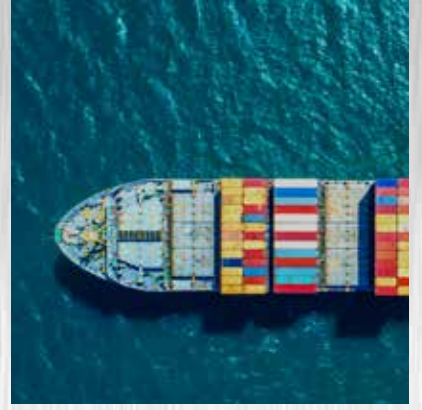


ANNUAL REPORT 2023

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# THE STEEL BEHIND OUR LIVES



 **KOCAER**  
ÇELİK



## A SUCCESSFUL TURKISH BRAND IN THE WORLD

Kocaer Çelik acts with the aim of being a pioneer and an example to society as a successful Turkish brand in the global arena with over 60 years of experience, a qualified workforce and sustainable growth strategy.

**MORE THAN  
60 YEARS OF  
EXPERIENCE**



[www.kocaersteel.com](http://www.kocaersteel.com)

**KOCAER  
ÇELİK**

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## CORPORATE INFORMATION

Trade Name	:	Kocaer Çelik Sanayi ve Ticaret A.Ş.
Head Office	:	Gümüştay Mah. Menderes Bulvarı No: 45, Merkezefendi, Denizli - Türkiye
Trade Registry Number	:	7519
Telephone	:	(+90 232) 625 1860
Internet Address	:	<a href="http://www.kocaercelik.com">www.kocaercelik.com</a> <a href="http://www.kocaersteel.com">www.kocaersteel.com</a>
Financial Year	:	1 January - 31 December 2023
Registered Capital Ceiling	:	TL 4,500,000,000
Paid-in Capital	:	TL 657,570,000

## KOCAER ÇELİK IN NUMBERS



### Aware of its power...



Three factories, one steel service providing center and one galvanizing facility



15 million kWh/year of electricity production from the solar power plant



A total production area of 280,000 m<sup>2</sup>, 85,000 m<sup>2</sup> of which is enclosed

- More than 12,000 different product types in 60 different grades
- Over 1,000 employees
- TL 15 billion of turnover in 2023
- 75% of its products are exported
- The 7<sup>th</sup> largest exporter in the Turkish iron and steel industry\*
- Exporting to 140 countries over six continents
- Over 2,000 customers in different sectors and regions

\*The 2023 TİM (the Turkish Exporters Assembly) figures

## THE FIRSTS, THE BESTS, THE ACHIEVEMENTS



### AN INNOVATIVE LEADER IN THE SECTOR

Kocaer Çelik continues its rise in the domestic and global arena with its know-how, strength in production and R&D, its product variety and quality, its sustainability approach and its practices. The Company is constantly advancing its achievements further.



The first R&D Center in the sector



The first company in the sector to be included in the Turquality program



The export leader in the Aegean Region  
2018-2019-2020-2021-2022-2023



One of 60 companies to hold the foreign trade status granted by the Ministry of Trade



SAP quality management in all processes

SAP S4/HANA projesi ile inovasyon kategorisinde sektöründe ilk SAP Quality Awards (SAP Kalite Ödülleri) birinciliği



The first steel producer to in Türkiye and Europe to hold the gold certificate with its galvanizing factory (LEED v4 BD+C: NC)



The first and only company in the sector in Türkiye to hold the Green Check Gold certificate

## OUR VISION, OUR MISSION AND OUR 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

### Our Goals

Under the banner of **“ We are behind life ”**  
 To be a global steel player which meets its energy requirements entirely from the energy it generates from renewable resources and expands its value-added product portfolio, with production and distribution channels in different regions.

## MESSAGE FROM THE CHAIRMAN



## Hakan KOCAER

Chairman of the Board of Directors

Dear stakeholders

**AT THE CENTENARY OF THE FOUNDATION OF THE REPUBLIC OF TÜRKİYE, KOCAER ÇELİK IS RIGHTLY PROUD TO HAVE CONTRIBUTED TO OUR COUNTRY'S ECONOMIC GROWTH, THE WELFARE OF ITS PEOPLE, AND ITS SOCIAL PROGRESS.**

The year 2023 passed under the shadow of the effects of global geopolitical uncertainty and tight monetary policies, the general election and the devastating earthquake, which was one of the greatest disasters to befall our country in its history. The two major earthquakes which struck on 6 February 2023, with their epicenter in Kahramanmaraş, caused tragic loss of life and economic damage in the region. On this occasion, we once again remember with mercy all of our citizens who lost their lives and wholeheartedly share the pain of those who lost loved ones.

Looking at the economy, 2023 marked a point where the world's leading central banks sought to synchronize policies in order to bring the wave of global inflation under control, with the spotlight turning to practices aimed at cooling the markets. During this process, our country maintained its strong position and maintained its economic growth, despite the headwinds brought by global dynamics.

Along with global conditions, high energy prices and rising input costs due to the high rate of inflation in our country, the fallout from the earthquake, production stoppages and capacity losses further exacerbated the difficulties faced by the iron and steel sector. These impacts were mitigated by the determined efforts to enter new export markets and actions taken to diversify our range of value-added products for export, paving the way for an increase in growth momentum for our sector going forward.

**THANKS TO THE INVESTMENTS IMPLEMENTED, KOCAER ÇELİK SUCCEEDED IN EXPANDING ITS COMPETITIVE ADVANTAGE WITH A PROACTIVE APPROACH IN THE GLOBAL STEEL INDUSTRY WITH ITS HIGH VALUE-ADDED, ENVIRONMENTALLY FRIENDLY AND SMART PRODUCTION PROCESSES, AND CONTINUES TO STRENGTHEN ITS POSITION AS A REPUTABLE SUPPLIER ON A GLOBAL BASIS.**

Global crude steel production remained broadly at its previous year's level in 2023 at 1,888.2 million tons according to figures published by the World Steel Association. In Türkiye, the 8<sup>th</sup> largest steel producer in the world, crude steel production decreased by 4% in 2023 to 33.7 million tons, while exports decreased by 30.6% to 10.5 million tons and imports increased by 15.5% to 17.1 million tons.

**As the leader in its sector and a cornerstone of Turkish industry, Kocaer Çelik is focused on the future**

Thanks to the investments which it implemented, Kocaer Çelik succeeded in expanding its competitive advantage with a proactive approach in the global steel industry with its high value-added, environmentally friendly and smart production processes, and continues to strengthen its position as a reputable supplier on a global basis.

Kocaer Çelik produces over 12,000 value-added products of various types, sizes and thicknesses with grades containing around 60 different chemical compositions. The company is an important solution partner of the steel sector, which provides project-based services to its customers in a whole range of sectors such as energy, building and construction, steel bridges, mining, tunnels, automotive, railway and shipbuilding, and, in particular, solar energy.

With our superior engineering strength in our modern production facilities, we are staking our claim in the transformation of the sector by focusing on high value-added products that will enable steel to be used more comprehensively in a wider range of areas. In parallel with this

process, we are unabatedly pressing ahead with our planned revisions and investments to raise capacity.

Following the completion of our investments in the Aliağa-A2 plant, in March we commissioned our revision investment, involving the use of state-of-the-art technology. Work on the investment got underway at the beginning of 2024 in the Aliağa-A1 factory for the production of new value-added products. At the same time, we raised the capacity of our Service Center by 50% to 180,000 tons/year. We aim to further increase our value-added production volume, global competitiveness and exports with the new products which we will bring into operation in the coming period.

**Moving towards a more sustainable future in line with our strategic goals...**

In line with the investment strategy which we determined to achieve our growth goals, we are confidently progressing towards the future within the framework of high value-added new product investments and renewable energy investments.

Kocaer Çelik is focused on special steel profile products, the production and supply of which are limited in the world. It will continue to increase the share of high value-added products in its sales volume. I would like to emphasize something I believe to be very important here. Our healthy financial structure and capacity to generate internal resources, which we carefully protect, play a major role in maintaining a balanced debt structure, despite the investment expenses required by our product-mix strategy.

## MESSAGE FROM THE CHAIRMAN

**IN 2023, WE SUCCEEDED IN INCREASING OUR TOTAL NET PROFIT BY 22% IN REAL TERMS, TO TL 1,186 MILLION.**

We added geothermal energy to our range of clean energy generation resources in the renewable energy sector, which we have determined as our strategic growth goal. In this context, we launched the 24 MW Geothermal Power Plant project with drilling work getting underway at our Geothermal Resources and Natural Mineral Water site in Kuyucak, Aydın through Kocaer Enerji A.Ş., which we had established in a 99% participation in 2023. In the first phase of this investment, we also plan to install a solar power plant to meet the internal consumption needs of the Geothermal Power Plant. Once the first phase of the investment is completed, we aim to meet all of our current electricity needs from the renewable energy we generate through approximately 20% of the energy we will generate, and to sell the remaining electricity within the scope of the YEKDEM (Renewable Energy Resources Support Mechanism) under a 15-year dollar-based purchase guarantee. Our company aims to be carbon neutral with the investments it is carrying out and to gain a significant advantage in international competition by gaining energy independence.

We also lead our industry with our sustainability efforts. We aim to protect resources for future generations and manage them responsibly through the sustainable practices we develop in collaboration with our stakeholders.

**Our strong financial structure is our most important advantage in achieving our goals**

Our strong financial structure supports our business plan. Our efforts to establish production and service center facilities in different regions of the world continue with a cautious approach focused on risks and opportunities.

Despite the contraction in our sector and decline in exports, we maintained our growth in 2023 and achieved successful results.

Despite the 32-day production halt to carry out the investment process at the Aliağa-A2 factory, where some of the high value-added profiles are produced, we maintained the weight of high value-added products in our total sales portfolio as a result of effective planning. We also managed to increase our total net sales volume by 5.3% in 2023.

In 2023, we succeeded in improving our profit margins with effective cost and operational expense management along with the increase in sales volume. Our gross profit margin increased by approximately 2 percentage points to 19.6%, and our EBITDA margin increased by around 3 percentage points to 14.8%.

In addition to the improvement in margins, we also reduced our financial expenses by 11% through our competence in financial management. In 2023, we succeeded in increasing our total net profit by 22% in real terms, to TL 1,186 million.

**WE WILL CONTINUE TO SET OURSELVES APART IN THE STEEL SECTOR IN 2024 WITH OUR EXPORT-ORIENTED BUSINESS MODEL, OUR ABILITY TO OPERATE IN A WIDE GEOGRAPHICAL AREA AND OUR BUSINESS MODEL FOCUSED ON VALUE-ADDED PRODUCTS.**

We are an organization that has adopted the principle of adding value to the national economy and its employees in every step we take and in every job we do. In 2023, we were ranked 112<sup>th</sup> among private companies in the ISO 500 Türkiye's 500 Largest Industrial Enterprises. We were selected as the 71<sup>st</sup> largest exporter in our country, and the 7<sup>th</sup> largest exporter in our sector in the Türkiye's Top 1,000 Exporters by TİM. We have been the export leader of the iron and steel sector in the Aegean Region for the last six consecutive years.

**Confidently progressing towards becoming a global brand**

World steel production is a business exposed to geopolitical developments and megatrends affecting world trade. In this context, we predict that pricing pressure in global steel markets will continue and competition will become fiercer in 2024.

With this foresight regarding our sector, we will continue to set ourselves apart in the steel sector in 2024 with our export-oriented business model, our ability to operate in a wide geographical area and our business model focused on value-added products.

Increasing geopolitical risks, trade wars and protectionist movements have turned the spotlight very much on the need for local and on-site production. We are determinedly taking the necessary steps to utilize the conditions presented by the external environment in order to accelerate Kocaer Çelik's globalization steps.

While we are further strengthening our production and trade cycle, we are also reinforcing the corporate value we produce by developing innovative technologies and products.

We have full faith in the continuity of our success as we work and progress with and for our stakeholders.

On behalf of myself and our Board of Directors, I salute you, our valued stakeholders, and thank you for your valuable contributions and confidence.

**Hakan KOCAER**  
**Chairman of the Board of Directors**

## BOARD OF DIRECTORS



### İbrahim Kocaer - Founding Member of the Board

The founder of Kocaer Çelik Sanayi ve Ticaret A.Ş., İbrahim Kocaer, 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.



### 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.



### Mehmet Çakmur - Member of the Board

Mehmet Çakmur, a graduate of METU Industrial Engineering, started his career in 1990 and worked in various positions in the iron and steel trade until 2002. He worked as the authorized representative of MMK Magnitogorsk Russia in Turkey from 2002 and continued in this position until 2011. He served as the export and sales director at the MMK Metallurgy facility of the MMK Russia factory in Turkey from 2011. He left his position in 2017 and established M Steel Ltd., a company that provides trade, consultancy and agency services in the field of iron and steel, and he still continues his activities in this company.

He has been serving as a member of the board of directors of our company as of 1 September 2023. Çakmur is also the vice chairman of the board of directors of the Steel Foreign Trade Association (ÇDTD), which he initiated, and a member of the board of directors of the Flat Steel Exporters and Industrialists Association (YISAD).



### 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, which 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.

He is the Chair of the Board of Trustees at Argüden Governance Academy. Dr. Argüden was elected the World Chair of Local Networks and served the Board of UN Global Compact, and was also 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.

## BOARD OF DIRECTORS


**Dr. Fatma Füsün Akkal Bozok - Independent Member of the Board**

Füsün Akkal Bozok completed her undergraduate education at Istanbul University Faculty of Business Administration and then received her master's degree from Boğaziçi University Faculty of Administrative Sciences and her doctorate degree from Istanbul University Faculty of Business Administration. She started her career at Arthur Andersen.

She joined Koç Group in 1983 and first served as an Audit Specialist and Assistant Coordinator in the Audit and Finance department. She was appointed as the Audit and Financial Group Coordinator in 1992 and continued her duty for 11 years.

Bozok served as the Finance Group Director between 2003-2006 and served as a Board Member at Yapı Kredi Bank from September 2004 until 2019. She is an independent Board Member at Ford-Otosan, TAT Gıda and Bizim Toptan and Gözde Girişim Sermayesi. She is a member of TKYD (Corporate Governance Association of Türkiye), Turkish Internal Audit Institute (TİDE), Turkish Accounting Professionals Association and Boğaziçi Alumni Association. Bozok is also a member of the Board of Directors of the 30% Club and serves as a mentor for the Women on Board Association of Türkiye.

She holds the Capital Markets Board Advanced Level, Credit Rating, Corporate Governance Rating and Derivative Products licenses.


**Tuğrul Fadilloğlu - Independent Member of the Board**

Tuğrul Fadilloğlu graduated from Boğaziçi University, Department of Mechanical Engineering in 1982. After working in various departments and positions at Arçelik A.Ş. between 1982-2002, he served as the Deputy General Manager responsible for Operations and Technology at Tanı Pazarlama Hizmetleri A.Ş. between 2002-2004 and then as the General Manager at the same company between 2004-2009. Fadilloğlu, who was appointed as the General Manager of Zer A.Ş. in 2009, continued this position until his retirement in 2014, during which time he also served as a member of the Board of Directors at Tanı Pazarlama Hizmetleri A.Ş.

Tuğrul Fadilloğlu served as the Founding President of the İzmir Branch of the Turkish Quality Association between 1995-2000 and as the Assembly Member of the Aegean Region Chamber of Industry in 2000.

Fadilloğlu, who served as General Manager of Hidrotam, as a Board Member at ISM A.Ş., a subsidiary of İnci Holding, as a General Coordinator of Turkish Quality Association (KalDer), as a Member of the Advisory Board of Doğa OSGB, as a Founding Vice President of the Board of Directors at CCA Kurumsal Değişim Akademisi Danışmanlık ve Eğitim Hizmetleri A.Ş. between 2015-2019, currently serves as a Member of the Board of Directors at Arçelik and a Member of the Advisory Board of Directors at Sistem Teknik A.Ş.

**Orhan Timurhan - Deputy Chairman of the Board and General Manager**

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

**Duties and Authorities of the Board Members**

The Chairman and Members of the Board of Directors hold the duties and authorities specified in the relevant articles of the Turkish Commercial Code and the Company's Articles of Association.

As of 31 December 2023, the Board of Directors consisted of eight members, including the chairman.

Members of the Board of Directors	Position	Took/Left Office on	
İbrahim Kocaer	Honorary Member of the Board	20.04.2022	20.04.2025
Hakan Kocaer	Chairman 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
Mehmet Çakmur	Member of the Board	01.09.2023	20.04.2025
Dr. Fatma Füsün Akkal Bozok	Independent Member of the Board	25.04.2023	20.04.2025
Tuğrul Fadilloğlu	Independent Member of the Board	25.04.2023	20.04.2025



## BOARD OF DIRECTORS

## Duties of the Board Members and Executives outside the Company

## Senior Management

Name-Surname	Position	Profession	Duties Undertaken in the Company in the Last 5 Years	Current Duties Undertaken Outside the Company
Hakan Kocaer	Chairman of the Board	Business Person	Chairman of the Board, Shareholder	Yağız Nakliyat Shareholder, Kocaer Enerji Shareholder and Chairman of the Board of Directors
Orhan Timurhan	Deputy Chairman of the Board	Senior Executive	Member of the Board -General Manager	Yağız Nakliyat Board Member, Kocaer Enerji Board Member
Ferda Besli	Member of the Board	Business Person	Member of the Board	Besfin Finansal Hizmetler ve Danışmanlık Chairman of the Board of Directors, Olgun Çelik AŞ. Board Member, Taypa Tekstil A.Ş. Board Member, Tayeks Tekstil Board Member, Astay Gayrimenkul İnş. A.Ş Board Member, Sultanahmet Turizm A.Ş. Board Member, Atıkpaşa Turizm A.Ş. Board Member, Kutlugün Turizm A.Ş. Board Member, Halikarnas Turizm ve Tic. A.Ş. Board Member, Etiler Gayrimenkul Yatırım A.Ş. Board Member, Akis Gayrimenkul Yatırım Ortaklığı A.Ş. Board Member
Dr. Recep Yılmaz Argüden	Member of the Board	Business Person	Member of the Board	ARGE Consultancy, Anadolu Group Holding and group companies Board Member, Akkök Holding, DeFacto, TAB Food Investments Board Member, Turkish Basketball Federation Vice President
Dr. Fatma Füsün Akkal Bozok	Member of the Board	Business Person		Ford-Otosan Board Member, TAT Gıda Board Member, Bizim Toptan Board Member, Gözde Girişim Sermayesi Board Member
Tuğrul Fadilloğlu	Member of the Board	Business Person		Arçelik Global Board Member, Sistem Teknik A.Ş. Advisory Board Member
Mehmet Çakmur	Member of the Board	Business Person		M Steel Dış Ticaret Ltd. Shareholder, YİSAD Board Member, Çelik Dış Ticaret Derneği Deputy Chairman of the Board, Kocaer Enerji Board Member
Zümrüt Can Ambarcı	Deputy General Manager	Senior Executive		Özyeğin University Part-Time Lecturer, FODER Financial Literacy and Inclusion Association Board Member
Halil Bahadır Çağlan	Deputy General Manager	Senior Executive	Budget and Financial Control Manager/ Accounting-Budget-Financial Control Manager	
Taylan Ay	Deputy General Manager	Senior Executive	Deputy General Manager	
Oğuzhan Yıldırım	Deputy General Manager	Senior Executive	Information Technology and Software Support Manager/ Information Technologies Manager	
Aytaç Başsüllü	Deputy General Manager	Senior Executive	Project Planning Manager/R&D-Center Director/ Service Center and R&D Director	

## Number of Board of Directors' Meetings and Attendance Status during the Year

Our Board of Directors held a total of 12 meetings in 2023. The participation rate stood at 88%.

## Senior Executives

Name-Surname	Position	Took Office on	Professional Experience
Hakan Kocaer	Chairman of the Board of Directors	25.04.2012	34 years
Orhan Timurhan	Deputy Chairman of the Board of Directors and General Manager	01.05.2018	31 years
Aytaç Başsüllü	Deputy General Manager	15.05.2012	24 years
Halil Bahadır Çağlan	Deputy General Manager	19.09.2011	24 years
Oğuzhan Yıldırım	Deputy General Manager	19.09.2008	24 years
Taylan Ay	Deputy General Manager	02.01.2018	32 years
Zümrüt Can Ambarcı	Deputy General Manager	24.06.2022	30 years

## Committees Established within the Board of Directors

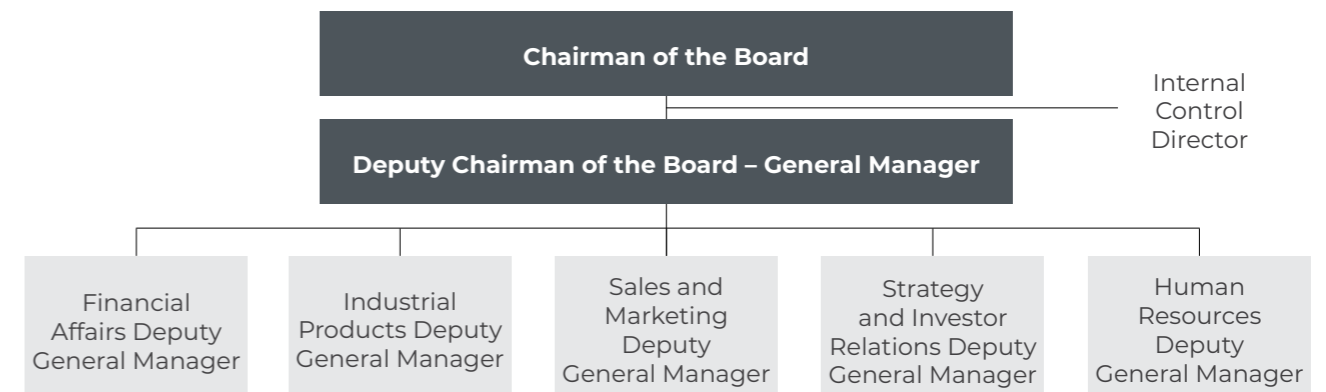
Names of Board Committees	Name-Surname of Committee Members	Number of Meetings Held by the Committee During the Year
Audit Committee	Dr. Fatma Füsün Akkal Bozok (Chairman), Tuğrul Fadilloğlu (Member)	4
Corporate Governance Committee	Dr. Fatma Füsün Akkal Bozok (Chairman), Dr. Yılmaz Argüden (Member), Zümrüt Can Ambarcı (Member)	4
Early Detection of Risk Committee	Tuğrul Fadilloğlu (Chairman), Ferda Besli (Member), Dr. Yılmaz Argüden (Member)	4

The Kocaer Çelik Corporate Governance Committee was established on 27 January 2023. It convened on four occasions in 2023 and carried out its work within the framework of the Capital Markets Board's Corporate Governance Communiqué (II-17.1).

The duties of the Nomination and Remuneration Committee are performed by the Corporate Governance Committee.

The Audit and Early Detection of Risk Committees were established on 11 May 2023 and convened on four occasions during the year. They continued their work within the scope of their obligations within the framework of the CMB Legislation.

## KOCAER ÇELİK ORGANIZATIONAL CHART



## ABOUT KOCAER ÇELİK

### A reputable Turkish brand in the global arena

Continuing its activities with the strength it derives from the experience, know-how and production competence it has built up over 60 years, Kocaer Çelik produces value-added products in various types, sizes and thicknesses in the steel profile segment of the iron-steel sector. The company sells them through exports, international and domestic distribution channels.

Kocaer Çelik carries out its operations in Aliğa, İzmir through three steel profile plants with a capacity of 800,000 tons/year on a total area of 280,000 m<sup>2</sup>, a galvanizing plant with a capacity of 100,000 tons/year, a Steel Service Center with a capacity of 120,000 tons/year and a renewable energy production facility (solar power plant) with a capacity of 15 million kWh/year.

\*On 4 March 2024, the capacity increased from 120,000 tons/year to 180,000 tons/year.

### More than 12,000 value-added product types

Kocaer Çelik produces over 12,000 different types, sizes and thicknesses of value-added products with around 60 different chemical compositions.

The company offers its customers high quality and ready-to-use products which it customizes according to different demands and needs. The bulk of its products are energy transmission line steels, solar energy infrastructure steels and mining steels, in addition to structural steels and steels for use in transportation, tunnelling, machine manufacturing, agriculture, shipbuilding and defense industries.

### Value-added product investments that increase global competitiveness

Kocaer Çelik focuses on the production of special steel profiles that are difficult to produce and for which supply is limited in the global market.

Kocaer Çelik continues with its planned revision investments in parallel with its goal of further increasing the weight of high value-added products in its portfolio. After the completion of the investments in the Aliğa - A2 factory, the company also initiated renewal investments in the Aliğa - A1 factory.

Kocaer Çelik produces project-based, boutique and special grade steel profiles that play a key role in meeting the steel needs of energy sector investments at a time when the need for energy is increasing globally, especially on the European continent.

Kocaer Çelik uses the most up-to-date technologies for the production of new value-added products in its investments. It is focused on increasing its global competitiveness and exports, backed by its diversified product portfolio.

### Exporting to 140 countries in six continents

Kocaer Çelik has been the leading exporter of the iron and steel sector in the Aegean Region for the last six years in a row. It delivers high value-added products to its customers in the shortest time possible from its warehouses in the United Kingdom through its overseas distribution channels, Kocaer Steel UK and Kocaer Steel Ireland.

Kocaer Çelik reaches 140 countries on six continents with its overseas sales representatives in the USA, Italy, Peru, Colombia and Morocco. It is constantly increasing the contribution it provides to the national economy in exports with its high value-added products. The company's strategic goal is to expand its overseas distribution channels.



**STRIDING CONFIDENTLY  
TO THE FUTURE WITH  
60 YEARS OF EXPERIENCE,  
KNOW-HOW AND  
PRODUCTION  
COMPETENCIES**



### Value-added products

Kocaer Çelik uses the most up-to-date technologies in its investments for the production of new value-added products. It focuses on boosting its global competitiveness and exports with its diversified product portfolio.

## ABOUT KOCAER ÇELİK



### Rapid growth in renewable energy investments

Leading the sector with its sustainability projects, Kocaer Çelik presses ahead with its investments in renewable energy in line with the principles of green energy, sustainable production and consumption.

The company has one of the largest rooftop solar power plants in the Aegean Region, and meets 33% of its electricity consumption through the clean energy it produces.

Kocaer Çelik has chosen the renewable energy sector as a strategic growth area. In the renewable energy sector, Kocaer Çelik aims to diversify clean energy production resources with geothermal energy. In this vein, it established a new company, Kocaer Enerji A.Ş. (Kocaer Enerji), a 99% subsidiary of Kocaer Çelik. The company was established with the purpose of gathering its investments under one roof and ensuring more effective management.

The company obtained the operating license of the geothermal field in Kuyucak, Aydın. The company initiated seismic and magnetotelluric (MT) studies for the first phase of its investment in the 24 MW capacity Geothermal Power Plant, which is equivalent to 120 MW of solar energy capacity.

Kocaer Çelik karbon nötr hedefini gerçekleştirirken, enerjide bağımsız hale gelerek uluslararası rekabette de önemli bir avantaj kazanma amacındadır.

### Kocaer Çelik will become a major electricity producer with the completion of the geothermal power plant investment

After the completion of these investments, Kocaer Çelik plans to meet 100% of its total electricity consumption needs through renewable resources. As the company progresses to meet its net zero target, it also aims to gain a significant advantage in international competition by becoming energy independent. Kocaer Enerji aims to transform itself into an organization which also sells energy to the national electricity distribution system by utilizing the electricity production capacity it will build up through its investments in the field of energy, especially renewable energy.

**Yeşil ve sürdürülebilir bir gelecek için yenilenebilir enerji alanında **biz varız!****

9.2 MW Kapasiteli Güneş Enerji Santrali

24MW (120MW GES'e Eşdeğer) Jeotermal Enerji Santrali fizibilite çalışması

271.167 ağaç dikimine eşdeğer 6.506 ton sera gazı emisyon azaltımı

Sürdürülebilir su yönetimi ile 64.455 ton su tasarrufu

800.000 Ton/Yıl Kapasite 3 Çelik Profil Fabrikası

Güneş Enerjisi Çelik Profilleri

100.000 Ton/Yıl Kapasite Galvaniz Fabrikası

120.000 Ton/Yıl Kapasiteli Servis Merkezi

Özel çözümlerimiz ile sadece yenilenebilir enerji sektörünün ürün tedarikçisi olarak kalmayıp, aynı zamanda önemli bir yatırımcısıyız. **Çatı üzeri güneş enerji sistemi** yatırımımız ile öz tüketimimizi çevre dostu kaynaklarla desteklemekle birlikte, **Kocaer Enerji A.Ş.** iştirakimiz ile yenilenebilir enerji başta olmak üzere enerji sektöründe de **biz varız.**

## ABOUT KOCAER ÇELİK

### Exemplary practices which focus on sustainability

Having adopted the circular economy model in production and consumption, Kocaer Çelik's success has been recognized with the certificates it has been awarded on international platforms.

The company prioritizes sustainable strategies and efficiency in all processes from design to operation at its galvanizing factory. The factory was awarded the LEED Gold certificate by the American Green Building Council (USGBC) with the company becoming the first and only iron and steel company in Türkiye to hold this certificate.

Kocaer Çelik underwent the Bureau Veritas' Green Check Certificate audit where it received the highest graded Green Check Gold certificate, another first for the company.

Kocaer Çelik has long been carrying out compliance activities regarding the border carbon tax (Carbon Border Adjustment Mechanism - CBAM) application, which will enter force in January 2026 and will cover companies exporting to countries in the European Union. It carries out reporting and verification work in accordance with the EU standards (ISO 14064).



## A LEADING CORPORATE IDENTITY IN SUSTAINABILITY

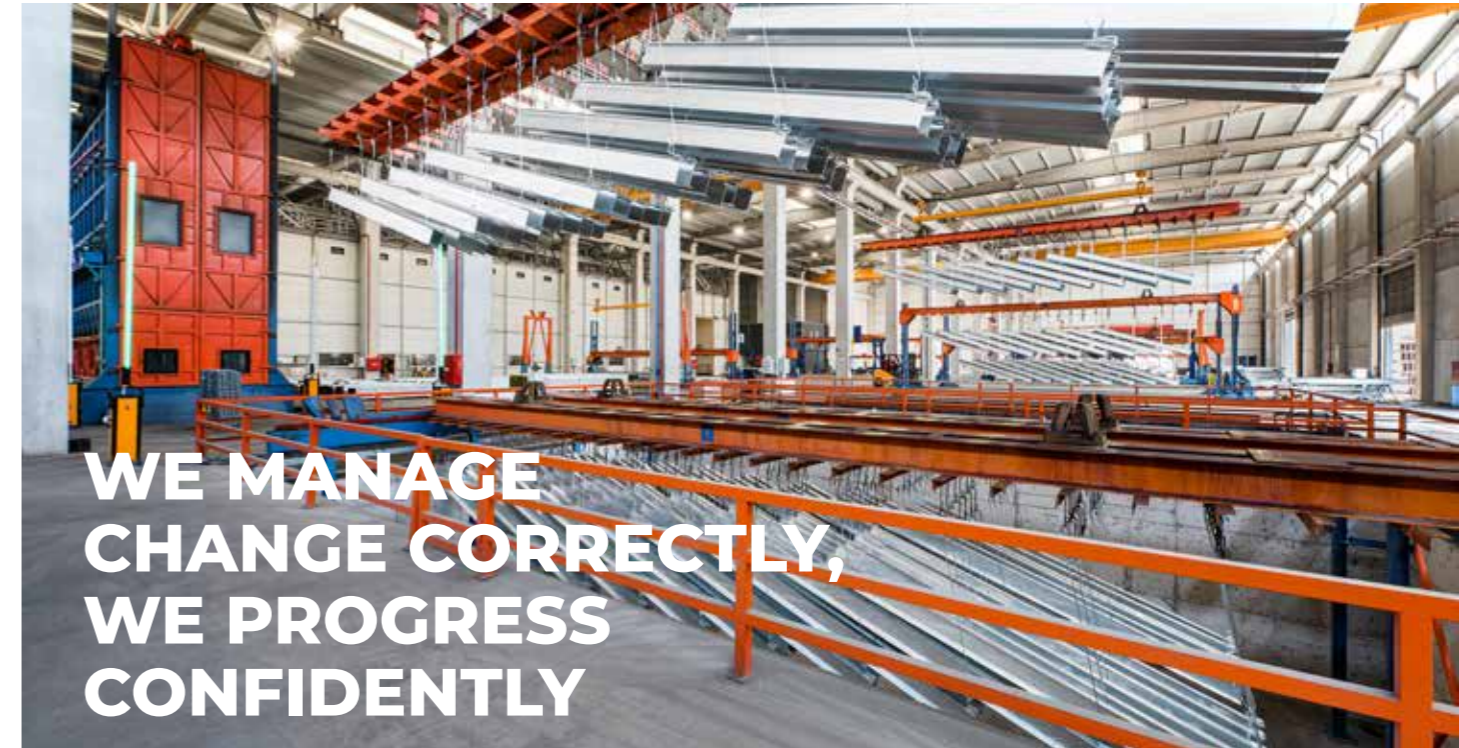
**The company prioritizes sustainable strategies and efficiency in all processes from design to operation at its galvanizing factory. The factory was awarded the LEED Gold certificate by the American Green Building Council (USGBC) with the company becoming the first and only iron and steel company in Türkiye to hold this certificate.**

Kocaer Çelik started to carry out the first official reporting regarding the carbon border adjustment mechanism to its stakeholders in 2024. It aims to become fully energy independent after the completion of its renewable energy investments. In the same vein, it is seeking to neutralize its Scope 1 and Scope 2 greenhouse gas emissions and become a company able to supply carbon credits to the market, rather than being in the position of purchasing carbon credits from the market, in order to reduce its greenhouse gas emissions.



### KOCAER ÇELİK'S STRENGTHS

- A unique business model that has set itself apart in the sector, backed by over 60 years of experience
- An extensive international distribution network and over 30 years of experience in export markets
- A competitive advantage with flexible production capability, product diversity and high service quality
- A leading position in the sector in the areas of R&D, innovation and the digital transformation
- The importance it attaches to green and lean production
- An experienced management team and competent human resources
- A strong financial structure
- The logistical location of the factories
- Operational efficiency and effective cost management



**WE MANAGE CHANGE CORRECTLY, WE PROGRESS CONFIDENTLY**



### KOCAER ÇELİK'S STRATEGY

- Increasing sales and profit margins in high value-added products by expanding the product range
- Expanding international distribution channels and enhancing access to export markets
- Providing all the electricity consumed at its factories by generating electricity from renewable sources, becoming energy independent and reducing its carbon footprint
- Increasing efficiency through sustainable digital transformation

## PRODUCTION FACILITIES

### KOCAER ÇELİK CARRIES OUT ITS PRODUCTION ACTIVITIES FROM ITS PRODUCTION FACILITIES ESTABLISHED ON A TOTAL AREA OF 280,000 M<sup>2</sup>, OF WHICH 85,000 M<sup>2</sup> IS ENCLOSED

Three steel profile production plants with one of the largest steel profile capacities in Türkiye,

A Steel Service Center\* with a capacity of 120,000 tons/year,

A Galvanizing Factory with a capacity of 100,000 tons/year,

A Solar Power Plant with a generation capacity of 15 million kWh.

#### Aliğa-1 Factory

Starting its operations in 1996, the Aliğa-1 Factory has a production capacity of 300,000 tons/year with a total area of 32,500 m<sup>2</sup>, 21,000 m<sup>2</sup> of which is enclosed.



A1



A2

#### Aliğa-2 Factory

Starting its operations in 2008, the Aliğa-2 Factory has a production capacity of 300,000 tons/year with a total area of 186,000 m<sup>2</sup>, 34,000 m<sup>2</sup> of which is enclosed.



A3

#### Aliğa-3 Factory

Starting its operations in 2017, the Aliğa-2 Factory has a production capacity of 200,000 tons/year with a total area of 41,000 m<sup>2</sup>, 18,000 m<sup>2</sup> of which is enclosed.

The Aliğa-2 factory includes a Service Center which had entered operation in 2015 and a galvanizing factory that was brought into operation in 2022.

Kocaer Çelik monitors and records all processes from the entry of the raw materials to the shipment of products online with the SAP/ERP (Enterprise Resource Management) infrastructure and MES (SAP/MII) (Manufacturing Execution System) in order to ensure traceability and control at every stage of production.

#### Steel Service Center

The Steel Service Center, with a capacity of 120,000 tons/year, started operating in 2015.

The capacity of the Steel Service Center increased from 120,000 tons to 180,000 tons on 4 March 2024.



#### Galvanizing Factory

The plant started operating in 2022. The galvanizing factory, with a capacity of 100,000 tons/year, operates in a 10,000 m<sup>2</sup> enclosed area within the Aliğa-2 (A2 factory) factory area.



\*The capacity of the Steel Service Provision Center increased from 120,000 tons/year to 180,000 tons/year on 4 March 2024.

## PRODUCTS AND SERVICES



### Continuing diversification in the value-added product portfolio

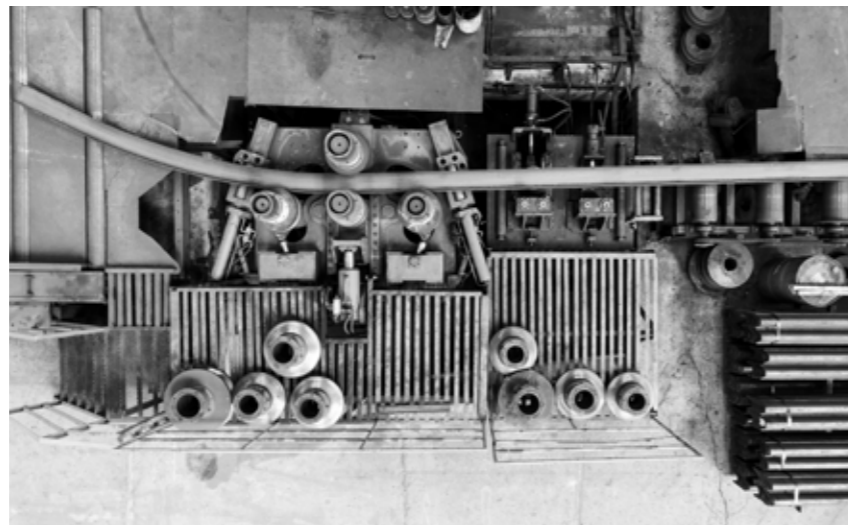
Kocaer Çelik has improved the value-added product portfolio it offers to end users with a series of investments.

Prototype production of new value-added products was successfully rolled out in the three steel profile production plants following R&D activities. The products were commercialized and added to the portfolio. In addition, products from the galvanizing factory which was brought into operation at the beginning of 2022, and the Service Center where the capacity increase investment was completed, were added to the portfolio.

Kocaer Çelik has over 12,000 value-added products of various types, sizes and thicknesses in grades consisting of nearly 60 different chemical compositions. The company is able to carry out tailor made solutions according to the needs of end users and projects.

### Final products offering an end-to-end solution

Kocaer Çelik continues its investments in boutique production. In addition to steel profile products, the company also provides services such as cut-to-length steel production, welding and machining production, cold forming and sandblasting, painting and hot dip galvanizing which can be carried out on these profiles. It delivers final products that offer all solutions needed by the customer.



### World-class production

Kocaer Çelik carries out production within the framework of standardized processes, which are supported by the know-how, experience and product diversity which it has gained, especially in the energy sector, and the quality certificates based on standards such as BS EN 10025-1 (United Kingdom and Europe), DIN 17100 (Germany), ASTM/A572 (USA), CSA G40.20 (Canada), JIS G3101/3192 (Japan), AS NZS 3679.1 (Australia), IRAM-IAS U 500-503 (Argentina) and PN-H-84042 (Poland).



PRODUCTS AND SERVICES

MAIN PRODUCT PORTFOLIO

STRUCTURAL STEEL PROFILES



Angle Bracket Ribbed Lama Lama Round Square T Iron Bar Clawed Lama

U AND C SHAPED PROFILES



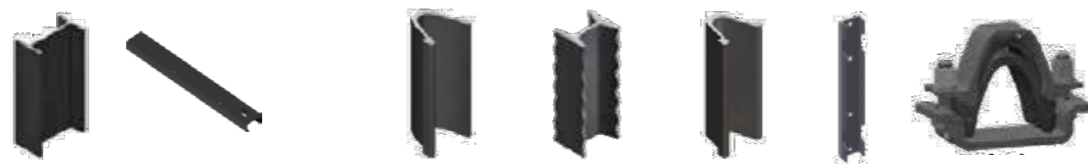
PFC UPN UPE C UAC CH

I AND H SHAPED PROFILES



UB HEA/HEB IPN IPE

VALUE ADDED PROFILES



Solar Power Steel Profiles

Mining and Tunnel Profiles and Accessories

SECTORS WE ADD VALUE TO



ENERGY TRANSMISSION LINES



SOLAR POWER INFRASTRUCTURE



CONSTRUCTION PROJECTS



STEEL BRIDGES



MINING AND TUNNELS



AUTOMOTIVE AND TRANSPORTATION



AGRICULTURE



SHIPBUILDING AND OIL PLATFORMS

## MILESTONES

### 1984

- The company is established in Denizli with TL 30,000,000 of capital under the title of “Kocaer Haddecilik Sanayi ve Ticaret Ltd. Şti.”
- It enters production with its first factory established in Denizli on an area of 3,000 m<sup>2</sup>.

### 1996

- With the company selling the majority of its production domestically, the company establishes the Aliağa 1 (A1 factory) factory in Aliağa, İzmir on a total area of 32,500 m<sup>2</sup>, of which 21,000 m<sup>2</sup> of which is enclosed, in order to increase its export potential and be closer to the raw material supply. The factory, which has a capacity of 300,000 tons/year, produces heavy and medium structural steel profiles.

### 2006

- The company obtains the TS 910 - Product Conformity Certificate (I-Shaped Steel Profiles).
- The company obtains the TS 912 - Product Conformity Certificate (U-Shaped Steel Profiles).
- The company obtains the TS EN 10056 - Product Conformity Certificate (Angle Bracket).

### 2007

- The company obtains the ISO 9001 Management Systems Certificate.

### 2008

- The company establishes the Aliağa-2 (A2 factory), which is a medium and light structural steel profile production plant with a production capacity of 300,000 tons/year, established within a total area of 186,000 m<sup>2</sup>, 34,000 m<sup>2</sup> of which is enclosed, located opposite the A1 factory in Aliağa, İzmir. The factory enters production.
- With the amendment to the Articles of Association published in issue 6973 of the Turkish Trade Registry Gazette dated 9 January 2008, the company becomes a joint-stock company under the title of “Kocaer Haddecilik Sanayi ve Ticaret A.Ş.”

### 2014

- The company obtains the TS EN 10058 - Product Conformity Certificate (Flat Steel Profiles).
- The company obtains the TS EN 10025 - Product Conformity Certificate (Hot Rolled Long Steel Profiles).

### 2015

- The company establishes MyMetal LTD, which distributes iron and steel products from warehouses located in the United Kingdom.
- The company establishes Türkiye's 180<sup>th</sup> R&D center with approval from the Ministry of Industry and Technology. This R&D center marks an important first in its sector.
- The company obtains the DIN 21530 - 1/2/3/4/5 Product Conformity Certificate (Mining and Tunnelling Steel Profiles).

- The company expands its product portfolio starting the production of “fortification steel profiles” for the mining and tunnelling sectors, thereby entering a sector it finds strategic. In addition, it establishes a service center and starts producing according to the projects of mines and tunnels with project-based and high engineering techniques.
- The company obtains the ISO 14001: 2004 Environmental Management System certificate.
- The company obtains the ISO 50001: 2011 Energy Management System certificate.
- The company obtains the OHSAS 18001: 2007 Occupational Health and Safety Management System certificate.
- The company obtains the S-MARK Market Compliance Certificate. The S/4 HANA ERP (Enterprise Resource Planning) system, a resource planning management solution for large enterprises created by SAP, a leading global enterprise software company, is brought into use within the company.
- The company becomes one of the leaders in its sector with its entry into Turquality, the world's first and only state-supported branding program established by the Ministry of Trade.



### 2017

- The company wins first prize among Large-Scale Enterprises in the R&D category with its efficiency project in the Efficiency Project Competition organized by the Ministry of Industry and Technology.

### 2018

- The company wins the “Aegean's Largest Exporter” award in its sector at the Shining Stars of Export Awards hosted by the Aegean Exporters' Association.
- The company wins the “Jury Special Award” at the İzmir Technology and Innovation Platform (IZTEK)'s R&D and Technology Awards.
- The company obtains the ISO/IEC 27001 Information Security Management System certificate.
- The company obtains the ISO 450001 Occupational Health and Safety Management System certificate.

### 2019

- The company wins the “Aegean's Largest Exporter” award in its sector at the Shining Stars of Export Awards hosted by the Aegean Exporters' Association.
- The company wins awards in two categories at the R&D Centers Summit hosted by the Ministry of Industry and Technology, achieving second place in the “Project Capacity” category in Türkiye and third place in the “Class A R&D Centers” category in Türkiye.
- The company obtains the SIRIM PC004401 and PC004402 Market Conformity Certificate, and the SASO-MAK-01-01/02 Market Conformity Certificate.
- The company meets requirements such as fulfilling customs obligations, having an orderly and traceable registration system, having financial adequacy, safety and security standards in place, and having an auto control system established in accordance with the procedures and principles specified in the Regulation on Facilitation of Customs Transactions under the Customs Law. It becomes the holder of the YYS (Authorized Economic Operator Certificate)

numbered TR/AEOF/19350009 on 3 September 2019. The company carries out its own customs clearance transactions with the YYS (Authorized Economic Operator Certificate) and is able to use its own weighbridge with the authorization documents issued by the General Directorate of Hazardous Goods and Combined Transportation Regulation of the Ministry of Transportation, Maritime Affairs and Communications, ensuring transaction security and speed.

- The Zero Waste Regulation is published in issue 30829 of the Official Gazette dated 12 July 2019 and enters force. The regulation seeks to prevent wastefulness, promote the more efficient use of resources and prevent or minimize the generation of waste by reviewing the causes of waste generation, and the separate collection and recovery of waste at source. The company establishes the Zero Waste Management System with its sensitivity to the legislative requirements and sector conditions in practice, and is awarded the TS/35/B2/15/18 Zero Waste Management System Certificate in accordance with the Zero Waste Regulation.



## MILESTONES

## 2020

- The company starts to produce steel profiles for solar energy systems and sell them to its customers, in a processed and galvanized form.
- The company receives the “Aegean’s Largest Exporter” award in its sector at the Aegean Exporters’ Association’s Shining Stars of Export Awards.
- The company receives the third place award worldwide in the “Best Operational Improvements” category within the scope of the “Global Steel Excellence Awards” held every year by Fastmarkets, a respected organization on a global scale, where participants from all over the world compete. It is the only company from our country to receive an award in this competition.

## 2021

- The credit rating agency, JCR (Japan Credit Rating), assigns an A credit rating to our company following its evaluation of the Company’s 2021 year-end financial data.
- The company starts investment work on a hot dip galvanizing plant with a capacity of 100,000 tons/year in a 10,000 m<sup>2</sup> enclosed area within the Aliağa-2 (A2 factory) factory area.
- Within the scope of reducing its carbon footprint and green and clean energy production strategies, the company completes work on 15 million kWh/year solar energy systems on the roofs of its three factories located in Aliağa, İzmir. The company is now able to meet approximately 33% of its energy needs from clean and renewable resources.
- With the amendment to the Articles of Association published in issue 10331 of the Turkish Trade Registry Gazette dated 20 May 2021, the company’s title is changed to “Kocaer Çelik Sanayi ve Ticaret A.Ş.”



## 2022

- Kocaer Çelik is offered to the public and its shares start being traded on the Borsa Istanbul.
- The company publishes its first sustainability report.
- The company maintains its position as the Aegean Region’s Largest Exporter by winning first place in the iron and steel sector and the steel profile segment at the Aegean Exporters’ Association’s Shining Stars of Export Awards.
- The company is awarded the United Kingdom’s UKCA - Factory Production Conformity Certificate.
- In line with the company’s strategies to expand its international distribution channels and increase its access to export markets, Kocaer Steel Ireland Ltd. is established under the roof of Kocaer Steel UK Ltd. (former title: Mymetal Ltd).
- The galvanizing plant is commissioned at the beginning of 2022 and starts trial galvanizing services.
- The Company starts the “Green Building” certification process by applying energy and environmentally friendly designs in the galvanizing plant building. It is awarded the LEED (Leadership in Energy and Environmental Design) certificate issued by the USDGBC (American Green Building Council).
- The investment necessary to increase the service center capacity to 120,000 tons/year is completed.

## 2023

- Kocaer Enerji A.Ş. (Joint Stock Company) is established to operate in the energy sector, primarily in the field of geothermal energy. It is registered by the Aliağa Trade Registry Office on 4 July 2023. Drilling work gets underway for the 24 MW Geothermal Power Plant investment in the licensed area purchased in the Kuyucak District of Aydın province.
- According to the Aegean Ferrous and Non-Ferrous Metals Exporters’ Association report, Kocaer Çelik maintains its position as the Largest Exporter of the Aegean Region in the iron and steel sector in 2023.
- In parallel with the company’s goal of increasing the share of high value-added products in its sales volume, the renovation investment process on the steel profile production line at the Aliağa-A2 factory is completed in the first half of 2023.
- Following the completion of the investment work on which got underway in November 2023, the capacity of the Kocaer Çelik Service Center is increased by 50% from 120,000 tons/year to 180,000 tons/year, with the new capacity entering operation in March 2024.

## KOCAER ÇELİK IN THE WORLD AND TÜRKİYE

### Production facilities

- A1 production facility: İzmir Aliağa
- A2 production facility: İzmir Aliağa
- A3 production facility: İzmir Aliağa
- Galvanizing factory: İzmir Aliağa
- Steel service center: İzmir Aliağa

### Solar power plant

İzmir Aliağa

### Sales offices

- İstanbul
- İzmir
- Denizli

### Kocaer Steel UK

- Cardiff, UK
- Warrenpoint, UK



# EXPORTS TO 140 COUNTRIES OVER SIX CONTINENTS

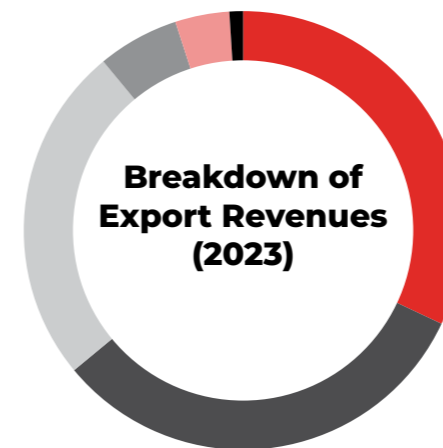


### International sales representative offices

More than 2,000 customers in different industries and regions;

- USA
- Colombia
- Italy
- Morocco
- Peru

### Breakdown of Export Revenues (2023)



● America	32%
● MENA	32%
● Europe	25%
● United Kingdom	6%
● Asia	4%
● South Africa	1%

More than 2,000 customers in different industries and regions

#### Sectors Served

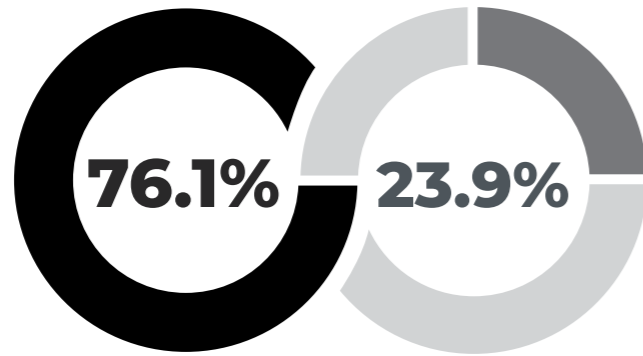
Power transmission lines, solar energy infrastructure, structural steel, transportation, mining, tunnelling, shipbuilding, agriculture, machinery manufacturing and the defense industry

#### Quality Standard Certificates

BS EN 10025-1 (UK and Europe)  
DIN 17100 (Germany)  
ASTM/A572 (The USA)  
CSA G40.20 (Canada)  
JIS G3101/3192 (Japan)  
AS NZS 3679.1 (Australia)  
IRAM-IAS U 500-503 (Argentina)  
PN-H-84042 (Poland)



## SHAREHOLDING STRUCTURE AND PRIVILEGE INFORMATION



The company's capital and shareholding structure for the reporting period is as follows:

Shareholders	Share Group	Nominal Value of Shares (TL)	Share Percentage
Hakan Kocaer	A-B-C	500,384,989	76.10%
Publicly Traded	C	157,185,011	23.90%
		<b>657,570,000</b>	<b>100.0%</b>

According to the company's articles of association, the company's shares are divided into groups. Of the total 657,570,000 shares, 119,404,574 are registered as Group A shares, 119,404,574 are registered as Group B shares and 418,760,852 are bearer Group C shares. Group A registered shares hold the privilege of nominating candidates to the board of directors and voting in general assembly, while Group B registered shares hold the privilege of voting in general assembly. Group C shares hold no privileges.



## KEY FINANCIAL AND OPERATIONAL INDICATORS

Summary Consolidated Balance Sheet (TL thousand)	31 December 2023	31 December 2022	Change
Current Assets	6,161,680	6,514,137	-5%
Fixed Assets	6,041,930	5,374,543	12%
<b>Total Assets</b>	<b>12,203,611</b>	<b>11,888,680</b>	<b>3%</b>

Short-Term Liabilities	4,288,996	5,745,462	-25%
Long-Term Liabilities	833,260	557,497	49%
Equity	7,081,355	5,585,721	27%
<b>Total Liabilities</b>	<b>12,203,611</b>	<b>11,888,680</b>	<b>3%</b>

Summary Consolidated Profit-Loss Statement (TL thousand)	1 January - 31 December 2023	1 January - 31 December 2022	Change
Revenue	15,091,481	17,588,427	-14%
Gross Profit	2,965,228	3,105,193	-5%
Operating Profit	1,804,219	1,751,259	3%
Financing Expenses (net) <sup>1</sup>	875,352	985,036	-11%
Profit Before Tax	1,362,506	914,403	49%
<b>Net Profit for the Period</b>	<b>1,185,518</b>	<b>970,005</b>	<b>22%</b>
Adjusted EBITDA <sup>2</sup>	2,228,956	2,091,565	7%

Key Ratios (%)	2023	2022
Gross Margin	19.60%	17.70%
Adjusted EBITDA Margin	14.80%	11.90%
Net Margin	7.90%	5.50%
Net Financial Debt/EBITDA (x)	0.76	0.81

Sales Volume (tons)	1 January - 31 December 2023	1 January - 31 December 2022
Structural Steel Profiles	195,532	204,951
Value Added Profiles	221,297	224,038
U and C Shaped Steel Profiles	87,642	70,532
I and H Shaped Steel Profiles	56,987	33,717
<b>Total Sales Volume<sup>3</sup></b>	<b>561,458</b>	<b>533,238</b>
Value Added Products/Total Sales Volume	39,4%	42,0%

Sales Revenues (thousand TL)	1 January - 31 December 2023	1 January - 31 December 2022	Change
Domestic Sales	4,427,735	4,300,369	3%
International Sales	10,537,557	13,294,832	-21%
Other Revenues	130,377	2,896	n.m.
Returns and Discounts (-)	(4,189)	(9,670)	-57%
<b>Net Sales</b>	<b>15,091,481</b>	<b>17,588,427</b>	<b>-14%</b>

Financial Liabilities (thousand TL)	31 December 2023	31 December 2022	Change
Short-Term Financial Liabilities	1,975,890	2,470,874	-20%
Short-Term Portions of Long-Term Liabilities	282,572	262,102	8%
Long-Term Financial Liabilities	794,770	516,914	54%
Total Financial Liabilities	3,053,233	3,249,890	-6%
Cash and Cash Equivalents <sup>4</sup>	1,354,844	1,552,840	-13%
<b>Net Financial Liabilities<sup>5</sup></b>	<b>1,698,389</b>	<b>1,697,050</b>	<b>0%</b>

<sup>1</sup> Includes net monetary position gains (losses).

<sup>2</sup> Other income and expenses from main activities are excluded from EBITDA calculation.

<sup>3</sup> Excludes other sales.

<sup>4</sup> Includes financial investments.

<sup>5</sup> Short-term financial liabilities are calculated by adding long-term financial liabilities and short-term parts of long-term financial liabilities and deducting cash and cash equivalents and financial investments.

## AWARDS AND ACHIEVEMENTS

**As Kocaer Çelik continues to generate value for its stakeholders, it continues to gain recognition and awards for its operations and projects.**

**THE FIRST COMPANY IN THE IRON AND STEEL INDUSTRY TO RECEIVE THE GREEN CHECK GOLD CERTIFICATE**

Kocaer Çelik was awarded the highest level Gold certificate following the Green Check Certificate audit conducted by the independent auditing firm Bureau Veritas in partnership with the Sustainability Academy.

Kocaer Çelik became the first and only company to receive this certificate in the iron and steel sector. It was audited in 12 different categories including the environment, energy, greenhouse gas emissions, water and occupational health and safety management. The audit recognized the green transformation of its factories once again, their environmental performance, their compliance with international standards, their green commitments and successes in sustainable business practices.

**7<sup>TH</sup> HIGHEST EBITDA IN THE ISO 500 WITHIN THE MAIN METAL INDUSTRY**

Kocaer Çelik ranked 7<sup>th</sup> in the EBITDA ranking of the "Türkiye's Top 500 Industrial Enterprises 2023 Survey" prepared by ISO, in the main metal industry category. The company climbed two places compared to 2022.

**FIRST PRIZE IN INNOVATION CATEGORY IN ITS SECTOR AT SAP QUALITY AWARDS**

With its SAP S4/HANA project, Kocaer Çelik achieved the success of being the first company in its sector in Türkiye to receive first prize in the innovation category at the SAP Quality Awards.

**THE 7<sup>TH</sup> LARGEST EXPORTER IN ITS SECTOR IN TÜRKİYE**

Kocaer Çelik is one of the leading steel profile producers in Europe and Türkiye with its service center and galvanized coating processes in an integrated structure. It ranked 7<sup>th</sup> in the list of "Türkiye's Top 1,000 Exporters 2023" list prepared by the Turkish Exporters Assembly (TİM), and became the 7<sup>th</sup> largest exporter company in its sector.

**THE EXPORT CHAMPION IN THE IRON AND STEEL SECTOR IN THE AEGEAN REGION FOR A SIXTH YEAR IN A ROW**

Kocaer Çelik became the export champion in the iron and steel sector in the Aegean Region at the Stars of Export Award Ceremony of the Aegean Exporters' Association in 2023, marking the sixth consecutive year that Kocaer Çelik won this award. It was also awarded for being the Aegean Region's third largest exporter in all sectors.

**THE FIRST AND ONLY HOT DIP GALVANIZING FACILITY IN EUROPE TO HOLD LEED GOLD CERTIFICATION**

Kocaer Çelik's galvanizing facility was designed and installed in accordance with the LEED v4 BD+C: NC criteria with the aim of preventing environmental negative impacts. It was certified with LEED Gold by the US Green Building Council (USGBC), thus becoming the first and only steel profile hot dip galvanizing facility in Europe and in Türkiye to hold the LEED v4 BD+C: NC Gold certification. Kocaer Çelik's galvanizing facility aims to reduce energy and water usage by 50%, carbon emissions by 39%, solid waste amounts by 70%, and maintenance costs by 13%.

## EVALUATION OF THE SECTOR IN 2023



### A broadly stable course in the global sector

World steel production contracted by 1.0% in the first half of 2023 due to high energy prices, the weakening of consumption and investment due to the tighter monetary policies implemented by developed countries and the stagnation in China's real estate market. In the second half of the year, world steel production recovered by 1.0% due to the decline in raw material prices, reduced volatility in energy prices and the steps taken by the Chinese government to support the steel sector. As a result, global steel production remained unchanged at 1.8 billion tons in 2023.

In Türkiye, the world's 8<sup>th</sup> largest steel producer, crude steel production decreased by 16.3% in the first half of 2023 due to both the general weakness in world markets and the tragic earthquake which struck our country early in the year. Crude steel production recovered by 10.4% in the second half of the year as facilities resumed their production activities after the earthquake, energy input costs declined to more normalized levels and thanks to capacity increases. Despite the recovery in the second half of the year, Türkiye's crude steel production still ended the year 2023 down by 4.0%, at 33.7 million tons.

On the other hand, Türkiye's exports decreased by 30.6% in volume terms in 2023 to 10.5 million tons and by 40.7% in value terms to USD 8.3 billion. Import volumes increased by 15.5% to 17.1 million tons and by 6.1% in value terms to USD 14.6 billion, thereby extending our country's foreign trade deficit in the steel sector from USD 1.6 billion in 2022 to USD 6.3 billion in 2023.

## KOCAER ÇELİK'S POSITION IN THE SECTOR

Kocaer Çelik continued to grow in 2023 despite the contraction in the sector and decline in exports.

The company maintained its total sales volumes and strong export revenues with the support of its strong corporate structure and the growth strategy which it implemented.

Kocaer Çelik is one of the few companies on a global scale and in our country to carry out steel profile production, with a service center, manufacturing operations and galvanizing processes in an integrated structure. It has become a manufacturer that provides solutions for various needs on a global basis with the strong contribution of its engineering competencies in profile products and the support of its R&D and design power.

Focusing on value-added steel profile production, the company sets itself apart as a supplier of choice in many parts of the world, especially for solar energy systems and mining, with its high strength products that are able to adapt to harsh climatic conditions which are needed in large projects.

### Sales and Marketing operations and developments

In 2023, Kocaer Çelik expanded its portfolio of value-added products; following R&D activities, and commercialization of the products after successfully completing prototype production at its the three factories, galvanizing facility and service center where it completed its capacity increase investment.

The company's sales organization is divided into exports, international distribution and domestic distribution. The sales organization is managed by regional representatives. The company has sales offices in Istanbul, Izmir and Denizli in Türkiye and the sales organization is structured on the basis of sectors and market regions.

Kocaer Çelik has international sales representatives in the USA, Italy, Peru, Colombia and Morocco. Kocaer Steel UK and Kocaer Steel Ireland were established in the United Kingdom in 2015 as 90% subsidiaries of Kocaer Çelik. These companies carry out the storage, sales and distribution activities of Kocaer Çelik's products in the UK market. Kocaer Steel UK operates with a total enclosed storage area of 20,000 m<sup>2</sup> in Cardiff and Warrenpoint in the UK. With this storage capacity, Kocaer Steel UK is able to deliver its products to its customers in the UK from its inventories with short delivery times.

The company creates sales strategies based on feedback from the sales and marketing departments, representatives who receive customer feedback sector reports, market research and analysis, and channel and distribution network policies on a regular basis every year. The company produces on an order basis, and all orders are managed on the SAP/S4 HANA system.



## KOCAER ÇELİK'S POSITION IN THE SECTOR

### Kocaer Çelik utilizes its extensive sales and distribution network in order to increase the share of value-added products in sales revenues.

#### Actions to increase sales revenue of value-added products

Kocaer Çelik utilizes its extensive sales and distribution network in order to increase the share of value-added products in sales revenues and carries out sales and marketing activities to reach new sectors and customers.

Analyses of customers and competitors, the market, the sector, the product portfolio, the regions, distribution channels, brand and positioning and financial sustainability are carried out within the scope of sales and marketing activities.

Within the scope of the strategic goals determined for 2023, the company actively participated in a wide array of national and international events and carried out field work.

#### Outperomed the sector with its growth performance in 2023 as well as 2022

The company's strong corporate structure and the growth strategy were the driving forces of its 2023 performance.

Despite the contraction in the iron and steel industry and the decline in export volume in 2023, Kocaer Steel managed to differentiate itself positively from the sector by increasing its sales volume in 2023. Behind this success lies the Company's strong corporate structure and its growth strategy. There was a 32-day production halt during the investment process of the Aliğa - A2 factory in May, still the total net sales volume increased by 5.3% in 2023 compared to 2022, reaching 561,458 tons. Despite the investment halt in the Aliğa - A2 factory, where some of the high value-added profiles are produced, thanks to effective planning, there was no material decline in the production and sales volume of value-added products, and the weight of high value-added products in the total sales portfolio was maintained.

Although there was an increase in sales volume, the global decline in steel prices had an impact on the revenue. The company's sales revenue was realized at 15,091 million TL in 2023. Kocaer Steel mainly prefers order-based production and works with minimum product and raw material stock. Foreign and domestic sales are insured with receivables insurance, in accordance with the conditions stipulated by Türk Eximbank.

#### Improvement in profit margins thanks to effective cost and operational expense management

The increase in sales volume, effective cost and operational expense management paved the way for a significant increase in profit margins in 2023 compared to 2022, with the company's gross profit margin increasing from 17.7% in 2022 to 19.6% in 2023. Likewise, the EBITDA margin also increased from 11.9% in 2022 to 14.8% in 2023. The company recorded a total operating profit of TL 1.80 billion in 2023.



#### 22% increase in real profit thanks to improvement in margins and fall in financial expenses

Despite the revision investments carried out at its factories in 2023, the company maintained its low and balanced debt structure, with total financial debts of TL 3,053 million at the end of 2023, a decline of 6% compared to the previous year. Despite the investment expenses, the ratio of net financial debts to adjusted EBITDA decreased from 0.81 in 2022 to 0.76 in 2023 thanks to effective financial management.

Despite the increase in funding costs during the year, Kocaer Çelik, as a net exporter, reduced its financial expenses by 11% in 2023 compared to 2022 thanks to its effective financial management. The combination of the improvement in sales volume and margins and the decrease in financial expenses, paved the way for the company to increase its total net profit by 22% in real terms in 2023 when compared to its 2022 level, from TL 970 million in 2022 to TL 1,186 million in 2023.



## INVESTMENTS

**In order to achieve its growth targets for the coming years, Kocaer Çelik set out its investment strategy with emphasis on value-added new product investments and renewable energy investments.**

### Investments of High-Value Added Products

Focusing on value added steel profile products that are difficult to produce and where availability is limited in global markets, Kocaer Çelik invests in state-of-the-art technologies in its factories in parallel with its goal of further increasing the share of high value-added products in its sales volume.

In the first half of 2023, the renovation investments on the steel profile production line at the Aliağa-A2 factory were completed. In this investment process, despite the 32-day investment-related production halt, the company managed to maintain its strong sales performance thanks to correct planning and stock management.

After the completion of the investments at the Aliağa-A2 factory and the addition of new products to the portfolio, renovation investments also got underway at the Aliağa-A1 factory. Work on the investment to increase the capacity of the Service Center from 120,000 tons/year to 180,000 tons/year was also completed.

Both investments were completed in the first quarter of 2024.

The contribution of these investments will increase the production and sales of value-added products in the coming period, which will have a positive impact on the company's turnover and profitability, as well as its global competitive position.



### Energy Investments

**Kocaer Çelik continues its investments in renewable energy in accordance with the principles of green energy, sustainable production and consumption.**

The company meets 33% of its electricity needs through the clean energy it generates from its own rooftop solar power plant with an installed capacity of 9.2 MW, one of the largest in the Aegean Region.

The renewable energy sector was determined as a strategic growth target for the company with geothermal energy added to its clean energy sources. In this vein, a new company, Kocaer Enerji A.Ş., a 99% subsidiary of Kocaer Çelik, was established.

The company obtained an operating license for the Geothermal Resources and Natural Mineral Water field, with a total area of 10,844 hectares in the Horsunlu-Ortakçı region of Kuyucak, Aydın. Drilling work was initiated for the 24 MW capacity Geothermal Power Plant, which is approximately equivalent of a solar energy plant with an installed approximately



of 120 MW. The company obtained an investment incentive certificate of TL 249,043,824 from the Ministry of Industry and Technology for the Kocaer 1 Geothermal Power Plant Wells within the scope of this investment.

In the first phase of the investment, the geothermal power plant and solar power plant are planned to meet the internal consumption needs of the plant.

Once the first phase of the investment is completed, the company aims to meet its current electricity needs with approximately 20% of the energy generated from renewable energy, with the remaining 80% of its clean energy production capacity sold to the market.

## R&D ACTIVITIES

**As part of its R&D activities, the company carried out a total of 62 projects in the categories of Innovation and R&D, Process Excellence and Respect for People in 2023.**

### The story of transformation into an engineering firm

Kocaer Çelik established the R&D Center in 2015, which was the first to be certified by the Ministry of Industry and Technology in its segment.

The company has transformed itself into an engineering firm that designs new products, machines and processes in steel, with the projects it develops with an innovative perspective at the R&D Center.

R&D activities mainly focus on expanding the product range and developing new products with high added value. In addition, the R&D Center also carries out work on environmentally friendly production technologies, energy efficiency, the digital transformation and a wide array of improvement projects that will reduce costs by increasing production efficiency, along with feasibility studies for future investment projects.

The Industry 4.0 approach is adopted in all business processes. Work also continues on automation and digital transformation projects such as robotic applications on the production line, smart predictive maintenance applications and robotic process automation



(RPA). In line with the digitalization roadmap, which covers a period of five years, the company aims to increase efficiency and profitability in all business processes, especially in production, and to reduce losses.

The Kocaer Çelik R&D Center holds five patents, six designs, one utility model, six domestic and ten foreign brand registration certificates within the scope of intellectual and industrial property rights.

As part of its R&D activities, the company carried out a total of 62 projects in the categories of Innovation and R&D, Process Excellence and Respect for People in 2023.

The projects implemented cover the period from 2021 to the end of 2023, in line with the work plans and processes determined within the project management system. Of the 62 projects, 20 were completed in 2023.

The 20 projects completed in 2023 include value-added new products, new production method development, energy efficiency increasing applications, increasing production efficiency, reducing production costs, preventing workforce losses and waste and losses, plant machinery designs and applications, predictive and preventive maintenance activities, and the development and improvement of current product work in the categories of Innovation and R&D, Respect for People and Process Excellence.

R&D Center activities in 2023 were primarily aimed at expanding product diversity and developing value-added products with higher profitability. In addition, R&D activities were carried out for the integration of the technology required for the production of these products, machinery and equipment designs, creation of new business and process models.





## INFORMATION TECHNOLOGIES



### Industry 4.0 oriented approach

Kocaer Çelik carries out automation and digital transformation projects such as robotics, transition to automatic packaging and product straightening with the Industry 4.0 (smart factory) approach in all business processes.

The company closely monitors technological developments and digitalization trends in the field of IT. It undertakes its processes in accordance with the ISO 27001 standards and focuses on keeping its technology up to date with the investments it carries out.

### A pioneer in the sector with its innovative software and process improvements

In 2016, the company launched the ERP/SAP system, a leading enterprise resource planning solution.

All processes within the company are integrated with SAP systems. The company won first prize with the Gold Award in the innovation category of the SAP Quality Awards with its SAP S4/Hana project in 2017.

Right from the stage of preparing offers for its customers, demand and raw material planning and supply, short, medium and long-term production planning, production management, quality assurance, storage, logistics, sales, after-sales services and all financial processes are managed with the software developed by the company with its own know-how, and with the SAP S/4 HANA system integrated with the developed software.

The company uses the barcode system in all stages from the raw material acceptance process to the loading of the products to be shipped.

The entire process from the acceptance of the raw material to the shipment of the product is recorded through barcode system, thus ensuring traceability.

The company continues its inventory, planning, production, quality control, accounting, purchasing, customs and logistics activities with the information embedded in the barcode within this integrated process.

### Kocaer Çelik's information technologies include a state-of-the-art, hyperconverged green-IT system with infrastructure based in six different locations

Conceptual design and integration work on the SAP Success Factors application was initiated in 2022 within the scope of the strategic business plan. Work on the application continued in 2023 with the commissioning of different modules.

All human resources processes will be transferred to the digital platform under the project, which is aimed at strengthening communication with employees, implementing target and performance modules in the application content and digitalizing the targets and performance tracking in the entire organization, and following them up on the platform.

The RPA (Robotic Process Automation) project was initiated within the scope of the digitalization roadmap determined in line with corporate strategies. Work on this project is also continuing, with the "log optimization" process used by the planning department brought into operation within the scope of the project in 2023. The process

work of other units is ongoing. Within the scope of the digitalization roadmap determined for the five-year period, Kocaer Çelik aims to carry out work that will support improvements in efficiency and profitability and the reduction of losses in all business processes, especially in production.

### AREAS OF USE / APPLICATIONS USED

- |  |  |
|--|--|
| • Virtualization Platform / HP Simpivty VMWare   | • Bimser BoysWeb   |
| • Operating System   | • Quality Management System / Bimser QDMS                                      |
| • Microsoft Windows 10/11  | • Document Management System / M-Files   |
| • Microsoft Windows Server   | • Help Desk / GLPI IT Help Desk  |
| • Suse Linux Enterprise  | • Warehouse Automation / The in-house developed Handheld Terminal applications |
| • Ubuntu   | • Microsoft Office 365   |
| • Backup Software / Veam One   | • Call Management / IP Switchboard   |
| • Security Software / Trend Micro E-Mail Security  | • Conference / Microsoft Teams   |
| • Trend Micro Deep Security  | • Zoom   |
| • Trend Micro Endpoint Security  | • Cisco Webex Room Kit   |
| • Database / SAP HANA  | • Google Meet  |
| • ERP SAP S4Hana On Promise  | • Technical Design / AutoCAD Mechanical 2020                                   |
| • CRM SAP Sales Cloud  | • Autodesk Inventor Professional 2020  |
| • The in-house software that the company developed on the Manufacturing execution system (MES) SAP MII | • Edgcam 2014 R  |
| • Reporting / SAP Analytics Cloud  | • Pro Engineer   |
| • Human Resources / SAP Success Factors  | • Autodesk Inventor Nastran Editor Utility 2020                                |
| • Purchasing - Tender Platform / Pratis.net  | • Simulation Software / Simufact Forming 2020                                  |
| • Maintenance - Repair /   |  |

## SUSTAINABILITY APPROACH



Kocaer Çelik aims to be a pioneer of social and economic development with its investments, employment opportunities, corporate quality standards and service approach, as well as its contributions to the development of the local economy in the regions where it operates.

Kocaer Çelik carries out its sustainability related activities in integration with its business strategy. It continues its activities in line with its short, medium and long-term sustainability and decarbonization targets by focusing on the environmental, social and economic aspects in all organizations of the company, starting from the Board of Directors.

### A signatory to the UN Global Compact

Kocaer Çelik became a signatory of the United Nations Global Compact (UN Global Compact), the world's largest corporate sustainability initiative and voluntary leadership platform. It became a member of the UN Global Compact Türkiye network, the Global Compact Signatories Association.

In line with the United Nations' 2030 Sustainable Development Goals (SDGs), the company has committed to continue its investments, operations and reporting in line with the principles of the UN Global Compact in the areas of human rights, labor standards, the environment and anti-corruption.

Within the framework of the SDGs, Kocaer Çelik determined the issues which it needs to manage as a priority in its sustainability journey. It has done this by considering all of its requirements and analyzing its stakeholders' expectations in order to maintain and develop its global competitiveness. These material issues, which affect the sustainability vision and strategy, formed the basis of Kocaer Çelik's performance in the field of sustainability. Kocaer Çelik addresses sustainability issues and its work under the headings of economic, environmental, social and administrative responsibility with a conscious and comprehensive perspective.

### Sustainability Management and Sustainability Committee

The upper management is primarily responsible for the implementation and continuity of corporate sustainability practices at Kocaer Çelik.

Kocaer Çelik established the Sustainability Committee under the responsibility of the upper management in 2021. The Committee was established to increase the company's ability and competence to adapt to global, macroeconomic, environmental and social trends that may arise due to sustainability and the relevant changes that may occur in legal regulations.

The Committee is responsible for determining sustainability strategies and policies in the economic, administrative, social and environmental fields, submitting them to the management's approval, measuring sustainability performance, and developing projects to improve this performance. The Committee is also responsible for spreading a culture of sustainability and integrating it into the company culture with the Kocaer Çelik values.

### Management Responsibility and Continuous Improvement

Kocaer Çelik considers the continuous improvement of its product and service quality, the establishment of ethical and transparent collaboration with its stakeholders, ensuring customer satisfaction, compliance with international standards and integrating risk and opportunity analyses into all processes, in order to achieve business continuity, as its responsibility in maintaining a good governance approach.

### Tackling Climate Change and Environmental Responsibilities

According to the United Nations, climate change is one of the biggest problems facing the World.

The devastating effects of the climate crisis are being experienced all over the world, and are directly affecting economic, environmental and social activities. The climate crisis is seen as one of the most important issues requiring prioritization by the global business life as well as countries. Kocaer Çelik, being aware of its environmental responsibilities, carries out all its activities with a production approach that respects the environment and natural resources.

### Investing in Human Resources and Social Responsibility

Our employees are the most important and primary stakeholders of sustainability at Kocaer Çelik. Providing a safe, healthy and motivating working environment is at the forefront of our responsibilities for our people. Kocaer Çelik creates the necessary ground for the development of new talent, keeping people at the heart of what it does and maintains its efforts to accelerate the momentum of the sustainability process.

### Sustainability Priorities

Kocaer Çelik conducted an analysis to determine the priorities which will determine the focal points in sustainability issues and which will form the basis of its future strategies. The economic, social and environmental impacts, the risks and opportunities created by the relevant sustainability issues and their reflection to the company's long-term performance were among the elements taken into consideration in determining the issues.

The sustainability priorities determined by Kocaer Çelik are presented on pages 25-29 of the 2022 Sustainability Report.

## SUSTAINABILITY APPROACH

### The Kocaer Management and Excellence System

Kocaer Çelik implemented the “Kocaer Management and Excellence system (KMES)” in 2021 in order to achieve sustainable profitable growth and create value for all of its stakeholders. This system, which the company has adopted as a continuous improvement and development methodology, is designed in-house.

This large model includes concepts such as strategic development, management with business plans, management with targets, lean production practices, digital transformation work, management with processes, the idea management system, the project management system, the appreciation recognition system and 35 loss management. The company strives to get one step closer to excellence by working through the model together with the work of various committees and audits as well as the trainings provided within the Kocaer Academy.



### Working to the Core Management Policy of being the number one choice of stakeholders in its sector

Kocaer Çelik’s Core Management Policy is to become the leading company preferred by its stakeholders in its sector by;

- Taking vision, mission, principles and values into account,
- Adhering to international and national laws and ethical values in all of the products and services offered to customers,
- Ensuring the development and business continuity of the company.

While implementing this core policy, we aim;

- To be a company which creates value in its quality, environmental, OHS and energy practices, which offers continuity, is preferred, is open to communication and is transparent for all our stakeholders including employees, customers, suppliers, neighbors, society and our state.
- To meet the needs and special requests of our customers in line with their expectations with an innovative approach and ensure continuity in customer satisfaction with quality production.
- To ensure continuous development and improvement through the projects which increase efficiency, reduce costs, and which are innovative, creative and enhance the company’s performance with effective communication

within the company, by being customer focused and with the participation of our stakeholders,

- To contribute to the individual development of our qualified human resources by providing training and career plans,
- To ensure occupational health and safety in our operations, and to develop and implement systems to prevent work accidents,
- To increase the health and quality of life of our employees and to ensure information security by making their working environment safer, ensuring job security and the availability of information and resources,
- To add value to our people and society by carrying out technical and economic evaluations to promote the use of technologies which reduce the amount of waste released into the natural environment,
- To develop and implement systems to reduce waste and the use of natural resources,
- To use energy efficiently, and purchase environmentally friendly, safe and energy efficient products and services, and support and implement design activities that will improve our performance in these areas,
- To comply with applicable legal and other conditions in terms of energy use, consumption and efficiency,
- To ensure our sustainability by effectively managing risks and being structured to respond to emergencies.

## HUMAN RESOURCES PRACTICES

### The Human Resources Policy and Practices at Kocaer Çelik

Kocaer Çelik’s Human Resources Policy aims to provide the required social, psychological and physical environment for the processes to be operative as planned and to ensure product conformity, availability of supply when needed and continuity.

In line with the relevant policy, the company carries out human resources processes based on diversity and equal opportunity in compliance with global human rights principles. It offers its employees a physically suitable working environment where they will be more productive, competent and happy. Kocaer Çelik respects legal regulations on annual leave, enhances the professional and personal development of its employees within the scope of its aim of being a parent friendly, constantly improving, renewing and learning organization. The company offers training and development opportunities while maintaining a corporate culture where appreciation is public and feedback is provided on a face-to-face basis. The company utilizes employees’ ideas with a suggestion and reward system, while creating a healthy and safe working environment for its employees and including them in decision-making processes. It implements a local employment policy and a remuneration and benefits strategy based on seniority and employee performance.

In addition, at Kocaer Çelik, a process that is cascaded down from strategic goals to individual performance targets is taken as a basis. In addition, keeping people at the heart of what it does, Kocaer Çelik also strives to add variety to the social lives of its employees with social activities.

### Recruitment

Kocaer Çelik takes into account the compatibility of the candidates’ knowledge, competence and experience with the company’s principles through the stages it applies in the recruitment processes.

### Orientation Program

The company includes new employees in an orientation program to ensure their rapid adaptation to the Kocaer culture. In this way, the new employees are informed about the company’s human resources practices, work environment and social opportunities.

### Continuous Development

Kocaer Çelik aims to increase the job competencies and personal developments of its employees by setting out plans that will ensure their development is continuous. In this vein, it sets out a structure that offers solutions by renewing practices.



## HUMAN RESOURCES PRACTICES



### Feedback and Evaluation

Believing in the importance of feedback and evaluation in the work life, the Company carefully monitors employee insights as well as the numerical aspects of performance and success criteria, and takes the necessary actions.

### Career Journey

At Kocaer Çelik, the career journey is always based on future focused and continuous development principles. The company embraces the targets of its employees and provides them with the greatest support on the career path they want to shape. Five-year action plans are prepared regarding human resources strategies within the scope of the company's strategies. Kocaer Çelik constantly seeks to improve its human resources system and practices. It implemented action plans within the framework of the employee satisfaction survey results.

### Human Resources Related Activities in 2023

The recruitment of personnel required by the company in 2023 within the scope of new investments and capacity increases was carried out in cooperation with official local institutions.

As part of the project to digitalize the Human Resources systems, work continued on the commissioning of different modules of the SAP Success-Factors application.

In addition to the benefits already offered by the company, new social support in areas such as fuel, education, child support, support in the event of birth, death and marriage, and holiday allowances were added to the aid package.

An employee satisfaction survey was conducted in 2023 and action plans were implemented based on the results.

Continuous training was provided during 2023. A total of 1,032 personnel were provided with 51,553 hours of training sessions (50 hours per person), including the Kocaer Academy training programs which brings training and development activities together under one roof.

Prioritizing support for female employees and ensuring the inclusion of women at all levels of management, Kocaer Çelik attaches importance to gender equality and ensuring that women participate in life equally with men. The rate of female employment in management and senior management positions stood at 20% in 2023.

In 2023, an average of 943 personnel were employed in the company and its subsidiaries (31 December 2022: 887 people). As of 31 December 2023, the

company's retirement pay liability stood at TL 38,489,671 with the provision allocated for the entire retirement pay liability. Social rights are provided for the personnel regularly and periodically within the scope of the legislation in place.

### The Kocaer Academy

#### Vision

Kocaer Çelik has gathered its training and development activities under the roof of the Kocaer Academy. The purpose of the academy is to develop the competencies, knowledge and skills of its employees within the framework of its vision, mission, values and strategic goals, and to provide the most efficient business results by using the company's resources effectively.

Kocaer Academy, established in September 2021, aims to meet the developmental needs of human resources with a proactive approach in line with Kocaer Çelik's vision and strategic goals. In addition, it aims to be an organization that shares the company's corporate vision and values by touching the social life of its employees and their environment. The academy's vision, which aims to lead development and support change, was determined as training the leaders of change who will take part in Kocaer Çelik's sustainable future and providing a proactive contribution to the development of all employees.

#### Objectives

The objectives of the Kocaer Academy include creating visionary, innovative, risk-taking, result-oriented teams within the framework of an effective strategic plan, creating an institutional, management and leadership culture that is open to change where ideas can be expressed openly, and providing employees with the competencies and skills to take on more responsibilities going forward. These objectives include developing existing competencies, guiding employees with targets that are in line with and related to the company's strategies, providing a positive contribution to the company's business results, evaluating employees with high performance and potential with concrete success criteria, raising future leaders through training and development opportunities, and sharing corporate values with employees and their social circles.

The academy's training, informing and event activities focus on the professional, administrative, technical and personal development of employees in a manner integrated with these objectives. The activities contribute to increased efficiency in business processes, the development of managerial skills, the understanding of roles within the corporate structure in a transparent manner, supporting teamwork and team management skills and widening the corporate culture. At the same time, improvements in

work motivation and satisfaction are measured to assess how the professional and personal development of employees is reflected into business life.

#### Training programs

Professional and personal development training activities in the Kocaer Academy are provided by internal and external trainers. In addition to standard training activities, training activities with a determined theme and project-based training activities are also organized at the academy. Under the "Effective Leader Development Program", which was introduced in March 2022, team managers and engineers participated in more than 20 different training courses including strategy, sustainability and lean management tools under the TPM (Total Productive Management) concept. Those completing two different term training activities in this important project on the operational excellence journey were also considered for transition to the next stage within the scope of the program. Since the day it started its activities, Kocaer Academy has been carrying out its training activities with the "Kocaer Çelik Trainers Club" internal or external trainers.

Special and project-based new programs are also included in the business plan for the coming period. In addition, with the academy growing each day, efforts are made to raise this culture to higher levels with all employees and their social circles.

## HUMAN RESOURCES PRACTICES

**Kocaer Çelik has established clubs where employees may enjoy a range of activities outside of work in order to develop the motivation to act together and share, contributing to social life and motivation.**



#### Social Life at Kocaer Çelik

Kocaer Çelik has established clubs where employees may enjoy a range of activities outside of work in order to develop the motivation to act together and share, contributing to social life and motivation.

**KCR Sport:** The company's football club, which represents the company in tournaments.

**Çelik Fishing rod:** The company's fishing club offering free angling.

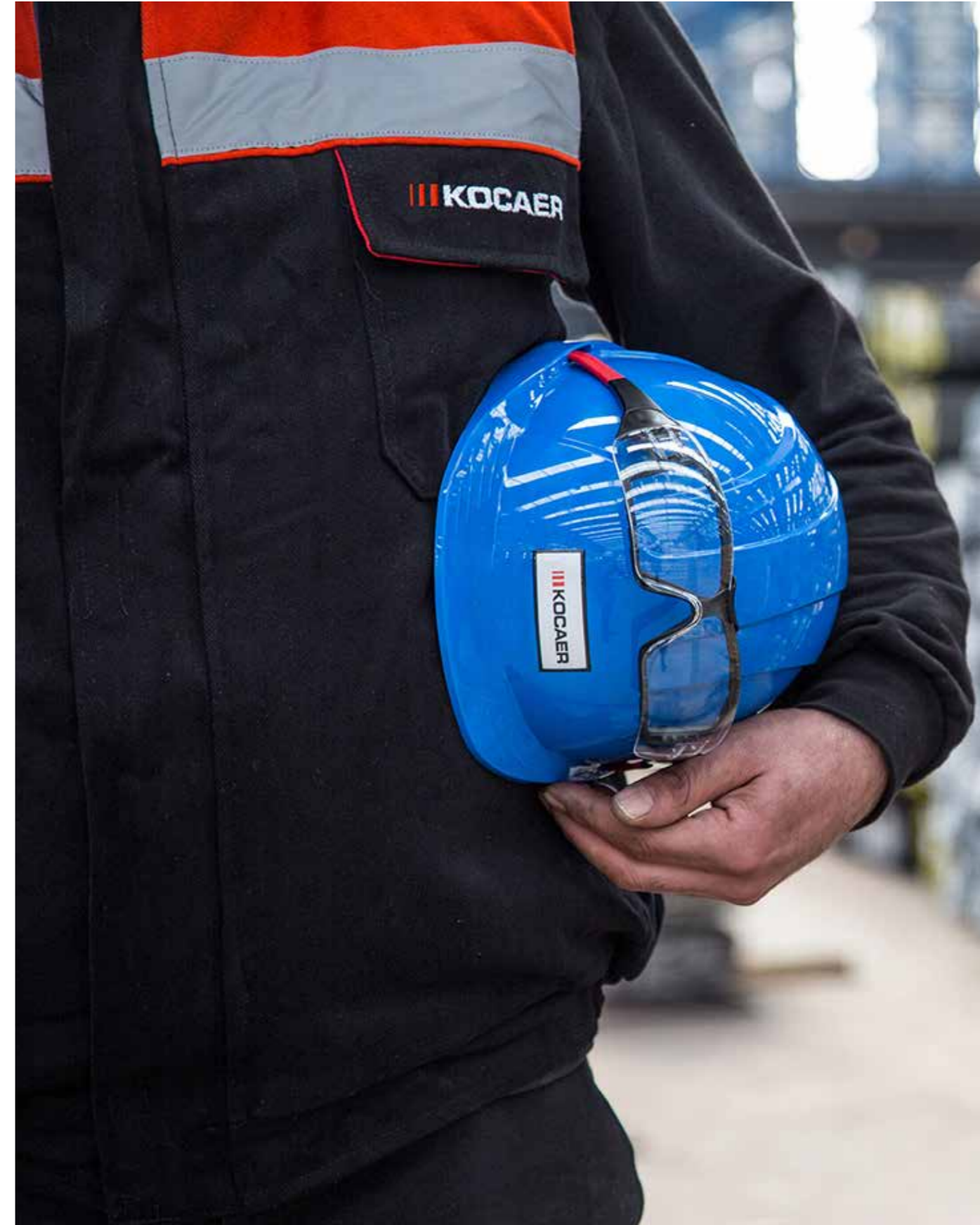
**Çelik Pedal:** The company's cycling club, with rides on a specified route.

**Çelik Feet:** The team which supports on track activity together on a specified track, supporting joint decision making.

**Camping Team:** Carries out activities that give employees a chance to escape working life and spend time in nature.

**Community Service Club:** Works to increase opportunities in areas such as health, education and supporting stray animals in the region.

**Music Club:** A club of choir singing and orchestras, established by the employees interested in music and musical instruments.



## FOR HEALTH AND SAFETY

### Kocaer Çelik's priority is to protect the health and safety of all personnel and visitors in its factories.

Kocaer Çelik seeks full compliance with legal regulations within the framework of the Occupational Health and Safety Policy. Working life is managed within the context of the ISO 45001: 2018 Occupational Health and Safety Management System certificate.

#### A process supported by intensive training activities

In order to fulfil commitments regarding employee health and safety, each new employee undergoes detailed training on occupational health and safety. Further training is then provided periodically. In addition, Tool Box OHS training sessions are provided throughout their employment.

These training activities are designed to help the employees understand potential risks in the workplace, understand safe working procedures and fully comply with the company's occupational health and safety policies.

In addition, occupational safety training activities are provided to subcontractors and visitors entering the facilities to ensure their safety. Occupational health

and safety training activities are repeated at regular intervals for employees, with these training activities updated periodically to provide information regarding changes made in the workplace, new safety procedures or equipment and to ensure that employees have access to up-to-date information.

The Kocaer A, B, C Class Occupational Safety Specialist Certification Program was developed in accordance with the Kocaer Management and Excellence System. Under the program, all employees who receive the necessary training, pass the exams and meet the requirements specified in the Occupational Safety Specialist Certification Internal Regulation, may become Occupational Safety Specialists at different levels. Competencies in occupational safety are enhanced with various training and audit activities starting from class C and continuing to class A, the highest level.

#### Operations monitored with camera systems

In an important step in reducing workplace accidents, camera systems were installed on the rear, side and tops of forklift trucks to prevent potentially dangerous situations which may occur in blind spots. Camera systems detect any obstacles or approaching pedestrians during maneuvers and warn the operator. Therefore, operators are encouraged to be more careful, comply with safe driving rules and recognize potential risks in advance.

#### A wide array of processes and practices contributing to OHS

Hazardous Materials Safety Consultancy activities are carried out at the facilities for the safe processing of hazardous materials. These activities ensure that the loading, unloading, filling, packaging and handling processes of hazardous materials arriving at the facility are carried out safely under the guidance of consultants.

Thanks to the manipulators used in the galvanizing facility, packaging operations are carried out by the operator without requiring any heavy lifting.



With the dust collection unit, dust originating from production in the factory is collected before it spreads to the environment.

Multiple straightening and robotic packaging systems eliminate the risks of work accidents or occupational illnesses.

The press lines including robotic applications were brought into operation in the manufacturing section, creating a significant impact when it came to reducing work accidents.

With the OHS board meetings held regularly every month, measures to be taken to tackle current and potential risks are determined and actions are taken quickly.

Emergency drills are conducted regularly with emergency teams within the scope of certain scenarios. The OHS cross-audits are carried out with departmental managers between factories.

Virtual reality training projects will be launched to ensure that OHS training activities are more established and effective. Applying a number of good practices within the scope of OHS, Kocaer Çelik has a Suggestion and Award process which is operated to ensure the sustainability of safe working environments, identify areas open to improvement, establish occupational health and safety, increase efficiency, include employees in decision making processes, reinforce a sense of belonging and add value and dynamism to corporate operations. It also provides material and moral support for employees. A total of 500 employees were rewarded in 2023 within the categories determined in the Kocaer Çelik Appreciation Recognition System.

Processes such as recording work accidents and near-miss notifications, performing root cause analyses and taking actions, performing health checks at the orientation and periodically, and performing risk analyses are managed carefully.

#### A total of 286 corrective actions implemented at Kocaer Çelik in 2023

Action tracking is carried out on a digital platform to improve the performance of the system. Occupational Health and Safety Board Instructions were created to ensure effective participation in the OHS Management System at all levels and functions of the organization and to ensure the spread of the culture.

In addition, processes are monitored through software that is also integrated with the Ministry of Labor IBYS (the Occupational Health and Safety Information Management System) by adapting to changing and transforming technology. The checks set out in the legislation are carried out routinely.

A perspective of safe work is kept at the forefront in every step of the activities carried out at the factories. The practices carried out in terms of safety at work were collected under the title of "10 Golden Rules". Intensive training programs were implemented for the Golden Rules to be adopted by the employees.

## RESPECT FOR THE ENVIRONMENT AND NATURAL RESOURCES

**Kocaer Çelik carries out its activities with a production approach, aware of its environmental responsibilities and that respects the environment and natural resources for now and the future.**

**The climate crisis is one of the most important risks threatening our planet and human life. It also negatively affects global business life and the economic structure.**

Kocaer Çelik carries out its activities with a production approach, aware of its environmental responsibilities and that respects the environment and natural resources for now and the future.

The company works passionately within the framework of its vision to produce high value-added products and provide a more effective service to its customers, directing change. While expanding its goals every day, it also progresses towards its targets in the environmental area by reducing its negative impact on the environment with an awareness of responsible production and consumption.

In order to take the necessary and concrete steps for environmental sustainability, Kocaer Çelik fully adopts the principle of efficiency and excellence in its operations with zero waste generation, carbon neutral applications, sustainable water management and sustainable raw material supply.

Kocaer Çelik implements projects which will secure its intended performance and consistently improve its environmental impact. It considers policies and international standards as decisive guides in managing its environmental performance. The company carries out its activities within the scope of the ISO 14001 Environmental Management System and ISO 50001 Energy Management System.

**Kocaer Çelik aims to serve as an inspiration in its sphere of influence to reduce environmental pollution on a global scale in the transition process to a carbon-free economy.**

Within the scope of the EU taxonomy, the company provides direct and indirect contributions to mitigating the effects of climate change, the sustainable use and protection of resources, the transition to a circular economy, preventing pollution and control, and the protection and restoration of biodiversity.

In this vein, it has determined issues such as climate change adaptation and emission reduction strategies, the EU Green Deal, clean technologies, energy and resource efficiency and management, compliance with legislation and risk management as priorities.

### Responsibility for fulfilling Environmental Law obligations

In this context, Kocaer Çelik achieved full compliance with the legislation, operating in full compliance with national and international standards. At the same time, policies were determined to improve environmental performance with the ESG requirements, and targets were monitored.

As a result of the measures taken by the environmental management department and the sustainable monitoring of the process, there were no contraventions of environmental law or associated penalties during the reporting period.

A Risk Assessment and Emergency Response Plan was created to minimize risk. Emergency response team training activities and drills are conducted periodically to ensure business continuity in the event of an emergency, to prevent disruption of the safe working environment of employees and to protect the environment.

Kocaer Çelik is aware of the severity of the threat posed by climate change on our ecosystem. It has set environmental goals to achieve full compliance with international frameworks by investing in carbon capture projects to reduce emissions.

- To meet all of its electricity needs from renewable resources by 2026,
- To have a sustainable supply chain by 2035,
- To reduce its waste by 50% by 2035,
- To achieve zero waste by 2053,
- To recycle 50% of the water it uses by 2035 and all of its water by 2053,
- To be carbon neutral by 2053,



Kocaer Çelik's EPD document was prepared and verified based on the raw material production method (EAF and BOF) in 2023. Meanwhile, the Company initiated CDP, SBTi, TCFD, TNFD and biodiversity report work within the framework of climate declarations in 2024.

## RESPECT FOR THE ENVIRONMENT AND NATURAL RESOURCES

### Kocaer Çelik and the “Green transformation” in steel

High-emission sectors such as iron and steel, which intensively use energy in their production processes and therefore are responsible for high carbon emissions, are among the priority areas in terms of carbon regulation.

The transition period imposes a reporting obligation on countries not included in the European Green Deal with regard to the implementation of the “Carbon Border Adjustment Mechanism (CBAM)” for the products to be sold to the EU market, as part of the European countries’ goal of becoming carbon neutral. The transition period started on 1 October 2023.

The carbon border tax (CBAM) application will be fully in effect in January 2026 and cover the companies exporting to the European Union. Kocaer Çelik has been carrying out compliance work for a significant period and has carried out reporting and verification in accordance with EU standards (ISO 14064). The company will submit the first official report to its stakeholders regarding the carbon border adjustment mechanism in 2024.

Kocaer Çelik carries out data collection and analysis, the calculation of its carbon and water footprint, decarbonization activities, compliance with the Emission Trading System (ETS) and technical compliance and monitoring activities for the carbon border adjustment mechanism.



#### Data Collection and Analysis

Kocaer Çelik conducts the cradle-to-grave product life cycle analyses to accurately and reliably determine carbon emissions originating from the production processes of iron and steel products. Within the scope of the product life cycle analyses performed, the data to be used to determine the amount of carbon generated throughout the entire value chain is received instantly from the field through the “Kocaer Monitoring System” project with the support of automation and information technology infrastructure.

#### Calculating its Carbon and Water Footprint

The company has adopted international standards such as ISO 14064 on Corporate Carbon Footprint Calculation and Verification, ISO 14067 on Product Carbon Footprint Calculation and Verification, and ISO 14046 on Water Footprint Calculation and Verification as a guide to monitor and improve its environmental performance.

#### Decarbonization Activities

Kocaer Çelik’s strategic plans include increasing resource efficiency, the use of renewable and green energy, carbon capture technologies and sustainable production methods with the aim of implementing technological developments and innovations aimed at reducing carbon emissions as part of its decarbonization activities.

The management of energy and greenhouse gas emissions is one of the key elements of Kocaer Çelik’s sustainability strategy. Kocaer Çelik works for a greener and more sustainable future by prioritizing energy efficiency applications and resource optimization on its production lines and by proactively managing emissions. Thanks to these efforts, the company contributes to the efforts to tackle climate change, while gaining economic benefits and reinforcing its positive reputation in the sector.



Although Kocaer Çelik’s electricity consumption increased over years in parallel with its growing production, its greenhouse gas intensity per product decreased by 8% compared to 2022 levels thanks to its resource efficiency and work on reducing emissions. The company continues its activities in this vein with determination.

#### Work continuing on the solar and geothermal power plants as part of the investment strategy that supports sustainability

Kocaer Çelik’s electricity consumption stood at 43,517,900 kWh in 2023. 8,407,300 kWh of electricity generated from the solar power plants installed on the roofs of the factories was used in the production facilities in 2023 and 2,655,200 kWh of the electricity was sold to the system.

Kocaer Çelik currently reduces its carbon emissions, by meeting approximately one-third of its electricity consumption from renewable resources with the rooftop Solar Power Plants. Environmental pollution may

result in losses in electricity generation from solar panels on the factory roofs. To counter such losses, the panels need to be cleaned frequently. Robotic systems are deployed to clean the panels. According to the simulation results conducted, total generation of 15 million kWh/year is expected for the three facilities, which might even be exceeded with the cleaning of the solar panels.

The current solar panels which we have brought into operation have prevented 16,970 tons in carbon emissions, bringing an environmental benefit equivalent to planting of 306,054 trees. Studies continue on the establishment of a 24 MW Geothermal Power Plant, as part of efforts to increase the amount of energy obtained from renewable resources. Resource exploration and plant feasibility studies are ongoing.

After the investment in the 24 MW geothermal power plant, to be built in the geothermal license area within the Aydın province, which belongs to Kocaer Enerji, a 99% subsidiary, a hybrid solar power plant will also be launched. The solar power plant is planned to meet the internal consumption of the geothermal power plant, and it is expected that Kocaer Çelik’s total electricity need will be met by approximately 20% of the electricity generated from the hybrid geothermal power plant.

In line with the company’s target of being carbon neutral, the company plans to create

carbon credit that will prevent greenhouse gas emissions equivalent to 80,500 tons of CO<sub>2</sub> per year with the targeted net electricity production after the implementation of the 24 MW Geothermal Power Plant in the first phase. The carbon credit is expected to prevent greenhouse gas emissions equivalent to 22,700 tons of CO<sub>2</sub> per year with its Aydın Solar Power Plant, which is planned to enter operation to meet the internal consumption needs of the geothermal power plant.

After the completion of these investments, Kocaer Enerji will become fully energy independent. All in all, it aims to become a company that neutralizes its Scope 1 and Scope 2 greenhouse gas emissions, and be in the position of being a company that offers carbon credits to the market, rather than one requiring carbon credits from the market.

#### Carbon Pricing

Under the carbon border adjustment mechanism, a carbon price will be placed on imported products. This price will be determined by taking into account the carbon footprint of the imported products. This policy, which is designed to encourage low-carbon production and consumption, will also affect competitiveness. Kocaer Çelik observes low carbon emissions and sustainable production methods, and is drawing up plans to gain a competitive advantage with its value-added products.



## RESPECT FOR THE ENVIRONMENT AND NATURAL RESOURCES

**Technical Compliance and Monitoring**

Kocaer Çelik regularly prepares the Stakeholder Analysis and Sustainability Material Issues reports in order to determine scientifically based targets and ensure continuous progress. As a result of this work, the Company determines the expectations and priorities of its stakeholders and takes important steps in the context of Partnerships for the Goals (SDG-17) and Sustainable Cities and Communities (SDG-11) in order to further strengthen its sustainability strategy. Kocaer Çelik participates in international certification and monitoring systems such as EcoVadis, I-REC, CTI (Circular Transition Indicator Program), LEED (Leadership in Energy and Environmental Design) and Green Check (Green Check Certificate) to support its sustainability journey and verify its achievements. It thereby ensures continuous evaluation of its performance in the environmental, social and governance fields and takes effective steps forward to make improvements.



**The first company in its sector to be awarded the Green Check Gold certificate**

**Europe's first and only LEED Gold certified steel profile hot dip galvanizing facility**

Kocaer Çelik's galvanizing facility was designed and implemented in accordance with the LEED v4 BD+C:NC criteria with the aim of preventing negative impacts on the environment. The facility was certified with LEED Gold by the American Green Building Council (USGBC). Thus, it became the first and only steel profile hot dip galvanizing facility in Europe and Türkiye with the LEED v4 BD+C:NC Gold certification. Kocaer Çelik's galvanizing facility aims to reduce the use of energy and water by 50%, carbon emissions by 39%, solid waste amounts by 70%, and maintenance costs by 13%.

Kocaer Çelik was awarded a basic level "Zero Waste Certificate" for all of the facilities where it established a waste management system. The system aims to reduce pollution, use resources more efficiently, prevent or minimize waste generation by reviewing the causes of waste generation, and collect waste separately at source and ensure the recycling and reuse of waste.



**The first LEED certified galvanizing facility in its sector in Europe and Türkiye**

**The first company in the iron and steel industry to hold the Green Check Gold certificate**

Kocaer Çelik aims to leave a more livable world for the future with the philosophy of respect for people and nature. The "Green Check Certificate" was developed by the Sustainability Academy in cooperation with Bureau Veritas in order to verify and encourage the green commitments and successes of organizations in sustainable business practices. Kocaer Çelik was awarded the Green Check Certificate at the Gold level after the audit carried out. Kocaer Çelik is the first and only company to have obtained this certificate in the iron and steel sector. The company was audited in 12 different categories including environment, energy, greenhouse gas, water, occupational health and safety management. It once again confirmed the green transformation of its factories, their environmental performance, their compliance with international standards, their green commitments and successes in sustainable business practices.

**Reducing its footprint with sustainable raw material and water management**

Kocaer Çelik collected 34,424 m<sup>3</sup> of rainwater at its factories to reduce its water footprint with the aim of contributing to a sustainable future. It also protects groundwater by treating 60,013 m<sup>3</sup> of water in its wastewater treatment plants during 2023. The water reduction project carried out at our facilities in 2023 paved the way for a decrease of approximately 17% in the water footprint.

Kocaer Çelik analyses the environmental impact of its products in all processes, from raw material to disposal, with life cycle analysis. It uses 99% recyclable raw materials and in non-raw material product supply, choosing efficient, less waste-generating or recyclable resources. Kocaer Çelik also takes responsibility for waste management, which has an important place in sustainable development practices. It recycled 1,509 tons of waste into the economy in 2023.

## RESPECT FOR THE ENVIRONMENT AND NATURAL RESOURCES

### The project will reduce the Kocaer Çelik's water footprint by 17%, helping reduce the consumption of energy and contributing to a sustainable future.

Kocaer Çelik processes and reuses water used for cooling purposes in the production process, thereby recovering 100% of its process water. It minimizes its impact on the environment by avoiding discharges of water into the environment. The water reduction project, launched at the end of 2023, will save a total of 18,720 tons of water annually as a result of the improvement work carried out in showers, urinals and sinks at the Kocaer Çelik facilities. The improvement work carried out will help pumps work less and consume less energy.

The project will reduce the company's water footprint by 17%, helping reduce the consumption of energy and contributing to a sustainable future.

On the other hand, Kocaer Çelik has enabled the elimination of 446 tons of carbon emissions per year by planting 1,000 trees within the scope of its social responsibility projects. In addition, by changing lighting fixtures to more energy efficient LED lighting, it has prevented 563 tons of carbon emissions, equivalent to the planting of 1,370 trees per year. The use of hybrid vehicles instead of diesel vehicles at the company's factories also eliminates 8 tons of carbon emissions per year.

### Kocaer Çelik publishes second Sustainability Report in accordance with GRI standards

Kocaer Çelik has been operating with an ethical, transparent, traceable, accountable and responsible management approach since its establishment. It published its second Sustainability Report in order to present its environmental, social and governance practices and performance to its stakeholders at international standards. The report covers the company's activities between 1 January 2022 and 31 December 2022 and the progress, targets and commitments set out in its sustainability journey. The report was prepared in accordance with the Global Reporting Initiatives (GRI) Standards. It also reveals Kocaer Çelik's compliance with the United Nations Sustainable Development Goals (SDGs).



## CSR PROJECTS



### Corporate Social Responsibility Policy and Approach

Kocaer Çelik aims to deploy its strengths in the field of corporate social responsibility. It seeks to act with a sense of responsibility to develop its activities for the benefit and protection of society and the environment, to internalize social responsibility activities within all its stakeholders, especially its employees, ensuring social responsibility becomes a way of behavior and lifestyle.

Kocaer Çelik designs its social responsibility projects with the aim of mobilizing the in-house knowledge, first evaluating the demands and needs of the region in which it operates and then by creating a sensitivity about the future of the region and fulfilling its responsibility to its internal and external stakeholders by spreading this sensitivity as widely as possible.

Kocaer Çelik adheres to the following principles while shaping its corporate social responsibility activities in the fields of the environment and culture.

- Compatibility with social realities and needs,
- Compatibility with corporate principles and values,
- Applicability,
- Sustainability,
- Consistency,
- Dissemination,
- Stakeholder participation and
- Measurability

Kocaer Çelik aims to develop and improve the social environment, society and all stakeholders which it has business relations with. In this context, Kocaer Çelik aims to be easily accessible and transparent to all its stakeholders.

Kocaer Çelik cares about supporting the needs of society through its social responsibility projects, and takes part in activities which contribute to the sustainable development goals.

Kocaer Çelik implemented the "Adopt a Tree" Project in 2022 to fulfil its responsibility towards nature and the environment, to leave a greener world for future generations and to spread the concept of social responsibility among the customers, employees and suppliers. Under the project, trees were planted in designated areas of the production facilities, a tree for each customer and employee. A drip irrigation system was established to provide an environment favorable for the plants to grow.

Kocaer Çelik considers instilling an awareness of nature and the environment when it comes to providing a sustainable and livable environment, and to contribute to raising generations in having a high level of awareness on the protection and use of natural resources. To protect natural resources and the environment, Kocaer Çelik has organized various projects with the theme of "Protecting My Future", in which the children of employees have also taken part in.

### To protect natural resources and the environment, Kocaer Çelik has organized various projects with the theme of "Protecting My Future", in which the children of employees have also taken part in.

Kocaer Çelik aims to provide support within the scope of SDG 13 (Climate Action) with these projects.

Striving to contribute to society with various events, during 2023 Kocaer Çelik organized an event with the Community Service Club on World Disability Day on 3 December, and World Autism Awareness Day on 2 April, with the Kocaer Steel-Band club, to promote understanding of the lives of autistic children and to raise awareness.

Kocaer Çelik employees organized a blood donation campaign under the banner of "Blood-Life-Rhythm" for the Turkish Red Crescent under the leadership of the Community Service Club. They became volunteer donors as they sought to meet the Red Crescent's vital needs for blood within the scope of the campaign.

The company aims to provide support within the scope of SDG 10 (Reduced Inequalities) and SDG 17 (Partnerships for the Goals) with these activities.

The company provided in-kind and cash aid following the earthquake which struck on 6 February 2023, with its epicenter in Kahramanmaraş and which affected ten surrounding provinces. Kocaer Çelik tried to support the local people, providing a total of TL 3,290,241 in 2023 in donations.

Kocaer Çelik also launched a social responsibility campaign simultaneously with the 2022 sustainability report where each stakeholder downloading the sustainability report was given the opportunity to donate to non-governmental organizations which support children's education and healthy life.

Kocaer Çelik was the main sponsor of the "5<sup>th</sup> National Industry-Academia Collaboration, R&D and Innovation Congress" organized by the Manisa Celal Bayar University, the Research, Entrepreneurship and Innovation Coordination Office, ÜSİTEM, the Manisa Technocity and the Manisa R&D and Design Centers Cooperation Platform and MATIP between 13-14 December 2023. Kocaer Çelik joined university students, academicians and

private sector specialists to share its dynamic, competitive, innovative, technology and R&D-focused approach during the event which it has supported since its first year.

Being sensitive about contributing to the development of the sector and region in which it operates, Kocaer Çelik carries out employment and career collaborations and sectoral training activities with local universities.

It takes part in events that bring university students, academicians and private sector specialists together by providing sponsorship support for university research projects.

The company provides significant support to regional economic growth and employment through its activities. It works closely with suppliers, the majority of which are local. At the same time, it contributes towards increasing social welfare with the employment opportunities it creates and supports the social development of the region with education and social projects.

## INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

With the purpose of reviewing and assessing the adequacy and effectiveness of control systems and ensuring organization-wide implementation of the principles espoused for identifying internal/external risks in order to support sustainable and profitable growth, and to strengthen corporate structure, Internal Control and Internal Audit functions have been reorganized in the first half of 2023 and activities have been consolidated under the newly-established Internal Systems Department, which was further strengthened by recruitment of a high-level professional.

The Internal Audit Unit operates under the Board of Directors and within the frame of the Internal Audit Regulations. The Unit conducts its activities in accordance with the Internal Audit Plan approved by the Audit Committee and created annually in line with the risks identified within the scope of enterprise risk management, corporate strategy and goals. The Unit periodically reports audit results to the Audit Committee. The Audit Committee met four times during 2023, documented the meeting minutes and presented them to the Board of Directors.

On another front, mechanisms necessary for the execution of internal control activities in line with the company's governance structure and for ensuring effective risk management, continued to be set up in 2023. Internal control activities are carried out by the Internal Control Unit which reports to the Board of Directors and are overseen by the Audit Committee. The Unit performs its activities within the frame of the Internal Control Procedure.

Utmost care is taken to ensure the alignment of the company's operations with the applicable legislation, corporate principles, internal policies, procedures, and occupational health and safety requirements. In this context, necessary measures are adopted for total alignment of information systems activities with applicable regulations, securing company assets against loss and misuse, and guaranteeing that internally created information is reliable, complete, traceable, consistent and of nature to fulfill needs. In addition, main priorities include reliability and integrity of accounting and financial reporting systems, timely availability of accurate financial data, and reliable and accurate reporting to stakeholders. Furthermore, internal control approach is focused on the creation and use of effective communication channels and execution of continuous and effective monitoring.

## OTHER MATTERS

### Subsidiaries

The company's subsidiaries are Kocaer Steel UK Limited operating in the UK as a distribution channel in the iron & steel industry; Yağız Nakliyat Sanayi ve Ticaret A.Ş. engaged in the logistics sector, and Kocaer Enerji A.Ş. established to operate in the renewable energy sector. Liquidation procedures have been completed in the reporting period for Kocaer Metal Sanayi ve Ticaret A.Ş. in liquidation and declared in the Trade Registry Gazette issued on 22 March 2023.

The company has designated renewable energy as a strategic growth area and registered the incorporation of Kocaer Enerji Anonim Şirketi, that will engage in the energy sector with a particular focus on geothermal energy, before the Republic of Türkiye Aliğa Trade Registry on 04 July 2023.

The company's subsidiaries are as follows:

Trade Name	Field of Activity	Paid-in Capital (TL)	Currency	Share in Capital
Kocaer Enerji A.Ş.	Energy	300,000,000	Turkish Lira	99.00%
Kocaer Steel UK Limited*	Wholesale of iron and steel products	4,000,000	British Pound	90.00%
Yağız Nakliyat Sanayii ve Tic. A.Ş.	Domestic and international transportation	14,200,000	Turkish Lira	90.81%

### Financial Rights Granted to the Board Members and Senior Executives

Total benefits granted between 1 January - 31 December, 2023 to the members of the board and senior executives correspond to TL 29,493,924 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 or guarantees.

### Changes Following the End of the Reporting Period

Following the planned production halt at Aliğa A2 plant in 2023 intended for improving the company's value-added product portfolio, a planned production halt was carried out at Aliğa A1 plant as phase 2 of the investments for deploying new machinery and equipment between 2 January and 11 March 2024. . These investments that employed cutting edge technologies for the manufacturing of new value-added products are intended to boost the manufacturing and sales of value-added products, and in turn, positively contribute to the company's turnover and profitability.

Our investment to increase the capacity of Kocaer Steel Service Center by 50% from 120,000 tons/year to 180,000 tons/year, which was commenced in November , was completed by early March 2024 and the new capacity was commissioned.

\*Kocaer Steel UK Limited has under its roof a wholly-owned subsidiary named Kocaer Steel Ireland Limited that has a capital of EUR 100.

## OTHER MATTERS

Aydın Governor's Office Provincial Directorate of Environment, Urbanization and Climate Change evaluated that geothermal resource drilling to be performed at three spots within the geothermal licensed area located in Aydın province, Kuyucak District, Horsunlu-Ortakçı village is exempt from the Environmental Impact Assessment (EIA) Regulation dated 29 July 2022. Drilling activities continue at full pace in the related licensed area.

Kocaer Çelik was qualified as a registered supplier for the Neom megacity project by the Public Investment Fund (PIF) of Saudi Arabia. Located by the Red Sea, in the northwest of Saudi Arabia and consisting of four regions, Neom city is intended to use renewable energy sources. This project is anticipated to strengthen the sales to the MENA (Middle East and North Africa) region.

### Legislative Changes in 2023

There were no legislative changes that may have a material impact on the Company's activities in 2023.

### Conflicts of Interest Between the Company and Service Providers such as Investment Consulting or Rating, and Measures Taken to Prevent Such Conflicts of Interest

During the reporting period, the Company encountered no conflict of interest or dispute with service providers on investment consulting, rating or other matters. Utmost care is given to the Company's ethical values both in third party contract procedures and in the internal course of business.

### Information on the Company's Own Shares Acquired

In the reporting period of 01.01.2023- 31.12.2023 the Company did not acquire any of its own shares.

### Information Regarding the Lawsuits Against the Company which Could Affect Its Financial Position and the Possible Consequences

There is no material lawsuit filed against the Company that can affect its financial position

### Disclosures on Administrative or Judicial Sanctions Imposed on the Company or the Board Members for Acts Against Legislative Provisions

There are no administrative or legal sanctions imposed on the Company or its executives due to acts against legislative provisions.

### Related Party Transactions

The company's transactions with related parties are described in "Note 37 – Related Party Disclosures" of the consolidated independent audit report for the period 1 January – 31 December 2023.

### Ratings

As the result of the assessment based on the company's year-end 2022 financial data, the credit rating agency JCR (Japan Credit Rating) upgraded the company's Long-Term National Issuer Credit Rating from A (tr) to A+ (tr), maintaining the stable outlook.

### Changes in the Articles of Association

Based on the Board of Directors decision no. 2023/6 dated 08 March 2023, the company modified "Article 3 – Purpose and Scope" and "Article 20 – Donations" of its Articles of Association as follows:

ARTICLE 3 - (supplemented parts) Manufacture and/or obtain all kinds of slab, billet, steel and alloys, cast, forged and pressed products, gray cast iron, steel pipe and connection parts, all kinds of rolled products, coke and by-products. Manufactur steel construction materials, technological equipment, cranes, galvanized steel construction materials; perform mechanical and heat treatments; install and operate all kinds of metal processing and coating facilities, establish galvanizing plants, steel service centers; perform all kinds of steel construction building, engineering, manufacturing plant works. Manufacture exceptionally-pure iron applying electrolysis or other chemical processes, remelt scrap iron or steel, manufacture steel in slab or other primary forms; manufacture semi-finished products made of steel; manufacture hot or cold-rolled flat products made of steel; manufacture hot-rolled bars and rods made of steel; manufacture open sections made of steel or welded steel; carry out the trading, exportation and importation of scrap iron, billet, iron ore, copper, aluminum, scrap vessel, other raw and auxiliary materials, all iron and non-iron metals to be used as raw material for iron & steel production.

c- Explore, extract and process mineral ores and auxiliary materials necessary for the works mentioned above.

d- Establish a generation facility (for geothermal, wind, solar, hydrogen, biomass etc. sustainable and renewable energy) to be used mainly for fulfilling own electrical and thermal energy need in accordance with the legislation governing the energy market, geothermal resources and natural mineral waters law and regulations; generate electrical and thermal energy; sell the excess, if any, of the generated electrical and thermal energy and/or capacity to other licensed legal entities and eligible consumers subject to the above mentioned legislation and engage in the activities for the procurement of all equipment and fuel for the energy generation plant; establish, operate, commission all kinds of electrical energy generation plant for converting all kinds or renewable and recyclable energy source into electrical energy -conditional upon obtaining a license-, participate in governmental and private domestic and overseas tenders to be put out for energy generation, initiate tenders, incorporate a company in this field of activity. Sell or otherwise make use of the steam, hot water, gas and other byproducts that will be produced during energy generation.

e- Establish and operate the facilities related to its fields of activity; build and operate, purchase, rent docks, piers and ports, when necessary; establish the pier and port with build-operate-transfer method, when necessary; establish production facilities and warehouses to deliver logistic services in this scope, incorporate or participate in companies associated with this scope; participate in, acquire stake in companies incorporated for this purpose.

f- Execute licensing, know-how and similar agreements with domestic and overseas companies; participate in tenders and undertakings for plant establishments; receive or purchase information and technology.

g- Market all kinds of goods and services in the country and abroad; establish warehouses, dealers, representatives, offices, stores and commercial enterprises; participate in infrastructure projects and incorporate companies associated with its fields of activity in the country and abroad.

## OTHER MATTERS

ARTICLE 20 - The company may make any kind of donations so as not to hinder its own business purpose and scope, provided that the same shall not conflict with the hidden income transfer rules of the capital market legislation.

The maximum limit for donations to be made by the company is set by the General Assembly. Donations made are added to the distributable profit basis. The Capital Markets Board of Türkiye (CMB) is authorized to impose a maximum limit on the amount of donations. Donations must not contradict with the CMB's hidden income transfer rules and other associated provisions under the legislation. Necessary public disclosures are required to be made, and information about donations made during any given year is required to be presented for the information of shareholders during the General Assembly Meeting.

No other changes were made to the Articles of Association in the reporting period.

The said modifications can be reviewed at <https://www.kocaersteel.com>.

### Information to Stakeholders

Pursuant to the CMB decision no. 81/1820 dated 28 December 2023, it has been decided that issuers and capital market institutions implementing Turkish Financial Reporting Standards and are subject to CMB regulations shall apply inflation accounting by implementing the provisions of TAS 29 - Financial Reporting in Hyperinflationary Economies (TAS 29) starting with the annual financial reports for the fiscal year ended 31 December 2023.

In this framework, the relevant amounts in the company's consolidated financial statements and in prior periods were readjusted for changes in the purchasing power of the functional currency, and were expressed in terms of the unit of measurement applicable at the end of the reporting period pursuant to TAS 29.

## FINANCIAL POSITION AND RISK MANAGEMENT

### Information about Risk Management Implementations

Kocaer Çelik prioritizes increasing the effectiveness of risk management processes for the dual purpose of effectively managing the volatilities caused by global events and for securing sustainable growth while preserving its global competitive strength. Therefore, the company closely monitors global developments and proactively detects the factors with a potential impact on its operations, in the light of effective enterprise risk management policy. The company seeks to manage these risks in accordance with the risk appetite and take necessary measures, integrating them with the enterprise risk management process.

Early Detection of Risk Committee is responsible for establishing all possible threats in advance that might affect the company's future and for managing risks by adopting the necessary measures. Accordingly, the Committee is also tasked with identifying potential risks, devising risk mitigation strategies, and periodically reviewing the risk management systems. The Committee derives the basis for its activities from the document titled Operating Principles of the Early Detection of Risks Committee. Formed of three members, the Committee met four times in 2023, and documented the meeting minutes and presented them to the Board of Directors.

Enterprise risk management is addressed in accordance with our Risk Management Framework defined in the Enterprise Risk and Opportunity Management Procedure and Handbook. The framework is intended to be integrated with the company's strategic, governance and operational processes and targets a sweeping approach across risk management. Each employee is obliged to abide by this risk framework with respect to his/her function. The framework aims to incorporate processes associated with risk management within QRM (Quality, Risk and Management) to provide integrity, effectiveness and efficiency within the company in line with quality and management systems. At Kocaer Çelik, enterprise risks are compiled under six disciplines: strategic risks, operational/business continuity risks, brand risks, financial risks, information security and external/environmental risks and regulatory compliance.

During 2023, the Internal Systems Department reviewed the risks involved in all main processes of the company in detail and continually tested the operation of risk elimination controls. In addition, under the supervision and guidance of the Early Detection of Risks Committee, strategic risks such as Natural Disaster, Fire and Climate Change Risks, Occupational Health and Safety Risks, Cyber Security and Information Security Risks, Technological Vulnerability Risks, Economic and Political Risks, Supply Chain Risks, Exchange Rate, Parity, Interest Rate and Liquidity Risks, Business Continuity Risks, Receivable Management Risks, Ethical Working Culture Violation Risks and ESG Risks have been defined. Action plans are devised to avoid these risks and are followed up with the related parties.

## FINANCIAL POSITION AND RISK MANAGEMENT

### Information about the Private Audit and Public Audit Performed in 2023

The Company agreed with Güreli Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. (a member firm of Baker Tilly) for the independent audit of the company and its subsidiaries for 2023.

### Governing body's analysis and assessment of the financial position and operating results, degree of realization of planned activities, the company's position in view of strategic goals set

The company concurrently published consolidated financial results for year-end 2023 on the Public Disclosure Platform. Additionally, the company prepared and publicly disclosed the interim and year end reports after its shares started to be traded on the Stock Exchange, as per the requirement in Article 29 (5) of the CMB Communiqué on Shares (VII-128.1) which obligates the corporation undertaking an IPO to prepare a report stating whether or not the assumptions used in the determination of the public offering price have been realized, and if not, the causes thereof, within ten business days following the public disclosure date of its financial statements throughout two years following the date on which its shares started to be traded on the exchange.

### Determination of and governing body's assessment whether the company's capital is uncovered or whether the company is over-indebted

According to the assessments made pursuant to Article 376 of the Turkish Commercial Code, the company is not over-indebted.

### Development of financial sources and the policies the company implements accordingly

The company enjoys full access to all national and international financial sources, enabled by its credibility resulting from the balanced composition of its balance sheet and the contribution lent by its position as a net exporter. New financing alternatives according to the market conditions are constantly explored and opportunities are seized. The company develops its borrowing policy relying on its high cash generation capability and solid equity structure. Hedging can also be utilized against potential financial risk exposure.

### 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, decision on profit distribution is made 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 distributable profit 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.

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

### Corporate Governance Compliance Statement

Kocaer Çelik had IPO on 30 June 2022 and since then is committed to achieve full compliance with the compulsory principles under the Corporate Governance Communiqué no. II-17.1 in force. In the period between 1 January 2023 and 31 December 2023, the company complied with the CMB's compulsory Corporate Governance Principles and undertook improvement efforts in relation to optional ones. The principles that the company has yet to achieve alignment with, have not led to any conflicts of interest among the stakeholders to date. Explanations about compliance with corporate governance principles covered in the appendix to the Corporate Governance Communiqué and about those with which compliance could not be achieved yet in the fiscal period ended on 31 December 2023 have been provided in the Corporate Governance Compliance Report and Corporate Governance Information Sheet templates that entered into force with the CMB decision no. 2/49 dated 10 January 2019. The company believes in the importance of achieving full alignment with the transparency, fairness, responsibility and accountability principles of the Corporate Governance Principles, and continues its work on necessary improvements in its practices at full speed.

### Company Compliance Status

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.		X				
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.		X				
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.		X				
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	There has been no such transaction notification.

**CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET**

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				General Assembly Meeting invitations and minutes are made available to all stakeholders, including media via Public Disclosure Platform and the corporate website. On the other hand, there was no request from media for attending the general assembly that took place for the 2022 fiscal year.
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.			X			Group A registered shares have the privilege of nominating candidates to the board of directors and voting in the general assembly. Group B registered shares have voting privileges in the general assembly. Group C shares do not have any privileges. The privileges enjoyed by privileged shares are stated in the relevant parts of the Articles of Association (Article 6 of the Articles of Association).
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Kocaer Çelik does not have a mutual shareholding relationship at a subsidiary along with a control power.

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.				X		Minority rights are not granted to those who have a share of less than one-twentieth of the capital by the Articles of Association, and in parallel with general practices, rights are provided to the minority within the framework of the general provisions of the regulations.
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.		X				
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividend distribution decision has been taken.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.		X				
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.			X			The transfer of company shares is regulated in Article 17 of the Articles of Association. The transfer of shares is carried out in accordance with the Turkish Commercial Code, capital markets legislation and relevant legislation. Group A, B and C shares can be transferred freely without any restrictions.
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					



## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

	Yes	Partial	No	Exempted	Not Applicable	Explanation
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					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Although our company has an English website containing important operational and financial information, not all Turkish content is available on the English website.
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in 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					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>3.3. HUMAN RESOURCES POLICY</b>						
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 policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Decisions that will have impact on the employees are disclosed to them through internal communication channels. There is no union activity in our company.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.		X				Our company supports memberships in associations and clubs, however there is no union activity in our company.
3.3.9 - A safe working environment for employees is maintained.	X					

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured 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 strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.				X		There is no executive liability insurance for the board of directors.
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				We believe that ensuring diversity in terms of knowledge, experience and point of view among our Board of Directors will positively contribute to the activities of the Company and the effective functioning of the Board of Directors. Although there is no policy for the minimum rate of female members on the board of directors, our rate of female board members is 12.5%.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attend the majority of the board meetings in person or via an electronic board meeting system	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Although there was an opportunity to express an opinion, no notification was made to this effect by our board members who could not attend the meeting.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/ written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Members of the Board of Directors are not restricted from taking on other duties outside the company due to the significant contribution of their work experience and sectoral experience to the company. The duties of the board members outside the company were presented to the shareholders at the general assembly meeting.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			Considering issues such as the company's volume of operations and administrative needs, there are board members who serve as members of more than one committee. This does not lead to any conflict of interest within the company.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy service received regarding this issue.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.		X				
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				Payments made to board members and upper management are disclosed to the public in total in our financial statement footnotes, in line with general practices. Total amount is disclosed in line with the principals of protection of personal data.

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

### Corporate Governance Information Form

#### 1. SHAREHOLDERS

##### 1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year

40 meetings were held with institutional investors and analysts.

##### 1.2. Right to Obtain and Examine Information

The number of special audit request(s)

0

The number of special audit requests that were accepted at the General Shareholders' Meeting

0

##### 1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)

<https://www.kap.org.tr/en/Bildirim/1129951>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

Yes

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

There was no such transaction 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)

There is no such transaction 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)

<https://www.kap.org.tr/en/Bildirim/1156191>

The name of the section on the corporate website that demonstrates the donation policy of the company

Kocaersteel.com/ About Us/ Policies and Regulations/ Donation and Aid Policy

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

<https://www.kap.org.tr/en/Bildirim/1141382>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

Article 11 General Assembly Meetings of the Articles of Association in clause c.

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

The General Assembly invitation was shared with the public on Public Disclosure Platform and our company's website, on the other hand, there was no participation other than shareholders in the General Assembly.

#### 1.4. Voting Rights

Whether the shares of the company have differential voting rights

Yes

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.

Group A registered shares have the privilege of nominating candidates to the board of directors and voting in the general assembly. Group B registered shares have voting privileges in the general assembly. Group C bearer shares do not have any privileges. A 18.16% Hakan Kocaer, B 18.16% Hakan Kocaer, C 39.78% Hakan Kocaer and 23.90% publicly traded

The percentage of ownership of the largest shareholder

% 76,1

#### 1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association

No

If yes, specify the relevant provision of the articles of association.

-

#### 1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy

Kocaersteel.com/ About Us/ Policies and Regulations/ Profit distribution policy

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.

Dividend is distributed.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends

Dividend is distributed.

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

### General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
25 April 2023	0	76,8%	76,8%	0,003%	<a href="https://ir.kocaersteel.com/en/general-assembly">https://ir.kocaersteel.com/en/general-assembly</a>	<a href="https://ir.kocaersteel.com/en/general-assembly">https://ir.kocaersteel.com/en/general-assembly</a>	None	0	<a href="https://www.kap.org.tr/en/Bildirim/1141382">https://www.kap.org.tr/en/Bildirim/1141382</a>

## 2. 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.	Investor Relations/ Corporate Governance
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/ partnership-structure-and-concession-information
List of languages for which the website is available	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) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Annual Report / Section A-8 Duties Performed by Board Members and Managers Outside the Company
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Annual Report / Section A-12 Committees Established within the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Annual Report / Section A-10 Number of Meetings of the Board of Directors During the Year and Participation Status
ç) The page numbers and/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	Annual Report / Section P - Other Matters / Legislative Changes
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report / Section G- Legal Cases
e) The page numbers and/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 from these conflicts of interest	Annual Report / Section P - Other Matters

f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Annual Report / Corporate Governance Compliance Report Voting Rights Section
g) The page numbers and/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 in respect of the corporate activities that arises social and environmental results	Annual Report / Section H- Social Responsibility Projects

## 3. STAKEHOLDERS

### 3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	-
The number of definitive convictions the company was subject to in relation to breach of employee rights	There are 38 final judicial decisions due to breach of employee rights.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Systems Director
The contact detail of the company alert mechanism	etik.kurul@kocaersteel.com Phone: (232) 625 18 60 Company portal - Ethics Line

### 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	-

### 3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Within the scope of talent management works carried out within our company, succession plans are created for key positions. Backup plans created and appointments to key roles are submitted to the Board of Directors for approval when necessary.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Kocaersteel.com/ People and Career
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Kocaer does what is necessary to create a healthy, safe and professional work environment. Our company does not tolerate verbal or physical harassment or insults among employees, and does not discriminate against nationality, race, gender, ethnicity, religion and marital status.
The number of definitive convictions the company is subject to in relation to health and safety measures	There is 1 definitive conviction against our company.

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

### 3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Kocaersteel.com/ About Us/ Ethical Principles
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Kocaersteel.com/ Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	Kocaer Çelik board members, employees and all related parties are required to stay away from all kinds of behavior and actions within the scope of corruption. Regardless of public or private sector, it is prohibited to receive or give any kind of cash/ non-cash benefit that may be within the scope of corruption.

### 4. BOARD OF DIRECTORS-I

#### 4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	29/01/2024
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Hakan Kocaer (Chairman), Orhan Timurhan (Deputy Chairman and CEO)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	8
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report/ Section E
Name of the Chairman	Hakan Kocaer
Name of the CEO	Orhan Timurhan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	CEO and Chairman are not the same people.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	The number of female board members is 1 and the ratio is 12.5%.

### Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Hakan Kocaer	Executive	Not independent director	20/04/2022	-	Not applicable	Not applicable	Yes
İbrahim Kocaer	Non-executive	Not independent director	20/04/2022	-	Not applicable	Not applicable	Yes
Orhan Timurhan	Executive	Not independent director	20/04/2022	-	Not applicable	Not applicable	Yes
Ferda Besli	Non-executive	Not independent director	20/04/2022	-	Not applicable	Not applicable	Yes
Recep Yılmaz Argüden	Non-executive	Not independent director	20/04/2022	-	Not applicable	Not applicable	Yes
Fatma Füsün Akkal Bozok	Non-executive	Independent director	25/04/2023	<a href="https://www.kap.org.tr/en/Bildirim/1108313">https://www.kap.org.tr/en/Bildirim/1108313</a>	Considered	No	Yes
Tuğrul Fadilloğlu	Non-executive	Independent director	25/04/2023	<a href="https://www.kap.org.tr/en/Bildirim/1108313">https://www.kap.org.tr/en/Bildirim/1108313</a>	Considered	No	No
Mehmet Çakmur	Non-executive	Not independent director	29/08/2023	-	Not applicable	Not applicable	Yes

### 4. BOARD OF DIRECTORS-II

#### 4.4. Meeting Procedures of the Board of Directors

Number of physical or electronic board meetings in the reporting period	12
Director average attendance rate at board meetings	88%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Members are informed within a reasonable period of time, at least two days in advance of the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	<a href="https://ir.kocaersteel.com/en/board-directors-committees/">https://ir.kocaersteel.com/en/board-directors-committees/</a> 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. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Annual Report/ Section A12
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/en/Bildirim/1105434">https://www.kap.org.tr/en/Bildirim/1105434</a>

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT, COMPLIANCE REPORT AND INFORMATION SHEET

### Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	Fatma Füsün Akkal Bozok	Yes	Board member
Audit Committee	-	Tuğrul Fadilloğlu	No	Board member
Corporate Governance Committee	-	Fatma Füsün Akkal Bozok	Yes	Board member
Corporate Governance Committee	-	Dr Yılmaz Argüden	No	Board member
Corporate Governance Committee	-	Zümrüt Can Ambarcı	No	Not board member
Committee of Early Detection of Risk	-	Tuğrul Fadilloğlu	Yes	Board member
Committee of Early Detection of Risk	-	Ferda Besli	No	Board member
Committee of Early Detection of Risk	-	Dr Yılmaz Argüden	No	Board member

### 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 website (Page number or section name in the annual report/website)	Annual Report/ Section A12
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report/ Section A12
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Relevant duties are carried out by the Corporate Governance Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report/ Section A12
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Relevant duties are carried out by the Corporate Governance Committee.

### 4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report/ Section J
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	<a href="https://www.kocaersteel.com/en/policies-and-regulations/">https://www.kocaersteel.com/en/policies-and-regulations/</a> Pricing 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)	Annual Report/ Section B

### Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	4	4
Corporate Governance Committee	-	67%	33%	4	4
Committee of Early Detection of Risk	-	100%	33%	4	4

## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

### Statement of Compliance with Sustainability Principles

Kocaer Çelik sustainability teams target to achieve compliance with the Sustainability Principles Compliance Framework prepared in line with the modification CMB made to the Corporate Governance Communiqué on 02 October 2020. Explanations have been provided for the principles with which compliance have and have not yet been achieved for the fiscal year ended 31 December 2023, in the Sustainability Report template that has come into effect pursuant to the CMB decision no. 34/977 dated 23 June 2022. The company also includes information about its compliance with the criteria set out in the principles and performance data in its detailed sustainability reports that are disclosed publicly. The company continues to work on its 2023 Sustainability Report. The company overlooks the interest of all stakeholders and keeps working on necessary improvements required by the Sustainability Principles Compliance Framework.

### Sustainability Compliance Report

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
<b>A. GENERAL PRINCIPLES</b>						
<b>A1. Strategy, Policy and Goals</b>						
A1.1. The prioritised environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the Company's Board of Directors.	X				The Board of Directors has identified priority environmental, social and governance (ESG) issues, risks, and opportunities.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
A1.1. The ESG policies (Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) have been created and disclosed to the public by the Company's Board of Directors.	X				Environmental-Social Management policies have been established and made publicly available on the company website.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
A1.2. The short and long-term targets set within the scope of ESG policies have been disclosed to the public.	X				The goals within the scope of ESG have been shared in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
<b>A2. Implementation/Monitoring</b>						
A2.1. The responsible committees and/or business units for the implementation of ESG policies and the senior officials related to ESG issues in the Company and their duties have been identified and disclosed to the public.	X				Sustainability efforts are overseen by the Management Systems and Sustainability unit, reporting to the CEO. In addition, a Sustainability Working Group was established, including various departments and managers. The organizational structure is explained in detail in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
A2.1. The activities carried out within the scope of policies by the responsible committee and/or unit have been reported to the Board of Directors at least once a year.	X				Activities carried out by the responsible unit have been reported to the board of directors.	
A2.2. In line with the ESG targets, the implementation and action plans have been formed and disclosed to the public.	X				Implementation and action plans have been created and disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
A2.3. The Key ESG Performance Indicators (KPI) and the level of reaching these indicators have been disclosed to the public on yearly basis.	X				ESG performance indicators have been disclosed in the Sustainability Report over the years.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
A2.4. The activities for improving the sustainability performance of the business processes or products and services have been disclosed to the public.	X				Activities aimed at improving our sustainability performance have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>



## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
<b>A3. Reporting</b>						
A3.1. The information about the sustainability performance, targets and actions have been given in annual reports of the Company an understandable, accurate and sufficient manner.	X				It has been included in the Sustainability section of the activity report.	<a href="https://ir.kocaersteel.com/en/annual-reports-list">https://ir.kocaersteel.com/en/annual-reports-list</a>
A3.2. The information about activities which are related to the United Nations (UN) 2030 Sustainable Development Goals have been disclosed to the public.	X				The alignment of our activities with the United Nations Sustainable Development Goals is disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
A3.3. The lawsuits filed and/or concluded against the Company about ESG issues which are material in terms of ESG policies and/ or will significantly affect the Company's activities, have been disclosed to the public.				X	No lawsuits have been filed that could affect the financial situation and activities of our company, including environmental, social and governance issues.	
<b>A4. Verification</b>						
A4.1. The Company's Key ESG Performance metrics have been verified by an independent third party and publicly disclosed.		X			Some of the ESG performance measurements are conducted by an independent organization and published in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
<b>B. ENVIRONMENTAL PRINCIPLES</b>						
B1. The policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs have been disclosed.	X				Environmental policies and practices are disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B2. The environmental reports prepared to provide information on environmental management have been disclosed to the public which is including the scope, reporting period, reporting date and limitations about the reporting conditions.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B4. The environmental targets within the scope of performance incentive systems which included in the rewarding criteria have been disclosed to the public on the basis of stakeholders (such as members of the Board of Directors, managers and employees).				X	Environmental goals have not yet been included in the incentive and reward criteria.	
B5. How the prioritised environmental issues have been integrated into business objectives and strategies has been disclosed.	X				The Sustainability Report includes the integration of environmental goals with the company's strategy.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B7. The way of how environmental issues has been managed and integrated into business objectives and strategies throughout the Company's value chain, including the operational process, suppliers and customers has been disclosed.	X				The integration of environmental targets with the company strategy, including our suppliers and customers, is included in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
B8. Whether the Company have been involved to environmental related organizations and non-governmental organizations' policy making processes and collaborations with these organizations has been disclosed.	X				Our key stakeholders are described in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B9. In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)), information on environmental impacts is periodically disclosed to the public in a comparable manner.	X				Our greenhouse gas emissions have been calculated in accordance with Scope 1, Scope 2, and Scope 3, and disclosed in our Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B10. Details of the standard, protocol, methodology, and baseline year used to collect and calculate data has been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B11. The increase or decrease in Company's environmental indicators as of the reporting year has been comparatively disclosed with previous years.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B12. The short and long-term targets for reducing the environmental impacts have been determined and the progress compared to previous years' targets has been disclosed.	X				Targets and performances over the years have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
B13. A strategy to combat the climate crisis has been created and the planned actions have been publicly disclosed.	X				Action plans regarding the climate crisis have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B14. The programs/procedures to prevent or minimize the potential negative impact of products and/or services on the environment have been established and disclosed.	X				Procedures have been established to minimize our environmental impact, and they have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B14. The actions to reduce greenhouse gas emissions of third parties (suppliers, subcontractors, dealers, etc.) have been carried out and disclosed.			X		Efforts are being made to implement actions that reduce third-party greenhouse gas emissions, but these actions have not been publicly disclosed yet.	
B15. The environmental benefits/gains and cost savings of initiatives/projects that aims reducing environmental impacts have been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B16. The data related to energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) has been disclosed as Scope-1 and Scope-2.	X				It has been disclosed in the Environmental Performance Indicators section of the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
B17. The information related to production of electricity, heat, steam and cooling as of the reporting year has been disclosed.	X				It has been disclosed in the Environmental Performance Indicators section of the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B18. The studies related to increase the use of renewable energy and transition to zero/ low carbon electricity have been conducted and disclosed.	X				Efforts to reduce our carbon footprint are included in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B19. The renewable energy production and usage data has been publicly disclosed.	X				Information regarding renewable energy has been provided in Public Disclosure Platform and the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B20. The Company conducted projects about energy efficiency and the amount of reduction on energy consumption and emission achieved through these projects have been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
B21. The water consumption, the amount, procedures and sources of recycled and discharged water from underground or above ground (if any), have been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
B22. The information related to whether Company's operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).	X				Regulations regarding carbon pricing have not yet been established in our country. On the other hand, as an exporter we are subject to European carbon pricing system and our related works have been shared with the public.	<a href="https://www.kap.org.tr/en/Bildirim/1221014">https://www.kap.org.tr/en/Bildirim/1221014</a>
B23. The information related to accumulated or purchased carbon credits within the reporting period has been disclosed.		X			Carbon credits for the reporting period were purchased and announced via our social media.	
B24. If carbon pricing is applied within the Company, the details have been disclosed.			X		Our work on carbon pricing continues, but its details have not been disclosed to the public as of the reporting period.	
B25. The platforms where the Company discloses its environmental information have been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
<b>C. SOCIAL PRINCIPLES</b>						
<b>C1. Human Rights and Employee Rights</b>						
C1.1. The Institutional Human Rights and Employee Rights Policy has been established in the light of the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey and other relevant legislation. The policy and the officials that responsible for the implementation of it have been determined and disclosed.	X				Policies regarding human rights have been specified in the Business Ethics Code Guide shared with all employees, and included in the Ethics Principles section of our website as well as in the sustainability report.	<a href="https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy">https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy</a> <a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.2. Considering the effects of supply and value chain, fair workforce, improvement of labor standards, women's employment and inclusion issues (gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc., such as non-discrimination) are included in its policy on employee rights.	X				Policies regarding human rights have been specified in the Business Ethics Code Guide shared with all employees, and included in the Ethics Principles section of our website as well as in the sustainability report.	<a href="https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy">https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy</a> <a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
C1.3. The measures taken for the minority rights/equality of opportunity or the ones who are sensitive about certain economic, environmental, social factors (low income groups, women, etc.) along the supply chain have been disclosed.	X				Policies regarding human rights have been specified in the Business Ethics Code Guide shared with all employees, and included in the Ethics Principles section of our website as well as in the sustainability report.	<a href="https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy">https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy</a> <a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.4. The developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced and child labor have been disclosed.	X				Policies regarding human rights have been specified in the Business Ethics Code Guide shared with all employees, and included in the Ethics Principles section of our website as well as in the sustainability report.	<a href="https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy">https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy</a> <a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.5. Investments in employees (education, development policies), compensation, fringe benefits, right to unionize, work/life balance solutions and talent management are included in the employee rights policy.	X				Policies regarding human rights have been specified in the Business Ethics Code Guide shared with all employees, and included in the Ethics Principles section of our website as well as in the sustainability report.	<a href="https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy">https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy</a> <a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
C1.5. The mechanism for employee complaints and resolution of disputes have been established and related solution processes have been determined.	X				The Ethics Committee oversees the resolution of employee complaints and disputes.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.5. The activities carried out within the reporting period which related to ensure employee satisfaction have been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.6. The occupational health and safety policies have been established and disclosed.	X				Our employee health and safety policies have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.6. The measures taken for protecting health, preventing occupational accidents and related statistics have been disclosed.	X				Measures and statistics regarding workplace accidents have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.7. The personal data protection and data security policies have been established and disclosed.	X				The information security policy has been published on our website.	<a href="https://www.kocaersteel.com/en/policies-and-regulations">https://www.kocaersteel.com/en/policies-and-regulations</a>
C1.8. The ethics policy have been established and disclosed.	X				The ethical policy has been included on our website's Ethics Principles section and in the sustainability report.	<a href="https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy">https://www.kocaersteel.com/en/ethicalPrinciples-and-compliancePolicy</a> <a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C1.9. The studies related to social investment, social responsibility, financial inclusivity and access to finance have been explained.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
C1.10. The informative meetings and training programs related to ESG policies and practices have been organized for employees.	X				Employees have been provided with training, and the details have been disclosed in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C2. Stakeholders, International Standards and Initiatives						
C2.1. The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed.	X				Customer satisfaction policies have been included in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C2.2. The information about the communication with stakeholders (which stakeholder, subject and frequency) have been disclosed.	X				Information regarding stakeholder engagement has been provided in the Sustainability Report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C2.3. The international reporting standards that adopted in reporting have been explained.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
C2.4. The principles adopted regarding sustainability, the signatory or member international organizations, committees and principles have been disclosed.	X				It has been disclosed in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

## STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES AND COMPLIANCE REPORT

	Company Compliance Status				Explanation	Report Information on Publicly Disclosed Information (Page number, menu name on the website)
	Yes	Partial	No	Not Applicable		
C2.5. The improvements have been made and studies have been carried out in order to be included in the Borsa Istanbul sustainability indices and/or international index providers.		X			Efforts are underway to be included in the sustainability index.	
<b>D. CORPORATE GOVERNANCE PRINCIPLES</b>						
D1. The opinions of stakeholders have been sought in the determination of measures and strategies related to sustainability field.	X				It has been included in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>
D2. The social responsibility projects, awareness activities and trainings have been carried out to raise awareness about sustainability and its importance.	X				It has been included in the sustainability report.	<a href="https://www.kocaersteel.com/en/sustainability/reports">https://www.kocaersteel.com/en/sustainability/reports</a>

## 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 Communiqué no. II-17.1 issued by the Capital Markets Board, I hereby declare the following:

- 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,
- 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,
- I have the educational background, knowledge, and experience necessary for me to duly perform the tasks I will assume as an independent Board Member,
- 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,
- I am considered a resident in Türkiye according to Income Tax Law, dated 31/12/1960 and numbered 193,
- 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,
- I will make sufficient time for keeping track of the Company's activities and for fully performing my duties on behalf of the Company,
- 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,
- 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,
- I have not been registered and announced for the legal entity which has been elected as a member of the board of directors.

Fatma Füsün Akkal Bozok

## 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,
- d) 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,
- e) I am considered a resident in Türkiye according to Income Tax Law, dated 31/12/1960 and numbered 193,
- f) 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,
- g) I will make sufficient time for keeping track of the Company's activities and for fully performing my duties on behalf of the Company,
- h) 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,
- i) 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,
- j) I have not been registered and announced for the legal entity which has been elected as a member of the board of directors.

Tuğrul Fadilloğlu

## STATEMENT OF RESPONSIBILITY

### PREPARED IN ACCORDANCE WITH ARTICLE 9 OF CAPITAL MARKET BOARD'S COMMUNIQUE NUMBERED II-14.1. 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 01.01.2023-31.12.2023, 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

Fatma Füsün Akkal Bozok  
President of the Audit Committee

Tuğrul Fadilloğlu  
Member of the Audit Committee

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT

### 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 - 31 December 2023.

In our opinion, the 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 Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 20 March 2024 on the complete set of consolidated financial statements of the Group for the period of 1 January - 31 December 2023.

#### 4. The Responsibility of the Board of Directors on the Annual Report

In accordance with articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC"), the management of the Group is responsible for the following items:

- 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.
- 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 consolidated 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.

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 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 ISA.

These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements. The engagement partner who supervised and concluded this audit report is Metin Etkin.

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

An Independent Member of BAKER TILLY INTERNATIONAL



Metin Etkin  
Partner  
İstanbul, 20 March 2024



KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**  
**TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

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

## 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 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 the matter was addressed in our audit
<b>Fair value risk and cash flow hedge accounting (Note 12)</b>	
<ul style="list-style-type: none"> <li>In accordance with the contracts made by the Group management, Kocaer Çelik applies cash flow hedge transactions on its consolidated statement of financial position to manage foreign currency risk due to securities issued at fixed rate and loans and advances at floating rate with cross-currency swap transactions.</li> <li>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.</li> <li>We considered fair value risk and cash flow hedge accounting are material to consolidated financial statements due to following matters:</li> <li>As of 31 December 2023, losses on fair value hedge transactions arising from foreign currency risk which is presented under assets is amounting to TL 132.054.137 and losses on cash flow hedge transactions presented under equity is amounting to TL 193.692.211 are material to Kocaer Çelik's consolidated financial statements.</li> <li>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.</li> </ul>	<p>The audit procedures for testing hedge accounting included below:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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 are between 70% and 130%.</li> <li>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.</li> <li>We have controlled and evaluated the compliance of the methods applied in the calculation of costs regarding contracts applied on hedge accounting transactions.</li> <li>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.</li> <li>We have controlled the mathematical accuracy and recognition of the accounting records on the hedge accounting.</li> <li>Testing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value risk and cash flow hedge accounting,</li> <li>We had no material findings related to the valuation of fair value risk and cash flow hedge accounting as a result of these procedures.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How the matter was addressed in our audit
<b>Fair value of property, plant and equipment (Note 18)</b>	
<ul style="list-style-type: none"> <li>As disclosed in Note 18, the consolidated financial statements as of 31 December 2023 include property, plant and equipment carried at fair value amounting to TL 4.523.494.739 which includes land, buildings, plant, machinery and equipment, motor vehicles and furniture and fixtures. Aforementioned amount represents a significant portion of the Kocaer Çelik's total assets.</li> <li>Fair values of property, plant and equipment of the Group are recognized according to appraisal reports issued by independent experts.</li> <li>We considered fair values of property, plant and equipment are material to consolidated financial statements due to following matters: <ul style="list-style-type: none"> <li>The determination of fair valuation study includes data that have unobservable in the market and is determined by using an independent appraisal experts,</li> <li>The calculation of fair value is affected by current market conditions,</li> <li>Accordingly, the amount and nature of property, plant and equipment are material to the consolidated financial statements.</li> </ul> </li> </ul>	<p>We performed the following procedures in relation to the fair value of property, plant and equipment:</p> <ul style="list-style-type: none"> <li>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".</li> <li>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.</li> <li>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.</li> <li>We have compared and assessed the comparable sales m2 unit values of the property, plant and equipment located in the area close to the land owned by the Group and subject to revaluation at the end of 2023 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.</li> <li>We have tested title deed records ownership interests of property, plant and equipment which includes land and buildings.</li> <li>Testing the adequacy of the disclosures in the consolidated financial statements in relation to the fair value of property, plant and equipment,</li> <li>We had no material findings related to the fair value of property, plant and equipment as a result of these procedures.</li> </ul>
<b>Application of TAS 29 – "Financial Reporting in Hyperinflationary Economies"</b>	
<ul style="list-style-type: none"> <li>As disclosed in Note 2.1, the Group applied TAS 29 "Financial reporting in hyperinflationary economies ("TAS 29") in the consolidated financial statements as of and for the year ended 31 December 2023.</li> <li>TAS 29 requires consolidated financial statements to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2023 and non-monetary balances at the end of the period with prior year statements with comparative information were restated to reflect a price index that is current at the balance sheet date as of 31 December 2023. The implementation of TAS 29 leads to a change in several of the Group's control activities pervasively related to financial reporting. Applying TAS 29 results in significant changes to the consolidated financial statement items included in the Group's consolidated financial statements as of and for the year ending 31 December 2023, which have been restated for comparative purposes as of and for the year ending 31 December 2022, including consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flow. In addition, considering the additional effort required to perform the audit of the application of TAS 29, we identified the application of TAS 29 as a key audit matter.</li> </ul>	<p>We performed the following audit procedures in relation to the application of TAS 29:</p> <ul style="list-style-type: none"> <li>Understanding and evaluating the process and controls related to application of TAS 29 designed and implemented by the Group management,</li> <li>Obtaining detailed lists of non-monetary items and testing original entry dates and amounts on a sample basis,</li> <li>Verifying whether the Group management's determination of monetary and non-monetary items is in compliance with TAS 29,</li> <li>Verifying the general price index rates used in calculations correspond with the coefficients in the "Consumer Price Index in Turkey" published by the Turkish Statistical Institute,</li> <li>Evaluating the appropriateness of the Group management's judgments by comparing with current practices and using our industry knowledge and experience including ensuring the comparison with prior period,</li> <li>Testing the mathematical accuracy of non-monetary items, consolidated statement of profit or loss, and statement of cash flow adjusted for inflation effects,</li> <li>Evaluating the adequacy of disclosures related to the application of TAS 29 in the notes to the consolidated financial statements in accordance with TFRS.</li> </ul>

### 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.

## INDEPENDENT AUDITOR'S REPORT

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- Report on Other Legal and 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 2023 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 Turkish Commercial Code ("TCC") No. 6102 and pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the Group established the Early Risk Identification System and Committee as of 11 May 2023. The independent auditors report on the Early Risk Identification System and Committee was presented to the Group's Board of Directors on 20 March 2024.

The engagement partner who supervised and concluded 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, 20.03.2024**

**Metin Etkin**  
Partner

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## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

	Notes	Audited	Audited
		Current Period 31.12.2023	Prior Period 31.12.2022
<b>ASSETS</b>			
<b>Current Assets</b>		<b>6.161.680.269</b>	<b>6.514.136.716</b>
Cash and Cash Equivalents	6	673.922.387	760.411.359
Financial Investments	7	680.921.696	792.428.872
Trade Receivables	10	1.254.835.981	1.985.560.269
<i>Third Parties</i>	10	1.245.960.882	1.985.165.086
<i>Related Parties</i>	10-37	8.875.099	395.183
Other Receivables	11	226.042.188	266.389.104
<i>Third Parties</i>	11	195.731.415	180.925.471
<i>Related Parties</i>	11-37	30.310.773	85.463.633
Derivative Instruments	12	111.937.783	129.858.315
Inventories	13	2.861.204.532	2.219.087.293
Prepaid Expenses	15	92.870.498	145.696.981
<i>Third Parties</i>		92.870.498	145.696.981
Current Income Tax Assets	25	1.080	-
Other Current Assets	26	259.944.124	214.704.523
<b>Non-Current Assets</b>		<b>6.041.930.404</b>	<b>5.374.542.854</b>
Other Receivables	11	2.131.274	3.523.534
<i>Third Parties</i>	11	2.131.274	3.523.534
Derivative Instruments	12	20.116.354	115.803.323
Financial Investments	7	3.228	1.959
Right of Use Assets	14	194.781.774	113.970.640
Investment Properties	17	286.170.000	258.191.053
Property, Plant and Equipment	18	5.341.619.415	4.756.247.998
Intangible Assets	19	6.922.023	23.987.223
<i>Other Intangible Assets</i>	19	6.922.023	23.987.223
Prepaid Expenses	15	46.495.345	-
<i>Third Parties</i>		46.495.345	-
Deferred Tax Assets	35	143.690.991	102.817.124
<b>TOTAL ASSETS</b>		<b>12.203.610.673</b>	<b>11.888.679.570</b>

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

	Notes	Audited	Audited
		Current Period 31.12.2023	Prior Period 31.12.2022
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>4.288.995.797</b>	<b>5.745.461.916</b>
Short-Term Borrowings	8	1.975.890.057	2.470.874.465
Short-Term Portion of Long-Term Borrowings	8	282.572.407	262.101.823
Trade Payables	10	1.235.908.351	1.298.453.846
<i>Third Parties</i>	10	1.235.908.351	1.296.605.388
<i>Related Parties</i>	10-37	-	1.848.458
Employee Benefits	20	52.179.617	32.799.960
Other Payables	11	120.251.639	68.042.004
<i>Third Parties</i>	11	94.019.626	64.303.903
<i>Related Parties</i>	11-37	26.232.013	3.738.101
Deferred Income	15	561.611.237	1.553.073.564
<i>Third Parties</i>		561.611.237	1.553.073.564
Current Income Tax Liabilities	35	19.461.407	36.493.023
Short-Term Provisions	22	41.118.237	23.621.229
<i>Other Short-Term Provisions</i>	22	33.440.017	16.484.006
<i>Short-Term Provisions for Employee Benefits</i>	22-24	7.678.220	7.137.223
Other Current Liabilities	26	2.845	2.002
<b>Non-Current Liabilities</b>		<b>833.259.629</b>	<b>557.497.071</b>
Long-Term Borrowings	8	794.770.268	516.913.962
Long-Term Provisions	22	38.489.361	40.583.109
<i>Long-Term Provisions for Employee Benefits</i>	22-24	38.489.361	40.583.109
<b>EQUITY</b>		<b>7.081.355.247</b>	<b>5.585.720.583</b>
<b>Equity Holders of the Parent</b>	27	<b>7.062.463.397</b>	<b>5.574.026.723</b>
Paid-in Share Capital	27	657.570.000	657.570.000
Adjustment to Share Capital	27	986.907.465	986.907.465
Share Premium	27	219.137.189	219.137.189
Other Comprehensive Income or Expenses not to be reclassified to Profit or Loss	27	1.333.010.046	977.615.490
Other Comprehensive Income or Expenses to be reclassified to Profit or Loss	27	(118.494.751)	(282.263.655)
Restricted Reserves	27	222.923.521	191.316.125
Retained Earnings	27	2.574.705.745	1.859.314.047
Profit for the Period	27	1.186.704.182	964.430.062
Non-Controlling Interests	27	18.891.850	11.693.860
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12.203.610.673</b>	<b>11.888.679.570</b>

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

	Notes	Audited	Audited
		Current Period	Prior Period
		01.01.2023-31.12.2023	01.01.2022-31.12.2022
Revenue	28	15.091.480.796	17.588.426.966
Cost of Sales (-)	28	(12.126.252.301)	(14.483.234.207)
<b>Gross profit from non-finance sector operations</b>		<b>2.965.228.495</b>	<b>3.105.192.759</b>
<b>GROSS PROFIT</b>		<b>2.965.228.495</b>	<b>3.105.192.759</b>
Marketing, Sales and Distribution Expenses (-)	29-30	(756.267.318)	(1.075.697.054)
General Administrative Expenses (-)	29-30	(193.799.599)	(138.117.220)
Research and Development Expenses (-)	29-30	(6.981.383)	(5.309.163)
Other Operating Income	31	257.119.979	288.557.702
Other Operating Expenses (-)	31	(461.081.395)	(423.367.986)
<b>OPERATING PROFIT</b>		<b>1.804.218.779</b>	<b>1.751.259.038</b>
Gains from investment activities	32	450.523.058	298.509.298
Losses from investment activities (-)	32	(16.883.686)	(150.329.567)
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)</b>		<b>2.237.858.151</b>	<b>1.899.438.769</b>
Financial Income	33	436.215.087	333.756.895
Financial Expense (-)	33	(1.360.022.626)	(1.898.965.317)
Net monetary position gains/(losses)		48.455.657	580.172.269
<b>PROFIT BEFORE TAX</b>		<b>1.362.506.269</b>	<b>914.402.616</b>
<b>Tax income/(expense)</b>	35	<b>(176.988.414)</b>	<b>55.602.505</b>
- Current period tax expense		(201.148.900)	(223.873.528)
- Deferred tax income/(expense)		24.160.486	279.476.033
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>1.185.517.855</b>	<b>970.005.121</b>
<b>PROFIT FOR THE PERIOD</b>		<b>1.185.517.855</b>	<b>970.005.121</b>
<b>Attributable to</b>		1.185.517.855	970.005.121
Non-Controlling Interests		(1.186.327)	5.575.059
Equity Holders of the Parent		1.186.704.182	964.430.062
<b>Earnings Per Share</b>			
Earnings Per Share From Continuing Operations	36	1.8047	1.4667

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

	Notes	Audited	Audited
		Current Period	Prior Period
		01.01.2023-31.12.2023	01.01.2022-31.12.2022
<b>PROFIT FOR THE PERIOD</b>	<b>36</b>	<b>1.185.517.855</b>	<b>970.005.121</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not to be reclassified to profit or loss</b>		<b>357.615.643</b>	<b>976.659.577</b>
Property, plant and equipment revaluation surplus		301.277.017	1.193.150.363
Gains/(losses) on remeasurements of defined benefit plans	<b>24</b>	(7.910.165)	(22.642.396)
Adjustments for inflation, net		7.805.913	(1.150.589)
Taxes relating to other comprehensive income not to be reclassified to profit or loss		56.442.878	(192.697.801)
- Deferred tax income/(expense) (PP&E)		54.623.540	(196.598.965)
- Deferred tax income/(expense) (Actuarial)	<b>35</b>	1.819.338	3.901.164
<b>Items to be reclassified to profit or loss</b>		<b>169.932.134</b>	<b>118.430.379</b>
Currency translation differences		49.008.875	19.613.733
Gains/(losses) on cash flow hedges		120.923.259	98.816.646
- Deferred tax income/(expense)			
<b>OTHER COMPREHENSIVE INCOME</b>		<b>527.547.777</b>	<b>1.095.089.956</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1.713.065.632</b>	<b>2.065.095.077</b>
<b>Attributable to</b>		<b>1.713.065.632</b>	<b>2.065.095.077</b>
Non-Controlling Interests		7.197.990	6.379.993
Equity Holders of the Parent		1.705.867.642	2.058.715.084

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**1 OCAK-31 ARALIK 2023 HESAP DÖNEMİNE AİT  
KONSOLİDE ÖZKAYNAKLAR DEĞİŞİM TABLOSU**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

Audited Prior Period	Notes	Paid-in share capital	Adjustment to share capital	Share premium	Items not to be reclassified to profit or loss		Items to be reclassified to profit or loss			Retained Earnings				
					Gains/(losses) on remeasurements of defined benefit plans	Property, plant and equipment revaluation surplus	Currency translation differences	Gains/(losses) on hedge	Restricted reserves	Prior years' income	Profit for the Period	Equity holders of the parent	Non-controlling interests	Total equity
<b>Balances at 1 January 2022 (Beginning of the period)</b>	<b>27</b>	<b>212.000.000</b>	<b>636.077.685</b>	-	<b>(220.140)</b>	-	<b>14.719.069</b>	<b>(413.432.116)</b>	<b>191.316.125</b>	<b>1.196.124.563</b>	<b>663.189.484</b>	<b>2.499.774.670</b>	<b>5.313.867</b>	<b>2.505.088.537</b>
Transfers	27	424.070.000	-	219.137.189	-	-	-	-	-	663.189.484	663.189.484	<b>643.207.189</b>	-	<b>643.207.189</b>
Capital increases		21.500.000	-	-	-	-	-	-	-	-	-	<b>21.500.000</b>	-	<b>21.500.000</b>
Other		-	350.829.780	-	-	-	-	-	-	-	-	<b>350.829.780</b>	-	<b>350.829.780</b>
<b>Total Comprehensive Income</b>		-	-	-	<b>(18.715.768)</b>	<b>996.551.398</b>	<b>17.632.746</b>	<b>98.816.646</b>	-	-	<b>964.430.062</b>	<b>2.058.715.084</b>	<b>6.379.993</b>	<b>2.065.095.077</b>
-Profit for the Period	27	-	-	-	-	-	-	-	-	-	964.430.062	<b>964.430.062</b>	5.575.059	<b>970.005.121</b>
-Other Comprehensive Income		-	-	-	(18.715.768)	996.551.398	17.632.746	98.816.646	-	-	-	<b>1.094.285.022</b>	804.934	<b>1.095.089.956</b>
<b>Balances at 31 December 2022 (End of the period)</b>	<b>27</b>	<b>657.570.000</b>	<b>986.907.465</b>	<b>219.137.189</b>	<b>(18.935.908)</b>	<b>996.551.398</b>	<b>32.351.815</b>	<b>(314.615.470)</b>	<b>191.316.125</b>	<b>1.859.314.047</b>	<b>964.430.062</b>	<b>5.574.026.723</b>	<b>11.693.860</b>	<b>5.585.720.583</b>
<b>Audited Current Period</b>														
<b>Balances at 1 January 2023 (Beginning of the period)</b>	<b>27</b>	<b>657.570.000</b>	<b>986.907.465</b>	<b>219.137.189</b>	<b>(18.935.908)</b>	<b>996.551.398</b>	<b>32.351.815</b>	<b>(314.615.470)</b>	<b>191.316.125</b>	<b>1.859.314.047</b>	<b>964.430.062</b>	<b>5.574.026.723</b>	<b>11.693.860</b>	<b>5.585.720.583</b>
Transfers	27	-	-	-	-	-	-	-	31.607.396	715.391.698	(964.430.062)	<b>(217.430.968)</b>	-	<b>(217.430.968)</b>
<b>Total Comprehensive Income</b>		-	-	-	<b>(506.001)</b>	<b>355.900.557</b>	<b>42.845.645</b>	<b>120.923.259</b>	-	-	<b>1.186.704.182</b>	<b>1.705.867.642</b>	<b>7.197.990</b>	<b>1.713.065.632</b>
-Profit for the Period	27	-	-	-	-	-	-	-	-	-	1.186.704.182	<b>1.186.704.182</b>	(1.186.327)	<b>1.185.517.855</b>
-Other Comprehensive Income		-	-	-	(506.001)	355.900.557	42.845.645	120.923.259	-	-	-	<b>519.163.460</b>	8.384.317	<b>527.547.777</b>
<b>Balances at 31 December 2023 (End of the period)</b>	<b>27</b>	<b>657.570.000</b>	<b>986.907.465</b>	<b>219.137.189</b>	<b>(19.441.909)</b>	<b>1.352.451.955</b>	<b>75.197.460</b>	<b>(193.692.211)</b>	<b>222.923.521</b>	<b>2.574.705.745</b>	<b>1.186.704.182</b>	<b>7.062.463.397</b>	<b>18.891.850</b>	<b>7.081.355.247</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

Notes	Audited Current Period	Audited Prior Period
	01.01.2023-31.12.2023	01.01.2022-31.12.2022
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>PROFIT FOR THE PERIOD</b>	<b>1.185.517.855</b>	<b>970.005.121</b>
Profit for the Period from Continuing Operations	1.185.517.855	970.005.121
<b>Adjustments to reconcile profit for the period to cash generated from operating activities</b>	<b>249.377.795</b>	<b>412.444.245</b>
Depreciation and amortisation	17,18,19 220.775.651	205.495.577
<b>Adjustments for Impairment Loss (Reversal of impairment loss)</b>	<b>10</b>	<b>(8.061.459)</b>
Adjustments for Receivables Impairment (Reversal)	10 (25.869.775)	(8.061.459)
<b>Adjustments for Provisions</b>	<b>22-24</b>	<b>48.565.418</b>
Adjustments for Provision for Employee Benefits (Reversal)	22-24 31.609.407	20.982.480
Adjustments for Other Provisions (Reversal)	22 16.956.011	(752.299)
<b>Adjustments for interest income and expenses</b>	<b>436.794.428</b>	<b>316.347.198</b>
Adjustments for Interest Income	31 480.558.949	431.534.291
Adjustments for Interest Expenses	31 (43.764.521)	(115.187.093)
Adjustments for unrealized currency translation differences	(108.435.075)	(8.303.747)
<b>Adjustments for gains/(losses) on fair value</b>	<b>(443.618.204)</b>	<b>(295.271.355)</b>
Investment properties	17 (27.388.595)	(91.482.590)
Financial assets	(416.229.609)	(203.788.765)
Adjustments for tax income/(expense)	35 160.275.033	128.667.662
Monetary gains/(losses)	(33.382.192)	56.229.064
<b>Adjustments for losses/(gains) on disposal of non-current assets</b>	<b>(5.727.489)</b>	<b>(3.237.944)</b>
Property, plant and equipment	18 (5.727.489)	(3.237.944)
Adjustments for losses/(gains) from the Disposal of Non-Current Assets Held for Sale or Distributions	-	349.068
<b>Changes in Working Capital</b>	<b>(629.900.145)</b>	<b>1.014.032.037</b>
<b>Adjustments for Gains/(Losses) on Trade Receivables</b>	<b>10</b>	<b>756.594.063</b>
Related parties	10-37 (8.479.916)	1.312.776
Third parties	10 765.073.979	(803.040.753)
<b>Adjustments for Gains/(Losses) on Other Receivables Related to Operations</b>	<b>11</b>	<b>41.738.096</b>
Related parties	11-37 55.152.860	1.097.019.495
Third parties	(13.414.764)	(33.646.377)
Changes in Derivative Assets	234.530.760	492.269.946
Changes in Inventories	13 (642.117.239)	(560.389.827)
Changes in Prepaid Expenses	15 6.331.138	(55.526.577)
<b>Adjustments for Gains/(Losses) on Trade Payables</b>	<b>10</b>	<b>(62.545.495)</b>
Related parties	10-37 (1.848.458)	92.561
Third parties	(60.697.037)	240.731.098
Adjustments for gains (losses) on payables due to employee benefits	20 18.873.656	(5.626.960)
<b>Adjustments for Gains/(Losses) on Other Payables Related to Operations</b>	<b>11</b>	<b>52.210.478</b>
Related parties	11-37 22.493.912	(30.799.223)
Third parties	29.716.566	(4.749.053)
Changes in Deferred Income	15 (991.462.327)	891.089.454
Adjustments for gains/(losses) on other changes in working capital	(44.053.275)	(214.704.523)
<b>Cash Flows from Operating Activities</b>	<b>804.995.505</b>	<b>2.396.481.403</b>
Adjustments for gains/(losses) on provisions for employee benefits	22-24 (33.162.158)	(4.747.157)
Income taxes refund/(paid)	35 (218.180.516)	(218.524.344)
<b>Net Cash From Operating Activities</b>	<b>553.652.831</b>	<b>2.173.209.902</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>102.054.274</b>	<b>(965.437.336)</b>
<b>Cash inflows from sale of property, plant and equipment and intangible asset</b>	<b>18</b>	<b>13.183.636</b>
Property, plant and equipment	18 13.183.636	8.298.700
Intangible assets	-	39.224.603
<b>Cash outflows from purchase of property, plant and equipment and intangible assets</b>	<b>18</b>	<b>(438.318.004)</b>
Property, plant and equipment	18 (438.207.649)	(416.633.508)
Intangible assets	(110.355)	(1.742.598)
<b>Cash outflows from purchase of investment properties</b>	<b>(546.874)</b>	<b>(5.942.467)</b>
<b>Cash inflows/(outflows) from dividends and other financial instruments</b>	<b>7</b>	<b>527.735.516</b>
Dividends and other financial instruments	527.735.516	(588.642.066)
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(785.041.722)</b>	<b>(1.294.822.182)</b>
Cash inflows from share premium and other equity instruments	-	591.250.000
Cash inflows from borrowings	(196.657.518)	(1.478.873.494)
Cash outflows from payments of lease liabilities	14 (449.502)	(90.851.490)
Dividends paid	(151.140.274)	-
Interest Paid/Received, net	(436.794.428)	(316.347.198)
<b>D) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(129.334.617)</b>	<b>(87.049.616)</b>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	42.845.645	17.632.746
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(86.488.972)</b>	<b>(69.416.870)</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6</b>	<b>760.411.359</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6</b>	<b>673.922.387</b>

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, 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, Alağa with the title of Kocaer Haddecilik Sanayi ve Ticaret Anonim Şirketi. The title of Kocaer Haddecilik Sanayi ve Ticaret Anonim Şirketi has been changed to Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi on 20 May 2021 and published in Official Gazette numbered 10331. In 2021, the Company was restructured as engage in business activities iron and steel, transportation. In accordance with the restructuring, by merging with all its subsidiaries operating in the business activities of iron and steel, transportation and automotive and excluded other subsidiaries, the Company has a structure that only have iron, steel and transportation.

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

The registered address of the Kocaer Çelik is as follows: Gümüşçay Mahallesi, Menderes Bulvarı, No: 45 Merkezefendi/Denizli

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

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

- İstanbul Branch: Levazım Mahallesi Korlu Sokak Zorlu Center Teras Evler No:307 Beşiktaş/İstanbul,
- Alağa Branch 3: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevkii 19. Cadde No:1 Alağa/İzmir,
- Alağa Branch: Yeni Foça yolu üzeri 3. km Horozgediği Köyü mevkii 19. Cadde No:2 Alağa/İzmir,
- Alağa Branch 2:Yeni Foça yolu üzeri 2. km Sanayi Caddesi Bozköy mevkii No:31 Alağa/İzmir,
- İzmir Alsancak Branch: Akdeniz Mahallesi Şehit Fethibey Caddesi No:55/161 Konak/İzmir,
- Galvanization and Service Center Branch: Bozköy Mahallesi Sanayi Caddesi Dış Kapı No: 31/6 Alağa/İzmir.

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

Shareholders	31.12.2023		31.12.2022	
	Amount	Share (%)	Amount	Share (%)
Hakan KOCAER	500.384.989	76	520.084.989	79
Other	157.185.011	24	137.485.011	21
<b>Total share capital</b>	<b>657.570.000</b>	<b>100</b>	<b>657.570.000</b>	<b>100</b>

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

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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:

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

<b>Investments Accounted for Using the Equity Method (Associate)</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
Kocaer Metal San.ve Tic.A.Ş. <sup>(3) (*)</sup>	Turkey	Iron and Steel

(\*) As of 20 May 2022, Kocaer Metal Sanayi ve Ticaret Anonim Şirketi 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 Anonim Şirketi entered into liquidation process and has not material influence on the consolidated financial statements and therefore, Kocaer Metal is not included in the scope of consolidation for the year ended 31 December 2023. The liquidation process Kocaer Metal Sanayi was completed as of 22 March 2023 and the relevant completion of the liquidation process was published in Official Gazette on 22 March 2023 and numbered 10795.

(\*\*)Kocaer Steel Ireland Limited was established on 23 November 2022 by Kocaer Steel UK LTD and included in the scope of consolidation. The share capital of Kocaer Steel Ireland Limited is amounting to EUR 100. The reason of the establishment of Kocaer Steel Ireland Limited is increasing exports in the European market. As of 31 December 2023, Kocaer Steel Ireland Limited is inactive and has not been carrying on any business or operation.

(\*\*\*) Kocaer Enerji Anonim Şirketi was established on 4 July 2023 and the registration of the establishment was published in Official Gazette on 4 July 2023 and numbered 10863. The registered address of the Kocaer Enerji is as follows: Bozköy Mah. Sanayi Caddesi No:31/2 Aliağa/İzmir Kocaer Enerji's business activities include ensuring the development of projects for producing electricity, steam and heat, to establish facilities by preparing the relevant feasibility, to produce electricity and steam energy in these facilities, and to transport the produced electricity and steam to its customers.

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

- 1- Yağız Nakliyat San. ve Tic. A.Ş. ("Yağız Nakliyat") was established on 18 August 1995. The registered address of Yağız Nakliyat is Menderes Bulvarı No:53 Merkez/Denizli. Yağız Nakliyat's business activities include ensuring domestic and international transportation, cargo, contracting services and commodity trading. Kocaer Çelik acquired Yağız Nakliyat in 2018. Yağız Nakliyat has been consolidated in accordance with the full consolidation method. The abovementioned consolidation has been considered as "business combination under common control" and consolidated retrospectively for the periods presented with pooling of interest method in scope of TFRS 3. Another subsidiary of the Kocaer Çelik is KCR Otomotiv and Yağız Nakliyat acquired KCR Otomotiv on 25 June 2021 through business combination. Voting rights and effective ownership interest of the Group have been disclosed in Note 2.03.
- 2- Kocaer Steel UK LTD (Former title: Mymetal LTD) was established on 14 January 2013. The registered address of My Metal is 204 Field End Road Eastcote Pinner Middlesex Ha5 1Rd London England. MY Metal's business activities include wholesale of iron and steel products. My Metal has been consolidated in accordance with the full consolidation method. Kocaer Çelik acquired My Metal in 2015. The abovementioned consolidation has been considered as "business combination under common control" in the accompanying consolidated financial statements. Voting rights and effective ownership interest of the Group have been disclosed in Note 2.03. The title of Mymetal Limited was changed and registered as Kocaer Steel UK Limited on 29 September 2022.
- 3- Kocaer Metal San. A.Ş. was established on 14 February 2012. The business title of Kocaer Çelik Endüstrisi San.ve Tic.A.Ş. has been changed to Kocaer Metal San. A.Ş. on 11 May 2021 and published in Official Gazette numbered 250. The registered address of Kocaer Metal is Yeni Foça Yolu 2.Km Sanayi Caddesi Bozköy Köyü Mevkii Aliağa/İzmir. Kocaer Metal has been accounted for using the equity method in the accompanying consolidated financial statements. Kocaer Metal's business activities include purchasing,

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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 2023. The relevant completion of the liquidation process was published in Official Gazette on 22 March 2023 and numbered 10795.

- 4- Kocaer Enerji Anonim Şirketi was established on 4 July 2023 and included in the scope of consolidation. The registration of the establishment was published in Official Gazette on 4 July 2023 and numbered 10863. The registered address of the Kocaer Enerji is Bozköy Mah. Sanayi Caddesi No:31/2 Aliağa/İzmir. Kocaer Enerji's business activities include ensuring the development of projects for producing electricity, steam and heat, to establish facilities by preparing the relevant feasibility, to produce electricity and steam energy in these facilities, and to transport the produced electricity and steam to its customers. Voting rights and effective ownership interest of the Group have been disclosed in Note 2.03. The current issued share capital of Kocaer Enerji comprise of 300.000 number of outstanding shares each with a nominal value of TL 1. Accordingly, current share capital of Kocaer Enerji is amounting to TL 300.000.000. The amount of TL 3.000.000 representing 3.000 number of outstanding shares was committed to paid-in cash by Hakan Kocaer and the remaining amount of TL 297.000.000 representing 297.000 number of outstanding shares was committed to paid-in cash by Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi. Kocaer Çelik Sanayi ve Ticaret Anonim Şirketi has paid its capital commitment during the period.

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

Total end of period and average number of personnel employed by Kocaer Çelik is 943 (31 December 2022: 887).

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS****2.01 Basis of presentation**

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

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

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

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



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**Reporting currency**

## i) Functional and presentation currency

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

## ii) Transactions and balances

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

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

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

The year-end and average rates for the years ended 31 December 2023 and 2022 can be summarized as below:

	31.12.2023	31.12.2022
GBP - as of balance sheet date	36.7131	22.4892
GBP -average	29.5220	20.3180

**2.02 Adjustments of Financial Statements in Hyperinflationary Periods***Financial Reporting in Hyperinflationary Economies*

In accordance with TAS 29 "Financial Reporting in Hyperinflation Economies" which requires entities whose functional currency is that of a hyperinflationary economy to prepare their consolidated financial statements in terms of the measuring unit current at the end of the reporting period. In a hyperinflation economy, it is not meaningful and useful to report operating results and financial position in the local currency without adjustment. Money loses its purchasing power in such a proportion that comparing the amounts of transactions or other events that occurred at different times is misleading, even in the same accounting period. Hyperinflation is determined by a country's economic characteristics, including, but not limited to:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power.
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages, and prices are linked to a "Price index"; and
- The cumulative inflation rate over three years approaches, or exceeds, 100%.

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The restatement in accordance with TAS 29 has been made by using the adjustment factor derived from the Consumer Price Index ("CPI") in Turkey published by the Turkish Statistical Institute ("TURKSTAT"). As at 31 December 2023, the indices and adjustment factors used in the restatement of the financial statements are as follows:

Date	Index	Adjustment coefficient	Three-year cumulative inflation rates
31.12.2023	1.859,38	1.00000	268%
31.12.2022	1.128,45	1.64773	156%
31.12.2021	686,95	2.70672	74%

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

In accordance with the CMB's resolution numbered 81/1820 on 28 December 2023, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 beginning with the annual financial statements for the accounting periods ending on 31 December 2023.

Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority ("POA") on 23 November 2023, entities applying Turkish Financial Reporting Standards ("TFRSs") are required to present their financial statements by adjusting for the material influence of inflation for the comparative annual reporting period ending on or after 31 December 2022 and opening balances starting from 1 January 2022, in accordance with the accounting principles specified in TAS 29.

Accordingly, the financial statements and relevant amounts for prior periods have been restated for changes in the general purchasing power of the functional currency. Thus, those financial statements and relevant amounts are expressed in the measuring unit effective at the end of the reporting period in accordance with TAS 29.

The main components of the Company's restatement for financial reporting purposes in hyperinflationary economies are as follows:

- As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant price index coefficients. Prior year amounts are also restated in the same way.
- Monetary assets and liabilities are expressed in terms of the purchasing power at the balance sheet date and are therefore not subject to restatement. Monetary items are cash and items to be received or paid in cash.
- Non-current assets, subsidiaries and similar assets are indexed to their acquisition costs, which do not exceed their market values. Depreciation has been adjusted in a similar manner. Amounts included in equity have been restated by applying general price indices for the periods in which they were contributed to or arose within the Company.
- All items in the statement of profit or loss, except for the effects of non-monetary items in the statement of financial position and in the statement of profit or loss, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognised in the financial statements.
- The gain or loss arising on the net monetary position as a result of general inflation is the difference between the adjustments to non-monetary assets, equity items and profit or loss accounts. This gain or loss on the net monetary position is included in net profit.

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The material influence and impact of the application of inflation accounting in accordance with TAS 29 are summarised below:

Restatement of the Statement of Financial Position

Amounts in the statement of financial position that are not expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated because they are expressed in the currency of the reporting period. Non-monetary items are required to be restated unless they are expressed in terms of the currency in effect at the end of the reporting period.

The gain or loss on the net monetary position arising on restatement of non-monetary items is recognised in profit or loss and presented separately in the statement of comprehensive income.

Restatement of the Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts have been restated by applying changes in the monthly general price index.

Cost of inventories sold has been restated using the restated inventory balance. Depreciation and amortisation charges have been restated using the restated balances of property, plant and equipment, intangible assets and right-of-use assets.

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Consolidated financial statements

The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated by applying the general price index before they are included in the consolidated financial statements prepared by the parent company.

Subsidiaries of the Group whose functional currency is other than Turkish Lira have been translated to the purchasing power of 31 December 2023. If financial statements with different reporting period endings are subject to consolidation, all items, whether monetary or non-monetary, are restated according to the measuring unit in effect at the date of the consolidated financial statements.

Comparative figures

Relevant figures for the prior reporting period are restated by applying the general price index so that the comparative financial statements are presented in the measuring unit applicable at the end of the reporting period. Information disclosed for prior periods is also expressed in terms of the measuring unit current at the end of the reporting period.

**2.03 Basis of Consolidation and Group Accounting**

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

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

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**Subsidiaries**

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

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Kocaer Çelik and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Kocaer Çelik and its subsidiaries are eliminated during the consolidation. The carrying value of the investment held by Kocaer Çelik and its subsidiaries is eliminated against the related equity and other equity items and non-controlling interest are reflected to the consolidated financial statements.

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

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

Subsidiaries	Proportion of voting rights and effective ownership interests held by Kocaer Çelik (%)	
	31.12.2023	31.12.2022
Yağız Nakliyat San. Ve Tic. A.Ş.	90.81	90.81
Kocaer Steel UK LTD	90	89.9
Kocaer Enerji A.Ş.	99	-

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

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

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

**Business combinations under common control**

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

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

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

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

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

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

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

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

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

**2.04 Comparatives and Adjustment of Prior Periods' Financial Statements**

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

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

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

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**2.05 Changes in Accounting Policies**

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

**2.06 Changes in Accounting Estimates and Errors**

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

**2.07 Offsetting**

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

**2.08 Summary of Significant Accounting Policies**

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

**2.08.01 Revenue Recognition**

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

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

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

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

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

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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 Anonim Şirketi authorized by CMB. In accordance with the appraisal report prepared by the firm on 5-13-20 December 2023 and subsequently, property, plant and equipment carried at their fair value less accumulated depreciation in the accompanying consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

**2.08.04 Intangible Assets and related amortisation**

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

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

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

Research and development costs (R&D);

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.

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

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

- Charge all research cost to expense
- Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.
- If an entity cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only.

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

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

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

**2.08.05 Impairment of Assets**

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

**2.08.06 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The financing costs of borrowings attributable to ongoing investments are capitalised until the completion of the investments. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

**2.08.07 Financial Instruments**

TFRS 9 "Financial Instruments"

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

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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.

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

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

## ii) Impairment of financial assets;

IFRS 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 IFRS 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.

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Under IFRS 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 (IFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

## Credit-impaired financial assets

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

## Presentation of impairment

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

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

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

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**2.08.11 Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

**2.08.12 Related Parties**

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

**2.08.13 Government Grants**

The Group is entitled to have 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 statutory tax rates that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax assets and liabilities are determined by calculating the temporary differences between the amounts shown in the financial statements and the amounts considered in the statutory tax base in accordance with the balance sheet method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liability or asset is not calculated in respect of temporary timing differences arising from the initial recognition of assets or liabilities other than goodwill or business combinations and which do not affect both commercial and financial profit/loss.

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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.

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**2.08.16 Statement of Cash Flow**

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

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

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

**2.08.17 Investment Properties**

Investment properties that are held in the production of supply of goods or services 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 Anonim Şirketi authorized by CMB. In accordance with the appraisal report prepared by the firm, investment properties carried at their fair value on 5-13-20 December 2023 in the accompanying consolidated financial statements for the year ended 31 December 2023. The detailed information regarding investment properties is disclosed under **Note 17**.

**2.08.18 Leases****Group - as a lessee**

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

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



**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

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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" 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.

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

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

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

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

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

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

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

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

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

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

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

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

- 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.
- 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:

- The restructuring shall extend the scope of the lease by adding the right of use on one or more underlying assets; and
- The increase in the lease amount by the appropriate price adjustment to reflect the price of the increase alone and the terms of the relevant contract.

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

**Group - as a Lessor**

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

**2.09 Significant Accounting Judgements, Estimates and Assumptions**

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

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

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

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

- 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**).
- 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 2023 and 2022 (**Note 22**).
- In determining the impairment of trade receivables, creditworthiness of debtors, past payment performances and restructuring conditions, collaterals of mortgages and receivable insurance amounts taken into consideration. In accordance with the transition to TFRS 9 standard, "Expected Credit Loss" (ECL) has been superseded TAS 39 "Incurred Loss" model (**Note 10**).
- The Group has calculated the deferred tax in accordance with TAS and TFRS and reflected to the consolidated financial statements (**Note 35**).
- 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 2023, the Group has prepared its consolidated financial statements with the assumption on the Group's ability to continue its operations in the foreseeable future as a going concern basis of accounting.

**2.12 New and Revised Turkish Financial Reporting Standards****The new standards, amendments, and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2023 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TFRS/TAS") and interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations and interpretations to the existing previous standards which are effective as of 31 December 2023 are as follows:****Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On 15 January 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 in the process of assessing the material influence of the amendments on financial position or performance of the Group.

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

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

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. The amendments did not have a significant material influence on the financial position or performance of the Group.

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

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This amendment introduces a temporary exception to the accounting for deferred tax assets and liabilities related to Pillar Two income taxes. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023. The amendments did not have a significant material influence on the financial position or performance of the Group.

**Standards issued but not yet effective and not early adopted**

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

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**Amendment to TAS 1 - Non-current liabilities with covenants**

The standard is effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

**Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements**

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

**Amendment to TFRS 16 - Leases on sale and leaseback**

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

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

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

**TSRS 2 Climate-related Disclosures**

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**NOTE 3 - BUSINESS COMBINATIONS****Business combination transactions with non-controlling interests**

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

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

**Business combinations under common control**

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

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

**NOTE 4 - DISCLOSURE OF INTERESTS IN OTHER ENTITIES**

None.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

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**NOTE 5 - SEGMENT REPORTING**

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

Operating segments which have been prepared in accordance with the reportable segments of Kocaer Çelik for the years ended 31 December 2023 and 2022 are as follows:

**31.12.2023**

	Steel	Transportation	Energy	Elimination/ Adjustments	Total
Revenue	15.744.465.965	142.935.619	17.564	(795.938.352)	15.091.480.796
Cost of Sales (-)	(12.803.152.722)	(146.072.821)	-	822.973.242	(12.126.252.301)
<b>Gross Profit from Non-Finance Sector Operations</b>	<b>2.941.313.243</b>	<b>(3.137.202)</b>	<b>17.564</b>	<b>27.034.890</b>	<b>2.965.228.495</b>
<b>GROSS PROFIT</b>	<b>2.941.313.243</b>	<b>(3.137.202)</b>	<b>17.564</b>	<b>27.034.890</b>	<b>2.965.228.495</b>
Marketing, Sales and Distribution Expenses (-)	(756.267.318)	-	-	-	(756.267.318)
General Administrative Expenses (-)	(191.269.443)	(2.363.282)	(166.874)	-	(193.799.599)
Research and Development Expenses (-)	(6.871.613)	-	-	(109.770)	(6.981.383)
Other Operating Income	299.555.728	497.894	1.102.048	(44.035.691)	257.119.979
Other Operating Expenses (-)	(460.973.820)	(494.500)	(840.221)	1.227.146	(461.081.395)
<b>OPERATING PROFIT</b>	<b>1.825.486.777</b>	<b>(5.497.090)</b>	<b>112.517</b>	<b>(15.883.425)</b>	<b>1.804.218.779</b>
Share of profit/loss of investments accounted for using the equity method	-	-	-	-	-
Gains from investment activities	450.523.058	-	-	-	450.523.058
Losses from investment activities (-)	(16.883.686)	-	-	-	(16.883.686)
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</b>	<b>2.259.126.149</b>	<b>(5.497.090)</b>	<b>112.517</b>	<b>(15.883.425)</b>	<b>2.237.858.151</b>
Financial Income	436.198.874	16.214	8.795.210	(8.795.211)	436.215.087
Financial Expense (-)	(1.368.283.461)	(6.786)	(527.589)	8.795.210	(1.360.022.626)
Net Monetary Position Gains/(Losses)	12.886.802	16.666.709	18.902.146	-	48.455.657
<b>PROFIT BEFORE TAX</b>	<b>1.339.928.364</b>	<b>11.179.047</b>	<b>27.282.284</b>	<b>(15.883.426)</b>	<b>1.362.506.269</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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**31.12.2022**

	Steel	Transportation	Elimination/ Adjustments	Total
Revenue	18.453.963.156	109.218.420	(974.754.610)	17.588.426.966
Cost of Sales (-)	(15.312.776.942)	(118.177.456)	947.720.191	(14.483.234.207)
<b>Gross Profit from Non-Finance Sector Operations</b>	<b>3.141.186.214</b>	<b>(8.959.036)</b>	<b>(27.034.419)</b>	<b>3.105.192.759</b>
<b>GROSS PROFIT</b>	<b>3.141.186.214</b>	<b>(8.959.036)</b>	<b>(27.034.419)</b>	<b>3.105.192.759</b>
Marketing, Sales and Distribution Expenses (-)	(1.075.697.054)	-	-	(1.075.697.054)
General Administrative Expenses (-)	(136.755.064)	(1.453.003)	90.847	(138.117.220)
Research and Development Expenses (-)	(5.309.163)	-	-	(5.309.163)
Other Operating Income	288.204.175	789.377	(435.850)	288.557.702
Other Operating Expenses (-)	(423.002.915)	(710.074)	345.003	(423.367.986)
<b>OPERATING PROFIT</b>	<b>1.788.626.193</b>	<b>(10.332.736)</b>	<b>(27.034.419)</b>	<b>1.751.259.038</b>
Share of profit/loss of investments accounted for using the equity method	-	-	-	-
Gains from investment activities	298.436.528	72.770	-	298.509.298
Losses from investment activities (-)	(150.329.567)	-	-	(150.329.567)
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</b>	<b>1.936.733.154</b>	<b>(10.259.966)</b>	<b>(27.034.419)</b>	<b>1.899.438.769</b>
Financial Income	333.756.120	775	-	333.756.895
Financial Expense (-)	(1.898.945.304)	(20.013)	-	(1.898.965.317)
Net Monetary Position Gains/(Losses)	558.618.063	21.554.206	-	580.172.269
<b>PROFIT BEFORE TAX</b>	<b>930.162.033</b>	<b>11.275.002</b>	<b>(27.034.419)</b>	<b>914.402.616</b>

**NOTE 6 - CASH AND CASH EQUIVALENTS**

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

Account Name	31.12.2023	31.12.2022
Cash on hand	115.479	117.811
Banks	673.806.908	760.269.326
- Demand deposits	594.170.091	443.602.178
- Time deposits	79.636.817	316.667.148
Other	-	24.222
<b>Cash and cash equivalents, net</b>	<b>673.922.387</b>	<b>760.411.359</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

	31.12.2023		31.12.2022	
Cash on hand	Original currency amount	TL equivalent	Original currency amount	TL equivalent
TL	47.349	47.349	18.862	18.863
USD	3	88	1.235	38.023
EUR	2.090	68.042	1.855	60.889
GBP	-	-	1	36
<b>Total</b>		<b>115.479</b>		<b>117.811</b>

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

	31.12.2023		31.12.2022	
Banks	Original currency amount	TL equivalent	Original currency amount	TL equivalent
TL	86.375.040	86.375.040	67.357.886	110.987.609
USD	14.731.636	433.672.844	18.155.355	559.361.931
EUR	624.921	20.356.119	2.345.736	77.051.196
GBP	3.562.950	133.402.905	572.212	12.868.590
<b>Total</b>		<b>673.806.908</b>		<b>760.269.326</b>

As of 31 December 2023 and 2022, the breakdown of time deposits including maturity analysis and annual effective interest rate is as follows:

	31.12.2023		31.12.2022	
Banks	Original currency amount	Annual effective interest rate (%)	Original currency amount	Annual effective interest rate (%)
TL	79.636.817	29-38	9.185.719	12.50-13.50
USD	-	-	307.481.429	1.47
<b>Total</b>	<b>79.636.817</b>		<b>316.667.148</b>	

	31.12.2023	31.12.2022
<b>Maturity</b>		
1-30 days	79.636.817	315.722.112
30-90 days	-	945.036
<b>Total</b>	<b>79.636.817</b>	<b>316.667.148</b>

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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**NOTE 7 - FINANCIAL INVESTMENTS**

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

Account Name	31.12.2023	31.12.2022
Financial assets at fair value through profit or loss <sup>(*)</sup>	680.921.696	792.428.872
<b>Short-term financial investments, net</b>	<b>680.921.696</b>	<b>792.428.872</b>

(\*) 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 2023.

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

Account Name	31.12.2023	31.12.2022
Kocaer Steel Ireland Limited <sup>(*)</sup>	3.228	1.959
<b>Total</b>	<b>3.228</b>	<b>1.959</b>

(\*)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 2023, Kocaer Steel Ireland Limited is inactive and has not been carrying on any business or operation.

**NOTE 8 - BORROWINGS**

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

Account Name	31.12.2023	31.12.2022
Bank borrowings	1.920.181.948	2.309.170.320
Finance lease liabilities	52.184.327	157.677.194
Lease liabilities	2.087.697	3.378.649
Other	1.436.085	648.302
<b>Short-term borrowings, net</b>	<b>1.975.890.057</b>	<b>2.470.874.465</b>

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

Account Name	31.12.2023	31.12.2022
Principal and interest installments of long-term borrowings	282.572.407	262.101.823
<b>Short-term portion of long-term borrowings, net</b>	<b>282.572.407</b>	<b>262.101.823</b>

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

Account Name	31.12.2023	31.12.2022
Bank borrowings	630.305.728	300.613.997
Finance lease liabilities	20.333.049	111.665.418
Lease liabilities	144.131.491	104.634.547
<b>Long-term borrowings, net</b>	<b>794.770.268</b>	<b>516.913.962</b>

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Repayment schedule of borrowings is as follows:

Bank borrowings (Loans)	31.12.2023	31.12.2022
0-3 months	955.440.369	463.089.792
4-12 months	1.248.750.071	2.108.830.653
13-36 months	630.305.728	300.613.997
<b>Total</b>	<b>2.834.496.168</b>	<b>2.872.534.442</b>

Finance lease liabilities	31.12.2023	31.12.2022
0-3 months	20.191.366	40.840.145
4-12 months	31.992.961	116.837.049
13-36 months	20.333.049	106.700.389
36-60 months	-	4.965.029
<b>Total</b>	<b>72.517.376</b>	<b>269.342.612</b>

Lease liabilities	31.12.2023	31.12.2022
0-3 months	796.059	1.079.090
4-12 months	1.291.638	2.299.559
1 year and over	144.131.491	104.634.547
<b>Total</b>	<b>146.219.188</b>	<b>108.013.196</b>

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

**31.12.2023**

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	1.064.577.356	1.064.577.356	4.09%-40.50%
EUR	4.334.337	141.652.647	2.17% - 4.76%
USD	44.626.042	1.318.052.470	4.86%-10.88%
GBP	8.285.246	310.213.695	7.50%
<b>Total</b>		<b>2.834.496.168</b>	

**31.12.2022**

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	1.541.394.585	1.541.394.585	6%-20%
EUR	9.199.484	303.175.920	3% - 6%
USD	33.254.979	1.027.963.937	4%-7%
<b>Total</b>		<b>2.872.534.442</b>	

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(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

**31.12.2023**

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	80.554	80.554	13%
EUR	127.140	4.155.122	4%-9%
USD	2.311.852	68.281.700	5%-7%
<b>Total</b>		<b>72.517.376</b>	

**31.12.2022**

Currency	Original currency amount	TL equivalent	Annual effective interest rate (%)
TL	372.655	372.654	15%
EUR	3.835.029	126.386.254	1%-5%
USD	4.612.631	142.583.704	1%-4%
<b>Total</b>		<b>269.342.612</b>	

**NOTE 9 - OTHER FINANCIAL LIABILITIES**

None.

**NOTE 10 - TRADE RECEIVABLES AND PAYABLES**

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

Account Name	31.12.2023	31.12.2022
Trade Receivables from Third Parties	1.245.960.882	1.985.165.086
-Customers	1.088.027.392	1.703.423.141
-Notes receivables	157.933.490	281.741.945
- Doubtful trade receivables	14.919.304	29.850.837
- Provision for doubtful trade receivables (-)	(14.919.304)	(29.850.837)
Trade Receivables from Related Parties (Note 37)	8.875.099	395.183
<b>Short-term trade receivables, net</b>	<b>1.254.835.981</b>	<b>1.985.560.269</b>

The movements of provision for doubtful receivables are as follows:

	01.01.2023 31.12.2023	01.01.2022 31.12.2022
<b>Beginning of the period - 1 January</b>	<b>29.850.837</b>	<b>59.314.270</b>
Increases during the period	456.495	10.737.700
Provisions no longer required	(4.458.760)	(18.033.948)
Inflation adjustments	(10.929.268)	(22.167.185)
<b>End of the period - 31 December</b>	<b>14.919.304</b>	<b>29.850.837</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

Account Name	31.12.2023	31.12.2022
Trade Payables to Third Parties	1.235.908.351	1.296.605.388
- Suppliers	1.235.908.351	1.296.605.388
Trade Payables to Related Parties (Note 37)	-	1.848.458
<b>Short-term trade payables, net</b>	<b>1.235.908.351</b>	<b>1.298.453.846</b>

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

**NOTE 11 - OTHER RECEIVABLES AND PAYABLES**

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

Account Name	31.12.2023	31.12.2022
Other Receivables from Third Parties	195.731.415	180.925.471
- Deposits and guarantees given	6.494.082	15.523.500
- Receivables from tax office	180.263.952	159.376.093
- Due from employee	940.087	552.924
- Other	8.033.294	5.472.954
Other Receivables from Related Parties (Note 37)	30.310.773	85.463.633
<b>Short-term other receivables, net</b>	<b>226.042.188</b>	<b>266.389.104</b>

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

Account Name	31.12.2023	31.12.2022
Other Receivables from Third Parties	2.131.274	3.523.534
- Deposits and guarantees given	2.131.274	3.523.534
<b>Long-term other receivables, net</b>	<b>2.131.274</b>	<b>3.523.534</b>

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

Account Name	31.12.2023	31.12.2022
Other Payables to Third Parties	94.019.626	64.303.903
- Other	27.621.940	15.726.900
- Other liabilities	193.361	128.212
- Taxes payable	66.055.765	48.299.377
- Other payables	148.560	149.414
Other Payables to Related Parties (Note 37)	26.232.013	3.738.101
<b>Short-term other payables, net</b>	<b>120.251.639</b>	<b>68.042.004</b>

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

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**NOTE 12 - DERIVATIVE INSTRUMENTS**

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

Account Name	31.12.2023	31.12.2022
Derivative assets	111.937.783	129.858.315
<b>Total</b>	<b>111.937.783</b>	<b>129.858.315</b>

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

Account Name	31.12.2023	31.12.2022
Derivative assets	20.116.354	115.803.323
<b>Total</b>	<b>20.116.354</b>	<b>115.803.323</b>

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

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

In accordance with the currency risk management strategy determined by the Group management, unrealized firm commitment applies hedge accounting to hedge the currency risk component of the fair value risk and hedge the cash flow risk of the highly probable forecast transaction currency risk component and is formed on the hedged item and the hedging instrument. The Group aims to present a precise statement of profit or loss 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 2023 and 2022, the breakdown of inventories is as follows:

Account Name	31.12.2023	31.12.2022
Raw materials and supplies	769.906.904	483.599.098
Finished goods	1.439.692.872	1.155.728.916
Merchandise	643.214.521	572.624.407
Other inventories	8.390.235	7.134.872
<b>Total</b>	<b>2.861.204.532</b>	<b>2.219.087.293</b>

Movements of provision for impairment on inventories are as follows:

	01.01.2023	01.01.2022
	31.12.2023	31.12.2022
Beginning of the period - 1 January	-	(754.471)
Increases during the period	-	-
Reversals (-)	-	754.471
<b>End of the period - 31 December</b>	<b>-</b>	<b>-</b>

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**NOTE 14 - RIGHT OF USE ASSETS**

As of 31 December 2023 and 2022, the movements for right of use assets, and related depreciation are as follows:

**31.12.2023**

Cost	Opening balance - 1 January 2022	Additions	Disposals	Currency translation differences	Closing balance - 31 December 2023
Motor vehicles	18.887.177	647.817	-	-	19.534.994
Buildings	126.751.766	162.040	(360.355)	117.965.290	244.518.741
<b>Total</b>	<b>145.638.943</b>	<b>809.857</b>	<b>(360.355)</b>	<b>117.965.290</b>	<b>264.053.735</b>

Accumulated depreciation (-)	Opening balance - 1 January 2022	Current period depreciation	Disposals	Currency translation differences	Closing balance - 31 December 2023
Motor vehicles	(11.439.226)	(3.729.242)	-	-	(15.168.468)
Buildings	(20.229.077)	(24.344.201)	-	(9.530.215)	(54.103.493)
<b>Total</b>	<b>(31.668.303)</b>	<b>(28.073.443)</b>	<b>-</b>	<b>(9.530.215)</b>	<b>(69.271.961)</b>
<b>Net book value</b>	<b>113.970.640</b>				<b>194.781.774</b>

**31.12.2022**

Cost	Opening balance - 1 January 2022	Additions	Disposals	Currency translation differences	Closing balance - 31 December 2022
Motor vehicles	15.481.525	3.405.652	-	-	18.887.177
Buildings	29.618.224	90.213.753	-	6.919.789	126.751.766
<b>Total</b>	<b>45.099.749</b>	<b>93.619.405</b>	<b>-</b>	<b>6.919.789</b>	<b>145.638.943</b>

Accumulated depreciation (-)	Opening balance - 1 January 2022	Current period depreciation	Disposals	Currency translation differences	Closing balance - 31 December 2022
Motor vehicles	(7.501.348)	(3.937.878)	-	-	(11.439.226)
Buildings	(7.725.769)	(11.119.350)	-	(1.383.958)	(20.229.077)
<b>Total</b>	<b>(15.227.117)</b>	<b>(15.057.228)</b>	<b>-</b>	<b>(1.383.958)</b>	<b>(31.668.303)</b>
<b>Net book value</b>	<b>29.872.632</b>				<b>113.970.640</b>



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**NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME**

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

Account Name	31.12.2023	31.12.2022
Prepaid Expenses to Third Parties	92.870.498	145.696.981
<i>Short-term prepaid expenses</i>	<i>19.203.706</i>	<i>29.625.842</i>
<i>Advances given for purchases</i>	<i>73.192.584</i>	<i>115.918.628</i>
<i>Advances given to employee</i>	<i>306.035</i>	<i>137.981</i>
<i>Business cash advances</i>	<i>168.173</i>	<i>14.530</i>
<b>Short-term prepaid expenses, net</b>	<b>92.870.498</b>	<b>145.696.981</b>

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

Account Name	31.12.2023	31.12.2022
Advances given for non-current assets <sup>(*)</sup>	46.495.345	-
<b>Long-term prepaid expenses, net</b>	<b>46.495.345</b>	<b>-</b>

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

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

Account Name	31.12.2023	31.12.2022
Deferred Income from Third Parties	561.611.237	1.553.073.564
<i>Short-term deferred income</i>	<i>-</i>	<i>588.834</i>
<i>Advances received<sup>(*)</sup></i>	<i>561.611.237</i>	<i>1.552.484.730</i>
<b>Short-term deferred income, net</b>	<b>561.611.237</b>	<b>1.553.073.564</b>

(\*) Includes advances received from domestic and foreign customers

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

**NOTE 16 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

As of 20 May 2022, Kocaer Metal Sanayi ve Ticaret Anonim Şirketi 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 Anonim Şirketi entered into liquidation process and has no material influence on the consolidated financial statements and therefore, Kocaer Metal is not included in the scope of consolidation for the year ended 31 December 2023. The liquidation process of Kocaer Metal was completed as of 22 March 2023 and the relevant completion of the liquidation process was published in Official Gazette on 22 March 2023 and numbered 10795.

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**NOTE 17 - INVESTMENT PROPERTIES**

As of 31 December 2023 and 2022, the functional breakdown and relevant financial information regarding investment properties are as follows:

**31.12.2023**

Cost	Opening balance - 1 January 2023			Revaluation surplus	Closing balance - 31 December 2023
	Additions	Disposals	Transfers		
Land	116.857.012	-	-	20.287.988	137.145.000
Buildings <sup>(*)</sup>	141.334.041	590.352	-	7.100.607	149.025.000
<b>Total</b>	<b>258.191.053</b>	<b>590.352</b>	<b>-</b>	<b>27.388.595</b>	<b>286.170.000</b>

(\*) Kocaer Steel UK LIMITED included in the scope of consolidation, acquired a building amounting to GBP 1.240.000 equivalent of TL 43.938.138 on 12 September 2023. As of 31 December 2023, the Group management assessed the purpose of the building and decided the recognise the building as an "investment property" in the accompanying consolidated financial statement.

The fair value of the investment properties was determined as of 20 December 2023 and the changes in fair value were reflected to the consolidated financial statements for the year ended 31 December 2023. In the determination of the fair values of the investment properties as of 20 December 2023, the fair values determined as a result of the appraisal studies carried out by Elit Gayrimenkul Değerleme Anonim Şirketi, 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 2023, the detailed information of investment properties is as follows:

31.12.2023	Net book value	2023 appraisal value	2023 revaluation surplus	Accumulated revaluation surplus
Aliağa 393 No'lu Parsel	80.615.190	86.695.000	6.079.810	40.261.115
Ankara 15 Adet B.B.	45.205.404	44.745.000	(460.404)	18.829.943
Denizli Zeytinköy Dupleks Mesken	10.731.191	14.825.000	4.093.809	3.414.079
Kuşpınar 2 Arsa + Villa	36.242.930	49.140.000	12.897.070	22.519.966
Denizli Cankurtaran Arsa	10.347.736	13.580.000	3.232.264	7.435.740
İstanbul Acarkent Villa	75.638.954	77.185.000	1.546.046	26.410.339
<b>Total</b>	<b>258.781.405</b>	<b>286.170.000</b>	<b>27.388.595</b>	<b>118.871.182</b>

**31.12.2022**

Cost	Opening balance - 1 January 2023			Revaluation surplus	Closing balance - 31 December 2023
	Additions	Disposals	Transfers		
Land	73.081.604	-	-	43.775.408	116.857.012
Buildings	87.684.392	5.942.467	-	47.707.182	141.334.041
<b>Total</b>	<b>160.765.996</b>	<b>5.942.467</b>	<b>-</b>	<b>91.482.590</b>	<b>258.191.053</b>

31.12.2022	Net book value	2022 appraisal value	2022 revaluation surplus	Accumulated revaluation surplus
Aliağa 393 No'lu Parsel	46.433.885	80.615.190	34.181.305	34.181.305
Ankara 15 Adet B.B.	25.915.125	45.205.473	19.290.347	19.290.347
Denizli Zeytinköy Dupleks Mesken	11.266.395	10.586.665	(679.729)	(679.729)
Kuşpınar 2 Arsa + Villa	26.174.038	35.796.934	9.622.896	9.622.896
Denizli Cankurtaran Arsa	6.144.268	10.347.744	4.203.476	4.203.476
İstanbul Acarkent Villa	50.774.752	75.639.046	24.864.293	24.864.293
<b>Total</b>	<b>166.708.463</b>	<b>258.191.052</b>	<b>91.482.588</b>	<b>91.482.588</b>

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**NOTE 18 - PROPERTY, PLANT AND EQUIPMENT**

As of 31 December 2023 and 2022, the movements for property, plant and equipment, and related depreciation are as follows:

**31.12.2023**

Cost	Opening balance - 1 January 2023	Additions	Disposals	Transfers	Revaluation surplus	Closing balance - 31 December 2023
Land	2.188.866.842	2.128.584	-	-	96.040.224	2.287.035.650
Land improvements	33.822.085	-	-	-	-	33.822.085
Buildings	1.111.362.191	17.931.470	(1.448.575)	-	81.899.499	1.209.744.585
Plant, machinery and equipment	1.645.763.979	38.225.518	(1.846.212)	309.993.905	75.754.712	2.067.891.902
Motor vehicles	144.298.113	65.215.175	(13.321.810)	-	8.737.651	204.929.129
Furniture and fixtures	106.285.216	6.461.099	(356.660)	-	8.464.275	120.853.930
Other property, plant and equipment	276.629	-	-	-	-	276.629
Leasehold improvements	5.767.212	-	-	-	-	5.767.212
Constructions in progress	759.353.746	367.487.664	-	(309.993.905)	-	816.847.505
<b>Total</b>	<b>5.995.796.013</b>	<b>497.449.510</b>	<b>(16.973.257)</b>	<b>-</b>	<b>270.896.361</b>	<b>6.747.168.627</b>

Accumulated depreciation (-)	Opening balance - 1 January 2023	Current period depreciation	Disposals	Transfers	Revaluation surplus	Closing balance - 31 December 2023
Land improvements	(12.317.635)	(2.050.184)	-	-	-	(14.367.819)
Buildings	(136.111.478)	(26.255.831)	105.429	-	-	(162.261.880)
Plant, machinery and equipment	(957.297.123)	(113.180.466)	5.060.605	-	-	(1.065.416.984)
Motor vehicles	(63.910.510)	(23.234.473)	4.002.949	-	-	(83.142.034)
Furniture and fixtures	(65.782.197)	(10.159.754)	348.126	-	-	(75.593.825)
Other property, plant and equipment	(69.457)	(92.215)	-	-	-	(161.672)
Leasehold improvements	(4.059.615)	(545.383)	-	-	-	(4.604.998)
Constructions in progress	-	-	-	-	-	-
<b>Total</b>	<b>(1.239.548.015)</b>	<b>(175.518.306)</b>	<b>9.517.109</b>	<b>-</b>	<b>-</b>	<b>(1.405.549.212)</b>
<b>Net book value</b>	<b>4.756.247.998</b>					<b>5.341.619.415</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**31.12.2022**

Cost	Opening balance - 1 January 2022	Additions	Disposals	Transfers	Revaluation surplus	Closing balance - 31 December 2022
Land	1.316.719.776	-	(1.617.841)	-	873.764.907	2.188.866.842
Land improvements	13.164.313	10.234.852	-	10.422.920	-	33.822.085
Buildings	574.675.437	26.800.244	-	190.501.053	319.385.457	1.111.362.191
Plant, machinery and equipment	1.607.607.885	68.443.583	(29.916.996)	134.162.573	(134.533.066)	1.645.763.979
Motor vehicles	90.128.767	54.814.817	(57.170)	-	(588.301)	144.298.113
Furniture and fixtures	105.101.497	8.627.248	(1.319.189)	8.869.800	(14.994.140)	106.285.216
Other property, plant and equipment	-	276.629	-	-	-	276.629
Leasehold improvements	5.767.212	-	-	-	-	5.767.212
Constructions in progress	568.396.505	544.144.594	-	(353.187.353)	-	759.353.746
<b>Total</b>	<b>4.281.561.392</b>	<b>713.341.967</b>	<b>(32.911.196)</b>	<b>(9.231.007)</b>	<b>1.043.034.857</b>	<b>5.995.796.013</b>

Accumulated depreciation (-)	Opening balance - 1 January 2022	Current period depreciation	Disposals	Transfers	Revaluation surplus	Closing balance - 31 December 2022
Land improvements	(11.799.647)	(794.472)	276.484	-	-	(12.317.635)
Buildings	(122.460.941)	(13.650.537)	-	-	-	(136.111.478)
Plant, machinery and equipment	(879.164.327)	(104.396.622)	26.263.826	-	-	(957.297.123)
Motor vehicles	(52.842.806)	(11.102.554)	34.850	-	-	(63.910.510)
Furniture and fixtures	(56.645.820)	(10.411.657)	1.275.280	-	-	(65.782.197)
Other property, plant and equipment	-	(69.457)	-	-	-	(69.457)
Leasehold improvements	(3.458.799)	(600.816)	-	-	-	(4.059.615)
Constructions in progress	-	-	-	-	-	-
<b>Total</b>	<b>(1.126.372.340)</b>	<b>(141.026.115)</b>	<b>27.850.440</b>	<b>-</b>	<b>-</b>	<b>(1.239.548.015)</b>
<b>Net book value</b>	<b>3.155.189.052</b>					<b>4.756.247.998</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

In the determination of the fair values of the property, plant and equipment, the fair values determined as a result of the appraisal studies carried out by Elit Gayrimenkul Değerleme Anonim Şirketi, 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 2023 and 2022, 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 A1 Tesisi	212.847.765	371.365.387	158.517.622	158.517.622
Aliağa A-2 Tesisi 1116 Ada 3-No'lu Parsel	8.526.187	14.368.206	5.842.018	5.842.018
Aliağa A-2 Tesisi 1116 Ada 4 No'lu Parsel	485.780.298	812.643.959	326.863.660	326.863.660
Aliağa A3 Tesisi	257.305.719	429.892.757	172.587.038	172.587.038
Kınık OSB Tesis	4.810.390	9.622.743	4.812.354	4.812.354
Denizli Haddehane	66.504.260	96.853.569	30.349.310	30.349.310
Zorlu Center İstanbul	97.032.589	122.698.214	25.665.626	25.665.626
Denizli Kocaer Tekstil-2 Tesisi 6 Parsel	29.367.978	41.868.819	12.500.841	12.500.841
Denizli Kocaer Tekstil-2 Tesisi 5 Parsel	366.715.561	504.197.141	137.481.580	137.481.580
Aliağa 1116 Ada 16 No'lu Parsel	461.117.853	779.648.165	318.530.312	318.530.314
Aliağa 1116 Ada 10 No'lu Parsel	1.903.128	1.903.128	-	-
<b>Total</b>	<b>1.991.911.728</b>	<b>3.185.062.088</b>	<b>1.193.150.361</b>	<b>1.193.150.363</b>

31.12.2023	Net book value	2023 appraisal value	2023 revaluation surplus	Accumulated revaluation surplus
Aliağa A1 Tesisi	371.365.387	421.920.000	50.554.613	209.072.235
Aliağa A-2 Tesisi 1116 Ada 3-No'lu Parsel	14.368.206	15.805.000	1.436.794	7.278.813
Aliağa A-2 Tesisi 1116 Ada 4 No'lu Parsel	802.262.147	920.805.000	118.542.853	445.406.514
Aliağa A3 Tesisi	434.892.757	480.540.000	45.647.243	218.234.281
Kınık OSB Tesis	9.622.743	16.265.000	6.642.257	11.454.610
Denizli Haddehane	96.853.569	123.045.000	26.191.431	56.540.740
Zorlu Center İstanbul	122.698.214	121.490.000	(1.208.214)	24.457.411
Denizli Kocaer Tekstil-2 Tesisi 6 Parsel	36.868.819	25.410.000	(11.458.819)	1.042.022
Denizli Kocaer Tekstil-2 Tesisi 5 Parsel	504.197.141	368.085.000	(136.112.141)	1.369.439
Aliağa 1116 Ada 16 No'lu Parsel	779.648.165	857.300.000	77.651.835	396.182.147
Aliağa 1116 Ada 10 No'lu Parsel	1.103.128	1.155.000	51.869	51.872
<b>Total</b>	<b>3.173.880.276</b>	<b>3.351.820.000</b>	<b>177.939.721</b>	<b>1.371.090.084</b>

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**.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**NOTE 19 - INTANGIBLE ASSETS**

As of 31 December 2023 and 2022, the movements for intangible assets, and related depreciation are as follows:

**Other intangible assets****31.12.2023**

Cost	Opening balance - 1 January 2023	Additions	Disposals	Transfers	Closing balance - 31 December 2023
Rights	49.247.871	118.702	-	-	49.366.573
Development costs	302.330.254	-	-	-	302.330.254
<b>Total</b>	<b>351.578.125</b>	<b>118.702</b>	<b>-</b>	<b>-</b>	<b>351.696.827</b>

Accumulated depreciation (-)	Opening balance - 1 January 2023	Current period depreciation	Disposals	Closing balance - 31 December 2023
Rights	(47.433.505)	(517.240)	-	(47.950.745)
Development costs	(280.157.397)	(16.666.662)	-	(296.824.059)
<b>Total</b>	<b>(327.590.902)</b>	<b>(17.183.902)</b>	<b>-</b>	<b>(344.774.804)</b>
<b>Net book value</b>	<b>23.987.223</b>			<b>6.922.023</b>

**31.12.2022**

Cost	Opening balance - 1 January 2022	Additions	Disposals	Transfers	Closing balance - 31 December 2022
Rights	47.454.706	1.793.165	-	-	49.247.871
Development costs	369.669.392	-	(39.224.603)	(28.114.535)	302.330.254
<b>Total</b>	<b>417.124.098</b>	<b>1.793.165</b>	<b>(39.224.603)</b>	<b>(28.114.535)</b>	<b>351.578.125</b>

Accumulated depreciation (-)	Opening balance - 1 January 2022	Current period depreciation	Disposals	Closing balance - 31 December 2022
Rights	(47.336.374)	(97.131)	-	(47.433.505)
Development costs	(286.964.037)	(49.315.103)	56.121.743	(280.157.397)
<b>Total</b>	<b>(334.300.411)</b>	<b>(49.412.234)</b>	<b>56.121.743</b>	<b>(327.590.902)</b>
<b>Net book value</b>	<b>82.823.687</b>			<b>23.987.223</b>

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**.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**NOTE 20 - EMPLOYEE BENEFITS**

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

Account Name	31.12.2023	31.12.2022
Due to employees	19.050.820	11.340.922
Taxes payable	7.931.273	5.048.067
Social security premiums payable	25.197.524	16.410.971
<b>Employee benefits, net</b>	<b>52.179.617</b>	<b>32.799.960</b>

**NOTE 21 - GOVERNMENT GRANTS**

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

**NOTE 22 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS***i) Other short-term provisions*

Account Name	31.12.2023	31.12.2022
Provisions for lawsuit	33.440.017	16.484.006
Provisions for unused vacation	7.678.220	7.137.223
<b>Total</b>	<b>41.118.237</b>	<b>23.621.229</b>

As of 31 December 2023 and 2022, the movements of provisions for lawsuits are as follows:

Provisions for lawsuit	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Beginning of the period - 1 January	16.484.006	17.236.305
Increases during the period	36.802.459	7.464.947
Provisions no longer required	(7.536.931)	(587.175)
Inflation adjustments	(12.309.517)	(7.630.071)
<b>End of the period - 31 December</b>	<b>33.440.017</b>	<b>16.484.006</b>

As of 31 December 2023 and 2022, the movements of provisions for unused vacation are as follows:

Provisions for unused vacation	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Beginning of the period - 1 January	7.137.223	6.088.477
Increases during the period	4.179.139	4.015.607
Inflation adjustments	(3.638.142)	(2.966.861)
<b>End of the period - 31 December</b>	<b>7.678.220</b>	<b>7.137.223</b>

*ii) Contingent liabilities and contingent assets*

None.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

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

Type	Currency	31.12.2023	
		Original currency amount	TL equivalent
Letter of Guarantee Given	TL	341.185.717	341.185.717
Letter of Guarantee Given	USD	94.142	2.771.370
Letter of Guarantee Given	EUR	2.190.300	71.346.613
Mortgages and Bill of Gurantees Given	TL	230.000.000	230.000.000
Pledges Given	TL	825.000.000	825.000.000
Pledges Given	USD	170.491.445	5.018.961.256
Pledges Given	EUR	8.100.000	263.848.590
<b>Total CPMB's given, net</b>			<b>6.753.113.546</b>
Letter of Guarantee Received	TL	19.540.000	19.540.000
Letter of Guarantee Received	USD	34.740	1.131.617
Letter of Guarantee Received	EUR	1.620.000	47.689.884
<b>Total CPMB's received, net</b>			<b>68.361.501</b>

Type	Currency	31.12.2022	
		Original currency amount	TL equivalent
Letter of Guarantee Given	TL	129.545.239	129.545.239
Letter of Guarantee Given	EUR	9.180.073	301.540.912
Mortgages and Bill of Gurantees Given	TL	378.977.900	378.977.900
Pledges Given	TL	298.239.130	298.239.130
Pledges Given	USD	28.250.000	870.375.434
Pledges Given	EUR	6.000.000	197.083.997
<b>Total CPMB's given, net</b>			<b>2.175.762.612</b>
Letter of Guarantee Received	TL	8.213.934	8.213.934
Letter of Guarantee Received	USD	172.000	5.299.278
<b>Total CPMB's received, net</b>			<b>13.513.212</b>

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

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

*iv) Ratio of guarantees and mortgages to equity*

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

<b>Collateral, Pledge, Mortgages, Bill of Guarantees Given by the Group</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>A.</b> Total amount of CPMB's given in the name of its own legal personality	645.303.700	706.783.240
<b>B.</b> Total amount of CPMB's given on behalf of the fully consolidated subsidiaries	-	-
<b>C.</b> Total amount of CPMB's given on behalf of third parties for ordinary course of business	-	-
<b>D.</b> Total amount of other CPMB's given	-	1.468.979.372
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	-	1.468.979.372
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>645.303.700</b>	<b>2.175.762.612</b>

The ratio of other CPMB's given by the Group to its equity is 9% as of 31 December 2023 (31 December 2022: 39%).

*v) Total insurance coverage on assets*

As of 31 December 2023, total insurance coverage on property, plant and equipment is amounting to TL 4.935.473.540 and USD 33.250.000 against wide variety of risks as collateral (31 December 2022 :TL 1.930.415.227, USD 63.650.000 and EUR 95.000).

**NOTE 23 - COMMITMENTS**

None.

**NOTE 24 - PROVISIONS FOR EMPLOYEE BENEFITS**

<b>Account Name</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
Provision for employment termination benefits	38.489.361	40.583.109
<b>Total</b>	<b>38.489.361</b>	<b>40.583.109</b>

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 2023, the amount payable consists of one month's salary limited to a maximum of TL 35.058,00 (31 December 2022: TL 19.982,83) for each year of service.

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

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

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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 2023, the provisions in the accompanying consolidated financial statements are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. As of 31 December 2023, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 22% and an interest rate of 25%, resulting in a discount rate of 2.46%.

The movement of provision for employment termination benefits is as follows:

	<b>01.01.2023</b>	<b>01.01.2022</b>
	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Beginning of the Period - 1 January</b>	40.583.109	25.396.532
Payments during the period (-)	(33.162.158)	(4.747.157)
Interest cost	3.658.779	2.228.252
Service cost	7.222.343	5.720.755
Loss on remeasurements of defined benefit plans	29.710.409	3.348.146
Actuarial gains/(losses)	9.877.782	22.745.784
Inflation adjustments	(19.400.903)	(14.109.203)
<b>End of the Period - 31 December</b>	<b>38.489.361</b>	<b>40.583.109</b>

**NOTE 25 - TAX ASSETS AND LIABILITIES**

As of 31 December 2023 and 2022, the breakdown of current income tax assets is as follows:

<b>Account Name</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
Prepaid taxes	1.080	-
<b>Current income tax assets, net</b>	<b>1.080</b>	<b>-</b>

**NOTE 26 - OTHER ASSETS AND LIABILITIES**

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

<b>Account Name</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
Deferred VAT	259.944.124	214.704.523
<b>Other current assets, net</b>	<b>259.944.124</b>	<b>214.704.523</b>

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

<b>Account Name</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
Other	2.845	2.002
<b>Other current liabilities, net</b>	<b>2.845</b>	<b>2.002</b>

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

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**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 statement of financial position as "Non-Controlling Interests".

As of 31 December 2023 and 2022, the movements of non-controlling interests are as follows:

	01.01.2023 31.12.2023	01.01.2022 31.12.2022
<b>Beginning of the Period - 1 January</b>	11.693.860	5.313.867
Capital increase, net	8.712.582	62.867
Gains/(losses) on remeasurements of defined benefit plans, net	(81.300)	(25.463)
Currency translation differences, net	6.163.230	1.980.987
Adjustments of inflation from TAS 29	(697.613)	(1.213.457)
Retained earnings, net	(5.712.582)	-
Profit for the period, net	(1.186.327)	5.575.059
<b>End of the Period - 31 December</b>	<b>18.891.850</b>	<b>11.693.860</b>

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

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

Shareholders	31.12.2023		31.12.2022	
	Amount	Share (%)	Amount	Share (%)
Hakan KOCAER	500.384.989	76	520.084.989	79
Other	157.185.011	24	137.485.011	21
<b>Total share capital</b>	<b>657.570.000</b>	<b>100</b>	<b>657.570.000</b>	<b>100</b>

Number of shares, class of shares and privileges

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

Capital adjustments due to cross-ownership

None.

*iii) Capital reserves*

None.

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, 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	31.12.2023	31.12.2022
Legal reserves	52.423.813	20.816.417
Gain on disposal of a subsidiary and property, plant and equipment	170.499.708	170.499.708
<b>Total</b>	<b>222.923.521</b>	<b>191.316.125</b>

*v) Retained earnings*

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

Account Name	31.12.2023	31.12.2022
Retained earnings	2.574.705.745	1.859.314.047
<b>Total</b>	<b>2.574.705.745</b>	<b>1.859.314.047</b>

*vi) Share premium*

None.

*vii) Other comprehensive income or expenses to be reclassified to profit or loss*

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

Account Name	31.12.2023	31.12.2022
Currency translation differences	75.197.460	32.351.815
Gains/(losses) on hedges	(193.692.211)	(314.615.470)
<b>Total</b>	<b>(118.494.751)</b>	<b>(282.263.655)</b>

*viii) Other comprehensive income or expenses not to be reclassified to profit or loss*

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

Account Name	31.12.2023	31.12.2022
Gains/(losses) on revaluation and remeasurement	1.352.451.955	996.551.398
Gains/(losses) on remeasurements of defined benefit plans	(19.441.909)	(18.935.908)
<b>Total</b>	<b>1.333.010.046</b>	<b>977.615.490</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

## viii) Equity

Account Name	31.12.2023	31.12.2022
Paid-in share capital	657.570.000	657.570.000
Adjustment to share capital	986.907.465	986.907.465
Other comprehensive income or expenses not to be reclassified to profit or loss	1.333.010.046	977.615.490
Share premium	219.137.189	219.137.189
Other comprehensive income or expenses to be reclassified to profit or loss	(118.494.751)	(282.263.655)
Restricted reserves	222.923.521	191.316.125
Retained earnings	2.574.705.745	1.859.314.047
Profit for the period	1.186.704.182	964.430.062
<b>Equity holders of the parent</b>	<b>7.062.463.397</b>	<b>5.574.026.723</b>
Non-controlling interests	18.891.850	11.693.860
<b>Total equity</b>	<b>7.081.355.247</b>	<b>5.585.720.583</b>

## viii) Supplementary information regarding capital reserves and other equity items

As of 31 December 2023, the comparative information regarding the relevant equity items presented as inflation-adjusted in the consolidated financial statements with the inflation-adjusted amounts in the financial statements prepared in accordance with the Tax Procedure Law is as follows:

31.12.2023	Amounts adjusted for inflation in the financial statements prepared in accordance with the Tax Procedure Law	Amounts adjusted for inflation in the financial statements prepared in accordance with TAS/ TFRS	Difference recognised in retained earnings
Adjustment to share capital	1.337.114.124	986.907.465	350.206.659
Share premium	238.566.396	219.137.189	19.429.207
Restricted reserves	1.530.117.418	191.316.125	1.338.801.293

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

## NOTE 28 - REVENUE AND COST OF SALES

As of 31 December 2023 and 2022, the functional breakdown of revenue and cost of sales is as follows:

Account Name	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Domestic Sales	4.427.734.958	4.300.368.989
Foreign Sales	10.537.557.154	13.294.831.849
Other Revenue	130.377.343	2.895.912
Sales Returns (-)	(1.300.475)	(2.516.634)
Sales Discounts (-)	(2.888.184)	(7.153.150)
<b>Net Sales</b>	<b>15.091.480.796</b>	<b>17.588.426.966</b>
<b>Cost of Sales (-)</b>	<b>(12.126.252.301)</b>	<b>(14.483.234.207)</b>
Cost of Merchandise Sold (-)	(1.141.524.473)	(1.421.185.062)
Cost of Goods Sold (-)	(10.065.909.713)	(12.276.762.823)
Other Cost of Sales (-)	(328.848.986)	(316.627.859)
Personnel Expenses	(413.748.452)	(301.223.009)
Depreciation and Amortisation Charges(-)	(176.220.677)	(167.435.454)
<b>Gross Profit</b>	<b>2.965.228.495</b>	<b>3.105.192.759</b>

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

As of 31 December 2023 and 2022, the functional breakdown of operating expenses is as follows:

Account Name	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Marketing, Sales and Distribution Expenses (-)	(756.267.318)	(1.075.697.054)
General Administrative Expenses (-)	(193.799.599)	(138.117.220)
Research and Development Expenses (-)	(6.981.383)	(5.309.163)
<b>Total Operating Expenses (-)</b>	<b>(957.048.300)</b>	<b>(1.219.123.437)</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**NOTE 30 - EXPENSES BY NATURE**

As of 31 December 2023 and 2022, the functional breakdown of marketing, sales and distribution expenses, research and development expenses and general administrative expenses recognized in expenses by nature is as follows:

Account Name	01.01.2023-31.12.2023	01.01.2022-31.12.2022
<b>Marketing, Sales and Distribution Expenses (-)</b>	<b>(756.267.318)</b>	<b>(1.075.697.054)</b>
Personnel expenses	(26.843.254)	(17.278.169)
Freight costs	(373.994.609)	(679.953.324)
Export costs	(134.742.001)	(132.676.298)
Transportation costs	(73.214.553)	(59.602.304)
Customs duty and expenses	(5.615.933)	(7.232.164)
Consumable costs	(68.022.938)	(73.107.814)
Sales commission expenses	(23.271.487)	(72.125.826)
Depreciation and amortisation charges	(1.028.030)	(252.342)
Depreciation and amortisation charges - TFRS 16	(7.408.670)	(5.195.553)
Advertising expenses	(1.211.867)	(3.139.236)
Maintenance and repair expenses	(342.859)	(296.150)
Information systems expenses	(2.893.087)	(1.235.855)
Audit and consultancy expenses	(5.845.980)	(4.206.567)
Education costs	(220.214)	(94.674)
Utility expenses	(106.606)	(141.072)
Fair and promotion expenses	(19.632.482)	(7.718.789)
Litigation and notary costs, fees and charges	(2.339.010)	(2.838.734)
Stationery expenses	(463.358)	(149.873)
Travel expenses	(4.144.776)	(2.390.854)
Insurance expenses	(1.792.691)	(4.137.122)
Fuel expenditures	(367.534)	(643.388)
Representation and hospitality expenses	(144.887)	(83.397)
Taxes, duties and charges	(160.877)	(75.677)
Other	(2.459.615)	(1.121.872)
<b>General Administrative Expenses (-)</b>	<b>(193.799.599)</b>	<b>(138.117.220)</b>
Personnel expenses	(94.158.796)	(58.913.619)
Transportation costs	(30.138)	(12.336)
Consumable costs	(3.325.689)	(2.570.828)
Depreciation and amortisation charges	(15.317.560)	(22.294.751)
Depreciation and amortisation charges - TFRS 16	(20.664.773)	(9.861.675)
Grants and donations	(896.133)	(246.984)
Maintenance and repair expenses	(1.585.941)	(2.056.473)
Information systems expenses	(7.563.040)	(2.608.151)
Audit and consultancy expenses	(11.993.171)	(13.247.186)
Education costs	(1.500.895)	(883.984)
Utility expenses	(1.397.805)	(839.021)
Communication expenses	(2.826.692)	(1.369.999)
Rent expenses	(830.952)	(825.441)
Litigation and notary costs, fees and charges	(4.281.998)	(2.648.771)
Stationery expenses	(454.648)	(127.097)
Travel expenses	(5.901.686)	(3.748.229)
Insurance expenses	(2.735.756)	(1.839.411)
Motor vehicle expenditures	(1.632.687)	(2.273.291)
Representation and hospitality expenses	(1.690.216)	(761.372)
Taxes, duties and charges	(4.973.139)	(2.747.364)
Other	(10.037.884)	(8.241.237)
<b>Research and Development Expenses (-)</b>	<b>(6.981.383)</b>	<b>(5.309.163)</b>
Personnel expenses	(5.332.379)	(3.868.662)
Depreciation and amortisation charges	(135.941)	(455.802)
Other	(1.513.063)	(984.699)
<b>Total operating expenses, net (-)</b>	<b>(957.048.300)</b>	<b>(1.219.123.437)</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

Account Name	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Cost of Sales (-)	(176.220.677)	(167.435.454)
Marketing, Sales and Distribution Expenses (-)	(8.436.700)	(5.447.895)
General Administrative Expenses (-)	(35.982.333)	(32.156.426)
Research and Development Expenses (-)	(135.941)	(455.802)
<b>Depreciation and amortisation charges, net</b>	<b>(220.775.651)</b>	<b>(205.495.577)</b>

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

Account Name	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Cost of Sales (-)	(413.748.452)	(301.223.009)
Marketing, Sales and Distribution Expenses (-)	(26.843.254)	(17.278.169)
General Administrative Expenses (-)	(94.158.796)	(58.913.619)
Research and Development Expenses (-)	(5.332.379)	(3.868.662)
<b>Personnel expenses, net</b>	<b>(540.082.881)</b>	<b>(381.283.459)</b>

**NOTE 31 - OTHER OPERATING INCOME/(EXPENSES)**

As of 31 December 2023 and 2022, the functional breakdown of other operating income and expenses is as follows:

Account Name	01.01.2023-31.12.2023	01.01.2022-31.12.2022
<b>Other Operating Income</b>	<b>257.119.979</b>	<b>288.557.702</b>
Provisions No Longer Required (Doubtful receivables)	4.458.760	18.033.948
Provisions No Longer Required (Lawsuits)	7.536.931	587.175
Rent Income	6.587.580	10.505.727
Foreign Exchange Gains	27.402.623	58.139.183
Income from Tax Discounts and Deductions	8.770.666	-
Income from Insurance Compensation and Claims	4.344.731	41.742.979
Income from Litigation Claims	-	13.461.899
Discount Income	17.461.903	18.643.172
Interest Income	161.771.965	124.036.982
Income from Reversal of Discounts	13.079.761	-
Other	5.705.059	3.406.637
<b>Other Operating Expenses (-)</b>	<b>(461.081.395)</b>	<b>(423.367.986)</b>
Provisions for Doubtful Receivables	(456.495)	(10.737.700)
Provisions for Lawsuits	(36.802.459)	(7.464.947)
Foreign Exchange Losses	(137.735.833)	(273.432.079)
Expenses from Grants and Donations	(3.290.241)	(2.636.922)
Interest Expenses	(188.922.068)	(94.971.756)
Expenses from Reversal of Discounts	(11.314.458)	-
Discount Expenses	(9.380.388)	(21.551.915)
Expenses from Current Account Closures	(1.264.562)	(9.211.478)
Expenses from Additional Corporate Tax and Tax Base Increases	(64.934.230)	-
Other	(6.980.661)	(3.361.189)
<b>Other operating income/(expenses), (net)</b>	<b>(203.961.416)</b>	<b>(134.810.284)</b>



**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**NOTE 32 - GAINS/(LOSSES) FROM INVESTMENT ACTIVITIES**

As of 31 December 2023 and 2022, the functional breakdown of gains and losses from investment activities is as follows:

Account Name	01.01.2023-31.12.2023	01.01.2022-31.12.2022
<b>Gains from Investment Activities</b>	<b>450.523.058</b>	<b>298.509.298</b>
Gain on Sale of Property, Plant and Equipment and Intangible Assets	5.727.489	3.237.944
Investment Properties Revaluation Surplus	27.388.595	91.482.588
Gain on Sale of Securities	416.229.609	203.788.766
Gain on Reversal of Provision for Impairment	1.177.365	-
<b>Losses from Investment Activities (-)</b>	<b>(16.883.686)</b>	<b>(150.329.567)</b>
Loss on Impairment on Property, Plant and Equipment	-	(150.115.506)
Loss on Sale of Securities	(16.883.686)	(1.565)
Loss on Provision for Impairment on Subsidiaries	-	(212.496)
<b>Gains/(losses) from investment activities, (net)</b>	<b>433.639.372</b>	<b>148.179.731</b>

**NOTE 33 - FINANCIAL INCOME/(EXPENSES)**

As of 31 December 2023 and 2022, the functional breakdown of financial income and expenses is as follows:

Account Name	01.01.2023-31.12.2023	01.01.2022-31.12.2022
<b>Financial Income</b>	<b>436.215.087</b>	<b>333.756.895</b>
Interest Income	31.976.702	54.410.069
Foreign Exchange Gains	392.450.566	218.569.802
Interest Income arising from Group Companies and Shareholders	11.787.819	60.777.024
<b>Financial Expenses (-)</b>	<b>(1.360.022.626)</b>	<b>(1.898.965.317)</b>
Interest Expenses	(480.558.949)	(431.534.291)
Foreign Exchange Losses	(795.966.963)	(1.409.192.413)
Interest Expenses arising from Group Companies and Shareholders	(1.146.344)	-
Bank Comissions, Fees and Charges	(73.275.841)	(51.779.658)
Interest expense from TFRS 16	(9.074.529)	(6.458.955)
<b>Financial income/(expenses), (net)</b>	<b>(923.807.539)</b>	<b>(1.565.208.422)</b>

**NOTE 34 - NON-CURRENT ASSETS HELD FOR SALE**

None.

**NOTE 35 - INCOME TAXES**

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

Account Name	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Current period tax expense	(201.148.900)	(223.873.528)
Deferred tax income/(expense)	24.160.486	279.476.033
<b>Total tax income/(expense)</b>	<b>(176.988.414)</b>	<b>55.602.505</b>

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

*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	31.12.2023	31.12.2022
Current period tax expense	201.643.730	217.029.367
Less: Prepaid income tax	(182.182.323)	(180.536.344)
<b>Current income tax liabilities, net</b>	<b>19.461.407</b>	<b>36.493.023</b>

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

*Corporate tax rates*

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

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

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

According to corporate tax law article numbered 20, 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.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

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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 2023 and 2022, provision for income tax has been calculated is as follows:

	31.12.2023	31.12.2022
<b>Operating Profit</b>	<b>1.191.487.085</b>	<b>1.028.499.129</b>
<b>Tax Base Additions</b>	<b>145.427.403</b>	<b>1.056.613.526</b>
<i>Non-deductible expenses</i>	<b>145.427.403</b>	<b>1.056.613.526</b>
<b>Retained Earnings (-)</b>	-	-
<b>Tax Allowances and Deductions (-)</b>	<b>(205.704.813)</b>	<b>(946.286.526)</b>
<b>Operating Profit, net (domestic)</b>	<b>1.131.209.675</b>	<b>1.046.111.071</b>
<b>Operating Profit, net (foreign)</b>	-	<b>92.715.058</b>
<b>Provision for income tax</b>	<b>(260.297.393)</b>	<b>(239.293.090)</b>
<b>Tax deductions arising from production activities</b>	50.386.867	15.419.562
<b>Tax deductions arising from investment incentives and government grants</b>	8.761.626	-
<b>Current period tax expense, net</b>	<b>(201.148.900)</b>	<b>(223.873.528)</b>

*Income withholding tax*

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

*ii) Deferred tax*

Kocaer Çelik, its subsidiaries and associate, recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TAS and the Turkish tax legislations. These differences usually due to the recognition of revenue and expense items in different reporting periods for the TAS and tax purposes, the differences explained as below.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

Account Name	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Depreciation and amortisation	(40.265.715)	59.187.649	(9.260.178)	11.837.529
Reversal of capitalised financing costs	332.283.644	306.440.571	76.489.201	61.288.115
Reversal of revaluation fund	700.826.941	474.664.777	161.190.196	94.932.955
PP&E Revaluation Surplus (Land and Buildings)	(714.971.306)	(714.971.306)	(44.685.707)	(71.497.131)
PP&E Revaluation Surplus (Buildings)	(1.464.046.723)	(1.193.150.362)	(91.502.920)	(119.315.036)
Investment Properties Revaluation Surplus	(268.530.233)	(139.602.107)	(61.761.954)	(27.920.421)
Profit elimination of constructions in progress	42.808.545	-	9.845.965	-
Employment Termination Benefits	38.489.361	24.629.708	8.912.424	4.925.942
Provisions for Doubtful Receivables	14.187.533	14.951.524	3.279.443	3.156.130
Provisions for Lawsuits	33.440.017	10.004.070	7.701.091	2.112.576
Provisions for Loan Interest	(1.243.098)	4.005.977	(285.913)	841.255
Provisions for Unused Vacation	7.678.220	4.331.549	1.773.731	912.649
Adjustments for TFRS 16 "Leases"	1.639.196	1.038.220	377.015	218.026
Adjustments for customs discharge	-	(807.345)	-	(169.542)
Discount on notes receivables	9.294.869	13.079.761	2.137.820	2.746.750
Adjustments for derivative instruments	(132.054.137)	(149.090.954)	(26.491.519)	(29.898.883)
Adjustments for inventories	25.227.438	27.034.887	5.802.311	5.136.629
Capitalised policy interest recognised as an expense	22.594.500	4.403.211	5.196.735	924.673
Adjustments for sale and leaseback arrangements	73.307.313	73.307.313	16.860.682	15.394.536
Adjustments for internal rate of return	-	32.046	-	6.730
Adjustments for gain on sale of securities	(291.067.931)	8.991.850	(66.945.624)	1.888.289
Adjustments for currency translation differences	(36.576.803)	(5.003.190)	(8.412.665)	(1.050.670)
Interest and currency translation differences arising from sale and leaseback arrangements	141.175.393	167.395.437	32.470.340	33.479.087
Adjustments for inflation from TAS 29	(543.197.574)	(361.936.291)	125.016.755	112.866.936
Other	(17.461.903)	-	(4.016.238)	-
<b>Deferred tax assets, net</b>			<b>143.690.991</b>	<b>102.817.124</b>

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

	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Beginning of the period - 1 January	102.817.124	7.611.258
Deferred tax income/(expense) during the period, net	24.160.486	169.276.440
PP&E Revaluation Surplus	54.623.540	(119.315.036)
Additions arising from Derivative Instruments	688.372	6.921.952
Actuarial Gains/(Losses) on Deferred Tax, net	1.819.338	2.367.599
Adjustments for inflation from TAS 29, net	(40.417.869)	35.954.911
<b>End of the period - 31 December</b>	<b>143.690.991</b>	<b>102.817.124</b>

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

	31.12.2023	31.12.2022
Profit Before Tax	1.030.815.637	839.720.606
Tax calculated at domestic tax rate (25%)	(193.466.804)	(176.414.877)
Non-deductible expenses	(27.406.970)	(134.784.876)
Gains on tax allowances and tax rate differences/changes	38.466.800	252.258.196
Other	-	1.999.158
Adjustments for inflation	5.418.560	112.544.904
<b>Tax income/(expense)</b>	<b>(176.988.414)</b>	<b>55.602.505</b>

**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 2023 and 2022, which is as follows:

Account Name	31.12.2023	31.12.2022
Profit for the period	1.186.704.182	964.430.062
Weighted average number of shares	657.570.000	657.570.000
<b>Earnings per share</b>	<b>1.8046</b>	<b>1.4667</b>

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**NOTE 37 - RELATED PARTY DISCLOSURES**

a) Related party balances are as follows:

31.12.2023	Trade receivables	Other receivables	Trade payables	Other payables
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	8.203.934	-	-	-
Chakra Mağazacılık Ticaret ve Anonim Şirketi	671.165	30.229.044	-	-
Other	-	81.729	-	26.232.013
<b>TOTAL</b>	<b>8.875.099</b>	<b>30.310.773</b>	<b>-</b>	<b>26.232.013</b>

31.12.2022	Trade receivables	Other receivables	Trade payables	Other payables
Other	-	46.749.356	-	3.738.101
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	5.612.401	-	-
Chakra Mağazacılık Ticaret ve A.Ş.	395.183	33.100.772	175.976	-
Kocaer Metal Sanayi A.Ş.	-	-	1.672.482	-
KCR Tekstil A.Ş.	-	1.104	-	-
<b>TOTAL</b>	<b>395.183</b>	<b>85.463.633</b>	<b>1.848.458</b>	<b>3.738.101</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

b) Related party transactions are as follows:

**31.12.2023**

Purchases	Goods and services	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	-	-	-	7.771	7.771
Yağız Nakliyet A.Ş.	135.396.361	-	-	17.999.485	153.395.846
Chakra Mağazacılık Ticaret ve Anonim Şirketi	-	-	1.179.900	704.762	1.884.662
Kocaer Enerji	-	-	10.554.252	-	10.554.252
<b>Total</b>	<b>135.396.361</b>	<b>-</b>	<b>11.734.152</b>	<b>18.712.018</b>	<b>165.842.531</b>

Sales	Goods and services	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret Anonim Şirketi	-	2.904.595	2.381.931	2.524.872	7.811.398
Yağız Nakliyet A.Ş.	-	129.093	-	18.443.763	18.572.856
Kocaer Steel Uk Limited	627.833.945	-	-	-	627.833.945
Hakan Kocaer	-	129.093	-	-	129.093
İbrahim Kocaer	-	129.093	-	-	129.093
Chakra Mağazacılık Ticaret ve Anonim Şirketi	-	525.490	11.217.073	1.025.607	12.768.170
Kocaer Enerji	-	-	-	214.104.445	214.104.445
<b>Total</b>	<b>627.833.945</b>	<b>3.817.364</b>	<b>13.599.004</b>	<b>236.098.687</b>	<b>881.349.000</b>

**31.12.2022**

Purchases	Goods and services	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	-	-	113.001	113.001
Chakra Mağazacılık Ticaret Ve A.Ş.	-	3.696	-	172.659	176.355
Kocaer Metal Sanayi A.Ş.	-	27.202	-	426.962	454.164
<b>Total</b>	<b>-</b>	<b>30.898</b>	<b>-</b>	<b>712.622</b>	<b>743.520</b>

Sales	Goods and services	Rent	Interest	Other services	Total
Kocaer Tekstil Sanayi ve Ticaret A.Ş.	-	2.131.220	3.302.893	5.025.001	10.459.114
Chakra Mağazacılık Ticaret Ve A.Ş.	-	-	2.178.653	563.150	2.741.803
KCR Tekstil A.Ş.	-	-	35.424.605	-	35.424.605
Kocaer Metal Sanayi A.Ş.	-	10.605	-	-	10.605
İbrahim Kocaer	-	92.353	-	6.387	98.740
Hakan Kocaer	-	78.145	-	1.672.563	1.750.708
<b>Total</b>	<b>-</b>	<b>2.312.323</b>	<b>40.906.151</b>	<b>7.267.101</b>	<b>50.485.575</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

c) Key management compensation

Account Name	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Key management compensation	29.493.924	8.636.743
<b>Total</b>	<b>29.493.924</b>	<b>8.636.743</b>

**NOTE 38 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**Capital risk management

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

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

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

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

	31.12.2023	31.12.2022
Total borrowings	5.122.255.426	6.302.958.987
Less: Cash and cash equivalents	(673.922.387)	(760.411.359)
Net financial debt	4.448.333.039	5.542.547.628
Equity	7.081.355.247	5.585.720.583
Invested capital	11.529.688.286	11.128.268.211
<b>Net financial debt/invested capital ratio</b>	<b>0.3858</b>	<b>0.4980</b>

Foreign exchange risk

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

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

**Foreign Exchange Position**

	31.12.2023					31.12.2022				
	TL equivalent	USD	EURO	GBP	Other	TL equivalent	USD	EURO	GBP	Other
1. Trade Receivables	1.424.984.941	44.902.774	3.165.974	-	-	2.229.438.414	105.858.483	12.544.068	-	-
2a. Monetary Financial Assets	587.500.046	14.731.639	627.011	3.562.950	-	657.716.098	29.917.158	3.868.196	942.853	-
2b. Non-Monetary Financial Assets	105.621.759	2.675.312	824.752	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
<b>4. Total Current Assets (1+2+3)</b>	<b>2.118.106.745</b>	<b>62.309.725</b>	<b>4.617.737</b>	<b>3.562.950</b>	<b>-</b>	<b>2.887.154.512</b>	<b>135.775.641</b>	<b>16.412.264</b>	<b>942.853</b>	<b>-</b>
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
<b>8. Total Non-Current Assets(5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>2.118.106.745</b>	<b>62.309.725</b>	<b>4.617.737</b>	<b>3.562.950</b>	<b>-</b>	<b>2.887.154.512</b>	<b>135.775.641</b>	<b>16.412.264</b>	<b>942.853</b>	<b>-</b>
10. Trade Payables	934.493.649	31.226.197	373.677	-	-	886.359.528	45.799.328	1.357.931	-	-
11. Financial Liabilities	846.393.973	26.260.374	2.165.772	-	-	1.364.633.074	61.709.807	10.347.184	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
<b>13. Total Current Liabilities (10+11+12)</b>	<b>1.780.887.621</b>	<b>57.486.571</b>	<b>2.539.449</b>	<b>-</b>	<b>-</b>	<b>2.250.992.602</b>	<b>107.509.134</b>	<b>11.705.115</b>	<b>-</b>	<b>-</b>
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	685.747.966	20.677.520	2.295.705	-	-	456.943.683	15.655.948	8.161.541	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
<b>17. Total Non-Current Liabilities (14+15+16)</b>	<b>685.747.966</b>	<b>20.677.520</b>	<b>2.295.705</b>	<b>-</b>	<b>-</b>	<b>456.943.683</b>	<b>15.655.948</b>	<b>8.161.541</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>2.466.635.587</b>	<b>78.164.091</b>	<b>4.835.154</b>	<b>-</b>	<b>-</b>	<b>2.707.936.284</b>	<b>123.165.082</b>	<b>19.866.656</b>	<b>-</b>	<b>-</b>
<b>19. Off-Balance Sheet Derivative Instruments Net Asset/(Liability) Position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Total Asset Amount of Hedged	-	-	-	-	-	-	-	-	-	-
19b. Total Liabilities Amount of Hedged	-	-	-	-	-	-	-	-	-	-
<b>20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)</b>	<b>(348.528.842)</b>	<b>(15.854.366)</b>	<b>(217.417)</b>	<b>3.562.950</b>	<b>-</b>	<b>179.218.228</b>	<b>12.610.559</b>	<b>(3.454.392)</b>	<b>942.853</b>	<b>-</b>
<b>21. Monetary Items Net Foreign Exchange Asset/(Liabilities) Position (1+2a+3+5+6a-10-11-12a-14-15-16a)</b>	<b>(348.528.842)</b>	<b>(18.529.678)</b>	<b>(1.042.169)</b>	<b>3.562.950</b>	<b>-</b>	<b>179.218.228</b>	<b>12.610.559</b>	<b>(3.454.392)</b>	<b>942.853</b>	<b>-</b>
<b>22. Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Export</b>	<b>10.030.834.860</b>	<b>416.859.209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.208.105.269</b>	<b>806.183.701</b>	<b>50.086.658</b>	<b>-</b>	<b>-</b>
<b>24. Import</b>	<b>3.433.984.812</b>	<b>152.155.893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.972.536.378</b>	<b>179.532.978</b>	<b>121.104</b>	<b>-</b>	<b>-</b>

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

Exchange Rate Sensitivity Analysis		
31.12.2023		
	Profit/(Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change in USD against TL by 10%		
1- USD Net Asset/Liability	(47.432.945)	47.432.945
2- Hedged portion of USD Risk (-)	-	-
<b>3- USD Net Effect (1+2)</b>	<b>(47.432.945)</b>	<b>47.432.945</b>
Change in EUR against TL by 10%		
4- EURO Net Asset/Liability	(760.239)	760.239
5- Hedged portion of EURO Risk (-)	-	-
<b>6- EURO Net Effect (4+5)</b>	<b>(760.239)</b>	<b>760.239</b>
Change in GBP against TL by 10%		
7- GBP Net Asset/Liability	13.340.291	(13.340.291)
8- Hedged portion of GBP Risk (-)	-	-
<b>9- GBP Net Effect (7+8)</b>	<b>13.340.291</b>	<b>(13.340.291)</b>
<b>TOTAL</b>	<b>(34.852.893)</b>	<b>34.852.893</b>
Exchange Rate Sensitivity Analysis		
31.12.2022		
	Profit/(Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change in USD against TL by 10%		
1- USD Net Asset/Liability	22.818.441	(22.818.441)
2- Hedged portion of USD Risk (-)	-	-
<b>3- USD Net Effect (1+2)</b>	<b>22.818.441</b>	<b>(22.818.441)</b>
Change in EUR against TL by 10%		
4- EURO Net Asset/Liability	(7.017.018)	7.017.018
5- Hedged portion of EURO Risk (-)	-	-
<b>6- EURO Net Effect (4+5)</b>	<b>(7.017.018)</b>	<b>7.017.018</b>
Change in GBP against TL by 10%		
7- GBP Net Asset/Liability	2.120.400	(2.120.400)
8- Hedged portion of GBP Risk (-)	-	-
<b>9- GBP Net Effect (7+8)</b>	<b>2.120.400</b>	<b>(2.120.400)</b>
<b>TOTAL</b>	<b>17.921.823</b>	<b>(17.921.823)</b>

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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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.

	31.12.2023	31.12.2022
<b>Fixed-Interest Rate Financial Instruments</b>		
Financial Assets	79.636.817	316.667.148
Financial Liabilities	2.907.013.544	3.141.877.054
<b>Floating-Interest Rate Financial Instruments</b>		
Financial Assets	-	-
Financial Liabilities	-	-

Equity securities and other related risks related financial instruments

The Group has no any securities and similar financial assets sensitive to changes in fair value.

Credit risk management

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

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

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

**CREDIT RISK DETAILS IN RESPECT OF FINANCIAL INSTRUMENT TYPES**

31.12.2023	Receivables				Notes	Bank deposits	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum exposure to credit risk as of reporting date (A+B+C+D+E)</b>	<b>8.875.099</b>	<b>1.245.960.882</b>	<b>30.310.773</b>	<b>195.731.415</b>	<b>10-11</b>	<b>673.806.908</b>	<b>6</b>
- Maximum risk secured with guarantees and collaterals	-	465.775.080	-	-	10-11	-	-
<b>A. Net book value of neither past due nor impaired financial assets</b>	8.875.099	1.245.960.882	30.310.773	195.731.415	10-11	673.806.908	6
<b>B. Conditions are renegotiated otherwise, net book value of past due but not impaired financial assets</b>	-	-	-	-	10-11	-	6
<b>C. Net book value of past due but not impaired financial assets</b>	-	-	-	-	10-11	-	6
- Secured with guarantees and collaterals	-	-	-	-	10-11	-	6
<b>D. Net book value of impaired assets</b>	-	-	-	-	10-11	-	6
- Past due (gross book value)	-	14.919.304	-	-	10-11	-	6
- Impairment (-)	-	(14.919.304)	-	-	10-11	-	6
- Secured with guarantees and collaterals	-	-	-	-	10-11	-	6

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

31.12.2022	Receivables				Notes	Bank deposits	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum exposure to credit risk as of reporting date (A+B+C+D+E)</b>	<b>395.183</b>	<b>1.985.165.086</b>	<b>85.463.633</b>	<b>180.925.471</b>	<b>10-11</b>	<b>760.293.548</b>	<b>6</b>
- Maximum risk secured with guarantees and collaterals	-	776.968.232	-	-	10-11	-	-
<b>A. Net book value of neither past due nor impaired financial assets</b>	395.183	1.985.165.086	85.463.633	180.925.471	10-11	760.293.548	6
<b>B. Conditions are renegotiated otherwise, net book value of past due but not impaired financial assets</b>	-	-	-	-	10-11	-	6
<b>C. Net book value of past due but not impaired financial assets</b>	-	-	-	-	10-11	-	6
- Secured with guarantees and collaterals	-	-	-	-	10-11	-	6
<b>D. Net book value of impaired assets</b>	-	-	-	-	10-11	-	6
- Past due (gross book value)	-	29.850.837	-	-	10-11	-	6
- Impairment (-)	-	(29.850.837)	-	-	10-11	-	6
- Secured with guarantees and collaterals	-	-	-	-	10-11	-	6

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**Liquidity risk management**

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

**Liquidity risk statements**

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

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

**31.12.2023**

	Carrying Value	Total Contractual Cash Outflows	Demand or up to 3 months	4-12 months	1-5 years
<b>Non-Derivative Financial Liabilities</b>	<b>4.409.392.722</b>	<b>4.516.798.917</b>	<b>2.033.776.436</b>	<b>1.686.204.578</b>	<b>796.817.902</b>
<i>Bank Borrowings</i>	2.834.496.168	2.936.128.340	943.037.725	1.362.784.887	630.305.728
<i>Finance Lease Liabilities</i>	72.517.376	75.115.550	20.304.173	32.892.824	21.918.552
<i>Lease Liabilities</i>	146.219.188	149.395.037	1.200.354	3.601.061	144.593.622
<i>Trade Payables</i>	1.235.908.351	1.235.908.351	948.982.545	286.925.806	-
<i>Other Payables</i>	120.251.639	120.251.639	120.251.639	-	-

**31.12.2022**

	Carrying Value	Total Contractual Cash Outflows	Demand or up to 3 months	4-12 months	1-5 years
<b>Non-Derivative Financial Liabilities</b>	<b>4.616.386.100</b>	<b>3.400.474.411</b>	<b>1.655.328.935</b>	<b>1.415.282.135</b>	<b>329.863.341</b>
<i>Bank Borrowings</i>	2.872.534.442	1.774.980.124	283.170.962	1.337.888.102	153.921.060
<i>Finance Lease Liabilities</i>	269.342.612	171.683.332	24.911.116	73.445.113	73.327.103
<i>Lease Liabilities</i>	108.013.196	107.880.405	1.316.307	3.948.920	102.615.178
<i>Trade Payables</i>	1.298.453.846	1.298.453.846	1.298.453.846	-	-
<i>Other Payables</i>	68.042.004	47.476.704	47.476.704	-	-

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**Fair value of financial assets and liabilities**

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

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

**Financial assets**

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

**Financial liabilities**

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

**NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING)****Fair value hedge of foreign currency risk**

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

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

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



## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

In accordance with the hedge accounting strategy established by the Group management, the Group tries to maintain a 100% hedge ratio and a hedge effectiveness between 70% and 130%. As of 31 December 2023, hedge ratio and hedge effectiveness have been calculated as 114% and 86%, respectively.

<b>TL</b>	<b>31.12.2023</b>
The amount of the hedged item's risk component recognised in the assets under balance sheet (firm commitment)	132.457.597
<b>USD</b>	<b>31.12.2023</b>
The present value of the hedged item (current)	82.531.555
The present value of the hedged item (non-current)	20.624.639
The present value of the hedging instrument (current)	73.070.513
The present value of the hedging instrument (non-current)	17.651.302
<b>EUR</b>	<b>31.12.2023</b>
The present value of the hedged item (current)	3.264.481
The present value of the hedged item (non-current)	2.056.539
The present value of the hedging instrument (current)	2.751.732
The present value of the hedging instrument (non-current)	2.119.679
<b>TL</b>	<b>31.12.2023</b>
The cumulative exchange difference on hedged item (current)	342.527.762
The cumulative exchange difference on hedged item (non-current)	65.697.617
The cumulative exchange difference on hedging instrument (current)	(285.231.794)
The cumulative exchange difference on hedging instrument (non-current)	(65.382.405)
<b>Hedge effectiveness ratio</b>	<b>86%</b>
Exchange rate difference amount in inactive markets maintained within a band in the balance sheet	29.319.299
Exchange rate difference amount in inactive markets maintained within a band in the statement of profit or loss	-
<b>Hedge ratio</b>	<b>TL</b>
The total amount of future expected cash flows of the hedged item (Cash flow hedge)	3.340.549.231
The total amount of future expected cash flows of the instrument used for hedging purposes (Cash flow hedge)	2.923.306.996
<b>Hedge ratio, net</b>	<b>114%</b>

## 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.

## KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**Fair value of financial instruments**

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

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

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

**Monetary assets**

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

**Monetary liabilities**

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

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

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

Financial assets

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

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.

**KOCAER ÇELİK SANAYİ VE TİCARET ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed in Turkish Lira ("TL") in terms of the purchasing power of the TL as at 31 December 2023, unless otherwise indicated.)

**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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