finance and Cash Management at Akbank. In 2011, he retired and founded Besfin. He holds Türkiye's Capital Markets Board Capital Market Activities Level 3 license and Credit Rating and Corporate Governance Rating licenses. He served various organizations as a member including TÜSİAD (Turkish Industrialists' and Businessmen's Association), World Futurists' Society (WFS), and British think-tank Chatham House in England.

Dr. Yılmaz Argüden
Member of the Board
Dr. Yılmaz Argüden is the Chairman of ARGE Consulting, the most globally reputable Turkish management consulting firm with its creative and innovative management strategies and contributions to society. ARGE delivers management consulting services to numerous Turkish and foreign companies in strategy, business excellence, institutionalization, governance and sustainability. In addition, Dr. Argüden is the Chair of Rothschild & Co. Investment Bank's Board of Directors for Türkiye, and has served the boards of over 70 companies across the globe throughout his career. He has also served as the Chairman of Erdemir between 1997 and 1999. Renown across the world for his work on boards and governance, Dr. Argüden has published books and articles in many languages. He has taken on international roles such as the Chair of Governance Committee at Business at OECD (BIAC) and IFC Corporate Governance Group Advisory Board Membership. Argüden is the Chair of the Board of Trustees at Governance Academy. Dr. Argüden was elected the World Chair of Local Networks and served the Board of UN Global Compact, the world's most widespread sustainability platform, and launched the National Quality Movement as he was the chair of KalDer. He is the founder and/or leader of many civil society organizations including Turkish Education Volunteers' Foundation, Private Sector Volunteers' Foundation, Boğaziçi University Alumni Association, Turkish Economic and Social Studies Foundation, Turkish-American and Turkish-Canadian Business Councils.

İbrahim Kumsal
Independent Member of the Board
Holding a BA degree from Middle East Technical University's Business Administration Department, and an MBA degree from Milano-Bicocca University, İbrahim Kumsal began his career in 2001 at Risk Analyses Directorate of the Undersecretariat for Customs. In 2003, he was the assistant auditor, auditor, chief auditor, deputy head and head of department, respectively at the Enforcement Department of Türkiye's Capital Markets Board. Since 2020, he is a founding partner of Varlık Girişim Finansal Hizmetler AŞ.

After the extraordinary General Assembly Meeting held on April 20, 2022 during which the number of board members was raised from three to six, one being an independent board member, and the new Board of Directors started to serve their three-year office term on April 20, 2022.

The Board of Directors convened 11 times in 2022, five before April 20, 2022 and six after the aforementioned date. The rate of attendance was 88%.

Members of the Board	Position	Start and End Date
Hakan Kocaer	Chairman of the Board	20.04.2022 - 20.04.2025
İbrahim Kocaer	Founding Member of the Board	20.04.2022-20.04.2025
Orhan Timurhan	Deputy Chairman of the Board and General Manager	20.04.2022-20.04.2025
Ferda Besli	Member of the Board	20.04.2022-20.04.2025
Dr. Yılmaz Argüden	Member of the Board	20.04.2022-20.04.2025
İbrahim Kumsal	Independent Member of the Board	20.04.2022-20.04.2025

Senior Management

Hakan Kocaer
Chairman of the Board

Orhan Timurhan
Deputy Chairman of the Board and General Manager

Zümrüt Can Ambarcı
Deputy General Manager

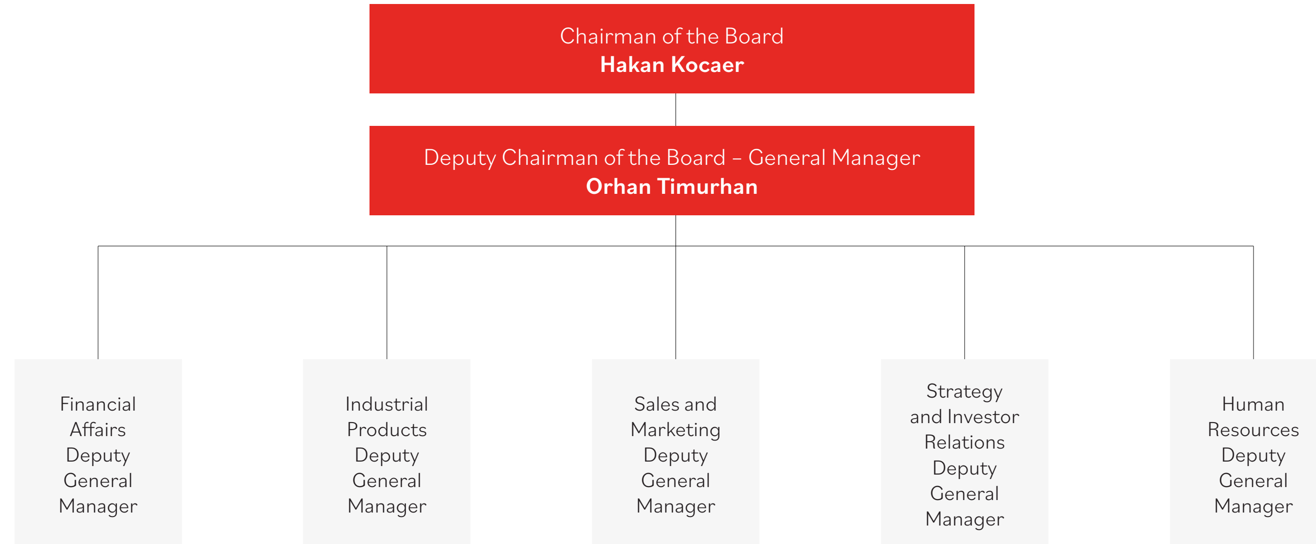
Aytaç Başsüllü
Deputy General Manager

Halil Bahadır Çağlan
Deputy General Manager

Oğuzhan Yıldırım
Deputy General Manager

Taylan Ay
Deputy General Manager

Organizational Chart



About Kocaer Steel

Sustainable growth driven by qualified human resources

Kocaer Steel, with more than 60 years of experience, acts with the aim of being a pioneer and model to the society as a successful Turkish brand in the global arena.

900+
Employees

280
thousand sqm
Production Area

Kocaer Steel is one of the largest companies in Türkiye's steel profile segment with nearly 1,000 employees and a total annual capacity of 800,000 tons.

Kocaer Steel was established by İbrahim Kocaer with a capital worth 30 million TRY in 1984 in Denizli. Named Kocaer Haddecilik Sanayi ve Ticaret LTD, the Company began production with its first plant established the same year in an area spanning 3,000 square meters.

Carrying out production in an area of 280,000 sqm - 85,000 sqm of it indoors - Kocaer Steel is one the biggest firms in Türkiye's steel profile segment with some 1,000 employees and an annual production capacity of 800,000 tons.

In addition to three steel profile plants, as the only integrated plant for steel profile production, the Company has a steel service center with a capacity of 120,000 ton/year, a galvanizing factory with a capacity of 100,000 tons/year and a solar power plant (SPP) with an installed capacity of 15 million kWh which meets 33% of the power it consumes.

Kocaer Steel is one of the steel profile manufacturers with the largest capacity in Türkiye in its segment with over 12,000 value-added products in various types, sizes and thicknesses containing chemical compositions of nearly 60 different grades added to its portfolio. The Company produces steel profiles in special grades, different sizes, special lengths and sections and sells them through export, foreign and domestic distribution channels to its customers operating in the sectors of energy infrastructure, energy transmission line, structural steel, transportation, mining, tunnel, shipbuilding, agriculture, machinery manufacturing and defense industry.

Kocaer Steel's production is built on its extensive know-how and experience in the energy sector, combined with a good product diversity and standardized processes supported by quality certifications including EN 100252 (Europe), DIN 17100 (Germany), ASTM (US), CSA G40.20 (Canada), JIS G3103 (Japan), AS NZSD 3679.1 (Australia), IRAMIAS U 500503 (Argentina), PHN84042 (Poland), CSN EN 10025 + A1 (Bosnia Herzegovina), and EN 1090-1:2019+A1.

Exporting to 140 countries in 6 continents, Kocaer Steel has over 2,000 customers in different sectors and geographical regions. The Company sells via domestic and international distribution networks including its subsidiary Kocaer Steel UK and Kocaer Steel Ireland, and overseas sales offices in the USA, Italy, Israel, Peru, Colombia and Morocco. The share of sales in foreign currency (domestic, international, export-listed) in the Company's overall sales is within the range of 85-95%.

Attaining sales revenues worth USD 568 million and exports worth USD 434.6 million in 2022, the Company is the Aegean region's export champion in the steel & iron industry for the years 2018, 2019, 2020, 2021, and 2022. In 2021, the Company ranked 96th in private sector rankings named "Türkiye's Top 500 Industrial Enterprises" as nominated by the Istanbul Chamber of Industry and ranked 61st in exports in 2022.

Shareholding Structure and Privilege Information

The Company's capital and shareholding structure as of the reporting period is provided below:

Shareholders	Share Group	Share Amount (TRY)	Share Percentage
Hakan Kocaer	A-B-C	520,084,989	79.09%
Free Float	C	137,485,011	20.91%
		657,570,000	**100.00%**

Of the capital worth TRY 657,570,000, shares amounting to TRY 56,100,000 was offered to the public upon the offering circular approved on June 16, 2022 and bulletin of the Capital Markets Board no. 2022/30. TRY 21,500,000 of this amount was raised through capital increase, and TRY 34,600,000 was from shareholders' sales. From the emissions premium that arose from the IPO and accounted under equity, a capital increase of TRY 424,070,000 was carried out and the capital increase was registered and announced on Türkiye's Trade Registry Gazette dated November 30, 2022 no. 10715.

As per the Articles of Association, the Company's shares are divided into groups. Of the total 657,570,000 shares, 119,404,573 are registered shares under Group A, 119,404,573 are registered shares under Group B, and 418,760,854 are bearer shares under Group C. Group A registered shares have the privilege of offering nominees to the board of directors and voting at the general assembly, while Group B shares have the privilege of voting at the general assembly. Group C shares do not have privilege.

Kocaer Steel's strengths

- Unique business model distinct from the sector with 60 years of experience
- Broad international distribution network and over 30 years of experience on export markets
- Flexible production capability, product diversity, and competitive edge
- Pioneering position in R&D innovation and digital transformation
- Emphasis on green and lean production
- Experienced leadership and competent human resources
- Solid financial structure
- Plants' advantageous location in terms of logistics
- Operational efficiency and effective cost management

Kocaer Steel's strategy

- Diversifying the product range and boosting sales and profit margins in high value-added products
- Expanding international distribution channels and access to export markets
- Meeting all the electricity consumed at plants with renewable energy resources generated internally, eliminating dependence on external sources in the supply of electricity, and reducing carbon footprint
- Improving efficiency through sustainable digital transformation

High quality production in an area of 280 thousand square meters

In addition to steel profile production, Kocaer Steel provides cut-to-length, drilling, welding and cold forming services on steel profile, as well as zinc coating services at its galvanizing factory.

Production Facilities

Kocaer Steel produces thin-section, medium-section and heavy-section steel profiles at its three plants, Galvanizing Factory and Service Center. Applying the hot rolling method in the production of steel profiles, the Company provides steel profiles containing more than 12,000 product types with nearly 60 different quality chemical compositions, and length cutting, drilling, welding, cold forming and zinc coating services in the galvanizing factory on steel profiles.

For traceability and control over all the stages of production, the Company monitors and records processes from raw material entry to product shipment on SAP/ERP's (Enterprise Resource Planning) infrastructure and MES (SAP/MII) systems on a real time basis.

** Products shown within the capacities of the service center and galvanizing plant are first manufactured at A1, A2 and A3 plants, and then processed at the services center and galvanizing plant. Therefore, the consolidated capacity is 800,000 tons/year.*

Aliağa-1 (A1 Plant)

- **1996** Commencement Year
- **300,000** Capacity* (tons/year)
- **32,500** Total Area (sqm)
- **21,000** Closed Area (sqm)
- Production Technology **Hot Rolling**

Aliağa-2 (A2 Plant)

- **2008** Commencement Year
- **300,000** Capacity* (tons/year)
- **186,000** Total Area (sqm)
- **34,000** Closed Area (sqm)
- Production Technology **Hot Rolling**

Aliağa-3 (A3 Plant)

- **2017** Commencement Year
- **200,000** Capacity* (tons/year)
- **41,000** Total Area (sqm)
- **18,000** Closed Area (sqm)
- Production Technology **Hot Rolling**

Galvanizing factory

- **2022** Commencement Year
- **100,000** Capacity* (tons/year)
- **Within the premises of A2 plant.**
- **7,000** Closed Area (sqm)
- Production Technology **Hot Rolled Galvanizing**

Service center

- **2015** Commencement Year
- **120,000** Capacity* (tons/year)
- **Within the premises of A2 plant.**
- **4,000** Closed Area (sqm)
- Production Technology **Machining and Welding, Cold Forming**

High quality value-added products

Kocaer Steel has over 12,000 products in various types, sizes and thicknesses containing chemical compositions of over 60 different grades.

Kocaer Steel is able to perform end user or project-specific boutique production and continues its investments for such production operations.

Products and Services

With its galvanizing plant commissioned in early 2022, a service center the capacity increase investment of which is completed, and three plants where steel profiles are manufactured, Kocaer Steel successfully finalized prototype production following the R&D activities, and expanded the value-added product portfolio offered to end users with the newly commercialized value-added products.

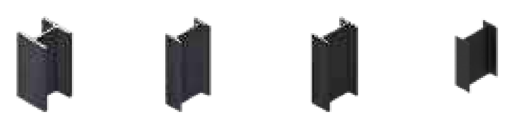
The Company offers over 12,000 products in various types, sizes and thicknesses containing chemical compositions of over 60 different grades. Moreover, it also provides end user or project-specific boutique productions and continues its investments for such operations. Through this, Kocaer Steel also handles cut-to-length, welding and machining, cold forming, sandblasting, painting and hot dip galvanized coating services so as to provide all the solutions and deliver end products that customers may require.

Products

Structural Steel Profiles

Angle Bracket
Round
Plate
Square
T-Profile

I- and H- Profiles

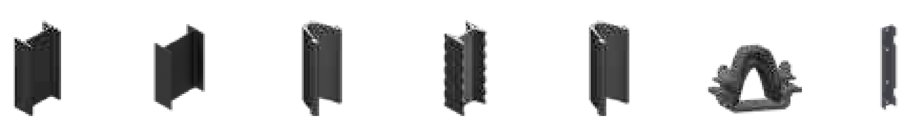


HEA/HEB Profile
NPI Profile
IPE Profile
UB Profile

U- and C- Profiles

UPN Profile
UPE Profile
C Profile
PFC Profile
UAC Profile
CH Profile

Value - Added Profiles



Solar Energy Steel Profiles
Mining Profile
GI
Mining Profile
Clamps
Connector

Services

We are Türkiye's first and only integrated plant with our galvanizing plant and steel service center.

Welded Manufacturing

Sandblasting & Painting

Galvanizing

Machining

Cold Forming

Thermal Process

Cut to Length

Kocaer Steel offers all the solutions and delivers end products that customers require.

Milestones

1984
- The Company was established in Denizli with a capital of TRY 30,000,000 under the name "Kocaer Haddecilik Sanayi ve Ticaret LTD. ŞTİ."
- The Company started production with its first plant established on an area of 3,000 sqm in Denizli.

1996
- The Company, which sold the majority of its production domestically, established the Aliağa 1 (A1 plant) plant in Aliağa, Izmir in order to increase its export potential and to be close to the raw material supply, in a total area of 32.500 sqm, 21.000 sqm of which is consisting of indoor area. Operating with a capacity of 300,000 tons/year, the plant produces heavy and medium section steel profiles.

2006
- The Company obtained TS 910 - Certificate of Product Conformity (I- Steel Profiles).
- The Company obtained TS 912 - Certificate of Product Conformity (U- Steel Profiles).
- The Company obtained TS EN 10056 - Certificate of Product Conformity (Angle Brackets).

2007
- The Company obtained ISO 9001 Management Systems Certificate.

2008
- The Company established a medium and light section steel profile production plant, Aliağa-2 (A2 Plant) right across the A1 Plant in the Aliağa district of Izmir. Spanning an area of 186,000 sqm with an indoor area of 34,000 sqm, A2 has a capacity of 300,000 tons/year.
- Upon the amendment to the Articles of Association as published on the Turkish Trade Registry Gazette dated 09.01.2008 with no. 6973, the Company became a joint stock company and was renamed as "Kocaer Haddecilik Sanayi ve Ticaret A.Ş."

2014
- The Company obtained TS EN 10058 - Certificate of Product Conformity (Flat Steel Profiles).
- The Company obtained TS EN 10025 - Certificate of Product Conformity (Hot Rolled Steel Profiles).

2015
- The Company established MyMetal LTD, which distributes steel & iron products with its warehouses in the UK.
- The Company founded Türkiye's 180th R&D center approved by the Ministry of Industry and Technology. This R&D center is a pioneer in its industry.
- The Company obtained DIN 21530 – 1/2/3/4/5 Certificate of Product Conformity (Mining and Tunneling Steel Profiles).
- The Company ventured into an industry of strategic importance by launching "fortification steel profile" and thus adding yet another product in its portfolio of mining and tunneling sectors. Meanwhile, it established a Service Center and initiated project-based production leveraging high engineering methods in line with the existing mining and tunneling projects.
- The Company obtained the ISO 14001:2004 Environmental Management certificate.
- The Company obtained the ISO 50001:2011 Energy Management System certificate.
- The Company obtained the OHSAS 18001:2007 Occupational Health and Safety Management System certificate.
- The Company obtained S-MARK Market Conformity Certificate.

2016
- S/4 HANA ERP (Enterprise Resource Planning) system, the resource planning management solution for large enterprises of SAP, a leading global enterprise software company, was introduced in-house.
- The Company became a pioneering player to have been included in Turquality, the world's first and only state-subsidized branding program executed by the Ministry of Trade.

2017
- Ministry of Industry and Technology Large-Scale Enterprises R&D Winner

2018
- The Company was entitled to receive the "Largest Exporter of the Aegean Region" award in its industry at the Shining Stars of Exports organized by the Aegean Exporters' Association.
- The Company has received the Special Jury Award at Izmir Technology and Innovation Platform's (IZTEK) R&D and Technology Awards.
- The Company obtained the ISO/IEC 27001 Information Security Management System certificate.
- The Company obtained the ISO 450001 Occupational Health and Safety Management System Certificate.

2019
- The Company was entitled to receive the "Largest Exporter of the Aegean Region" award in its industry at the Shining Stars of Exports organized by the Aegean Exporters' Association.
- The Company garnered two awards in two different categories at the R&D Centers Summit organized by the Ministry of Industry and Technology, including a second place in the "Project Capacity" category and the third place in the "Class A R&D Centers" category.

- The Company obtained SIRIM PC004401 and PC004402 P Market Conformity Certificates.
- The Company obtained SASO-MAK-01-01/02 Market Conformity Certificate.
- As per the principles and procedures stipulated in the Regulation on Facilitation of Customs Procedures under the Customs Law, the Company obtained the YYS (Authorized Economic Operator) on September 3, 2019 with no. TR/AEOF/19350009 after meeting the criteria of meeting customs obligations, running a regular and traceable registration system, holding financial adequacy standards, and offering safety and security standards, as well as having an established auto-control system. The Company performs its own customs clearance operations thanks to its status as the Authorized Economic Operator. In this way, with the authorization certificates issued by the Ministry of Transport, Maritime Affairs and Communications General Directorate for Dangerous Goods and Combined Transport Regulation, the Company is able to process its operations safely and quickly.
- The Company established its Zero Waste Management System and was granted a TS/35/B2/15/18 Zero Waste Management System Certificate as per the Zero Waste Regulation published on the Official Gazette no. 30829 on July 12, 2019 which aims at preventing waste by exercising care for legal provisions and sectoral requirements and practices, using resources more efficiently, examining the reasons of waste generation to prevent or minimize it, collecting waste at source, and working to ensure its recovery.

2020
- The Company began producing steel profiles for solar power systems construction, and selling them in processed and galvanized form to end users.
- The Company was entitled to receive the "Largest Exporter of the Aegean Region" award in its industry at the Shining Stars of Exports organized by the Aegean Exporters' Association.
- The Company received the third prize worldwide in the "Best Operational Improvements" category in 2020 within the scope of the "Global Steel Excellence Awards" organized annually by Fastmarkets, one of the globally respected organizations, and became the sole company from our country to receive an award in this competition.

2021
- JCR (Japan Credit Rating) granted an A score to the Company as a result of its assessments on the Company's end-of-year financial statements in 2021.
- The Company started its investments in the hot-dip galvanizing plant with a capacity of 100,000 tons/year within the premises of Aliağa-2 (A2 Plant) on an indoor area of 10,000 sqm.
- The Company completed its investment in solar power systems of 15 million kWh/year on the rooftops of three plants in Izmir's Aliağa district as part of its strategy to reduce carbon footprint and generate clean and green energy. This way, about 33% of the Company's energy consumption started to be covered by its own internal power generation operations.
- Upon an amendment to the Articles of Association as published on the Turkish Trade Registry Gazette dated 10331 on May 20, 2021, the Company was renamed "Kocaer Çelik Sanayi ve Ticaret A.Ş."

2022
- Kocaer Steel was offered to the public and its shares started to be traded on Istanbul Stock Exchange.
- The Company released its first sustainability report.
- At the Shining Stars of Export Awards organized by the Aegean Exporters' Association, the Company was the winner of the steel & iron industry and steel profile segment, maintaining its position as the Aegean Region's Biggest Exporter.
- The Company obtained the UKCA - Certificate of Conformity for Plant Production.
- The galvanizing plant started it operations, and commenced trial galvanizing services in early 2022.
- The Company implemented energy and eco-friendly designs at its galvanizing plant building, and initiated procedures for a "Green Building" certification. It was then granted a LEED (Leadership in Energy and Environmental Design) certificate issued by USGBC.
- The investment for raising the capacity of the service center to 120,000 tons/year was completed.

Exports to 140 countries spanning 6 continents

Kocaer Steel contributes to Türkiye's development by exporting to 140 countries in 6 continents.

Production Plants:
- A1 production plant: Izmir Aliağa
- A2 production plant: Izmir Aliağa
- A3 production plant: Izmir Aliağa
- Galvanizing factory: Izmir Aliağa
- Service center: Izmir Aliağa

Solar power plant (SPP):
- Izmir Aliağa

Sales offices
- Istanbul
- Izmir
- Denizli

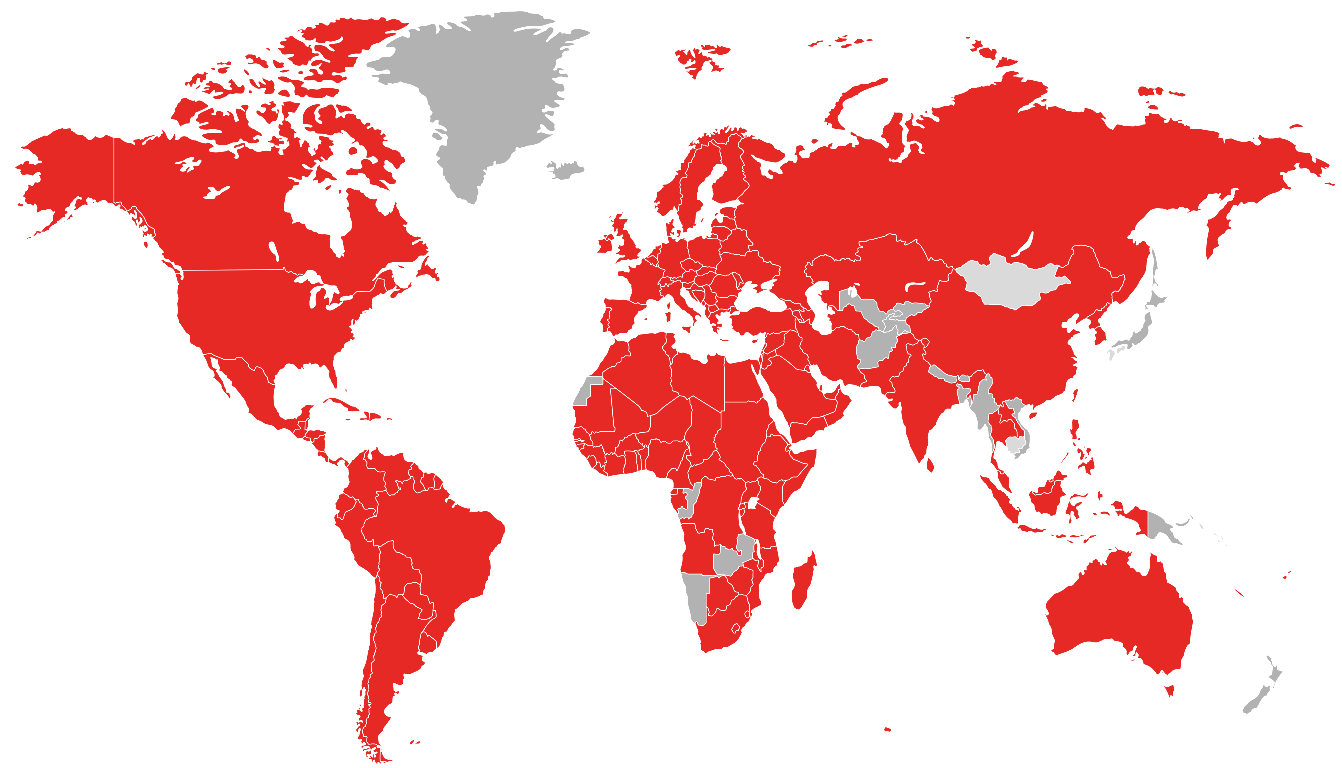
Kocaer Steel UK
- Cardiff, United Kingdom
- Warrenpoint, United Kingdom

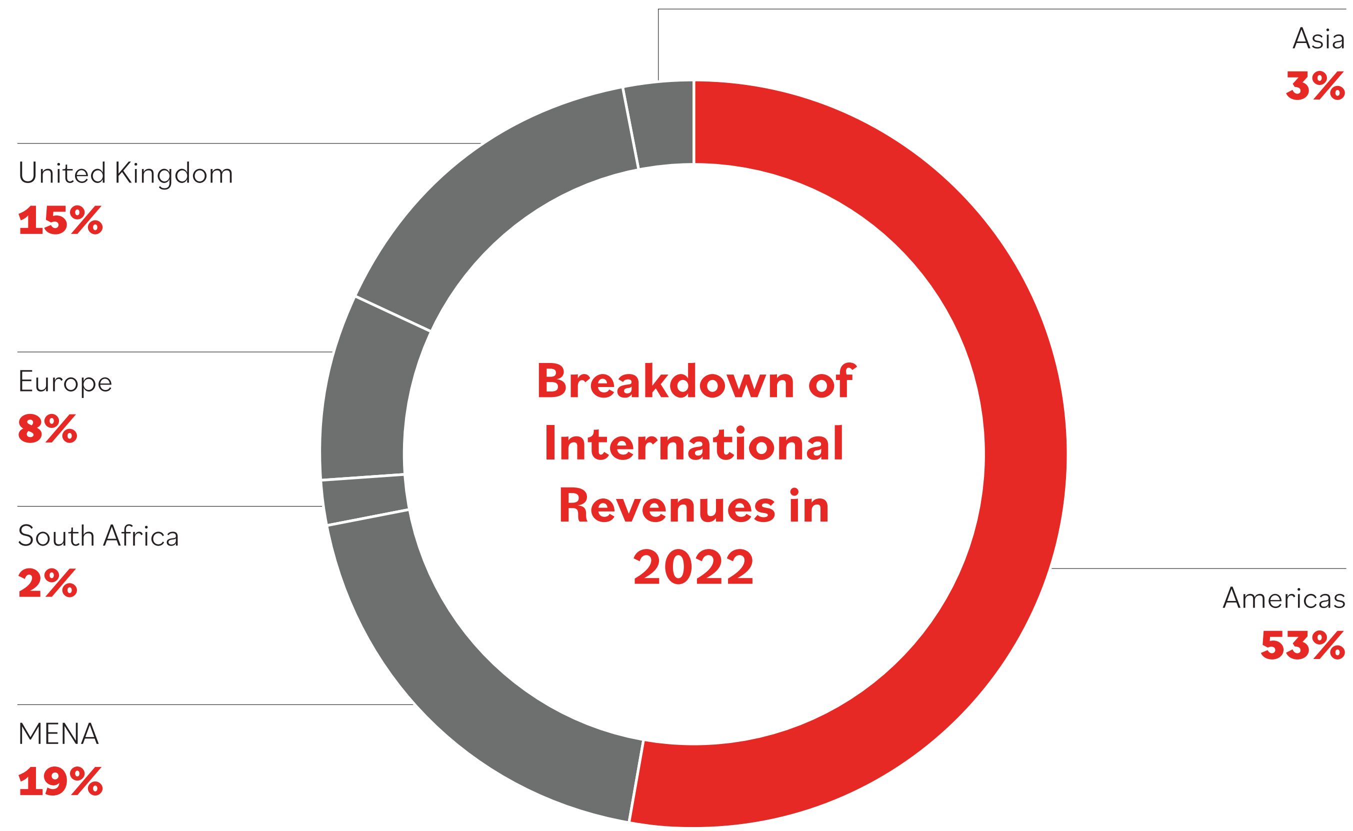
Sales offices:
- USA
- Italy
- Israel
- Peru
- Colombia
- Morocco

Exports to 140 countries spanning 6 continents

Breakdown of export revenues (2022):
- Americas: 53%
- MENA: 19%
- United Kingdom: 15%
- Europe: 8%
- Asia: 3%
- South Africa: 2%

- Over 2,000 customers in different industries and regions
- Sectors of service: Energy transmission lines, solar power infrastructure, structural steel, transportation, mining, tunneling, shipbuilding, agriculture, machine manufacturing, defense industry
- Quality Standard Documents
  - EN 10025-2 (Europe)
  - DIN 17100 (Germany)
  - ASTM (US)
  - CSA G40.20 (Canada)
  - JIS G3103 (Japan)
  - AS NZSD 3679.1 (Australia)
  - IRAM-IAS U 500-503 (Argentina)
  - PH-N-84042 (Poland)
  - CSN EN 10025 + A1 (Bosnia Herzegovina)





Kocaer Steel was offered to the public

Kocaer Steel shares began trading among the Istanbul Stock Exchange Stars, with the first bell-ringing ceremony taking place on June 30, 2022.

Public offering of Kocaer Steel shares, totaling to TRY 1.54 billion was the second largest public offering of the year.

Kocaer Steel Offered to the Public

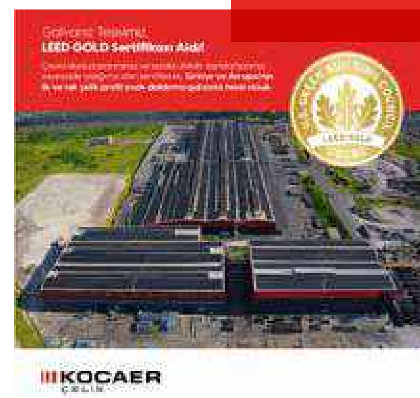
Kocaer Steel shares commenced trading among the Istanbul Stock Exchange Stars, with the first bell-ringing ceremony taking place on June 30, 2022. Investors' generous interest in Kocaer Steel's public offering is an indicator of the significance of this IPO for the capital markets. Kocaer Steel's public offering was finalized successfully with the interest of over 45 thousand investors. With the total IPO value of TRY 1.54 billion, it marked the second-largest public offering of the year.

First Sustainability Report Released

Kocaer Steel released its first sustainability report covering its economic, environmental, social, and managerial performance between January 1 and December 31, 2021. The Global Reporting Initiative (GRI) standards were followed in drawing up the report. The report also demonstrates Kocaer Steel's compliance with UN Sustainable Development Goals.

Galvanizing Factory Launched

Kocaer Steel's galvanizing factory, with an annual production capacity of 100 thousand tons, became operational in 2022. Through this, Kocaer Steel plant has become the only integrated plant for steel profile production. The steel service center capacity reached 120,000 tons/year with its contribution. These two investments increased the share of value-added products among the Company's full product range from 33% at the end of 2021 to 42%.



Kocaer Steel's galvanizing factory, operating at full capacity for sustainable production with the philosophy of respecting people and the environment, received LEED v4 BD+C:NC Gold certification from the U.S. Green Building Council (USGBC).

The first LEED Gold Certificate in Türkiye and Europe

Kocaer Steel's galvanizing factory, operating at full capacity for sustainable production with the philosophy of respecting people and the environment, has received LEED v4 BD+C:NC Gold certification from the U.S. Green Building Council (USGBC). It is designed as an energy-efficient and eco-friendly galvanizing factory and is Europe and Türkiye's first and only steel profile hot dip galvanizing factory.

Renewable and Clean Energy Investments Underway

As part of Kocaer Steel's strategy to reduce its carbon footprint and generate clean and green energy, the Company covered the rooftops of its galvanizing factory opened in 2022 and its service center with solar panels besides the three other plants in Izmir, Aliağa. Thanks to these initiatives Kocaer Steel is able to derive 33% of its consumed energy from renewable and clean resources.

An Assessment of the Industry in 2022

A challenging year for the steel & iron industry

Despite losing momentum in production and exports in 2022, with the contribution of high value-added products, Kocaer Steel raised its sales volume by 7.3% and export revenue by 32%.

35.1
million tons
Türkiye's Raw Steel Production in 2022

Kocaer Steel has become the preferred brand and made a name in many parts of the world, especially for solar power systems and quarries, owing to its durable products that survive the test of challenging weather conditions.

2022 has been a challenging year for the global economy and the iron and steel sector. Supply chain disruptions led to rising inflation worldwide, hence measures taken, high energy costs, and regional conflicts curbed the speed of economic growth, paving the way for concerns over a recession.

Those concerns, in turn, led to a 4.3% drop in global steel production in 2022. The largest regression was experienced in the warring regions of Russia and Ukraine, and Europe which had slowed down operations due to energy crises.

This environment presented an opportunity for Türkiye, driving a shift in demand, normally aimed at those countries, to our country. However, rising costs and an inflationary environment resulted in a fall in Türkiye's steel and iron production. Many plants were required to either limit their production or undertake maintenance during this period.

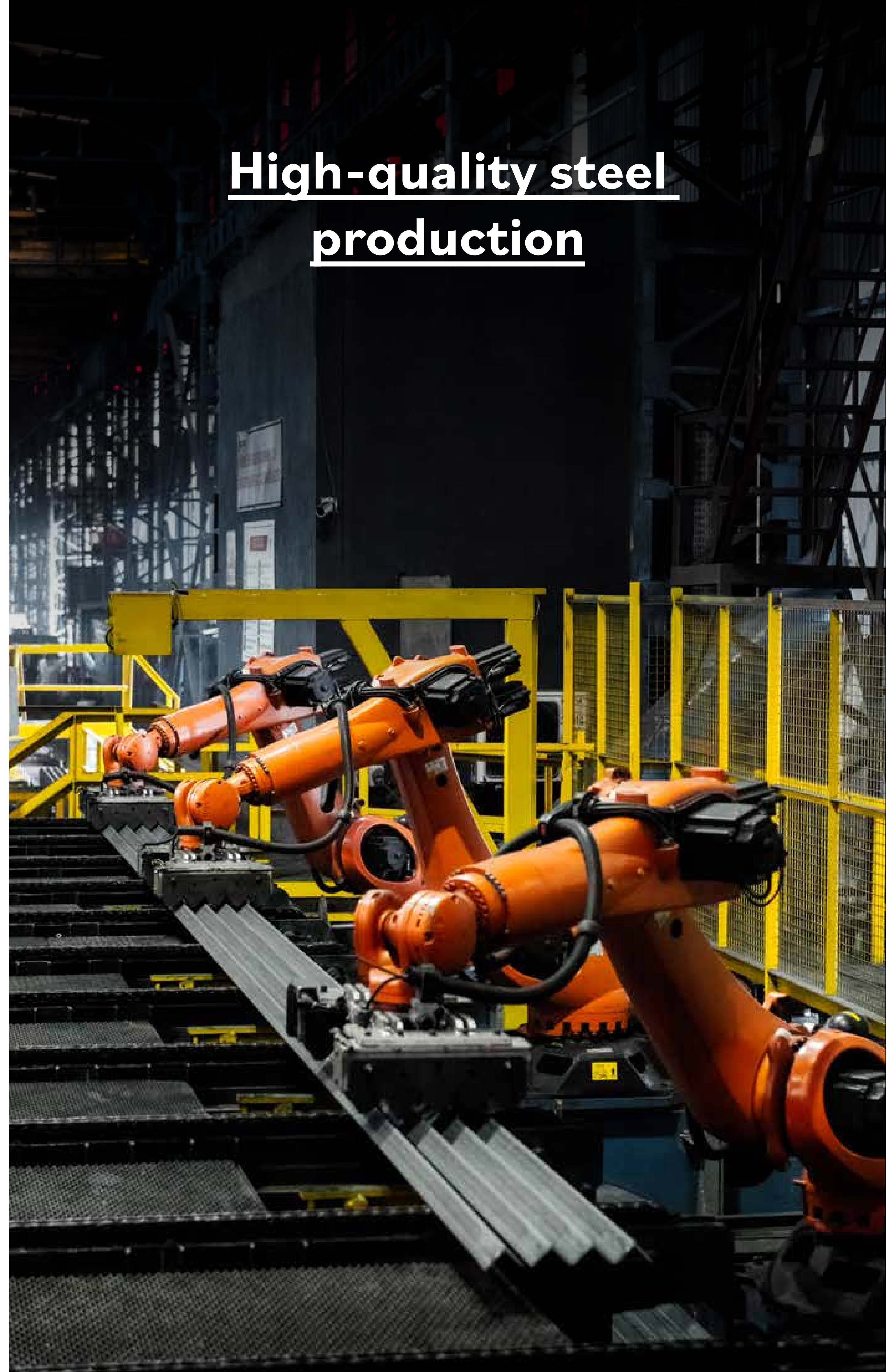
Consequently, raw steel production in Türkiye fell by 12.9% compared to the previous year to 35.1 million tons. Electric arc furnace plants, accounting for a large share of production, saw a 13.1% drop to 25.1 million tons, while production in integrated plants fell by 12.6%. This represented a production volume of 10 million tons in 2022.

The Company's Position in the Industry

Kocaer Steel concluded the year successfully despite the fluctuations experienced by the industry. The Company's solid corporate structure and growth strategy were the defining factors in this success. Handling steel profile production, service center, and galvanizing processes within an integrated structure, Kocaer Steel is a pioneering company in Türkiye and Europe. The Company has changed its strategy regarding its profile products, derived strength from its engineering pedigree, leveraged its R&D and design capabilities, and became a global solutions provider delivering tailor-made products.

The Company has become a preferred brand by focusing on a greater volume of value-added products, one that has especially made a name worldwide regarding solar power systems and mines thanks to the durability of its products against the test of challenging weather conditions.

High-quality steel production



Key Financial and Operational Indicators

Successful business results differentiating the Company positively from the sector

Compared to the previous year, Kocaer Steel grew its total sales volume by 7.3% to 533,238 tons in 2022.

224,038 tons
Value-Added Product Sales

Sales Volume (tons)

	January 1 - December 31, 2022	January 1 - December 31, 2021
Value-Added Products	224,038	164,373
Structural Steel Profiles	204,951	213,606
U and C- Steel Profiles	70,532	71,944
I and H- Steel Profiles	33,717	47,134
Total Sales Volume*	533,238	497,057
Value-Added Products / Total Sales Volume	42.0%	33.1%

TRY 9.4 billion
Total Net Sales Income

Sales Revenues (TRY thousand)

	January 1 - December 31, 2022	January 1 - December 31, 2021	Increase
Domestic Sales	2,219,594	1,290,846	72%
International Sales	7,202,208	2,923,257	146%
Other Income	1,684	4,895	-66%
Returns and Discounts	-5,021	-2,692	87%
Net Sales	9,418,466	4,216,307	123%

Kocaer Steel's exports revenue has risen by 146% to TRY 7.2 billion.

Financial Liabilities (TRY thousand)

	December 31, 2022	December 31 2021	Increase
Short-Term Financial Liabilities	1,499,563	708,934	112%
Current Installments of Long-Term Financial Liabilities	159,068	669,144	-76%
Long-Term Financial Liabilities	351,258	381,116	-8%
Total Financial Liabilities	2,009,889	1,759,194	14%
Cash and Cash Equivalents	947,471	310,435	205%
Net Financial Liabilities	1,062,419	1,448,758	-27%

** Other sales not included.*

Summary Consolidated Balance Sheet (TRY thousand)

	December 31, 2022	December 31, 2021	Increase
Current Assets	4,243,790	2,125,444	100%
Fixed Assets	3,057,687	1,335,407	129%
Total Assets	7,301,477	3,460,851	111%
Short-Term Liabilities	3,551,871	2,116,976	68%
Long-Term Liabilities	462,809	410,497	13%
Shareholders' Equity	3,286,798	933,378	252%
Total Liabilities	7,301,477	3,460,851	111%

TRY 7.3 billion
Total Assets

Summary Consolidated Profit & Loss Statement (TRY thousand)

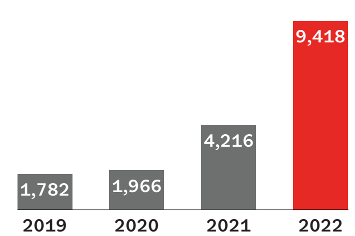
	December 31, 2022	December 30, 2021	Increase
Revenue	9,418,466	4,216,307	123%
Gross Profit	2,162,679	851,570	154%
Operating Profit	1,404,092	961,917	46%
Financing Expenses (net)	(808,424)	(810,464)	0
Profit Before Tax	812,686	180,254	351%
Net Profit for the Period	755,744	135,368	458%
The Parent Company's Net Profit for the Period	751,244	132,584	467%
Adjusted EBITDA	1,579,459	587,292	169%

Net profit for the period has risen by 458% to TRY 756 million.

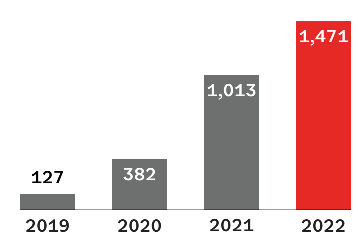
Important Ratios

	December 31, 2022	December 31, 2021
Gross Profit Margin	23.0%	20.2%
Adjusted EBITDA Margin	16.8%	13.9%
Net Profit Margin	8.,0%	3.2%
Net Financial Liability/EBITDA	0.67%	2.47%

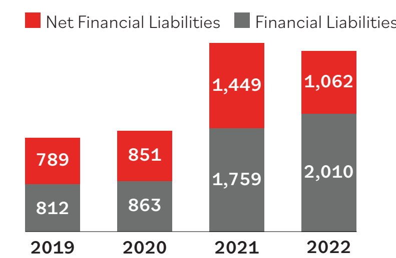
Revenue Improvement (TRY million)



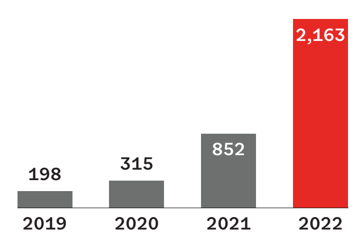
EBITDA Improvement (TRY million)



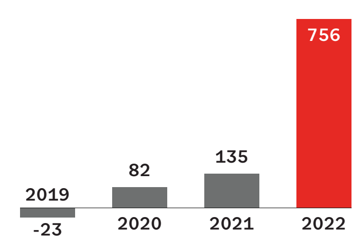
Improvement of Net Financial Liabilities (TRY million)



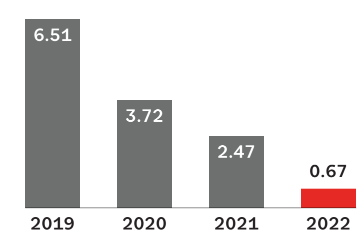
Improvement of Gross Profit (TRY million)



Improvement of Net Profit (TRY million)



Net Liabilities / EBITDA (%)



Awards and Achievements

Success crowned with awards granted

With numerous awards received thanks to its high performance, Kocaer Steel crowned its success.

The Biggest Exporter of the Aegean Region

In 2022, Kocaer Steel maintained its title as the export champion of the Aegean Region in steel profile products that it had attained in 2018, 2019, 2020 and 2021. For the fifth consecutive year, the Company was granted the "Biggest Exporter of the Aegean Region" award at the Shining Stars of Exports Awards held by the Aegean Exporters' Association.

Efficiency Award

Kocaer Steel was the winner of the category for "Plants Generating Own Energy" owing to its rooftop Solar Power Plant with a capacity of 15 kWh/year. This was the Company's first investment under its strategy to supply all the power it requires from renewable resources.

Innovation Leader Brand of Steel & Iron Industry

Kocaer Steel won the "Innovation Leader Brand of Steel & Iron Industry" award at the third edition of Türkiye's Innovation and Achievement Awards.

One of the Greatest Offering to Public of the Year

On June 30, 2022, Kocaer Steel carried out the year's second largest public offering with a total value of TRY 1.54 billion.

The Industry's First LEED Gold Certification in Europe

Kocaer Steel's galvanizing factory, upon investments and deployment in 2022, was granted a Gold Certificate by the U.S. Green Building Council (USGBC) in line with LEED v4 BD+C:NC criteria. This was the result of eco-friendly designs and practices carried out at the plant which has now become Türkiye's and Europe's first and only steel profile hot dip galvanizing factory holding this certificate.

Sales network spanning 140 countries across 6 continents

Kocaer Steel conducts sales activities with a sales and distribution network spanning 140 countries across 6 continents.

As a result of its R&D activities, Kocaer Steel successfully completed its prototype production and expanded its value-added product portfolio provided to the end user with newly commercialized value-added products.

With its galvanizing factory commissioned in early 2022, a service center the capacity increase investment of which is completed, and three plants where steel profiles are manufactured, Kocaer Steel successfully finalized prototype production following the R&D activities, and expanded the value-added product portfolio offered to end users with the newly commercialized value-added products.

The Company's sales organization consists of exports, international distribution, and domestic distribution functions. Sales organization is handled by representatives in charge of respective regions, with sales offices in Istanbul, Izmir and Denizli. Sales organization is structured according to the sector and the region where the market is located. In addition, overseas sales offices are present in the US, Italy, Israel, Peru, Colombia and Morocco.

In 2015, Kocaer Steel UK was founded in the United Kingdom as a 90% subsidiary of Kocaer Steel. The subsidiary runs storage, sales and distribution of the Company's products in the UK market. Kocaer Steel UK has a total 20,000 sqm of indoor storage area in Cardiff and Warrenpoint. Thanks to the storage capacity of Kocaer Steel UK and Kocaer Steel Ireland, the Company can deliver products from its inventory with short lead times to its customers in the UK.

The Company sets its sales strategies in light of the feedback from representatives and marketing and sales units regarding customers' preferences, in addition to sector reports, market research and analyses, and channel and distribution network policies.

Kocaer Steel performs order-based production and all orders are managed on SAP/S4 HANA. The Company's international and domestic sales are covered by the insurance policy by Türk Eximbank. As for exports, the Company follows the most appropriate one amongst CFR, CIF, FOB or EXW as per Incoterms 2020.

With its sales and distribution network extending to 140 countries in 6 continents, Kocaer Steel carries out sales and marketing activities aimed at increasing the share of value-added products in sales revenues and reaching out to new sectors and customers.

In this context, customer and competition, market, sector, product portfolio, geography, distribution network, brand and position, as well as financial sustainability analyses were conducted. As part of the strategic goals set for 2022, the Company actively participated in numerous national and international events and carried out field studies.

Compared to the previous year, Kocaer Steel grew its total sales volume by 7.3% to 533,238 tons in 2022. The share of value-added products in total sales volume rose considerably from 33.1% in 2021 to 42.0%. The Company mainly prefers to produce upon orders and work with minimum inventory in products and raw materials.

Compared to 2021, the Company's domestic and export sales revenues increased by 72% and 146%, respectively. The increase in sales volume by 7.3% and the expanding share of value-added products have led to 123% rise in net sales revenue compared to the previous year, to TRY 9.42 billion.

In 2022, energy prices saw a significant hike in all parts of the world including Türkiye, bringing it to significant levels among other production costs. Scrap and ore prices were on a fluctuating streak, and labor costs increased. Raw steel production in the steel & iron sector dropped by 12.9% in 2022. Despite all these developments, the Company raised its sales volume by 7.3%, and its gross profits by 154% from TRY 851.6 million to TRY 2,162.7 million.

For 2023, Kocaer Steel aims to expand the share of value-added products in overall sales. The plan is to increase participation in trade fairs of the industries where such products are preferred and focus more on sales and marketing activities. The Company also intends to attend steel & iron, construction and energy exhibitions in order to reach new markets and customers with its products that have already attained a leading position in Türkiye's exports.

The share of value-added products in total sales volume rose considerably from 33.1% in 2021 to 42.0% in 2022.

Value-added new product investments

Kocaer Steel has set its investment strategy towards energy investments and high value-added new products so as to attain its growth targets in the coming years.

Kocaer Steel completed its investments, and activated its Galvanizing Factory and Service Center in the first half of 2022 in order to support value-added products.

Kocaer Steel has set its investment strategy towards energy investments and high value-added new products so as to attain its growth targets in the coming years. In line with this investment strategy, 33% of the electricity consumed is generated by the Company thanks to the completion of rooftop SPP investments for three plants in Aliağa, the Galvanizing Factory and Service Center. The goal is to deliver almost all of the power required for operations with 45 million kWh/year electricity to be generated with renewable sources. The Company pursues all investment opportunities related with renewable energy resources in order to achieve this goal.

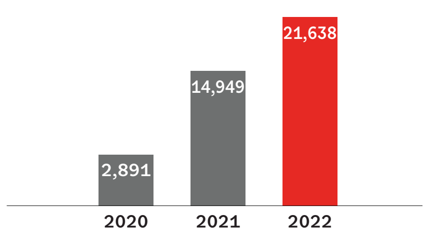
The Company completed its investments, and activated its Galvanizing Factory and Service Center in the first half of 2022 in order to support value-added products. Meanwhile, Izmir Aliağa A1 and A2 plants' renovation investments are ongoing.

Machinery and equipment procurement has also been finalized for value-added products to be offered to global solar energy industry where Kocaer Steel has become a key supplier. The plan is to launch the production of new solar construction profiles following the completion of the renovation investments.

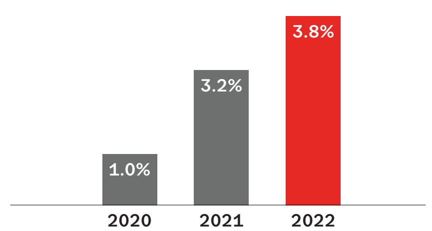
The need for energy increases each passing day at global level, especially in Europe region. So as to meet this need, the Company carries out project-based, boutique and special grade steel profiles to address the infrastructure need for rising investments in the entire energy sector. A big portion of growing solar investments are field investments, and this trend is projected to continue. Therefore, the Company's product range in this field is diversified as it is of strategic importance for Kocaer Steel. Since June 2020, Kocaer Steel has provided the infrastructure for solar power plants worldwide representing an installed capacity of 6,700 MW, and targets to continue on positioning itself as a global brand in this field.

Strategic Investments

Investment Expenditures (USD thousand)



Investment Expenditures / Net Sales



Efforts to expand product diversity

In 2022, R&D Center activities were undertaken mostly to expand product diversity and develop value-added products with higher profitability.

The R&D Center currently has 3 patents, 6 designs, and 16 registered trademarks (6 domestic and 10 international) as part of intellectual and industrial rights.

Kocaer Steel launched its R&D Center in 2015 which is the first of its segment to have been certified by the Ministry of Industry and Technology. Projects developed at the R&D Center with an innovative perspective have helped the Company lay the foundations for an engineering company that develops and designs new products, machines and processes in steel. As for R&D efforts, the Company mostly focuses on expanding product diversity and developing high value-added new products. However, it also carries out numerous improvement projects to boost productivity and cut costs and feasibility work on future investment projects. Over 100 projects funded internally or with the support of domestic and foreign R&D funds have been completed. There are 20 national/international projects deemed worthy of support by Tübitak (TEYDEB).

Industry 4.0 approach is adopted in all business processes, while automation and digital transformation projects are carried out including but not limited to robotic practices, smart predictive maintenance applications, and robotic process automation (RPA). In line with a digitalization road map covering five years, the Company aims to improve efficiency and profitability in all business processes - production in particular - and reduce losses.

Kocaer Steel continuously undertakes research and development activities with its digital simulation, design and engineering software, experienced engineers and technical staff, lab infrastructure, prototype production capabilities and partnerships at its R&D center. In this respect, the Company has set goals to enhance the qualifications of engineers, design and operational workforce and staff as well its infrastructure for sustainable innovation and design activities.

The R&D Center currently has 3 patents, 6 designs, and 16 registered trademarks (6 domestic and 10 international) as part of intellectual and industrial rights. Kocaer Steel's 3 patent applications are being officially reviewed and their processes are pending.

The R&D Center has accorded national and international achievements. These include the first place in the "Large Scale Enterprises' R&D Category" at the Efficiency Project Awards of the Ministry of Industry and Technology in 2017; Special Jury Award at R&D and Technology Awards organized by Izmir Technology and Innovation Platform (İZTEK) in 2018; second place in the Project Capacity category and third

place in Class A R&D Centers category at the R&D Centers Summit of the Ministry of Industry and Technology in 2019. As part of "Global Steel Excellence Awards" organized by Fastmarkets, a globally prestigious institution, it came third among its global peers in the "Best Operational Improvements" category in 2020, and thus became the first Turkish firm to have garnered an award at this contest.

As part of its R&D endeavors, Kocaer Steel has conducted 59 projects in 2022 in the categories of Innovation/R&D, Process Excellence, and Respect for People. 26 of these projects were initiated in 2021 and ongoing projects started in 2022 according to business plans. The remaining 33 being new initiatives launched of 59 projects, 18 were completed as of the end of 2022.

In 2022, R&D Center largely concentrated on widening the product portfolio and developing value-added products with higher profitability. 18 projects completed in 2022 were under the Innovation/R&D and Process Excellence categories, which included focusing on the creation of novel high-value products or production techniques, energy efficiency boosting practices, as well as enhancing production performance, reducing labor waste and losses, predictive and preventive maintenance, improving existing products.

Under its R&D efforts, Kocaer Steel has conducted 59 projects in 2022 in the categories of Innovation/R&D, Process Excellence, and Respect for People.

Information Technologies

Integration work launched

As part of the strategic business plan for 2022, the initiation for conceptual designs and integration of SAP Success Factors were launched.

Kocaer Steel utilizes a barcode system throughout all its operations, from raw materials acceptance to the loading of products for shipment.

In all business processes, Kocaer Steel adopts Industry 4.0 (smart plant) approach and undertakes automation and digital transformation projects such as robotics, automatic packaging transition, and product verification. Monitoring all technology development and digitalization trends related with IT, the Company maintains ISO 27001 standards and stays updated with its technology with the investments it makes. The Company also leads in the industry with innovative software and process developments.

Kocaer Steel rolled out the ERP/SAP system as a pioneering enterprise resource planning solution in 2016. All the processes within the Company run in integration with SAP systems. Kocaer Steel's SAP S4/Hana project won the Gold Award in the innovation category at 2017 SAP Quality Awards.

Quote preparation, demand planning, raw material planning and supply, short, mid and long term production planning, production management, quality assurance, storage, logistics, sales, after sales services and all financial processes are handled by the Company’s propriety software built on its internal know-how in integration with SAP S/4 HANA.

The Company uses a barcode system at all stages, from raw materials acceptance to the loading of products for shipment. The process from the raw material's entry to its transformation into a product ready for shipment to the customer is fully traceable. The Company runs stocks, planning, production, quality control, accounting, procurement, customs and logistics activities with the barcode information within this integrated process.

Kocaer Steel's IT infrastructure features cutting edge hyper-converged green-it systems at six different locations.

As part of the strategic business plan for 2022, efforts were launched for conceptual designs and integration of SAP Success Factors. The project is aimed at moving all HR processes to a digital platform so as to strengthen communication with employees, and implement goal and performance modules inside the application. This way, all follow up on goals and performance across the organization will be digitalized and monitored on the platform. These efforts will continue also in 2023.

Meanwhile, the Company also initiated the RPA (Robotic Process Automation) project in 2022 as part of the digitalization roadmap established in line with Kocaer Steel's strategies. Under this project, prototypes will be developed for the planning unit, which will be followed by the process works of other units in other phases of the project. The goal is to improve efficiency and profitability while reducing losses, production in particular - as part of its digitalization roadmap set for the coming five years.

Usage Area	Applications Used
Virtualization Platform	HP Simpivity VMWare
Operating System	Microsoft Windows 10/11
	Microsoft Windows Server
	Suse Linux Enterprise
	Ubuntu
Backup Software	Veam One
Security Software	Trend Micro E-Mail Security
	Trend Micro Deep Security
	Trend Micro Endpoint Security
Database	SAP HANA
ERP	SAP S4Hana On Promise
CRM	SAP Sales Cloud
Production Management (MES)	Internally developed software on SAP MII
Reporting	SAP Analaytics Cloud
Human Resources	SAP Success Factors
Procurement Tender Platform	Pratis.net
Repair and Maintenance	Bimser BoysWeb
Quality Management System	Bimser QDMS
Document Management System	M-Files
Helpdesk	GLPI IT Help Desk
Warehouse Automation	Internally developed handheld terminal apps
Office	Microsoft Office 365
Call Management	IP Operator
Conference	Microsoft Teams
	Zoom
	Cisco Webex Room Kit
	Google Meet
Technical Design	AutoCAD Mechanical 2020
	Autodesk Inventor Professional 2020
	Edgecam 2014 R
	Pro Engineer
	Autodesk Inventor Nastran Editor Utility 2020
Simulation Software	Simufact Forming 2020

The Company initiated the RPA (Robotic Process Automation) project in 2022 as part of the digitalization roadmap established in line with Kocaer Steel's strategies.

We provide a happy working environment

Kocaer Steel provides a physically convenient environment where employees can be more productive, competent and happy.

Kocaer Steel also formulates strategies to ensure employees' continuous development and maximize their competencies and personal development.

Laying a solid groundwork in all aspects of life and thus adding value to lives, Kocaer Steel stands out as a preferred employer in its industry due to its commitment to employee experiences.

For the purposes of running the processes as planned and ensuring product compliance, Kocaer Steel has an established Human Resources Policy so as to generating, securing, and maintaining the continuity of the required social, psychological and physical environment.

In line with this policy, Kocaer Steel prevents discrimination of all forms, runs processes on the basis of universal human rights, diversity and equal opportunity, and provides employees a physically conducive environment where they can be more productive, competent and happier.

The Company adheres to legally mandated regulations for employees' leave, and, in order to become a continuously evolving, renewing and learning organization that supports mothers, it encourages employees for professional and personal development, offers training and education opportunities, and maintains a corporate culture where recognition is public and feedback is provided face to face. Involving employees in decision-making processes and providing a healthy and safe working environment with the suggestions and rewarding system is among the human resources policies that the Company prioritizes. The Company implements a local employment policy, and adopts a remuneration and benefits strategy whereby seniority and employee performance is taken as a basis.

Recruitment
In recruitment processes, Kocaer Steel observes the compatibility of candidates' knowledge, competencies and experience with the Company's principles.

Orientation Program
The Company includes new recruits in orientation programs during which it provides detailed information on human resources policies, the working environment and social benefits in order to facilitate their quick adaptation to Kocaer's culture.

Continuous Development
Kocaer Steel also devises plans to ensure employees' continuous development and maximize their competencies and personal development. In this respect, practical steps are reviewed and a framework is established to provide solutions to address current challenges.

Feedback and Assessment
The Company believes that feedback and assessment are highly important, and thus goes beyond the numerical dimension of performance and success criteria - by carefully listening to employee insights and taking necessary action.

Career Path
A career path at Kocaer is always predicated on future-driven innovations and continuous development principles. The Company embraces employees' dreams and provides the biggest support for the career path they wish to pursue.

It has also prepared action plans on human resources strategies covering 5-year terms. Continuously developing the human resources system and practices, Kocaer Steel has rolled out action plants in light of employee satisfaction surveys. In 2022, Success-Factors was deployed as an app under the project for digitalization of human resources systems.

Kocaer Academy: Proactive contributions to employee development
Founded to raise the leaders of change who will take part in Kocaer Steel's sustainable future and to actively contribute to employees' development, Kocaer Academy delivered 30,757 hours in training, corresponding to 34 hours per person in 2022.

Effective Leader Development Program (ELPG) was implemented for employees supervising field personnel. First stage technical and occupational courses for employees' technical, occupational and personal development were completed in 2022. Second stage of the technical and personal skills development courses under ELPG will be organized in 2023.

People-Oriented Mindset
Placing people at the heart of everything, Kocaer Steel strives to add color to employees' social lives via social activities. Kocaer Orchestra was formed for this purpose. In addition, six social clubs were opened.

As part of social responsibility efforts, Service to Society Club ran a blood donation campaign for the Red Crescent Society under the motto "Blood-Life-Rhythm."

On the Day of Persons with Disabilities, a performance was delivered to students and guardians at Menemen Autistic Children Training Center.

Attaching importance to special days, Kocaer Steel has held various events on March 8, the International Women's Day.

Kocaer Academy delivered 30,757 hours in training, 34 hours per individual, in 2022.

Sustainability Approach

We respect the environment and natural resources

Kocaer Steel carries out all its activities with awareness of its environmental responsibilities and understanding of production built on respect for the environment and natural resources.

Adopting a well aware and inclusive perspective, Kocaer Steel has always addressed sustainability issues responsibly.

As part of sustainable development goals, and in order to preserve and improve its global competitive edge, Kocaer Steel has pinpointed issues that it will address with priority during its sustainability journey, observing all its requirements and analyzing stakeholders' expectations.

Its sustainability vision and these priority matters impacting its strategy form the essence of Kocaer Steel's sustainability performance. Adopting a well aware and inclusive perspective, Kocaer Steel has always addressed sustainability issues responsibly. Therefore, it has divided its sustainability efforts under the three groups of responsibilities; economic, environmental, social and governance.

Management Responsibility and Continuous Development

For Kocaer Steel, a good governance is built on the responsibility to continuously develop product and service quality, establish ethical and transparent partnerships with all stakeholders, ensure customer satisfaction and compliance with international standards, and integrate risk and opportunity analyses into all processes.

Combating Climate Change and Environmental Responsibilities

Climate change is among the urgent global problems according to United Nations. Destructive impacts of climate change are experienced across the globe, directly impacting the economic, environmental and social activities. Climate change is also closely linked with global business, as much as it is with governments, and thus is a core priority to be tackled by business leaders. Kocaer Steel conducts all its operations with awareness of its environmental responsibilities and understanding for a production built on respect for the environment and natural resources.

Investing in Human Resources and Social Responsibility

The most important and number one stakeholder for sustainability at Kocaer is employees. A safe, healthy and motivating working environment is an essential human resources responsibility. Leveraging its people-centric structure, Kocaer Steel provides the necessary basis for the development of new skills and initiates efforts to drive further momentum to sustainability.

Sustainability Priorities

Kocaer Steel conducted an analysis to identify priority topics that will shape its focus areas and future strategy for sustainability. As these topics were being identified, social, economic and environmental impacts, risks and opportunities that sustainability topics pose, and their implications on the Company's long-term performance were among considerations.

Kocaer Steel conducted an analysis to identify priority topics that will shape its focus areas and future strategy for sustainability.

SUSTAINABILITY PRIORITIES

Management Responsibility and Continuous Development:
- Customer satisfaction
- Compliance with international standards
- Corporate governance approach
- Risk and opportunity management
- Ethics and transparency
- Supply chain management
- R&D and Innovation
- Information security

Combating Climate Change and Environmental Responsibilities:
- Energy management
- Emission management
- Traceability
- Waste management
- Water management

Investment in Human Resources and Social Responsibility:
- Occupational health and safety
- Equal opportunities
- Employee engagement
- Talent and career management
- Social responsibility projects

Priority for supporting women employees

Kocaer Steel prioritizes support for women employees and makes sure to have women at all management levels, exercising care to guarantee women's equal participation in life.

Kocaer Steel created its strategic plans in 2022 in line with EU's Green Deal and public authorities' regulations and laws.

Sustainability Management and Sustainability Committee

At Kocaer Steel, implementation of corporate sustainability practices and ensuring their continuity is a number one responsibility for the management.

Accordingly, the Sustainability Committee was established in 2021 so as to enhancing adaptability to global, macroeconomic, environmental and social trends and associated amendments to laws that may arise from the global sustainability agenda. The oversight of the Committee rests with the management.

The Committee is tasked with identifying sustainability strategies and policies in economic, governance, social and environmental spheres, presenting them for management's approval, measuring sustainability performance, and formulating projects to improve this performance. The Committee is also responsible for propagating a culture of sustainability and integrating it with Kocaer Steel's values and the corporate culture.

Sustainability Activities in 2022

- “Kocaer Management and Excellence – KYMS” system, a fully proprietary design we deployed in 2021 to attain sustainable and profitable growth and create value for all stakeholders now acts as a guide for continuous development and improvement methodology. Strategy development, management with business plans, target-oriented management, lean production practices, digital transformation works, management with processes, idea management system, project management system, recognition system ad 35 loss management are all the concepts contained by this comprehensive model where we strive to take one step further towards excellence via committees, audits and training courses under Kocaer Academy.

- Kocaer Steel prioritizes support for women employees and makes sure to have women at all management levels, exercising care to guarantee women's equal participation in life. In 2022, the number of women at management and senior management levels has grown by 50% compared to 2021.
- Kocaer Steel created its strategic plans in 2022 in line with EU's Green Deal and public authorities' regulations and laws.
- Through Solar Power Plant (SPP) investments on the rooftops of its production facilities, Kocaer Steel generates 33% of the electricity it consumes and strives to raise this ratio to 100% with new investments.
- SPPs have resulted in 1,032 tons of emission reduction, while hybrid tools used at plants have resulted in 8 tons of emission reduction.
- The Company incorporated energy and ecology friendly designs at the building of the Galvanizing Factory and initiated green building certification processes in 2022. The building was evaluated by the USGBC (US Green Building Council) and awarded a LEED certificate.
- An EPD certificate issued within the framework of ISO 14025 is necessary for climate statements. Having issued its EPD document in 2022, Kocaer has taken the first step towards a climate statement.
- In 2022, Kocaer Steel was granted a basic "Zero Waste Certificate" for its Galvanizing Factory since it established a waste management system involving reducing pollution, more efficient use of resources, reviewing reasons for waste generation and ways for minimizing them, and, in the case of waste generation, collecting and reclaiming waste seperately for recycling purposes.
- Kocaer Class A, B and C OHS (Ocupational Health and Safety) Expertise Certification Program and Behavior-Centric Safety Management Project developed under the "Kocaer Management and Excellence System" were implemented in 2022.

Kocaer Class A, B and C OHS Expertise Certification Program and Behavior-Centric Safety Management Project developed under the "Kocaer Management and Excellence System" were deployed in 2022.

A leading company preferred in the industry

Kocaer Steel's Key Management Policy is to become a leading company preferred by its stakeholders in the industry.

Kocaer Steel strives to contribute to the development of its qualified human resources through training courses and career path plans.

Kocaer Steel's Key Management Policy is to
- Uphold its vision, mission, principles and values,
- Maintain adherence to international and national laws and ethical values,
- Ensure excellence in all products and services provided to customers,
- Ensure the Company's development and business continuity,
- Ultimately, aspire to become a leading company that is the first choice for stakeholders within the industry.

As we implement this key policy, we strive to do the following:

- Become a value-creating, preferred and transparent company that offers continuity in terms of quality, environment, OHS, and energy practices for all our stakeholders including employees, customers, suppliers, neighbors, society and the state,
- Ensure continuity in customer satisfaction by exercising an innovative approach, meeting customers' needs, expectations and special requests and providing quality products,
- Operate with a customer-focused mindset through internal communications, boost efficiency via stakeholder participation, and conduct cost-cutting, innovative, creative projects that improve performance and thus attain continuous development,
- Contribute to qualified human resources' personal development through training courses and career paths,
- Ensure the occupational health & safety in operations, develop and apply systems to prevent occupational accidents,
- Provide a safer work environment for employees and enhance their well-being and life quality by offering job security and ensuring the provision of necessary information and resources; ensuring data security.
- Create value for people and society by using technologies that do least harm to the environment as determined by technical and economic assessments,
- Develop and implement systems aimed at reducing waste and consumption of natural resources,
- Use energy efficiently; purchase eco-friendly, safe, and energy-efficient products and services; and support and implement design activities that will improve our performance in these areas,
- Comply with applicable legal provisions and other conditions regarding energy use, consumption and efficiency,
- Manage risks effectively, position ourselves to respond to emergencies swiftly; and ensure sustainability.

Efficiency and excellence embraced in all operations

Kocaer Steel embraces efficiency and excellence in all its operations owing to its capabilities of taking necessary steps towards environmental sustainability, zero waste generation, carbon neutral practices, sustainable water management and raw material procurement.

Climate change is closely linked with global business, as much as it is with governments, and thus is a core priority to be tackled by business leaders. Kocaer Steel conducts all its operations with awareness of its environmental responsibilities and understanding for a production built on respect for the environment and natural resources.

In pursuit of its vision of producing high value-added products and providing a more effective service to customers, the Company works passionately, drives change and raises the bar for its targets, while exercising responsible production and consumption methods, reducing its negative impact on the environment and taking firm steps towards environmental goals.

Kocaer Steel embraces efficiency and excellence in all its operations owing to its capabilities of taking necessary steps towards environmental sustainability, zero waste generation, carbon neutral practices, sustainable water management and raw material procurement. Introducing projects to reach the performance desired, Kocaer Steel improves its positive impact on the environment every year. Environmental performance management policies and international standards are defining for the Company. In this respect, it has obtained certificates including ISO 14001 Environmental Management System and ISO 50001 Energy Management System.

Kocaer Steel strives to inspire interactions to reduce the planet's environmental pollution on the path to decarbonization. As part of the EU taxonomy, the Company makes direct and indirect contributions in such areas as mitigation of the impacts of climate change, sustainable use and preservation of resources, transition to circular economy, pollution prevention and control, protection of biodiversity and restoration. In this respect, climate change adaptation and emission reduction strategies, EU Green Deal clean technologies, energy and resource efficiency and management, as well as compliance with laws and risk management have been set as priority topics.

Kocaer Steel is responsible for meeting the obligations under the environmental law. Full compliance has been achieved with applicable legislation within this scope. Full compliance has also been achieved with national and international standards. Meanwhile, the Company sets policies and monitors targets for the improvement of EMS and environmental performance.

No environmental incompliance has been recorded or penalty has been imposed owing to the measures that the environmental management unit has taken and a sustainable monitoring of the process. Emergency risk assessment and response plans have been established to minimize risks. Training is conducted for the emergency response team and drills are carried out at certain intervals so that business circulation is ensured and employees' safe working environment remains unharmed.

In an effort to reduce water footprint and preserve underground water, the Company has harvested and used 54,708 m^3 of rainwater at its plants. During the year, 87 tons of hazardous waste were sent to licensed recovery firms.

In addition to the orientation program provided upon recruitment, regular environmental training is offered and continuous development is ensured for full compliance with evolving regulations and requirements of the working environment.

Kocaer Steel aims to generate 100% of the power it requires, which is 45 million kWh per annum with investments to be made to extend its current generation capacity of 15 million kWh. SPPs have resulted in 1,032 tons of emission reduction, while hybrid tools used at plants have resulted in 8 tons of emission reduction.

The Company incorporated energy and ecology-friendly designs at the premises of the Galvanizing Factory and initiated green building certification processes in 2022. The premises were assessed by USGBC (American Green Building Council) and obtained a LEED certificate.

In 2022, Kocaer Steel was awarded a basic "Zero Waste Certificate" for its galvanizing factory since it established a waste management system involving reducing pollution, more efficient use of resources, reviewing reasons for waste generation and ways for minimizing them, and, in the case of waste generation, independently collecting and recovering waste.

Corrective and curative actions identified

155 corrective and curative actions have been pinpointed to eliminate hazards and risks.

Employees are provided with OHS training at the time of recruitment and throughout their tenure, in addition to Tool Box OHS courses during their work at the Company.

Kocaer Steel believes that OHS culture must be permeated across all functions and provides safe working environments to ensure occupational health and safety. Critical importance is attached to full compliance with applicable laws and international standards on OHS.

OHS professionals have been placed within the framework of compliance with laws and standards. The Company runs rigorous processes to organize monthly OHS board meetings, log occupational accidents and near miss notifications, conduct root cause analyses, have health checks at the time of recruitment and periodically, and carry out risk analyses.

We've pinpointed 155 corrective and curative actions aimed at eliminating hazards and risks. 300 decisions have been enacted at the OHS boards organized. Actions to improve the performance of the system are monitored on a digital platform.

Occupational Health and Safety Boards' Instructions were issued to ensure active participation in OHS Management System from all levels and functions and to disseminate this mindset. Furthermore, a software program is used to monitor its processes by keeping track of changing technologies and integration with the Labor Ministry's OHS Information Management System. Controls laid down by the applicable law are conducted regularly. Emergency response teams carry out drills within pre-defined scenarios.

Kocaer Steel also strives to raise employees' OHS awareness through training courses. Employees are provided with OHS training at the time of recruitment and regularly in the following phases, in addition to Tool Box OHS courses during their work at the Company. In addition, subcontractor employees' OHS controls are also carried out and training is delivered by the Company.

Necessary measures were taken and action plans were prepared by carefully reviewing occupational accidents that occurred between 2011 and 2021.

Safety at work has been the mindset observed at all the stages of the activities conducted at plants, while safety practices were grouped under the heading "10 Golden Rules." Intensive training programs were devised for employees' full ownership of the Golden Rules.

Boasting numerous good practices regarding OHS, Kocaer Steel implements a 'Suggestion and Rewarding' mechanism in place that has material and immaterial contributions to employees. This system is run so as to ensure the continuity of safe working environments, address areas for improvement, guarantee OHS, boost efficiency, involve employees in decision making processes, reinforce the sense of belonging and add value and dynamism to corporate functioning. The internal directive on occupational health, which contains specific written rules regarding on-site practices, was shared with employees.

In order to protect against losses resulting from occupational accidents and attain the "zero accident" target, the Company has implemented Kocaer Class A, B and C OHS Expertise Certification Program developed under the "Kocaer Management and Excellence System" (KYMS).

Transparent stakeholder communications

Intending to be easily accessible, Kocaer Steel gives effort to provide notifications and information to all stakeholders transparently.

Kocaer Steel strives to become a leading company pioneering the social and economic development.

Corporate Social Responsibility Policy and Approach
Corporate Responsibility is a concept as part of which companies adopt an ethical, transparent and accountable approach and meet their economic, environmental and social responsibilities to internal and external stakeholders in a sustainable and consistent manner. Kocaer Steel strives to become a prominent company pioneering social and economic development through the investments it makes, jobs it creates, its high corporate quality standards and service understanding, as well as the contributions it makes in its regions of operation.

Kocaer Steel desires to leverage its strengths in Corporate Social Responsibility efforts, develop activities to serve society and the environment with a sense of responsibility, adopt a mindset that respects and protects society and the environment, internalize social responsibility activities with all stakeholders primarily including employees, and make Corporate Social Responsibility a lifestyle.

When developing social responsibility projects, initially, the Company mobilizes all its amassed knowledge to assess the demands and needs of the region where it operates. It then amplifies awareness for the future of that particular region and spreads this awareness across broader society, thereby fulfilling its responsibilities towards both internal and external stakeholders.

Kocaer Steel formulates its social responsibility projects in the fields of environment and culture by observing the following values:

- Compliance with social facts and needs,
- Compliance with corporate principles and values,
- Applicability,
- Sustainability,
- Consistency,
- Replicability,
- Stakeholder engagement and
- Measurability.

Kocaer Steel strives to improve and develop its social environments, communities and all stakeholders it has business relations with. Intending to be easily accessible, Kocaer Steel gives effort to provide notifications and information to all stakeholders transparently.

SPORTS ACTIVITIES

KCR Sports: It is the football club of our company and represents us at tournaments. Çelik Olta (Steel Rod) is the fishing club of our company that carries out free fishing activities. Çelik Pedal (Steel Pedals): It is the biking club of our company that organizes rides on specific routes that are determined in advance of these tours.

Çelik Ayaklar (Steel Feet): Our team supports collective action and decision making, and organizes events on a pre-defined track. Camping: Our team holds events to help employees take a break from their work and spend time in nature.

SOCIAL EVENTS

Social Services Club
It works to expand the means for, among others, education, healthcare and stray animals.

ARTS & CULTURAL EVENTS

Music Club: The club unites employees who have an interest in music and musical instruments, enabling them to form a choir or orchestra.

SOCIAL PROJECTS IMPLEMENTED

Have a Tree Planted
The project is built on consolidating Kocaer Steel's strengths to help reduce the environmental pollution in the regions the Company operates.

Giving what it takes from nature back to it, Kocaer Steel has planted a seedling for each customer and employee in the dedicated areas of its production facilities aiming to fulfill its responsibility for nature and the environment, leave a greener environment to future generations, and spread the sense of social responsibility among customers, employees and suppliers.

For seedlings to have a conducive environment to grow up, a drip irrigation system is installed.

I Protect My Future
Inculcating environmental and nature-consciousness in children for a sustainable and livable world, and contributing to the upbringing of generations with heightened awareness for the usage and preservation of natural resources are among Kocaer Steel's primary duties. Kocaer Steel has coordinated several initiatives under the theme "I Protect My Future", involving employees' children, aimed at safeguarding the environment and natural resources in its vicinity.

Other CSR Projects
Disaster relief efforts were conducted and collaboration was built with TEMA Foundation as part of the Social Services Social Responsibility Club.

Other Matters

Subsidiaries
The Company has subsidiaries and affiliates including Kocaer Steel UK Limited that operates as its distribution channel in the steel & iron industry in the UK, Yağız Nakliyat Sanayi ve Ticaret A.Ş that operates in the logistics sector, and Kocaer Metal Sanayi ve Ticaret A.Ş. that is currently under liquidation.

Kocaer Steel UK
Kocaer Steel UK is the Company's subsidiary that is a UK-based company and undertakes sales, marketing and distribution work since 2015. Kocaer Steel UK has a total 20,000 sqm indoor storage area in Cardiff and Warrenpoint. With the benefit of Kocaer Steel UK's storage capacity, the Company can swiftly dispatch products from its inventory to its UK customers.

Kocaer Steel Ireland
In pursuit of its strategies to expand international distribution channels and access to new export markets, the Company established a new company named Kocaer Steel Ireland LTD under the roof of Kocaer Steel UK, our subsidiary in the UK.

Yağız Lojistik
Yağız Nakliyat Sanayi ve Ticaret A.Ş. was established in 1995 and acquired by Kocaer Çelik San. ve Tic. A.Ş. in 2018. Yağız Nakliyat Sanayi ve Ticaret A.Ş. collaborates on both domestic and international logistics operations using its own fleet.

Trade Name	Business Areas	Paid-In Capital (TRY)	Currency	Share of the Company in Capital
Kocaer Steel UK Limited	Wholesale of Steel & Iron products	198,000	British Pound	89.90%
Yağız Nakliyat Sanayii ve Tic. A.Ş.	Domestic and international transportation	14,200,000	Turkish Lira	90.81%
Kocaer Metal Sanayii ve Tic. A.Ş. in liquidation	Not operational	1,000,000	Turkish Lira	20.00%

Financial Rights Granted to the Board Members and Senior Executives
Total benefits granted between January 1 and December 31, 2022 to the members of the board and senior executives correspond to TRY 7,425,735 on a consolidated basis. The Company does not provide collaterals such as loans and guarantees to board members and executives either in the form of debt or loans and guarantees.

Internal Audit and Internal Control Activities
Standard definitions within business flows, job definitions, the authorization system, policies and written procedures constitute the internal control system. Internal control activities at the Company are conducted in line with Kocaer Steel's Internal Audit Procedure. The senior management of the Company and senior managements of subsidiaries are responsible for running the internal control mechanism. The Internal Audit Procedure primarily concentrates on aspects such as quality, environment, occupational health and safety, energy, and information security.

The Company's commitment to adhere to applicable legal and other regulations has decided to be bound with, as well as continuous development activities and relations with other parties/stakeholders (suppliers, internal & external customers) are monitored via audits conducted.

Changes from the Period-End to the Issuance of the Report
As disclosed to the public with a PDP statement dated January 12, 2023, the Company became the exports champion of the steel & iron industry from among the members of the Aegean Steel and Non-Steel Metals Exporters' Union (EDDMİB) in 2018, 2019, 2020 and 2021. According to the data of EDDMİB, the Company raised its exports from USD 275,413,839 last year to USD 396,217,078, which stands for an increase of 44%. With this volume, it has become the top exporter in the steel and iron industry among EDDMİB members. This way, the Company has become an export champion for the five consecutive years in line of the 2022 data.

As per the Board decision dated January 27, 2023, a Corporate Governance Committee was decided to be formed under the Board and roles and working principles to be set for this committee. The Corporate Governance Committee was decided to be composed of three members, with İbrahim Kumsal as the Chair, Dr. Yılmaz Argüden and Zümrüt Can Ambarcı as Members, and to undertake the tasks of the Remuneration Committee. Early Risk Detection Committee and Audit Committee will be established at a later stage provided that the timeframe stipulated in Article 5 of the Corporate Governance Communique no. II.17.1 is observed.

On February 1, 2023, the Board decided that Fatma Füsun Akkal Bozok and Tuğrul Fadıllıoğlu meet the criteria according to the criteria for independent board members as governed in Article no. 4.3 (Composition of the Board) of the Corporate Governance Principles provided in the Corporate Governance Communiqué no. II-17.1 of the Capital Market Board; and that Fatma Füsun Akkal Bozok and Tuğrul Fadıllıoğlu be nominated as independent board members in the first General Assembly Meeting to be held. According to sub-paragraph 3 of Article 4.3.7 of the Corporate Governance Principles, statements of independence and resumes of Fatma Füsun Akkal Bozok, Tuğrul Fadıllıoğlu and İbrahim Kumsal, who is already a current Independent Board Member, has been sent to the Capital Market Board for approval.

In the aftermath of the Kahramanmaraş-epicentered earthquakes on February 6, 2023, which also had a negative impact on many neighboring cities, the Company's Board of Directors decided on February 15, 2023, to provide up to TRY 3,000,000 in cash and in-kind donations for use at search and rescue operations and meet the urgent needs of earthquake survivors. This amount will be within the donation limits to be established at the Company's ordinary general assembly meeting in 2023 and such decision of the Board will be presented for the approval of the Company's first General Assembly Meeting to be held in 2023.

Legislative Amendments in 2022
There are no legislative amendments that can have a material impact on the Company's activities.

Conflicts of Interest Between the Company and Service Providers such as Investment Consulting and Rating, and Measures Taken to Prevent Such Conflicts of Interest
At this reporting period, the Company faced no conflicts of interest or dispute with service providers on investment consulting, rating or other matters. Utmost care is exercised to observe contracts made in line with the Company's ethical values and the principle of preventing conflicts of interest in our internal course of business.

Information on the Company's Own Shares Acquired
In the reporting period of 01.02.2021-31.01.2022 the Company did not acquire any of its own shares.

Information Regarding the Lawsuits Against the Company, which Could Affect Its Financial Situation and Activities, and their Possible Consequences
There is no lawsuit filed against the Company that can affect its financial situation and activities.

Disclosures on Administrative or Judicial Sanctions Imposed on the Company and Board Members for Acts Contrary to Legislative Provisions
There are no administrative or legal sanctions imposed on the Company or its executives due to actions in violation of the law.

Ratings
JCR (Japan Credit Rating) granted an A score to the Company as a result of its assessments on the Company's end-of-year financial statements in 2021.

Rating Agency	Reporting Period	Credit Rating
JCR (Japan Credit Rating)	2021	A

Amendments to the Articles of Association
The following articles were amended in the Articles of Association as per the Board decision no. 2022/7 on April 4, 2022:

According to the provisions of the Capital Market Law no. 6263, the Company agreed to adopt the registered capital system; set its capital cap at TRY 4,500,000,000 effective for a term of five (5 years) years from 2022 to 2026 (by the end of 2026); and divide the Company's capital into 4,500,000,000 shares with a nominal value of 1 Turkish Lira each.

The following articles in the Articles of Association were agreed to be amended: the Company Name (Article 2), Purpose and Subject Matter (Article 3), Headquarters (Article 4), Term of the Company (Article 5), Capital (Article 6), Board and Its Term (Article 7), The Company's Management and Representation (Article 8), Board Meetings (Article 9), Independent Audit (Article 10), General Assembly (Article 11), Information, Public Disclosure and Statements (Article 12), Accounting Period (Article 13), Determination and Distribution of Profit (Article 14), Advance Dividend (Article 15), The Company's Termination and Liquidation (Article 16), Transfer of Shares (Article 17), Capital Market Instrument Issues (Article 18), Compliance with Corporate Governance Principles (Article 19), Donations (Article 20), Minority Rights (Article 21), Amendments to the Articles of Association (Article 22), Legal Provisions (Article 23).

The following articles were amended in the Articles of Association as per the Board decision no. 2022/34 on August 31, 2022:

The Company's issued capital is TRY 657,570,000 which was fully paid free from collusion and unlawful conduct. The Company's issued capital has a total value of TRY 657,570,000 which is composed of 119,404,574 registered shares under Group A (each with a value of one (1) Turkish Lira), 119,404,574 registered shares under Group B (each with a value of one (1) Turkish Lira), and 418,760,852 bearer's shares under Group C (each with a value of one (1) Turkish Lira).

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	Yes	Partially	No	Exempted	Not Applicable	EXPLANATION
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 -The information and disclosures that may affect the exercise of shareholding rights are presented to investors and updated on the corporate website of the Company.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management refrained from carrying out any transaction that would complicate the conduct of a special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensured that the General Assembly agenda is expressly represented and each motion is given under an individual title.				X		As per Article 5(4) of the Corporate Governance Communique, corporations which have applied to the Capital Markets Board for offering their shares to the public and/or being admitted to trading on the exchange for the first time shall be obliged to ensure the compliance as of the date of the earliest meeting of the general assembly following the initiation of their shares to be admitted to the trading on the exchange. Our Company shares started to be traded on Istanbul Stock Exchange on June 30, 2022. Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the Company's activities in order for these transactions to be presented at the General Shareholders' Meeting.				X		Our Company shares started to be traded on Istanbul Stock Exchange on June 30, 2022. Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
1.6.4 - The Board reviewed whether the dividend policy ensures a balance between the benefits of the shareholders and those of the Company.				X		Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
1.7. TRANSFER OF SHARES						
1.7.1-There are no restrictions preventing shares from being transferred.			X			Transfer of the Company's shares is subject to Article 17 of the Articles of Association. Transfer of shares takes place in line with the Turkish Commercial Code, regulations of the capital markets and other applicable legislation. Group A, B and C shares may freely be transferred without no limitations whatsoever.
2.1. CORPORATE WEBSITE						
2.1.1.-The Company website includes all elements listed in Corporate Governance Principle 2.1.1.		X				Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					

	Yes	Partially	No	Exempted	Not Applicable	EXPLANATION
2.1.4-The Company website is prepared in other foreign languages selected in a way to present exactly the same information with the Turkish content.		X				
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report represents a true and accurate overview of the Company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.		X				Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
3.2. SUPPORTING THE INVOLVEMENT OF STAKEHOLDERS IN THE COMPANY MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the involvement of employees in the management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1-The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3-The Company has a human resources development policy, and accordingly organizes trainings for employees.	X					
3.3.4-Meetings have been organized to inform employees on the financial status of the Company, remuneration, career planning, training and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions were also taken.		X				There is no union activity at our Company.
3.3.6 - Job descriptions and performance management criteria have been prepared for all employees, declared to them and used in determining employee remuneration.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The Company measures customer satisfaction through surveys, and operates to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests related to goods and services purchased.	X					
3.4.3-The Company complies with the quality standards with respect to its products and services.	X					
3.4.4-The Company has adequate controls in place to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					

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	Yes	Partially	No	Exempted	Not Applicable	EXPLANATION
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of Directors has adopted a code of ethics, and has disclosed on the corporate website.	X					
3.5.2 – The Company emphasizes social responsibility. It has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors ensures that the strategy and risks do not threaten the long-term interests of the Company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved corporate strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.5.8-Minutes of all committee meetings are maintained and reported to the Board Members.				X		Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
4.6. FINANCIAL RIGHTS OFFERED TO THE BOARD MEMBERS AND THE EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITY						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has fulfilled all its responsibilities effectively.			X			Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
4.6.4-The Company did not provide any loan facilities to its board of directors or executives, lend them nor extended the term of lending or improve conditions thereon, and did not provide any loan facilities under a personal credit title via third parties or provided guarantees such as surety in favor of them.	X					Such procedure was laid out with the Remuneration Committee adopted upon the Board's decision on May 31, 2022 and published on our website.
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			In the footnotes of the financial statements, payments made to the members of the Board of Directors and senior executives are disclosed to the public collectively in parallel with general practices. Action is taken in parallel with common practice about the matters deemed important in terms of the confidentiality of personal data.

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
Number of investor conferences and meetings held by the Company throughout the year	14 meetings were held with corporate investors and analysts.
1.2. Right to Obtain and Review Information	
Number of requests for special auditor	0
Number of requests for special auditor accepted at the general assembly meeting	0
1.3. General Assembly	
Link to the PDP announcement where the information requested under Principle 1.3.1 (a-d) is disclosed	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Whether the documents related to the general assembly meeting are presented simultaneously in Turkish and in English	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Links to the PDP announcements related to the actions without the approval of the majority of the independent members or the unanimous decision of the participants as per principle 1.3.9	No such procedure was carried out during the year.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	No such procedure was carried out under Article 9.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
The section containing the policy on donations and grants on the Company's corporate website on the corporate website:	Kocaersteel.com/About Us/Policies and Regulations/ Donation and Grants Policy
Link to the PDP announcement containing the minutes of the general assembly in which the policy on donations and grants was accepted	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Article number in the articles of association regulating the participation of stakeholders in the general assembly	May be found under sub-paragraph (c) of Article 11 titled General Assembly Meetings in the Articles of Association.
Information regarding the stakeholders who participate in general assemblies	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
1.4. Voting Rights	
Whether there are any privileged voting rights	Holders of Group A registered shares possess the privilege to nominate candidates to the Board and cast votes at the general assembly. Holders of Group B registered shares possess the privilege of casting votes at the general assembly. Group C registered shares do not possess any privilege.
In case there is privileged voting, the privileged shareholders and their voting percentages are as follows	A 47.59% Hakan Kocaer B 19.03% Hakan Kocaer C 33.38% Hakan Kocaer and Free Float
The shareholding ratio of the largest shareholder	77.19%
1.5. Minority Rights	
Whether the scope of minority rights expanded (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant article number of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that demonstrates dividend distribution policy	On the corporate website: Kocaersteel.com/About Us/ Policies and Regulations/Profit Distribution Policy
In case the Board proposes not to distribute any dividends at the general assembly meeting, the basis for such proposal and the minutes of the related general assembly agenda item which includes the justification of not distributing profit, and the utilization method of the undistributed profit	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
PDP link to the related general shareholder meeting minutes in case the Board of Directors proposed to the general assembly not to distribute dividends	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.

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General Assembly Meetings

General Assembly Date	Number of additional explanation requests submitted to the Company regarding the general assembly agenda	Shareholders' participation rate in the general assembly	Percentage of shares directly represented	Percentage of shares represented by proxy	The name of the section on the corporate website that includes the minutes of the general meeting, showing the affirmative and dissentive votes for each agenda item	The name of the section on the corporate website that includes all the questions asked during the general meeting and the answers provided to them	The article or paragraph number of the general meeting minutes regarding related parties	Number of people who report to the board of directors and have privileged access to shareholder information (the Insider list)	Link to the general assembly disclosure published on PDP
-	-	-	-	-	-	-	-	-	-

2. PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	Investor Relations / Corporate Governance / Shareholding Structure and Information on Privileges
Languages in which the corporate website is presented	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) Page number or heading of the section in the annual report that presents Board Members' and executives' external commitments, and Board Members' independence statements	Board Members' Resumes on Pages 4-5-6
b) Page number or section name of the information regarding the committees formed within the Board of Directors	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
c) Page number or heading of the section in the annual report that includes the number of board meetings held throughout the year, and the members' attendance status	Board of Directors Page 7
ç) The page numbers or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Information on legislative amendments which can have a significant impact on the Company's activities Page 17
d) Page number or section name of information about significant lawsuits brought against the Company and their possible consequences	Annual Report / Lawsuits Page 9
e) The page numbers or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid these	CGCR - Compliance Statement Section
f) Page number or name of the section in the annual report which includes information on cross-holding cases where direct shareholding exceeds 5%	CGCR – Voting Rights Section
g) The page numbers or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility that have social and environmental results	Corporate Social Responsibility Section
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the compensation policy	-
The number of final court verdicts against the Company that result from the violation of employee rights	No final court verdict resulting from the violation of employee rights is present.
Title of the official related to the reporting mechanism	etik.kurul@kocaersteel.com Phone: (232) 625 18 60
Contact information for the company whistleblowing mechanism	https://www.kocaersteel.com/en/sustainability/esg

3.2. Supporting the Participation of Stakeholders in the Company Management	
Name of section on the corporate website, demonstrating the internal regulations pertaining to the participation of employees in the managing bodies	-
Managing bodies where employees are represented	-
3.3. Human Resources Policy	
The role of the Board in the development of a succession plan for key executive positions	Succession plans are formulated for key positions as part of the Company's talent management activities. Succession plans created and appointments to the key positions are presented to the approval of the Board when necessary.
The name of the section on the corporate website that demonstrates the human resources policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resources policy	https://www.kocaersteel.com/en/to-be-from-kocaer
Whether there is a plan to grant shares to employees	None
The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatment and the measures to prevent them. Also provide a summary of relevant parts of the human resources policy.	Kocaer Çelik Sanayi ve Ticaret A.Ş does what is necessary to establish a healthy, safe and professional working environment. It does not tolerate verbal or physical harassment or insults among employees and does not exercise discrimination on the basis of nationality, race, gender, ethnic origin, religion or marital status.
The number of finalized court verdicts the Company is subject to in relation to health and safety measures	There are 4 court verdicts that have been finalized in 2022.
3.5. Code of Ethics and Social Responsibility	
The name of the section on the corporate website that demonstrates the ethical rules policy	https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy
The name of the section on the Company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social, and corporate governance issues	https://www.kocaersteel.com/en/sustainability/esg
Measures taken to combat all kinds of corruption, including extortion and bribery	It is mandatory for Kocaer Steel's board members, employees and all related parties to refrain from exercising all acts and behaviors that may be related with corruption. Whether it is within the context of public or private sector, it is prohibited to receive or offer cash / non-cash benefits that may be within the scope of corruption.
4. BOARD OF DIRECTORS – I	
4.2. Operating Principles of the Board of Directors	
The date of the last board performance assessment conducted	Full compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Whether the board performance assessment was externally facilitated	Full compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Whether all Board Members are discharged	Compliance will be attained from the first general assembly meeting.
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Hakan Kocaer (Chair of the Board), Orhan Timurhan (Deputy Chair and General Manager)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	Compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
The name or page number of the section in the annual report where the evaluation of the effectiveness of the internal control system takes place	Annual Report Internal Control System and Internal Audit Activities Section Page 9
Name of chairman of the board	Hakan Kocaer
Name of the Chief Executive Officer/General Manager	Orhan Timurhan
The link of the announcement made on the Public Disclosure Platform (PDP), where the reasoning is explained for the chairman and the chief executive officer/general manager to be the same person	They are not the same person
Link to the PDP announcement that the faults of the members of the board of directors during their duties and the damage they may cause to the Company are insured for a price exceeding 25% of the Company's capital	-
Name of the section on the corporate website that provides information on the diversity policy to increase the proportion of female board members	-
The number and ratio of female board members	One of the Independent Board Members, who we have determined for presentation to investors' approval at the first General Assembly meeting to be held and for whom we have received the approval of CMB was chosen among women candidates. If approved at the General Assembly, the number of women board members will be one and ratio will be 12.5%.

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Composition of Board of Directors

Name/Surname of Board Member	Executive Duty	Independent Board Member or Not	Date of First Election to the Board of Directors	Link to the PDP Disclosure of Statement of Independence	Whether the Independent Member Has Been Evaluated by the Nomination Committee	Whether There Are Members Losing Independence or Not	Minimum 5 Years of Experience in Auditing, Accounting, and/or Finance
Hakan Kocaer	Executive Duty	Not Independent Member	20.04.2022		-	-	Yes
İbrahim Kocaer	Non-Executive	Not Independent Member	20.04.2022		-	-	Yes
Orhan Timurhan	Executive Duty	Not Independent Member	20.04.2022		-	-	Yes
Ferda Besli	Non-Executive	Not Independent Member	20.04.2022		-	-	Yes
Dr. Yılmaz Argüden	Non-Executive	Not Independent Member	20.04.2022		-	-	Yes
İbrahim Kumsal	Non-Executive	Independent Member	20.04.2022		Not evaluated	-	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	11
Average attendance rate to board meetings	88%.
Whether the board uses an electronic portal to facilitate its work or not	-
How many days in advance of a meeting the information and documents are presented as per the operating principles of the Board of Directors	Members are provided with information at a reasonably prior date, no later than two days before the meeting.
The heading of the section on the corporate website that includes information on internal regulations of the Company specifying the rules for board meetings	Investor Relations/Corporate Governance/Corporate Governance Committee/Corporate Governance Committee Working Principles
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-
4.5. Committees Established Under the Board of Directors	
The page number or the name of the relevant section in the annual report that contains information about the committees of the board of directors	Annual Report/Events After the Reporting Period/ Establishment of the Corporate Governance Committee
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/1105434

Board Committee- I

Names of Board Committees	Name of Committee Defined as "Other" in the First Column	Name and Surname of Committee Members	Whether They Are Committee Chairs or Not	Whether They Are Board Members or Not
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Full compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Specify where the activities of the corporate governance committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Investor Relations/Corporate Governance/Corporate Governance Committee/Working Principles
Specify where the activities of the nomination committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Corporate Governance Committee has been authorized to handle the work of the Nomination Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Full compliance will be attained from the first General Assembly meeting to be held in accordance with applicable articles of the corporate governance principles.
Specify where the activities of the remuneration committee are presented in your annual report or on the corporate website (Page number or heading of the section)	Corporate Governance Committee has been authorized to handle the work of the Remuneration Committee.
4.6. Financial Rights Offered to the Board Members and the Executives with Administrative Responsibility	
The page number or the heading of the section in the annual report where information on operational and financial performance goals, and whether they have been achieved, is presented	Page 13
The heading of the section of the corporate website of the Company that includes the remuneration policy for executive and non-executive Board Members.	Home/About Us/Policies and Regulations/Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Section titled Benefits Granted to Management Bodies' Members and Senior Executives Page 7

Board Committees-III

Names of Board Committees	Name of Committee Defined as "Other" in the First Column	Ratio of Non-Executive Managers	Ratio of Independent Members in the Committee	Number of Face-to-Face Meetings Held by the Committee	Number of Reports Presented to the Board of Directors on the Activities of the Committee
Audit Committee	-	-	-	-	-
Corporate Governance Committee	-	-	-	-	-
Nomination and Remuneration Committee	-	-	-	-	-
Early Detection of Risk Committee	-	-	-	-	-

Information Related to Risk Management Practices

At Kocaer Steel, risk management activities are carried out with a holistic and proactive approach based on enterprise risk management principles. Monitoring global developments closely, the Company pursues effective and systematic corporate risk management policies and thus has established a corporate risk management process aimed at determining factors that may affect its operations, manage such factors in parallel with its risk appetite and take necessary measures.

The Company exports to 140 countries, and the credit and concentration risks arising from its receivables are the most closely monitored risk group. Effective monitoring and assurance systems are in place to minimize such risks. Efforts are undertaken to minimize risks through these systems including credit insurances from domestic clients, direct debiting system (DDS), letters of guarantee and other guarantee methods (bank-assured policies, other banking practices with guarantees for payment on invoice basis), and credit insurance from international clients as well as confirmed letters of credit issued by domestic banks. Minimum limits and balances for customers are allocated via daily and weekly list controls, and reported to the senior management and relevant units. Compliance risk posed by environmental factors and growing regulations particularly in the field of export finance is also monitored on national and international markets.

Kocaer Steel has focused on boosting the effectiveness of its risk management processes as to tackle mounting uncertainties posed by global developments, and secure sustainable growth in the global and domestic competition environment.

Both the Board and the senior management daily monitor and swiftly take action on operational risks, as well as market risks that may result from fluctuating commodity prices, exchange rates and interests.

Information Related to the Private and Public Audit Conducted in 2022

A decision was taken to sign a contract with a term of 1 year for the Company's independent external audit in 2022.

Profit Distribution Policy

The profit distribution principles of the Company are governed in Article 14 of the Articles of Association titled "Determination and Distribution of Profit."

As a principle, decisions on profit distribution are passed by considering a few factors including but not limited to market expectations (as long as regulations and financial means allow it), capital requirements, investment and financing policies, amendments in applicable laws, lending, profitability and cash status, and national and international economic conditions. For profit distribution, a balanced and consistent policy is pursued between the interests of the shareholders and the Company in accordance with the Corporate Governance Principles. In this respect, the Company intends to distribute at least 20% of its net profit that can be distributed in the form of dividends.

The Board of Directors may distribute advance dividends only if authorized by the General Assembly and in compliance with the Capital Market Regulations.

Statements of Independence

STATEMENT OF INDEPENDENCE

Since I am nominated to serve as an "Independent Board Member" at Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi (Board) as per the criteria under the Articles of Association and Article 4.3.6 of the Exhibit to the Corporate Governance Communique no. II-17.1 issued by the Capital Markets Board, I hereby declare the following:

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past five years between the Company, subsidiaries where the Company holds control or significant power over management or partners that hold significant power in the Company and the legal entities where such partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established,

b) In the past five years, I was not a shareholder (5% and above) or an employee in executive positions to assume material duties and responsibilities, particularly including roles in Company audits (tax audit, legal audit and internal audit), ratings, and consultancy, nor did I serve as a board member, in the companies to and from which the Company extensively sold or purchased services or products as per the contracts signed,

c) I have the educational background, knowledge, and experience necessary for me to duly perform the tasks I will assume as an independent Board Member,

ç) I do not work on a full-time basis at public agencies and institutions after my appointment as a member except for the lecturer position at universities in line with applicable laws,

d) I am considered a resident in Türkiye according to Income Tax Law, dated 31/12/1960 and numbered 193,

e) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interest between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

f) I will make sufficient time for keeping track of the Company's activities and for fully performing my duties on behalf of the Company,

g) Over the last 10 years, I did not serve as a member of the Board of Directors of the Company for more than six years,

ğ) I did not serve as an Independent Board Member in more than three of the companies where the Company or its ultimate controlling partners have managerial control nor in more than five companies traded on the stock exchange,

h) I have not been registered and announced for the legal entity which has been elected as a member of the board of directors.

İbrahim Kumsal

Statement of Responsibility

KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF RESPONSIBILITY
PREPARED IN ACCORDANCE WITH ARTICLE 9 OF CAPITAL MARKET BOARD'S II-14.1. NUMBER COMMUNIQUE ON PRINCIPLES OF FINANCIAL REPORTING IN THE CAPITAL MARKETS

We hereby declare that we are responsible for the below statements;

The annual report for the period 01.01.2022-31.12.2022, prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards and the CMB regulations;

- has been reviewed by us,
- with the information we have within the scope of our duties and responsibilities, it does not contain any deficiencies on important matters that could lead to untrue or misleading information as of the date of the statement,
- with the information we have within the scope of our duties and responsibilities, financial statements prepared in accordance with the Financial Reporting Communique reflect the assets, liabilities, financial position and profit and loss of the business including those within the scope of consolidation and that the annual report clearly reflects the business performance and the financial position including those within the scope of consolidation, together with the risks and uncertainties faced by the company.

Hakan Kocaer Chairman of the Board	Orhan Timurhan Deputy Chairman of the Board and General Manager

Annual Report Compliance Opinion

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

1) Opinion

We have audited the annual report of Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (the "Group") for the period of 1 January 2022 – 31 December 2022.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited complete set of consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Complete Set of Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 20, 2023 on the complete set of consolidated financial statements of the Group for the period of 1 January - 31 December 2022.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II14.1 on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

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c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibility for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS.These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Metin ETKİN.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.

An Independent Member of BAKER TILLY INTERNATIONAL

Metin ETKİN

Partner

İstanbul, 9 March 2023

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)

Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kocaer 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 Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi (the "Company" or "Kocaer 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)	
In accordance with the contracts made by the Group management, Kocaer 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. 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. We considered fair value risk and cash flow hedge accounting are material to consolidated financial statements due to following matters: 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 Kocaer Çelik's consolidated financial statements. 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.	The audit procedures for testing hedge accounting included below: 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. 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%. 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. We have controlled and evaluated the compliance of the methods applied in the calculation of costs regarding contracts applied on hedge accounting transactions. 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. We have controlled the mathematical accuracy and recognition of the accounting records on the hedge accounting. Testing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value risk and cash flow hedge accounting, We had no material findings related to the valuation of fair value risk and cash flow hedge accounting as a result of these procedures.

Key Audit Matter	How our audit addressed the key audit matter
Fair value of property, plant and equipment (Note 18)	
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. Fair values of property, plant and equipment of the Group are recognized according to appraisal reports issued by independent experts. We considered fair values of property, plant and equipment are material to consolidated financial statements due to following matters: The determination of fair valuation study includes data that have unobservable in the market and is determined by using an independent experts, The calculation of fair value is affected by current market conditions, Accordingly, the amount and nature of property, plant and equipment are material to the consolidated financial statements.	We performed the following procedures in relation to the fair value of property, plant and equipment: 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". 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. 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. We have compared and assessed the comparable sales m^2 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. We have tested title deed records ownership interests of property, plant and equipment which includes land and buildings. Testing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value of property, plant and equipment, We had no material findings related to the fair value of property, plant and equipment as a result of these procedures.

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 in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

- 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

İstanbul, 20.03.2023

Metin Etkin
Partner

Consolidated Balance Sheets
As At 31 December 2022 and 2021

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

	Notes	Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
ASSETS			
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
Third Parties	*10*	*1.291.533.655*	*521.056.596*
Related Parties	*10-37*	*239.835*	*631.006*
Other Receivables	11	157.955.006	492.104.437
Third Parties	*11*	*106.088.178*	*55.236.021*
Related Parties	*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
Third Parties		*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
Third Parties	*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
Other Intangible Assets	*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 Çelik Sanayi ve Ticaret Anonim Şirketi

Consolidated Balance Sheets
As At 31 December 2022 and 2021

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

	Notes	Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
LIABILITIES			
Current Liabilities		**3.551.870.638**	**2.116.975.759**
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
Third Parties	*10*	*853.047.794*	*437.121.068*
Related Parties	*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
Third Parties	*11*	*45.208.067*	*34.672.413*
Related Parties	*11-37*	*2.268.637*	*12.759.815*
Deferred Income	15	933.044.943	217.428.541
Third Parties		*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
Other Short Term Provisions	*22*	*10.004.070*	*6.367.953*
Short Term Provisions for Employee Benefits	*22-24*	*4.331.549*	*2.249.388*
Other Current Liabilities	26	2.002	1.481.173
Non-Current Liabilities		**462.808.680**	**410.497.056**
Long Term Borrowings	8	351.258.326	381.115.829
Long Term Provisions	22	24.629.708	9.382.749
Long Term Provisions for Employee Benefits	*22-24*	*24.629.708*	*9.382.749*
Deferred Tax Liabilities	35	86.920.646	19.998.478
EQUITY		**3.286.797.876**	**933.378.060**
Equity Holders of the Parent	27	**3.275.605.648**	**928.655.276**
Paid-in Share Capital	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.

Consolidated Statements Of Income for the Years Ended 31 December 2022 and 2021

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

	Notes	Audited Current Period 01.01.2022 31.12.2022	Audited Prior Period 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.

Consolidated Statements Of Other Comprehensive Income For The Years Ended 31 December 2022 and 2021

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

	Notes	Audited Current Period 01.01.2022 31.12.2022	Audited Prior Period 01.01.2021 31.12.2021
PROFIT FOR THE PERIOD	36	**755.743.788**	**135.368.253**
OTHER COMPREHENSIVE INCOME:			
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)
- Deferred tax income/expense (PP&E)		(159.763.197)	(38.497.197)
- Deferred tax income/expense (Actuarial)	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
- Deferred tax income/expense		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 Çelik Sanayi ve Ticaret Anonim Şirketi

Consolidated Statements Of Changes In Equity for the Years Ended 31 December 2022 and 2021

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

				Items not to be reclassified to profit or loss		Items to be reclassified to profit or loss			Retained Earnings				
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**
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**
Transfers	27	-	-	-	-	-	-	-	81.378.303	(81.378.303)	-	-	-
Capital increases		122.000.000	-	-	(122.000.001)	-	-	-	-	-	-	88.977	88.977
Business combinations under common control		-	(850.534)	-	-	-	-	-	-	-	(850.534)	(64.754)	(915.288)
Effect of carve out consolidated financial statements		-	-	-	-	-	-	-	313.995.819	-	313.995.819	-	313.995.819
Total Comprehensive Income		**-**	**-**	**(1.404.674)**	**298.603.038**	**12.632.832**	**(85.403.271)**	**-**	**-**	**132.584.430**	**357.012.355**	**4.189.330**	**361.201.685**
- Profit for the Period	*27*	-	-	-	-	-	-	-	-	*132.584.430*	*132.584.430*	*2.783.823*	*135.368.253*
- Other Comprehensive Income (Expense)		-	-	*(1.404.674)*	*298.603.038*	*12.632.832*	*(85.403.271)*	-	-	-	*224.427.925*	*1.405.507*	*225.833.432*
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	27	424.070.000	-	-	122.000.000	-	-	-	10.584.430	(132.584.430)	-	-	-
Capital increases		21.500.000	-	-	-	-	-	-	-	-	21.500.000	5.745	21.505.745
Share premium		-	-	-	-	-	-	-	-	-	543.769.349	-	543.769.349
Total Comprehensive Income		**-**	**-**	**(9.452.850)**	**1.060.453.821**	**17.632.746**	**(38.196.225)**	**-**	**-**	**751.243.531**	**1.781.681.023**	**6.463.699**	**1.788.144.722**
- Profit for the Period	*27*	-	-	-	-	-	-	-	-	*751.243.531*	*751.243.531*	*4.500.257*	*755.743.788*
- Other Comprehensive Income (Expense)		-	-	*(9.452.850)*	*1.060.453.821*	*17.632.746*	*(38.196.225)*	-	-	-	*1.030.437.492*	*1.963.442*	*1.032.400.934*
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 Çelik Sanayi ve Ticaret Anonim Şirketi

Consolidated Statements Of Cash Flows for the Years Ended 31 December 2022 and 2021

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

	Notes	Audited Current Period 01.01.2022 31.12.2022	Audited Prior Period 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:		**207.440.008**	**(166.970.674)**
Depreciation and amortisation	17,18,19	67.309.319	51.220.483
Adjustments for Impairment Loss (Reversal)	10	(2.429.560)	8.913.605
Adjustments for Receivables Impairment (Reversal)	10	*(2.279.784)*	*8.634.866*
Adjustments for Inventory Impairment (Reversal)	13	*(278.739)*	*278.739*
Adjustments for Other Impairment (Reversal)		*128.963*	-
Adjustments for Provisions	22-24	11.597.891	5.950.499
Adjustments for Provision for Employee Benefits (Reversal)	22-24	*5.879.613*	*3.787.638*
Adjustments for Provision for Litigations or Lawsuits, Penalties (Reversal)	22	*3.636.117*	*2.162.861*
Adjustments for Other Provisions (Reversal)	22	*2.082.161*	-
Adjustments for interest income and expenses		173.993.321	64.431.407
Adjustments for Interest Income	31	*(59.662.659)*	*(17.785.166)*
Adjustments for Interest Expenses	31	*233.655.980*	*82.216.573*
Adjustments for gains/losses on fair value		(95.927.359)	(211.459.518)
Adjustments for Undistributed Profits of Investments Accounted for Using the Equity Method		-	(53)
Adjustments for tax income/expense	35	56.942.399	44.885.893
Adjustments for losses/(gains) on disposal of non-current assets		(4.046.003)	(6.846.074)
Adjustments for losses/(gains) on disposal of a subsidiary		-	(124.066.916)
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	6	**310.435.432**	**12.219.536**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	**466.516.931**	**308.117.329**

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

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, Aliağa 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 Aliağa, İzmir. Kocaer Çelik's business activties include supplying, shaping, manufacturing and trading all kinds of iron and steel products, semi-finished products and raw materials.

Turkey's Izmir 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 Aliağa. 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,
- Aliağa Branch 3: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevkii 19. Cadde No:1 Aliağa / İzmir,
- Aliağa Branch: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevkii 19. Cadde No:2 Aliağa / İzmir,
- Aliağa Branch 2:Yeni Foça yolu üzeri 2. km Sanayi Caddesi Bozköy mevkii No:31 Aliağa / 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:

	31.12.2022		31.12.2021	
Shareholders	**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 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.

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.)

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 subsidary 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 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 Aliağa/İzmir. Kocaer Metal has been accounted for using the equity method in the accompanying consolidated financial statements. Kocaer Metal's business activities include purchasing, selling, marketing, importing and exporting iron and steel raw materials and semi-finished products. As of 20 May 2022, Kocaer Metal Sanayi ve Ticaret A.Ş. has been in liquidation process. The relevant matter was published in Official Gazette on 26 May 2022 and numbered 10585. Kocaer Metal has not been included in the scope of consolidation since the Company is in liquidation process and immaterial to the consolidated financial statements for the 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 Teksktil 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

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 Teksktil 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.

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.)

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:

	Proportion of voting rights and effective ownership interests held by Kocaer (%)	
Associates	**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 subsidary 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 "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 "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 acccordingly 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:

	Proportion of voting rights and effective ownership interests held by Kocaer (%)	
Subsidiaries	**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:

	Economic useful lives
- 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 personel 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 statuory 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.

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.

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 superseeded 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.

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.

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. f 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.

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.)

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 businessess 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:

<u>31.12.2022</u>

	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**

<u>31.12.2021</u>

	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**

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 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:

	31.12.2022	**31.12.2022**	**31.12.2021**	**31.12.2021**
Cash in hand:	**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:

	31.12.2022	**31.12.2022**	**31.12.2021**	**31.12.2021**
Banks:	**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:

	31.12.2022	**31.12.2022**	**31.12.2021**	**31.12.2021**
Banks:	**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**	**-**

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.)

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**

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.)

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%-%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 31.12.2022	01.01.2021 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 custmers 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.

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.)

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 Teksktil 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 righs which were sold to KCR Teksktil 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.

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.)

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 31.12.2022	**01.01.2021 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**

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 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 Interest %	31.12.2022	31.12.2021
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-currrent 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 – 1 January 2022	Additions	Disposals	Revaluation Surplus	Closing balance – 31 December 2022
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**

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.)

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	Net Book Value	2022 Appraisal Value	2022 Revaluation Surplus	Accumulated Revaluation Surplus
Aliağa 393 No'lu Parsel	17.155.000	48.925.000	31.770.000	43.855.000
Ankara 15 Adet B.B.	9.465.000	27.435.000	17.790.381	25.402.863
Denizli Zeytinköy Dubleks Mesken	2.835.000	6.425.000	1.428.967	3.789.759
Kuşpınar 2 Arsa + Villa	9.670.000	21.725.000	12.055.000	20.265.153
Denizli Cankurtaran Arsa	2.270.000	6.280.000	4.010.000	6.080.000
İstanbul Acarkent Villa	18.000.000	45.905.000	26.687.349	40.209.332
Total	**59.395.000**	**156.695.000**	**93.741.697**	**139.602.107**

31.12.2021	Net Book Value	2021 Appraisal Value	2021 Revaluation Surplus	Accumulated Revaluation Surplus
Aliağa 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 Dubleks 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:

<u>31.12.2022</u>

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**

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

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 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 D ecember 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 Tesis	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 Tesis	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

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.)

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 personel employment and turquality incentives and rights which are considered in the scope of government grants.

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

	31.12.2021		
	Currency	Original Currency 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 Gurantees 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 accordingly to Customs Office, Electricity and Natural Gas distributor companies and tribunals. On the other hand, the Group has obtained letters of guaratees for acquisition of raw materials and supplies which were considered as deposit.

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.)

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 31.12.2022	01.01.2021 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.

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 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 31.12.2022	01.01.2021 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:

	31.12.2022		31.12.2021	
Shareholders	**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.

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.)

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 Combintations 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)**

viiii) 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	751.243.531	132.584.430
Equity holders of the parent	**3.275.605.648**	**928.655.276**
Non-controlling interests	11.192.228	4.722.784
Total Equity	**3.286.797.876**	**933.378.060**

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 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)
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)**

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.)

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 breakdownsof 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**

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 32 - GAINS/ (LOSSES) FROM INVESTMENT ACTIVITES

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 Exhange 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.

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.)

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 ve 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**
Non-deductible expenses	*641.254.044*	*69.040.558*
Offset from Retained Earnings (-)	**-**	**(2.802.137)**
Tax Allowances and Deductions (-)	**(574.297.079)**	**(135.260.187)**
Exemption from gain on sale of securities	*(732.057)*	-
Foreign exchange protected time deposits	*(2.407.751)*	-
Depreciation and amortization charges	*(1.224.154)*	-
Exemption from donations to healthcare organizations and facilities	*(183.117)*	-
Exemption from gain on emission premium (CTL article numbered 5/1-Ç)	*(569.750.000)*	-
Exemption from Kocaer Tekstil capital increase	-	*(42.210.000)*
75% exemption from gain on disposal of a subsidiary and brand sales	-	*(93.050.187)*
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.

Notes To The Consolidated Financial Statements As At and For The Year Ended 31 December 2022

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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 ve 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:

	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
Account Name	**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 31.12.2022	**01.01.2021 31.12.2021**
Beginning of the period - 1 January	(18.799.558)	11.930.390
Deferred tax income/expense during the period, net	83.599.423	(18.092.669)
PP&E Revaluation Surplus	(159.763.197)	(38.497.197)
Additions arising from Derivative Instruments	6.921.951	25.510.067
Actuarial Gains/Losses on Deferred Tax, net	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 31.12.2022**	**01.01.2021 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**	**OtherServices / 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**

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.)

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
Chakra 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 31.12.2022	01.01.2021 31.12.2021
Key Management Compensation	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:

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.)

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**	**-**	**-**

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.)

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)**.

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.)

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 INTRUMENT TYPES

	Receivables						
	Trade Receivables		**Other Receivables**				
31.12.2022	**Related Party**	**Other**	**Related Party**	**Other**	**Notes**	**Bank Deposits**	**Notes**
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**

	Receivables						
	Trade Receivables		**Other Receivables**				
31.12.2021	**Related Party**	**Other**	**Related Party**	**Other**	**Notes**	**Bank Deposits**	**Notes**
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**

Liqudity 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**
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*	*153.921.060*
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*	-	-

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

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.)

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.

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