EVERYTHING IS TO BETTER DIRECT OUR FUTURE

ERDEMİR | İSDEMİR

ERDEMİR MADEN | ERSEM | ERDEMİR MÜHENDİSLİK

KÜMAŞ MANYEZİT | ERDEMİR ROMANIA

ERDEMİR ENERJİ | İSDEMİR LİNDE GAZ ORTAKLIĞI

ERDEMİR ASIA PACIFIC

2021 Integrated Annual Report

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ABOUT THE REPORT

This report, which is the third integrated annual report covering OYAK's Mining Metallurgy Companies includes the management approaches of the companies in the economic, social and environmental sphere and their performance data. This integrated annual report, which combines financial and non-financial data, shares assessments of the long-term value creation business strategy of Mining Metallurgy Companies, their corporate culture, stakeholder relations, and how the Companies manage opportunities and risks.

The Scope and Standards Used
The report reflects the management approach of OYAK's Mining Metallurgy Companies in material issues, created with the participation of a wide range of stakeholders, in line with the sectoral and global trends, their future goals and their planned investments.

While the report predominantly focuses on the main production facilities, Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) and İskenderun Demir ve Çelik A.Ş. (İsdemir), the report includes the data of the OYAK's Mining Metallurgy Companies. The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş's subsidiaries Odak Refrakter ve Madencilik San Tic. A.Ş. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş. was completed on 3 February 2021. The consolidated financial statements of Kümaş Manyezit Sanayi A.Ş., which has been audited as of the date of acquisition, are subject to goodwill calculation as of the reporting period. The companies covered by the data presented are specified in the relevant sections. The numerical data in the report covers the activity period between 1 January and 31 December 2021.

The report is prepared in accordance with the Integrated Reporting framework published by the International Integrated Reporting Council (IIRC) and the GRI Standards "Core" option published by the Global Reporting Initiative (GRI).

Audit
The financial indicators included in the report constitute the data disclosed in the consolidated financial statements of the Mining Metallurgy Companies, which have undergone independent audits.

Other content other than financial data has not undergone any external audit or control process.

Feedback
The report can be reached from our official website at www.erdemir.com.tr, all opinions and suggestions can be conveyed to iletisim@erdemir.com.tr e-mail address.

EVERYTHING IS TO BETTER DIRECT OUR FUTURE

Those who set realistic goals, those who are sure which direction to take, those who dare to take on the challenges of a journey and embrace them progress without deviating from their paths, no matter what the conditions are.

Those who have determined their direction press forward without hesitation, even when it is difficult to take the decision.

This is what we do.

We are advancing resolutely on the route which we have set out for a better future.

We do not give up in the face of challenges. We derive our strength from our guiding values, long-established history and experience, our passion for our work, our belief in the future.

We are aware that our journey takes on meaning with the value we generate for our stakeholders, the steps we have taken to protect our planet - our one and only home.

While producing the steel to build a better life, we consider people and life as our most important priority. We are seeking a solution for a sustainable future with our identity as a responsible producer.

We believe that the circular economy, in which resources are utilized more efficiently, where all materials are brought into production process again and again, is the key for a better future.

Our path is long, our compass unwavering.

As in the past and in the present, we will continue to move forward by developing ourselves for our joint future. We will continue to produce for our country and for the future.

WE ARE MOVING FORWARD IN LINE WITH OUR PRIORITIES

We are one of the world's select few producers of steel which can be recycled an unlimited number of times.

We execute our strategy, which stands on the pillars of sustainable growth, responsible production and an approach which puts people at the heart of what we do by careful and risk-sensitive execution. We take initiatives and collaborate in the following fields which we consider to be a high priority, and demonstrate our positive impact.

· Climate Change
· Sustainable Profitability
· Occupational health and Safety
· Employee and Human Rights
· Water Management
· Energy Management
· Low Emission production Technologies

We aim to take stronger steps in order to protect **our world, natural resources and our future.**

We view people and life as our top priority in our sustainability journey. We attach importance to the health and safety of the entire society, especially our employees.

We are using our resources carefully and prudently to prevent waste, in line with our identity as a responsible producer. We oversee efficiency.

The value we generate and share is materialized in 15 focus areas on the three pillars of our strategy. We would point to our contribution to the **2030 Sustainable Development Goals** on the other end of our value generation cycle.

MESSAGE FROM THE CHAIRMAN

Dear stakeholders, business partners and colleagues,

Recovery in the world economy
As we continued to feel the effects of the Covid-19 pandemic, the recovery in the global economy gathered momentum. Even though the process of normalization gained pace in parallel with the vaccination rollout, the emergence of new variants occasionally caused this recovery to halt and stutter.

Supply shortages have emerged in the face of global demand, which surged following the end of the lockdowns, ushering in a wave of supply and logistical problems. Demand for raw materials jumped with commodity prices reaching record highs. Supply bottlenecks in the chip/semi-conductor sector compounded the effects of these developments.

The combination of expansionary monetary policies taken by central banks and the raw material crisis precipitated rapid increases in prices of food and energy, raising the risk of a global inflationary wave.

As a result of deterioration in the macroeconomic picture and the increase in the number of Covid-19 cases, global commodity trade started to decline starting from the third quarter of 2021. The World Trade Organization estimates that the global commodity trade grew by 10.8% in 2021 and expects 4.7% growth in 2022.

Turkey maintained its commanding position in the global steel industry in 2021, standing as the world's 7th largest producer with crude steel production of 40.4 million tons.

Central banks, which acted to provide an abundance of liquidity to the market and support economic activity through loose monetary policies from the very beginning of the pandemic, changed course towards limiting asset purchases and tightening monetary policies in the face of the ongoing high levels of inflation.

The International Monetary Fund (IMF) maintained its estimate for global economic growth for 2021 at 5.9% in its January 2022 World Economic Outlook Report update while announcing its growth projection for 2022 as 4.4%. The IMF estimated that developed countries posted 5% growth for 2021 with developing countries achieving 6.5% growth. The report also estimated a growth rate of 5.2% in the Eurozone, which had suffered the highest contraction last year, while estimating growth of 5.6% for the USA and 8.1% for China.

The Turkish economy maintains its growth tendency.
The Turkish economy maintained its growth momentum in 2021. Private consumption and exports also played their part in the rapid growth, in addition to low base effect.

Along with the weakness in the Turkish Lira, a global rise in commodity and energy prices increased inflationary pressures through costs, while the rate of CPI inflation, which had been high throughout the year, closed the year significantly higher.

Exports reached record highs on the back of increased volumes brought about by the global recovery in 2021, as well as the depreciation of the TL. A rise in tourism and transportation revenues supported this trend, gradually ushering in an improved outlook for the current account balance.

In a marked shift of policy, Turkey's Central Bank cut the policy interest rate by 500 basis points in a series of rate cuts starting from September until the end of the year. The introduction of exchange rate protected TL term deposits towards the end of the year, aimed at stemming the depreciation of the TL, quelling exchange rate volatility and promoting deposits in TL brought a degree of balancing and relaxation to the market. Another development in parallel with this was the switch to the Turkish Economy Model, a model essentially based on sustaining growth, which is the driving force of our country's economy, with export momentum. This model aims to set the stage for an exit from the current account deficit cycle by focusing on value added production and exports.

Production and export records in the Turkish steel sector
The year 2021 brought with it some uncertainties in the market due to protectionist measures in global trade, raw material and energy shortages and production cuts aimed at reducing carbon emissions. In spite of these challenges, our industry rounded off a very successful year.

Turkey maintained its commanding position in the global steel industry in 2021, becoming the world's 7th largest steel producer with crude steel production of 40.4 million tons.

Long product production reached its highest levels, with flat product production also at record levels.

There were vigorous increases in production as well as consumption. Consumption of flat steel approached its 2017 levels - the highest levels seen in recent years - throughout the year. Flat products accounted for nearly 60% of the increase in consumption in 2021 with long products accounting for the remaining 40%.

GRI 102-14, 103-2, 103-3

MESSAGE FROM THE CHAIRMAN

Turkish steel exports gained pace especially in the second half of the year due to the rise in global demand after the pandemic. Turkish steel exports surged by 19% YoY in volume terms and by 94% YoY in value terms.

Our industry particularly enjoyed success in long product exports, which reached remarkable levels. Records were set both in flat and long final product exports.

A leader in manufacturing and the steel industry in Turkey
We continued to produce unwaveringly for our country's future by successfully managing the risks to our business brought about by Covid-19 pandemic and through the measures we have taken in response to the pandemic. We achieved successful results again in 2021, with the strong performance of our Mining Metallurgy Companies reaffirming our position as one of the key building blocks of the Turkish economy.

Our Mining Metallurgy Companies, which are the driving force of the Turkish steel industry and manufacturing, reinforced their place among the leading European producers.

Our companies, Erdemir and İsdemir, supplied raw materials to a wide array of sectors while also continuing to take strong steps towards sustainable growth.

Erdemir, one of our Mining Metallurgy Companies, achieved historic levels of EBITDA and profit in the period in its consolidated financial results. The total production of our Mining Metallurgy Companies, which increased their crude steel production by 6% YoY in 2021, stood at 9.02 million tons. On the other hand, our export performance continued to gain momentum.

Our exports stood at 1.6 million tons for the 2021 full year, with exports comprising a 19.3% share of total sales.

As a result of this operational performance, which is a source of tremendous pride for us, our profit surged by 370% YoY to reach TL 15.5 billion. In USD terms, our profit nearly quadrupled from USD 472 million to USD 1,745 million. We recorded EBITDA of USD 931 million in the final quarter and USD 3,021 million in EBITDA for the year as a whole. Our EBITDA margin, meanwhile, increased from 21.6% in 2020 to 39.4% in 2022.

Kümaş Manyezit serves a strategic step in the integration of our activities
Kümaş Manyezit, which is the world's largest mining operator in the quality magnesite ore sector in and the Turkish market leader in the refractory sector, was acquired by Erdemir at the beginning of 2021. We consider this strategic step as a milestone in the integration of our activities.

Our goal is to utilize Turkey's rich and valuable magnesite resources efficiently, to achieve sustainable return, contribute to the country's economy and utilize the resources for international integration.

We achieved integration in our activities in the iron, steel and cement industries by including Kümaş Manyezit, representing our national capital, within OYAK (the Turkish Armed Forces Pension Fund). Our goal is to offer opportunities to the domestic industries in terms of raw material supply by drawing on our advantage of rich reserves and raw materials, and to carry our country to the strategic position it deserves in the field of exports through export potential and the generation of value.

Our Mining Metallurgy Companies, which are among Turkey's largest industrial organizations, maintain their balanced growth in domestic and foreign markets with their strong financial performances achieved through effective cost and capacity management.

With a focus on generating value for all of their stakeholders, our Mining Metallurgy Companies maintain their growth.
Our Mining Metallurgy Companies, which are among Turkey's largest industrial organizations, continue their balanced growth in domestic and foreign markets by maintaining their strong financial performances through effective cost and capacity management.

We produce steel, one of the main raw materials for industry. We demonstrate our contribution to running of economic cycle and development of the market. In addition to our production and export volume, we achieve a strong economic multiplier effect through the employment we create and throughout our value chain, thus serving our country's sustainable development.

We consider responsible production as a fundamental requirement. We are focused on reducing our environmental impacts, especially the impacts caused by climate change. Climate change and the limitations on natural resources pose serious risks to the steel industry. Integrated steel production includes energy intensive processes under existing production technologies. At OYAK's Mining Metallurgy Companies, we have determined our main focus areas as the effective, efficient and correct utilization of existing resources in order to fulfill our environmental responsibility and continuously improving our environmental performance in order to leave a cleaner and livable world to future generations.

In line with our environmental policy, we pre-determine potential environmental risks while continuing our production activities, and have taken measures to counter those risks. We monitor our environmental impacts through continuous measurements and then bring our impacts under control. We implement improvement and investment projects in a manner to minimize these impacts. The policies and processes we design are aimed at mitigating our environmental impacts, improving our energy utilization, ensuring effective use of resources and reducing waste in the entire value chain. We also aim to promote recycling in every phase of the activity cycle, while also retaining and developing our human capital.

Following our country's ratification of Paris Agreement in 2021 and its commitment to achieving net zero carbon emissions by 2053, the process of preparing detailed plans and formulating policies which will be of vital importance in achieving these goals has got underway. In this context, we are striving to build our country's future together by taking part in the planned activities.

At our Mining Metallurgy Companies, which carry out integrated production, we carry out the necessary work in order to reduce the carbon emissions emitted as a result of our production processes.

We launched the Climate Risk and Seizing the Opportunities project, which is based on the TCFD (Task Force on Climate-Related Financial Disclosures) approach in order to examine the effects of legal regulations and international development focusing on climate on the operations of our Companies.

We adopt the approach of a circular economy in combatting climate change. We utilize our companies' wastes, provide resource efficiency and we aim to reduce our water and carbon footprint by improving our facilities continuously through the deployment of new technologies.

As we contribute to the protection of natural resources and the environment at our Mining Metallurgy Companies, through activities aimed at ensuring the effective use of energy, we achieve a competitive advantage. We have reduced our carbon emissions through the energy savings achieved as a result of systematic activities aimed at energy efficiency. Since we started monitoring activities, we have achieved energy savings of 42% at Erdemir and 40% at İsdemir. We also reduced CO_2 emissions by total of 285,000 tons at Erdemir and İsdemir during the year through energy efficiency projects.

MESSAGE FROM THE CHAIRMAN

We develop end-to-end integrated solutions and put people at the heart of what we do.
Occupational Health and Safety is another focal point in our responsible production approach. Adopting an approach of "all accidents can be prevented" at our Mining Metallurgy Companies, we carry out our activities with the goal of "Accident-free Steel". We work towards spreading a behavior-based safety culture. We manage the OHS risks by using the very latest technologies and approaches.

We maintain our investment in R&D in order to improve responsible production processes through environmentally friendly practices and offer products and services which meet customer requirements in line with current trends and technologies.

We define digital transformation as our priority in order to render our entire business more effective and efficient, and to generate more value. We develop end-to-end integrated solutions and, in this vein, invest in state-of-the-art technologies and mobile solutions in our work processes.

Our Mining Metallurgy Companies act with an understanding of generating value for both their employees, by putting people at the heart of what they do and for their stakeholders, through their operations. We support regional development through the employment which we create in the geographical regions in which we operate, thereby contributing to socio-economic development of local communities.

We are one of Turkey's largest job providers. With 12,788 employees, we operate with a strong and widespread sphere of influence in the regions where we operate. Within the scope of this sphere of influence, we create indirect employment for approximately 300,000 people.

We look to the future with hope through our value generation approach.
Our value generation approach, which stands on the three pillars of sustainable growth, responsible production and putting people at the heart of what we do, played a major role in our success in 2021 and in helping us achieve record breaking results in every field.

We are determined to progress by correctly reading the developments in the steel industry and our customers' needs. As a Group which identifies risks in a timely manner and takes actions accordingly, uses its resources and capacity effectively and develops its human capital continuously, we are determined to build on our competitive clout and reinforce our presence in the global league.

Erdemir, which closed 2021 as the most valuable company on the Borsa İstanbul, will along with all of our subsidiaries continue to generate value for all our stakeholders and our country with determination.

On behalf of myself and our Board of Directors, I would like to thank all of our shareholders, especially the Turkish Armed Forces Pension Fund (OYAK), our human resources, our customers and our stakeholders for their unwavering support during this process. I hereby express my wish that 2022 will bring goodness for humanity and the whole world.

Respectfully,

Süleyman Savaş ERDEM
The Chairman of the Board of Directors

BOARD OF DIRECTORS

Süleyman Savaş ERDEM
Chairman of the Board of Directors
(Representative of OYTAŞ İç ve Dış Ticaret A.Ş.)

Aslıhan DÖĞER
Deputy Chairman and Executive Director
(Representative of OMSAN Lojistik A.Ş.)

Gürtan DAMAR
Board Member and Executive Director
Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. General Manager

Bekir Emre HAYKIR
Board Member
(Representative of Republic of Turkey Ministry of Treasury and Finance Privatization Administration)

Baran ÇELİK
Board Member
(Representative of OYKA Kağıt Ambalaj Sanayi ve Ticaret A.Ş.)

Güliz KAYA
Board Member
(Representative of OYAK Denizcilik ve Liman İşletmeleri A.Ş.)

Ali FİDAN
Independent Board Member

Kurtuluş Bedri VAROĞLU
Independent Board Member

SENIOR MANAGEMENT

İBRAHİM ÖZBUNAR
Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. General Manager (Deputy)

KOÇAĞA TÜREOĞLU
Kümaş Manyezit A.Ş. General Manager

CAN ÖRÜNG
Information Technologies Group Vice President

ERCAN KAYA
Corporate Architecture and Human Resources Group Vice President

MUSTAFA SERDAR BAŞOĞLU
Financial Management and Financial Affairs Group Vice President

MESUT KEYFLİ
İskenderun Demir ve Çelik A.Ş. General Manager

İSMAİL KÜRŞAD KORKMAZ
Procurement Group Vice President

ASLIHAN DÖĞER
Deputy Chairman and Executive Director

SÜLEYMAN SAVAŞ ERDEM
Chairman of the Board of Directors

GÜRTAN DAMAR
Board Member and Executive Director, Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. General Manager

FATİH ÇITAK
Marketing and Sales Group Vice President

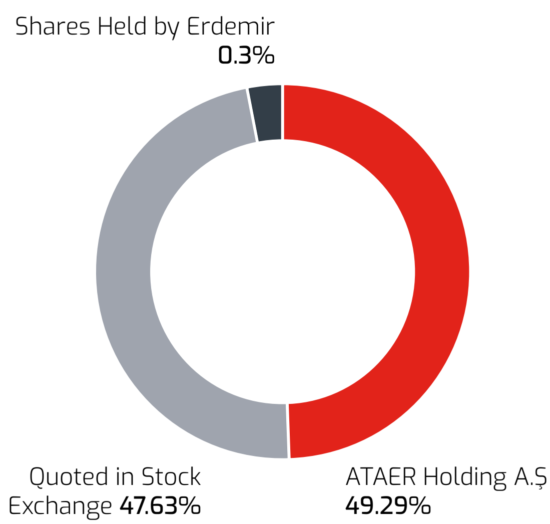
HALİL YILDIRIM
Erdemir Madencilik Sanayi ve Ticaret A.Ş. General Manager

SALİH CEM ORAL
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. General Manager

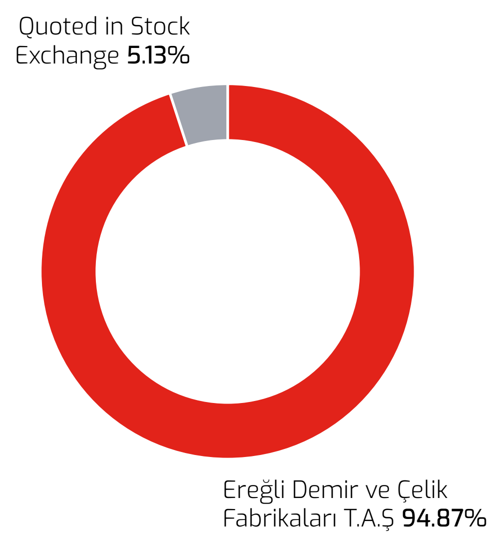
CORPORATE PROFILE

At OYAK's Mining Metallurgy Companies, we have been working for our country and stakeholders for more than 56 years. With an awareness which comes with being the leader player in the steel industry, we focus on sustainable growth, responsible production and putting people at the heart everything we do.

Erdemir Shareholding Structure



İsdemir Shareholding Structure



We generate value for our customers with our high-quality products and services. We develop and renew ourselves in line with their needs and expectations. We monitor current technological developments and transform the way we do business. We support our economy with our production, exports, employment and strong financial structure.

We serve Turkish industry with our parent company, Erdemir, which was Turkey's first flat steel producer, and its affiliates, İsdemir, Erdemir Maden, Erdemir Çelik Servis Merkezi, Erdemir Engineering, Erdemir Romania, Erdemir Asia Pacific, Erdemir Energy, İsdemir Linde Gas Partnership and Kümaş Manyezit. We operate in the fields of flat and long steel production, steel service centers, mining, industrial gas production, engineering and project management, as well as generating energy, and we lead the sector with our pioneering practices.

As our sector's leading steel producer, we single-handedly realized 22% of our country's crude steel production with our 9,021 thousand tons of crude steel production in 2021. We have also maintained our strong position in the global steel market. OYAK's Metallurgy Companies rank 4th among EU member countries' producers, 9th in Europe and 48th in the world in terms of crude steel production, based on figures published by the World Steel Association.

We provide raw materials to almost every branch of industry, in particular to the automotive, white goods, construction, machinery, shipbuilding, pipe, energy, defense and packaging industries. We are preferred as a high-quality and reliable supplier both in Turkey and abroad. In 2021, we exported 1.6 million tons of products to 171 different customers in 48 countries.

Hot Rolling Mill

We conduct advanced steel research at the Erdemir R&D Center, the first Ministry approved R&D Center in the Turkish steel industry, in order to widen our product diversity, offer innovative solutions which will carry our customers forward, to use our resources efficiently and access alternative resources.

Our ports in Karadeniz Ereğli and İskenderun serve as the largest ports in our country and in the region, serving both our companies and organizations in the area.

We derive our strength from our 12,788 employees, with their competence, experience, determination and their belief in our common future. We care about the satisfaction and development of our employees, observe their rights and believe in their potential. We aim to add value to the lives of our employees, support their developmental needs throughout their career paths and support their innovative and creative ideas. Providing our employees with healthy and safe work areas is our top priority. We develop feedback systems so we can immediately identify risky behavior elements. We act with the principle that every accident is preventable in our facilities. We support our employees with continuous and systematic OHS training in order to instill a sustainable safety culture.

Together with all our companies, we continue to carry out our activities with a sense of responsibility by considering all environmental risks caused by climate change, and by not only being in the present but also in the future. With the strength which we derive from our employees and the steel which we produce, we are working to provide a better direction to our future and offer added value to our country.

CORPORATE PROFILE

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir)
Playing one of the most important roles in the Turkish industry, Erdemir started production on 15 May 1965 at its facilities established in Karadeniz Ereğli in order to meet the country's requirement for flat steel. Today, Erdemir operates as Turkey's largest integrated flat steel producer under the umbrella of our Mining Metallurgy Companies.

Erdemir produces hot and cold rolled flat steel, plate, tin, chrome and galvanized coated sheet to international quality standards backed by the experience gained in its deeply rooted history going back more than 56 years. The company is one of the world's most important steel producers with a crude steel capacity of 4 million tons and finished product capacity of 5 million tons.

The products manufactured by the company provide the basic input to a wide array of sectors such as the automotive, white goods, pipe profile, rolling mill, general manufacturing, electrical electronics, machinery, energy, heating equipment, shipbuilding, defense, packaging, and renewable energy industries.

As Turkey's only plate producer, Erdemir also owns one of the largest ports in Turkey's Black Sea region.

Erdemir is one of the world's most important steel producers with a flat steel capacity of approximately 5 million tons.

İsdemir has an annual production capacity of approximately 5.8 million tons of liquid steel and 3.5 million tons of flat products.

İskenderun Demir ve Çelik A.Ş. (İsdemir)
İsdemir, whose foundations were laid in İskenderun on 3 October 1970, is an integrated iron and steel plant which had third highest steel production capacity and highest liquid steel capacity in Turkey as of its establishment date. İsdemir was transferred to Erdemir in 2002 on the condition that it would produce flat products.

The company is one of the most important steel producers in the world, with final product production capacities of approximately 5.8 million tons of liquid steel, 3.5 million tons of flat products, 0.6 million tons of coil and 2.5 million tons of billet per year.

As Turkey's only integrated steel plant capable of producing both long and flat products simultaneously, İsdemir has maintained its investments in line with the needs of the country's industry since its inception.

Erdemir Madencilik San. ve Tic. A.Ş. (Erdemir Maden)
Erdemir Maden started ore production in the Divriği township of Sivas in 1938 and has continued its activities as Demir Madenleri İşletmesi since 1940. Erdemir Maden, which joined Erdemir in 2004, has the only pellet plant which meets the needs of the Turkish iron and steel sector.

Producing hematite lumps and fine ore in addition to pellets, Erdemir Maden, as Turkey's largest iron mining producer, provides domestic and national raw materials to the Turkish steel industry with a production capacity of 1.5 million tons of pellets and 750,000 tons of lump ore.

Erdemir Maden is Turkey's principal owner of iron mines and the largest producer of iron in Turkey with its concentration and pellet plants in Sivas Divriği, as well as a total of 11 mining sites, including nine iron mines, one coal mine and one manganese field. Erdemir Maden realizes 38% of Turkey's iron ore production and single handedly provides 13% of Turkey's ferrous raw material needs.

CORPORATE PROFILE


Ersem

Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (Ersem)
Erdemir Çelik Servis Merkezi San. and Tic. A.Ş. (Ersem) was founded in Gebze in October 2001 and entered operation in 2002 with a cold slitting line capacity of 150,000 tons/year of and cold size cutting line capacity of 100,000 tons/year. In addition to the automotive and white goods industries, the company provides high-quality services to companies operating in various branches of industry such as general machinery and manufacturing, the heat industry and electric electronics at its steel service providing centers.

Turkey's largest steel service center, with a total slitting and cutting to length capacity of 1,950 thousand tons, Ersem has four production plants in Gebze, Karadeniz Ereğli, İskenderun and Manisa.

Ersem's competencies allow it to quickly meet the immediate demands of its customers, with the company able to ship products at the desired quality and size, on time and to the requested place, while managing stocks and responding to various requirements such as production to narrow tolerances and deliveries in small batches.

Erdemir Romania S.R.L (Romania)
Erdemir Romania was founded in Targovishte, Romania, and became one of our Mining Metallurgy Companies in 2002. The company produces siliceous flat steel, a principal input for the engine, transformer and generator industries. Erdemir Romania, which has commanded a key position in this field in Europe, directs 20% of its production to the Romanian domestic market while exporting 80% of its production to various countries, especially in Europe.

Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. (Erdemir Engineering)
Erdemir Engineering provides a wide range of engineering and project management services ranging from planning to implementation, aimed at supporting the profitability, product diversity and efficiency for our Mining Metallurgy Companies and helping them achieve the quality goals in their investments.

Kümaş Manyezit Sanayi A.Ş.
Kümaş Manyezit A.Ş. (Magnesite) was established in Kütahya in 1972 and started to produce sinter magnesite from natural magnesite ore in 1976. The Company's mining sites in Kütahya, Eskişehir and Konya host rich magnesite and dolomite resources and reserves. Kümaş is Turkey's leading and largest vertically integrated refractory producer. The company handles the entire operation extending from the mineral supply to the sales process. In February 2021, Erdemir, one of our Mining Metallurgy Companies, acquired a full stake in Kümaş Manyezit Sanayi A.Ş., which is the Turkish market leader of the refractory industry and the world's largest mining operator in the qualified magnesite ore industry, and its subsidiaries Odak Refrakter ve Madencilik San. Tic. A.Ş. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.

Erdemir Enerji Üretim A.Ş.
The company was established with Erdemir providing 100% of the capital for the purpose of producing renewable energy. The "Kızılcapınar Hydroelectric Power Plant", which was realized within the body of Erdemir Energy, is located in the Kızılcapınar Village of the Karadeniz Ereğli district of Zonguldak. The hydroelectric power plant, which generates electricity based on a renewable resource, entered operation on 18 June 2021 after obtaining the Ministry Acceptance Report. The Kızılcapınar HEPP has two units, one with an installed capacity of 4.28 MWm/4.13 MWe and the other with an installed power of 1.26 MWm/1.22 MWe, with a total installed capacity of 5.54 MWm/5.35 MWe. Although the output varies depending on hydrological conditions, the annual average production capacity is 18,700,000 kWh.

İsdemir Linde Gaz Ortaklığı A.Ş.
İsdemir Linde Gaz Ortaklığı A.Ş. was established in a 50-50 partnership with Linde Gas Turkey in order to meet İsdemir's additional needs for industrial gas and reduce the costs of the existing industrial gas system. The company entered operations in December 2016.

Erdemir Asia Pacific PTE. LTD.
Founded in Singapore in 2014 as a 100% subsidiary of Erdemir, the company has conducted Erdemir's commercial activities in the Far East since its establishment.

OUR MINING METALLURGY COMPANIES IN 2021

7.4 MILLION TONS SALES OF FLAT FINAL PRODUCTS ALONG WITH 846,000 TONS OF LONG FINAL PRODUCTS

SALES OF 2,364,000 TONS OF PELLETS, MAGNESITE AND ORE

1.6 MILLION TONS OF EXPORTS

ERDEMİR MADEN ACCOUNTS FOR 38% OF TURKEY'S IRON ORE PRODUCTION AND MEETS 13% OF TURKEY'S IRON ORE NEEDS.

NET SALES REVENUES

USD 7,667 MILLION

EBITDA

USD 3,021 MILLION

NET PROFIT FOR THE PERIOD

USD 1,745 MILLION

USD 434 MILLION IN INVESTMENT EXPENDITURE IN 2021

TL 47.6 MILLION R&D EXPENDITURE

WITH ITS 2020 R&D SPENDING IN 2020, ERDEMİR RANKED 58TH AMONG COMPANIES WITH THE HIGHEST R&D EXPENDITURE.

ISO 500:

ERDEMİR RANKS 9TH

İSDEMİR RANKS 10TH

ERSEM RANKS 79TH

ERDEMİR MADEN RANKS 180TH

CAPITAL 500:

ERDEMİR IS RANKED AS FIRST IN ITS INDUSTRY IN THE RANKING OF THE MOST PROFITABLE COMPANIES

ERDEMİR ROUNDED OFF 2021 AS THE MOST VALUABLE COMPANY ON THE BIST.

ERDEMİR IS RANKED 10TH IN THE FORTUNE TURKEY LIST

ERDEMİR MADEN WAS SELECTED AS THE COMPANY WITH THE HIGHEST SALES PROFITABILITY BY FORTUNE 500 TURKEY.

ERDEMİR'S RATING GRADE OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES INCREASED TO **9.57.**

İSDEMİR'S RATING GRADE OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES INCREASED TO **9.51.**

ERDEMİR WAS INCLUDED IN **THE SUSTAINABILITY INDEX FOR THE SEVENTH TIME THIS YEAR.**

İSDEMİR HAS ALSO BEEN INCLUDED **IN THE SUSTAINABILITY INDEX FOR THE LAST THREE YEARS** WHEN IT HAS BEEN EVALUATED.

12,788 PERSONNEL

20.2 HOURS OF TRAINING PER EMPLOYEE

710 WOMEN EMPLOYEES

ERDEMİR WAS **PLACED FIRST IN ITS INDUSTRY** IN THE SURVEY OF TURKEY'S GLOBAL 100 COMPANIES, CARRIED OUT BY THE PLATİN MAGAZINE IN CONJUNCTION WITH IPSOS.

ERDEMİR WON THE **"PAVING THE WAY FOR YOUNG PEOPLE" AWARD** IN THE TİSK COMMON FUTURE AWARDS, IN RECOGNITION OF ITS GRIZU 263 PROJECT, WHILE ERDEMİR MADEN WON THE **DIGITALIZATION AWARD** WITH ITS DIGITAL CENTER PROJECT.

ERSEM WAS **AWARDED IN TWO CATEGORIES** IN THE "STARS OF OCCUPATIONAL SAFETY" CONTEST ORGANIZED BY MESS.

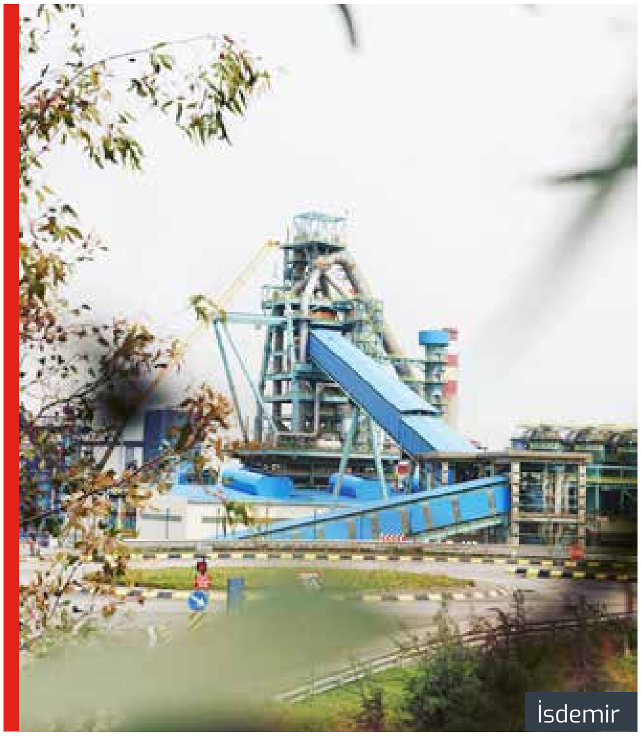
STRATEGIC APPROACH

As OYAK's Mining Metallurgy Companies, we are focused on sustainable growth, improving our financial performance and generating lasting value for all of our stakeholders.

We map out our strategies by anticipating the challenges of the ever-changing dynamic environment. We plan different business models which include our priorities and focus areas, and provide a competitive advantage.

We shape our approach to value generation on the basis of three basic concepts as follows:

- sustainable growth,
- responsible production,
- an approach that puts people at the center



İsdemir

Sustainable Growth

As one of the largest industrial organizations in Turkey, we maintain our strong financial performance by implementing effective cost and capacity management. We pursue balanced growth in foreign markets as well as in the domestic market.

OYAK's Mining Metallurgy Companies help reduce imports and contribute to economic growth by meeting the needs of the domestic market with the supply of steel, which is one of the main raw materials of the Turkish industry.

The employment we create, our production volume, our share in the trade cycle and our exports, our contribution to the development of the domestic market and our contribution to keeping the wheels of the economy turning prove the effectiveness of our sustainable growth strategy.

Focus Areas

- Contribution to industry and economic growth in Turkey as the industry leader
- Competitive cost management
- Maintaining and increasing market share
- Increasing high value-added grades in product groups
- Being a reliable solution partner for customers with zero errors
- Increasing company value
- Increasing resource and investment efficiency

OYAK's Mining Metallurgy Companies work to reduce imports and contribute to economic growth by meeting the needs of the domestic market with the supply of steel, which is one of the main raw materials of the Turkish industry.

Responsible Production

Our Mining Metallurgy Companies view responsible production as a key necessity in achieving sustainable growth. In line with this awareness, we focus on reducing our environmental impacts, particularly the impacts caused by climate change, playing a role in the transition to a green circular economy and implementing pioneering practices to achieve the best performance in the field of occupational health and safety.

We realize regular R&D investments both to improve responsible production processes and to offer the products which meet the needs of our customers. In addition, we define the digital transformation in a manner which will render our entire business more effective, more efficient and create more value. We invest in digital technologies in our work processes.

We are designing, executing and investing a large number of projects to implement environmentally friendly practices in our facilities. In line with our responsible production strategy, we strive to improve efficiency in many areas from the energy we use to the water we consume.

Focus Areas

- Transparent and accountable management
- A focus on R&D in the production processes
- Reducing environmental impacts
- Developing pioneering OHS practices
- Developing products and services in line with current trends and technologies
- Increasing operational efficiency
- End-to-end integrated solutions

People-Centered Approach

OYAK's Mining Metallurgy Companies have adopted the priority of generating value for our stakeholders. We prioritize contributions to the socio-economic development of local communities with the employment we create in the regions where we operate and the support we provide to the development of the region.

We develop projects to improve the skills and competencies of our human resources, our most valuable asset, and to increase their satisfaction. We care as much about the satisfaction of our employees as we do about their health and safety. Our strategy which puts people at the heart of what we do also includes the responsibility of providing the best for our employees.

As one of Turkey's largest direct employers with 12,788 employees, we create indirect employment for approximately 300,000 people in the regions where we operate.

Focus Areas

- Social contribution in the regions where there are operations
- Increasing employee satisfaction
- Employees who have adopted corporate priorities and values and who act together

GRI 102-14, 103-2, 103-3

STRATEGIC APPROACH

Our Strategic Priorities	Our Focus Areas	Relevant Indicators	The SDGs We Contribute to
Sustainable Growth	Contribution to industry and economic growth in Turkey as the industry leader	· EBITDA · Final Product Sales Tonnage · Final Product Production Tonnage · Pig Iron Production Tonnage	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Competitive cost management	· Conversion Cost	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Maintaining market share	· Market Share	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Increasing high value-added grades in product groups	· The Share of High Value-added Grades	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Being a reliable solution partner for customers, with zero errors	· Customer Satisfaction Survey Score · Claim Conclusion Time · On Time Delivery Rate	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Increasing company value	· Stock Value · Corporate Reputation Survey Score	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
Responsible Production	Transparent and accountable management	· Corporate Governance Principles Compliance Rating Score	9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	R&D focus in production processes	· Ratio of R&D Budget to Group Sales Revenue · Saving Contribution of the R&D Projects in the Last 3 Years	9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Reducing environmental impacts	· Specific Energy Consumption · Waste Reduction Amount · Waste Recovery Ratio · Greenhouse Gas Emissions · Water Consumption	6 TEMİZ SU VE SANİTASYON 12 SORUMLU ÜRETİM VE TÜKETİM 13 İKLİM EYLEMİ 14 SUDAKİ YAŞAM

Our Strategic Priorities	Our Focus Areas	Relevant Indicators	The SDGs We Contribute to
Responsible Production	Developing pioneering OHS practices	· Accident Frequency Rate · Accident Severity Rate · OHS Systematics Application Ratio · OHS Training Hours Per Employee	3 SAĞLIK VE KALİTELİ YAŞAM 4 NİTELİKLİ EĞİTİM 12 SORUMLU ÜRETİM VE TÜKETİM
	Developing products and services in line with current trends and technologies	· New Products Sales Tonnage · Ratio of the Turnover of New Steel Grades Developed in the Last 3 Years to the Last Year's Turnover · Number of Grades Developed · Sales Revenue of New Grades Developed / Supported in the Last 3 Years	9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	Increasing operational efficiency	· Total Equipment Effectiveness · Asset Management Performance	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME 12 SORUMLU ÜRETİM VE TÜKETİM
	End-to-end integrated solutions	· Compliance with Digital Transformation Projects Time Schedule	9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
People-Centered Approach	Social contribution in the regions where there are operations	· Corporate Social Responsibility Projects	4 NİTELİKLİ EĞİTİM 9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI
	The employees who have adopted corporate priorities and values and who act together	· Training Hours Per Employee · Number of Suggestions Implemented Per Person · Employee Satisfaction Survey · Employee Turnover Rate	4 NİTELİKLİ EĞİTİM 8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME

BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL	Net Sales Revenue	USD 7.7 billion
	Consolidated Net Assets	USD 6.3 billion
PRODUCED CAPITAL	Liquid Steel Capacity	9.7 million tonnes
	Factories in 7 Provinces	7
	Investment Expenditures	USD 434 million
HUMAN CAPITAL	Number of Employees	12,788
	Training Hours per Employee	20.2
INTELLECTUAL CAPITAL	R&D Expenditures	TL 47.6 million
	Management Standards	8
	Number of Kaizen Initiated	2,772
SOCIAL CAPITAL	Membership of Institutions or Associations	68
NATURAL CAPITAL	Erdemir Specific Energy Consumption	4,830 Mcal/ton crude steel
	İsdemir Specific Energy Consumption	4,704 Mcal/ton crude steel
	Surface Water	73.6 million m^3
	Groundwater	2.6 million m^3

We utilize our know-how and economies of scale to create best practices and work processes. We generate value in all areas by integrating our strategy, which we have shaped around three basic concepts, into our production and management models.

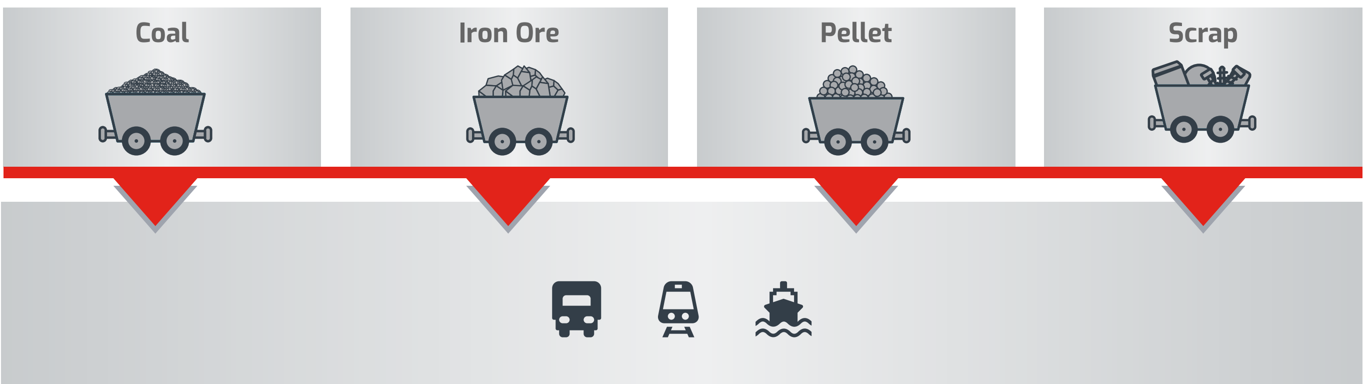
OUTPUTS

EBITDA	USD 3 billion
Taxes Paid	TL 14.7 billion
Export Revenues	USD 1.7 billion
Liquid Steel Production	9.2 million tons
Flat Product Production	7.5 million tons
Long Product Production	857,000 tons
Indirect Employment	300,000
New Product Grade	17
Number of Registered Patents and Utility Models	17
Number of Completed R&D Projects	45
Participation Systems Income	USD 62 million
Social Project Expenditure	TL 19.4 million
Energy Saving	513,343 MWh
CO_2 Reduction	284,906 tons CO_2
Reused Water	1,098 million m^3

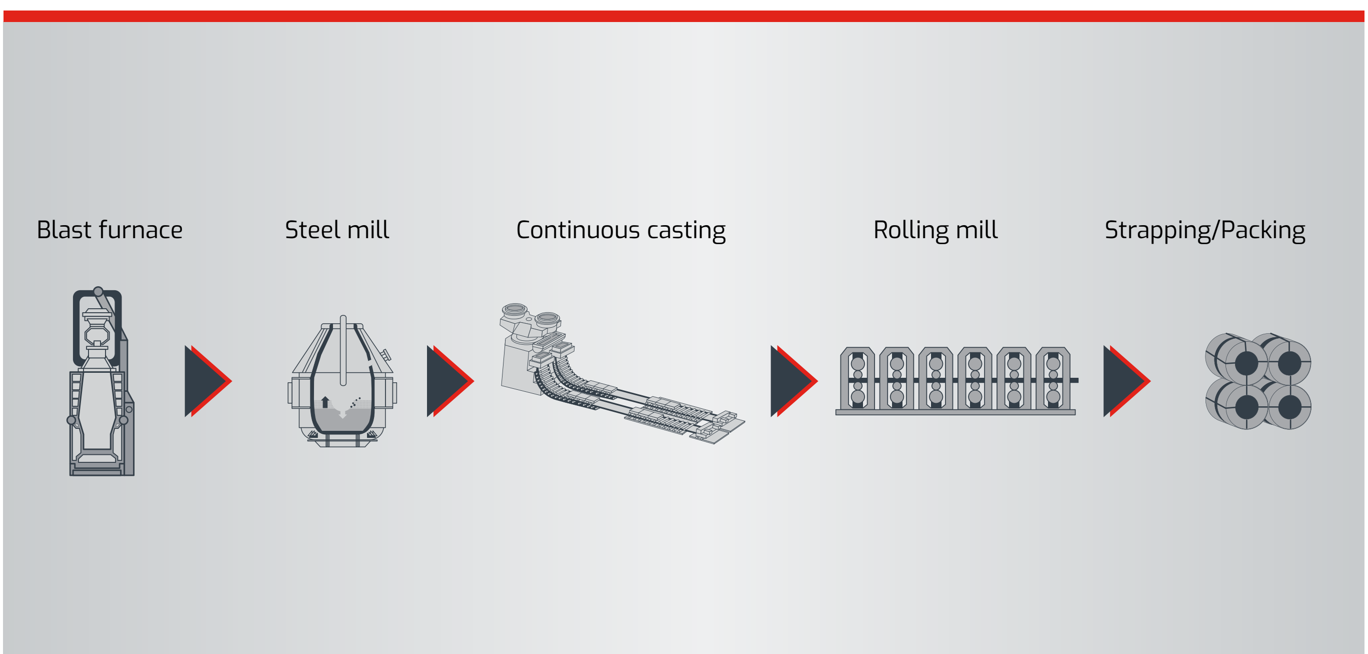
The employment we create, our production volume, our share in the trade cycle and our exports, our contribution to the development of the domestic market and our contribution to keeping the wheels of the economy turning prove the effectiveness of our sustainable growth strategy.

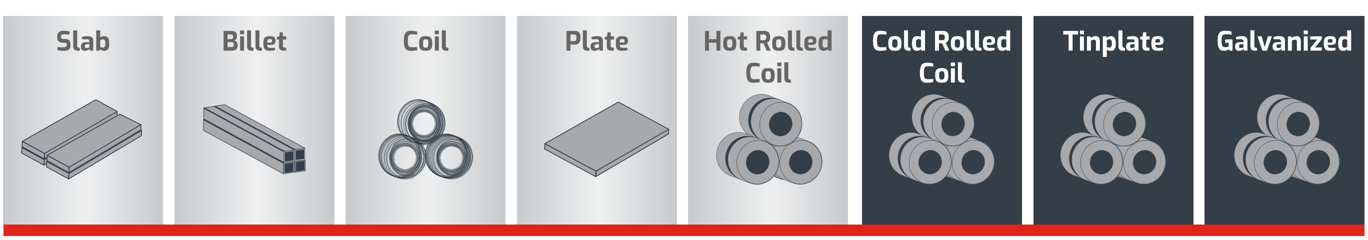
VALUE CHAIN

Our Raw Materials

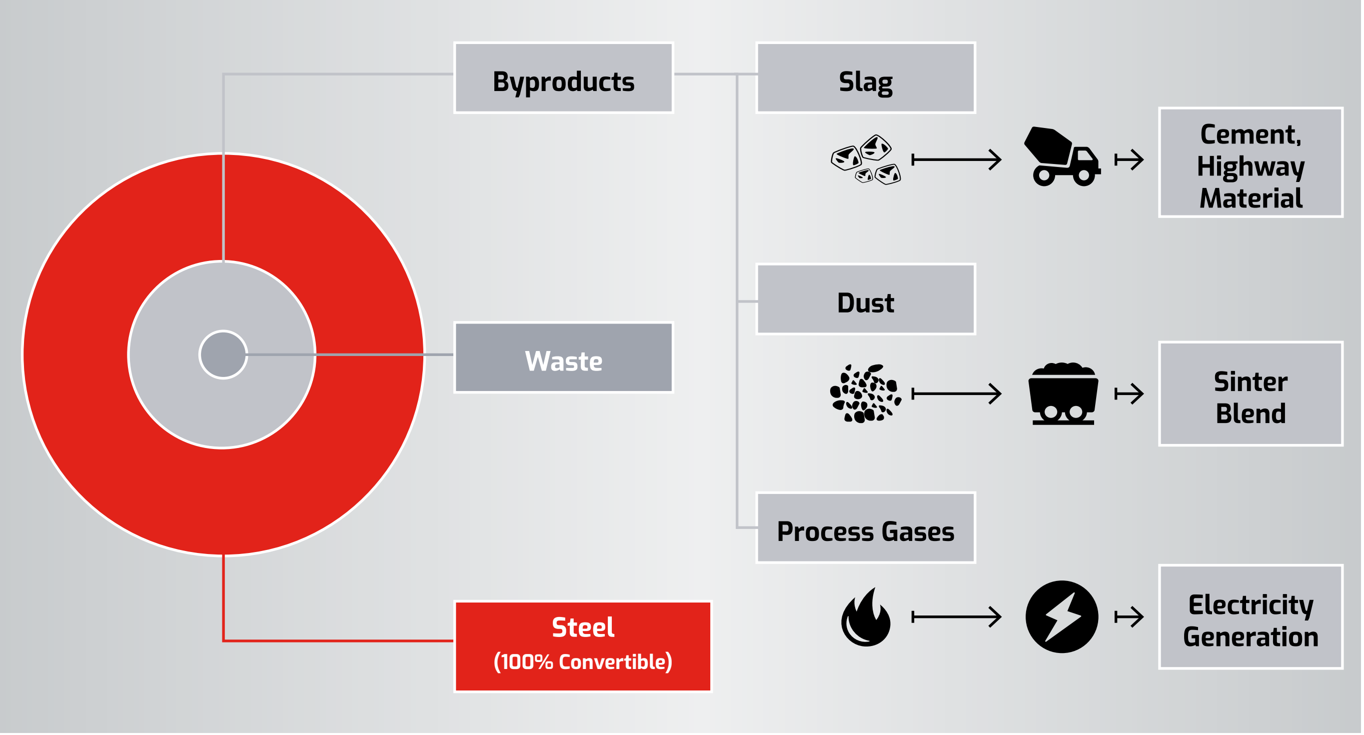


Integrated Production Process

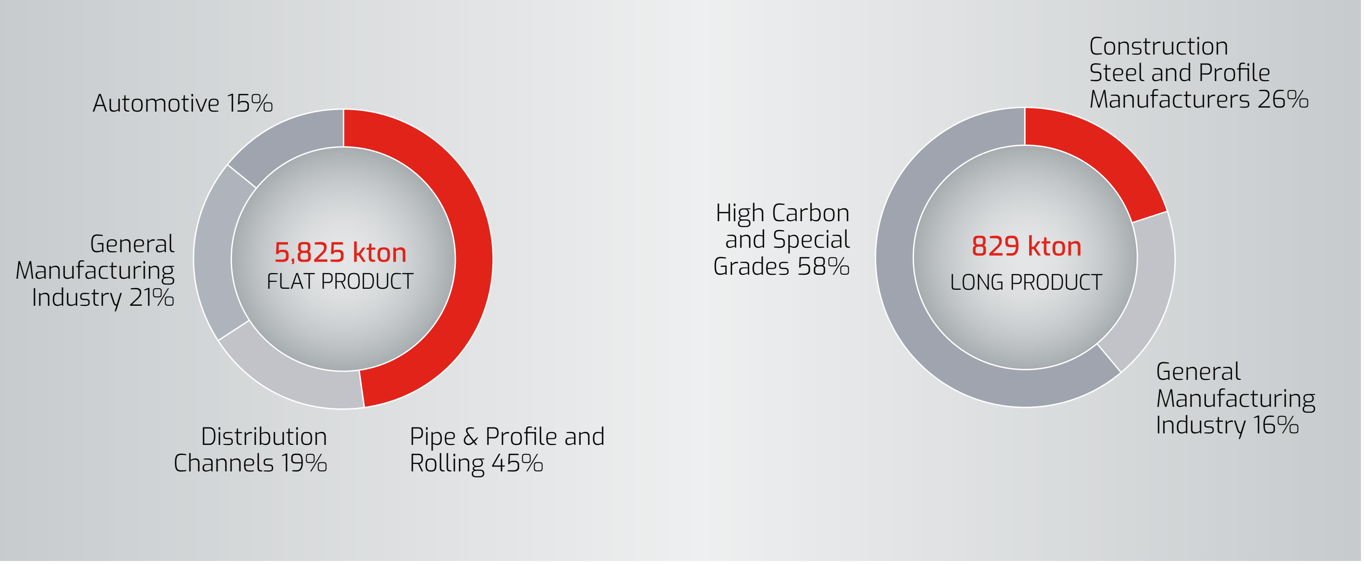




Steel Production Outputs



The Main Sectors, Where Steel is Used in Turkey



MATERIALITY ANALYSIS

At OYAK's Mining Metallurgy Companies, we have determined our strategic priorities for our focus areas and linked these priorities to our operations and rendered them tangible, measurable and manageable.

Material issues constitute one of the most important inputs to our strategy and business model. We use the materiality analysis, which we describe as a continuous process, as a tool to guide our strategies. We determine the material issues by taking into account the views and feedback of our stakeholders, and keep in regular contact with each stakeholder group throughout this process.

Global and industry risks and opportunities, strategic priorities, the financial, social and environmental impacts on our operations and value chain and stakeholder concerns and expectations enable us to identify issues that are important to us. These issues are placed in the matrix according to their level of importance for our Mining Metallurgy Companies and their impact on our external stakeholders, with whom we work throughout the year.

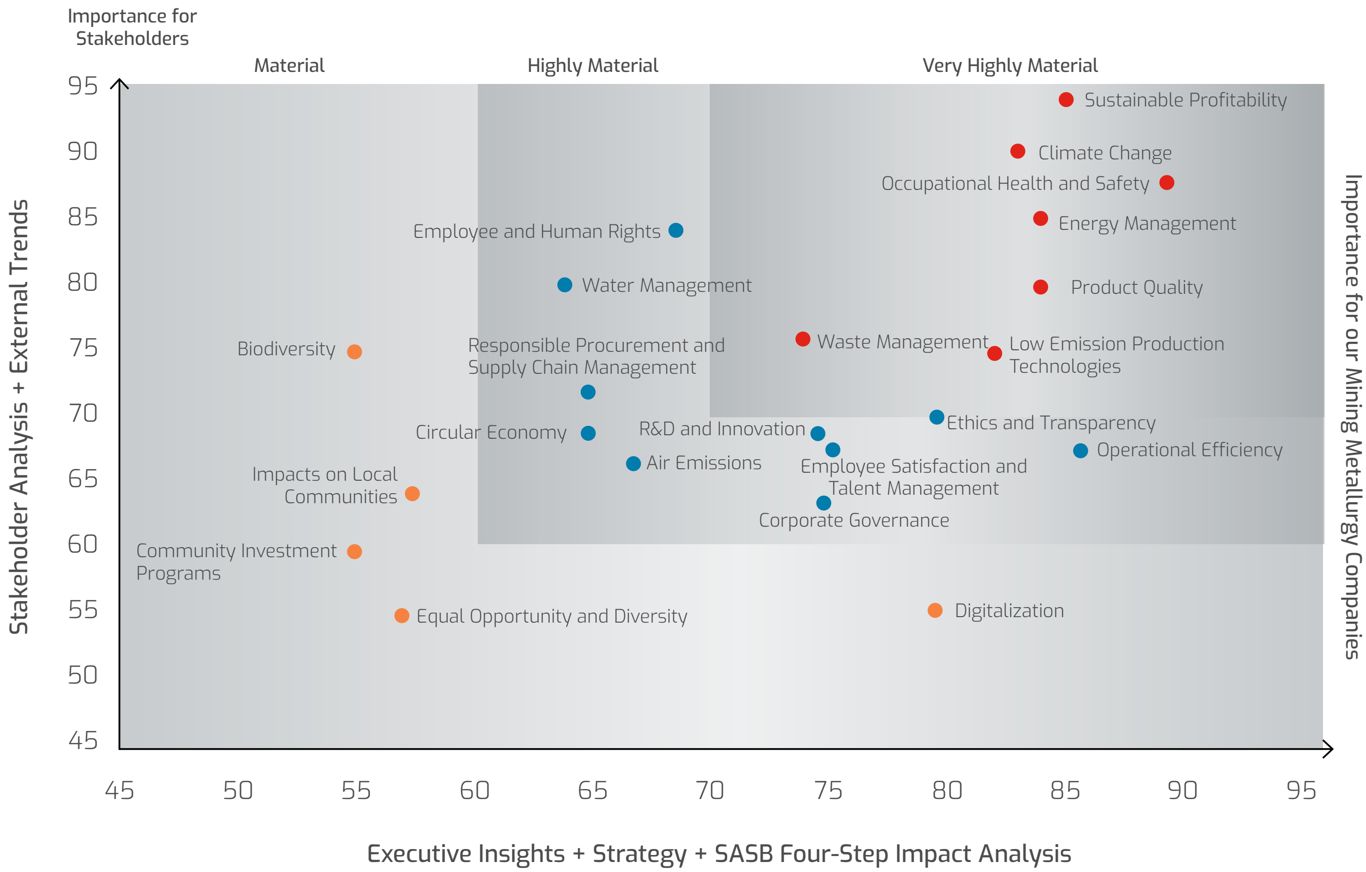
In 2021, we sought the expectations of our employees, who are our internal stakeholders, along with our suppliers, business partners, investors, analysts, non-governmental organizations, public institutions, media, universities and representatives from international organizations, who are our strategic external stakeholders, through face-to-face/online meetings.

We analyzed the developing trends in the world and in Turkey. In this context, we conducted an in-depth examination of the predictions on global risks as set out by the World Economic Forum, international initiatives such as the Global Reporting Initiative (GRI), the material issues prepared specifically for the sectors by the Sustainability Accounting Standards Board (SASB) and the Sustainable Development Goals and evaluated the issues which shape the global and local agenda.

While analyzing the strategic business priorities of our Mining Metallurgy Companies, we received feedback from the senior management of the companies through one-to-one meetings. We considered the strategic plan and evaluated the risks and opportunities.

Steel Mill

MATERIALITY MATRIX



Very Highly Material

- Climate Change
- Occupational Health and Safety
- Energy Management
- Sustainable Profitability
- Waste Management
- Product Quality
- Low Emission Production Technologies

Highly Material

- Employee and Human Rights
- Water Management
- Responsible Procurement and Supply Chain Management
- Circular Economy
- Air Emissions
- R&D and Innovation
- Operational Efficiency
- Ethics and Transparency
- Employee Satisfaction and Talent Management
- Corporate Governance

Material

- Biodiversity
- Impacts on Local Communities
- Digitalization
- Equal Opportunity and Diversity
- Community Investment Programs

GRI 102-42, 102-43, 102-44, 102-47, 102-49, 103-1

MATERIALITY ANALYSIS

The analysis we carried out in 2021 found that the material issues were similar to those found in previous years. Sustainable Profitability and Low Emission Production Technologies, which we added to our list this year, have become one of our top priorities. Climate Change and Occupational Health and Safety were among the issues which became more important. While "very highly material" and "highly material" issues were the main topics we focused on in the report, we also included other topics in the report.

Importance Level	Material Issue	Relevant SDG	How we Manage the Issue	Relevant Section
Very Highly Material	Climate Change	13 İKLİM EYLEMİ	Tackling the climate crisis is our responsibility to the planet and humanity. We manage all of our strategies and policies within the scope of this responsibility.	Environmental Performance
	Occupational Health and Safety	3 SAĞLIK VE KALİTELİ YAŞAM	Aware that the health of our employees comes first, we attach importance to the OHS practices in order to ensure that our employees work in a safer ecosystem and to create an OHS culture.	Responsible Production-Occupational Health and Safety
	Energy Management	13 İKLİM EYLEMİ	We place priority on minimizing the consumption of energy resources and using these resources efficiently.	Environmental Performance
	Sustainable Profitability	8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME	We deem financial sustainability to be critical as we move decisively towards our long-term goals.	Financial Performance and Developments in Stocks
	Waste Management	12 SORUMLU ÜRETİM VE TÜKETİM	In order to overcome waste generation with a zero-waste approach, we aim to minimize waste at the source, apply recycling techniques and take necessary care to dispose of wastes in a manner which does not harm the environment.	Environmental Performance
	Product Quality	12 SORUMLU ÜRETİM VE TÜKETİM	We implement investments and improve our current processes in order to always provide safe, high-quality products and services to our customers.	Product Management, Customer's Solution Partner, R&D and Innovation
	Low Emission Production Technologies	13 İKLİM EYLEMİ	We plan our investments by closely following new technologies in order to minimize our greenhouse gas emissions.	Environmental Performance, R&D and Innovation

Stakeholder Relations

Stakeholders are at the heart of the business model for OYAK's Mining Metallurgy Companies. Accordingly, we believe in the importance of communicating effectively with our stakeholders in order to generate long-term value.

We define our stakeholders as individuals and organizations which are either affected by or which affect our activities, and which may also have an impact on achieving our sustainability goals.

We use various communication methods depending on our stakeholder groups in order to correctly understand the views, demands and expectations of our stakeholders.

GRI 102-40, 102-42, 102-43, 102-44, 103-1

Methods of Communication with Stakeholders

Stakeholder Group	Communication Method and Frequency	Communication Channels
Employees	· Intranet/Continuously · In-Group TV/Continuously · Integrated report/Annually · Website/Continuously · Stakeholder analysis/Every 2 years · Social media/Continuously · Employee loyalty survey · Internal newspaper/Monthly · Face-to-face meetings/Continuously · Activities for employees and their families/Annually · Suggestion system/Continuously · Internal announcements/Continuously	· 31 news posts per year on the Intranet · More than 100 video shares per year on TV · Integrated report published regularly every year · Learning and development activities through the Digital HR system · Evaluation of institutions/organizations which there we interact with · Posts made on a weekly basis · Periodic surveys · Publishing 12 newspapers each year · Interviews as part of performance evaluations · Events organized within the scope of special days and company anniversaries, social club events · More than 60,000 suggestions submitted by employees · Informing employees of relevant issues through internal announcements
Suppliers	· One-to-one meetings/Continuously · Tenders/When needed · Integrated annual report/Annually · Website/Continuously · Stakeholder analysis/Every 2 years · Social media/Continuously	· Field visits and inspections for suppliers · Integrated report published regularly every year · Continuity of commercial meetings with internet-based applications · Analysis of suppliers with which there is an interaction · Posts on a monthly basis
Public Institutions	· One-to-one meetings/when needed · Integrated annual report/Annually · Website/Continuously · Stakeholder analysis/Every 2 years	· Meetings held to expand the impact of corporate social responsibility projects · Integrated report published regularly every year · Meeting the in-kind and cash aid requests conveyed by public institutions
Local People	· EIA public participation meetings/When required as part of the investments · Integrated annual report/Annually · Website/Continuously · Local press relations/Continuously · Press releases/When needed · Stakeholder interviews/Continuously · Social media/Continuously	· Two EIA meetings held throughout the year · Integrated report published regularly every year · Informative posts on websites and social media accounts, announcement of corporate social responsibility projects · Preparation of press releases in line with company based events (20 press releases served.) · Social media posts released on a weekly basis
Customers	· One-to-one meetings/Continuously · Fairs/Special for fair periods · Marketing activities/Continuously · Post-sales communication/Continuously · Regular technical meetings/Continuously · Integrated annual report/Annually · Seminars and conferences · Website/Continuously · Stakeholder analysis/Every 2 years · Social media/Continuously	· Continuing improvement work in line with Customer Satisfaction Surveys · Conducting regular customer visits · 35% reduction in customer claim through regular customer claim review
Industry Organizations, Associations and NGOs	· Collaborations/Within the scope of joint projects and working groups · Memberships/Annually · Participation in working groups/Within the periods determined by the working groups themselves · Integrated annual report/Annually · Website/Continuously · Stakeholder analysis/Every 2 years · Social media/Continuously	· Meeting NGOs under certain events in order to expand the impact of corporate social responsibility projects · Meeting the in-kind and financial aid requests submitted by associations · Participation in working groups at periodic intervals
Investors	· Annual General Meeting/Annually · Teleconferences/According to the demand of the investors · One-to-one meetings/Continuously · Integrated annual report/Annually · Website/Continuously · Stakeholder analysis/Every 2 years · Social media/Continuously · Material Event Disclosures/When Needed · Interim Reports/Quarterly · Investor presentations and teleconferences/Quarterly	· Periodic publication of information, which may affect the exercise of shareholder rights, on the corporate website. · Integrated report published regularly every year · Realization of investor conferences and meetings throughout the year

GRI 102-40, 102-43, 102-44


WE ARE STRIVING
TO LEAVE BEHIND
A LIVABLE WORLD.

GENERAL OVERVIEW

THE ECONOMIC AND INDUSTRIAL ENVIRONMENT

According to the IMF, the widening negative decoupling between developed and developing economies has emerged first and foremost in issues which will affect the economy. The most significant risks facing developing economies are highlighted as tightening financial conditions, the emergence of inflation without an anchor and a more rapid than expected withdrawal in financial support.

The Global Economy

Having contracted by 3.5% due to the pandemic, which sent shockwaves around the whole world in 2020, the global economy rapidly recovered in the second half of 2021 on the back of an abundant money supply. However, deterioration in public finances, increasing debt and high rates of unemployment continued to put pressure on the economy despite the recovery. As the vaccination rollout gained pace in 2021, expectations for economic growth reached a vigorous 5.9%.

In its report published in October 2021, the IMF scaled down its forecast for global growth for 2021 by 0.1 of a percentage point, while leaving its forecast for 2022 unchanged. Although there was no significant decrease in global growth forecasts, significant differences were observed in the expectations for different countries. Due to the pandemic, growth forecasts for developing countries were revised downwards. In addition, expectations for developed countries, already languishing with feeble short-term recovery outlooks, were revised to lower levels. On the other hand, the forecast for Turkey's economic growth for 2021 was raised from 5.8% to 9%.

According to the IMF, the deepening negative decoupling between developed and developing economies has emerged at the forefront of the issues which will affect the economy. The most significant risks facing developing economies are highlighted as tightening financial conditions, the emergence of inflation without an anchor and the more rapid than expected scaling back of financial support. Although the IMF expects inflation to return its pre-pandemic levels in many countries during 2022, inflationary pressures will be one of the significant risk factors during the upcoming period.

The IMF forecasts a 4.4% rate of economic growth in 2022, which will be an important period in the shaping of inflationary expectations, and the role of central banks will gain significant importance in establishing the financial conditions to prevent premature tightening.

The World Trade Organization (WTO) revised its forecast for global goods trade volume in 2021, from its earlier projection of 8% in March to 10.8%.

The following factors had been considered to be major risk factors in 2021:

- The development of take-up of the vaccine, and the effects of Covid-19 variants on the economy,
- Global debt levels reaching record levels,
- The timing of monetary tightening,
- Stagflation (low growth, high inflation),
- The course of inflation,
- The energy crisis,
- The semiconductor crisis,
- Negative decoupling between economies of developed countries and developing countries,
- Negative decoupling between regions in terms of global manufacturing and trade,
- Continued deterioration in the supply chain,
- Developments in trade policies, especially the trade war between the USA and China,
- Geopolitical developments,
- The effects of the climate crisis

With the effects of incentives and the steps taken towards normalization, a rebound was experienced in macroeconomic indicators in the third quarter of 2020, which was every bit as sharp as the contraction which preceded it. While the recovery in global trade exceeded expectations, regional differences drew attention. The World Trade Organization (WTO) revised its growth forecast for global goods trade volume in 2021 from its earlier forecast of 8% in March to 10.8%, while setting out its forecast of 4.7% growth in 2022. While these forecasts appear to be closer to the more optimistic scenarios, the WTO has cautioned that the risks associated with both the pandemic and supply chain disruption are on the downside.

Erdemir Blast Furnace

The manufacturing industry purchasing managers index (PMI) declined to 39.6 as economic activity around the world ground to a standstill in April 2020. The PMI recovered sharply towards the end of 2020 to reach a record level at an average of 54.7 in 2021. Despite an increase in capacity utilization rates to over 75% after the rebound in economic activity and a record performance in manufacturing industrial production, order backlogs reached their highest levels for more than 20 years and inventory levels plummeted to their lowest levels for 30 years. The combination of strong demand, backlogs, overdue orders and insufficient supply, the global manufacturing industry performance is expected to be strong in 2022 with the PMI remaining above 50.

After its strong growth in 2021, the US economy is expected to demonstrate another robust performance in 2022 on the back of buoyant demand, low stocks and investments. Factors such as the rise in demand for consumer products to levels well beyond pre-pandemic levels in 2021 and the recovery in the service sector, which had fallen behind, are predicted to have a positive impact on the economy.

The European Union, Turkey's largest export market, exhibited a very strong performance in 2021 and rounded off the year with an average PMI of 60 in the manufacturing industry. Manufacturing industrial production in the EU, which had contracted by 10.4% in 2020, is estimated to have grown by 8.5% in 2021 and 4.7% in 2022. In the last quarter, the slowdown in growth, the energy crisis and the deterioration in the supply chain had all suppressed production performance. Manufacturing industry is expected to maintain its growth in 2022. Despite the pressures brought about by the energy crisis and the semiconductor crisis, the IMF expects the EU economy to grow by 5.2% in 2021 and 3.9% in 2022.

THE ECONOMIC AND INDUSTRIAL ENVIRONMENT

With the ongoing policy of monetary expansion, the surge in global economic activity continued in the first half of 2021. On the other hand, with global debt swelling at an unprecedented rate since 2016, debt capacity has slowed growth and suppressed investment, especially in developing countries. Global debt reached a new record of USD 303 trillion in 2021.

The Chinese economy, one of the few countries to round off 2020 with growth, is estimated to have posted 8.1% growth in 2021 with a 4.8% rate of growth forecasted in 2022. High indebtedness, the real estate crisis, rising energy prices, a potential rise in Covid-19 cases and new restrictions, along with supply chain bottlenecks are among the factors creating pressure on the Chinese economy. Fixed capital investments still remain the driving force of economic growth in China. The support steps in the financial policies are expected to stimulate positive developments in the sector, while a wave of manufacturing industry and infrastructure investments will continue to contribute positively to the economy.

The deterioration in the global economy during the 2020 pandemic period also precipitated a sharp plunge in commodity prices. Commodity prices however experienced a rapid rebound as the effects of the pandemic receded in the summer of 2020, with the first wave of the pandemic behind, along with the implementation of incentive packages and the end of production halts. As a result, commodity prices soared to record highs in 2021. While an expected tightening in monetary policies could limit prices, strong demand and restrictions on production are putting upward pressure on prices of base metals.

In 2021;

- In 2020, the world economy posted a rapid recovery from the sharpest recession seen since World War II,
- Global industrial production remained strong with high capacity utilization rates,
- Backlogs surged to record levels,
- Inventories in many sectors sunk to historic lows,
- Supply chain bottlenecks continued on the back of increasing demand and supply shortages,
- Wide-ranging protectionist measures continued to be implemented in many countries and regions,
- The economy was hobbled by crises in the transportation and energy sectors,
- Market conditions in the steel industry observed an upward trend.

The positive effects of 2021, with its better-than-expected performance, are expected to extend into 2022. Order backlogs and insufficient investment are expected to lead to a strong increase in demand in 2022. While developed countries may face supply shortages in 2022, when the risks on growth are to be reduced but the risks on inflation may create pressure, the course of the vaccination rollout will continue to have an important bearing on the performance of developing countries.

Expectations for the global economy are very much tied up with the progress in the vaccine rollout. In the event that the vaccine is successful and the pandemic is brought to an end, global growth would be expected to remain at its trend level of 3% in the medium term, having completed 2021 far above the trend level at 5.9%. However, while doubts remain over how long the pandemic will continue, the role that the pandemic will play in the course of the global economy should not be understated.

Global growth is expected to remain at its trend level of 3% in the medium term, having completed 2021 far above the trend level at 5.9%.

Forecasts for the Turkish economy were revised upward, with the Turkish economy expected to grow by 3.3% in 2022.

The Turkish Economy

One of a select few countries whose economies did not contract during 2020, Turkey's economy posted 11% growth in 2021. With the support of a strong manufacturing industry and financial policies, the forecasts for the Turkish economy, which rapidly returned to its pre-pandemic levels in 2021, were quickly revised upward. Turkey's economy is projected to grow by 3.3% in 2022.

Delving into Turkey's foreign trade growth figures, we find that imports contracted in parallel with lower demand in 2019, while export growth, which had abated during the pandemic, surged strongly especially from March 2021. The balancing process in the economy, which has got underway with gradual tightening measures to tame credit growth and monetary volumes, is expected to limit the current account deficit in the coming period.

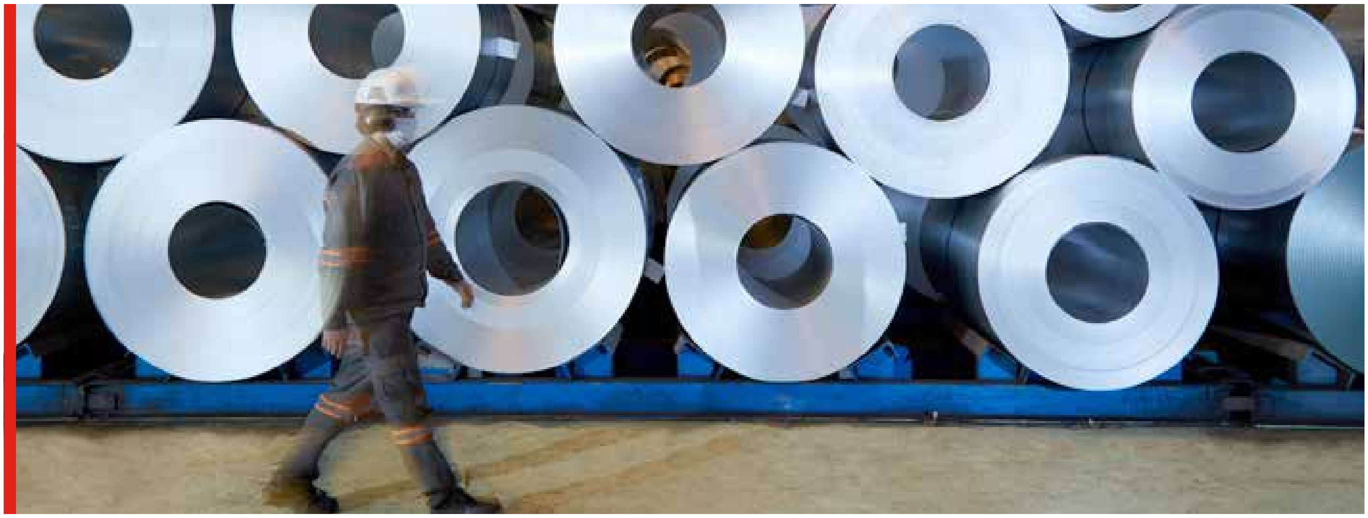
Turkey exhibited an above average manufacturing industry performance in 2021. Although the base effect due to the contraction during the pandemic period has passed, manufacturing industrial production remains buoyant, posting an increase of 10% compared to the previous year. The strong demand derived from both domestic and export markets as well as very low inventory levels indicate that Turkey's manufacturing industry will continue to exhibit a strong performance in the coming period.

As can be seen in the quarterly GDP growth rates for each sector, manufacturing industry has demonstrated strong growth since the fourth quarter of 2019, excluding the pandemic effect in the second quarter of 2020. On the other hand, the construction sector has only grown in three of the last twelve quarters. The confidence index for the construction sector, which recovered much later and more slowly than the manufacturing industry due to cost and demand factors, turned to an upward direction due in large part to the impact of new work in recent months.

Strong demand growth is expected to continue in the Turkish economy, which has resumed its positive trend in the wake of the easing of pandemic restrictions in 2021. The main factors which will put pressure on the economy in the coming period will be exchange rate and inflation risk. Increasing production is expected to be an important driving force in the real sector in areas such as white goods and the automotive sector, which are being supported by vigorous domestic demand and a recovery in global economic activity.

With the implementation of policies aimed at increasing foreign direct investment, Turkey offers the potential to become a production hub capable of resolving global supply chain problems thanks to its strategic location.

THE ECONOMIC AND INDUSTRIAL ENVIRONMENT



The Global Steel Industry

Although the recovery in global steel demand exceeded expectations, some regional divergence was observed in recovery rates in steel demand due to the increased number of Covid-19 cases. Due to the fact that the crisis caused by the pandemic was shorter than the 2008 global economic crisis, rapid measures were taken with financial support policies and the construction sector emerged relatively unscathed, with the negative impact on steel consumption more limited. Steel consumption in 2022 is expected to be supported by the backlog and deferred orders from 2021.

In China, although the shift towards the goal of resilience in the economy rather than structural transformation and economic growth has caused stagnation in steel consumption, demand is still expected to maintain its 2021 levels next year. Manufacturing industrial production in China maintains its upward trend, even though it has slowed from the 35% peak rate of growth recorded at the beginning of 2021.

Crude steel production, which started 2021 strongly, lost some momentum after April due to restrictions on production in China. A combination of the decline in international demand due to a recovery of global production, the green transformation and efforts to reduce carbon emissions, and the slowdown in China's domestic demand caused China to restrict production. As of July 2021, Chinese crude steel production had fallen to below the monthly production levels recorded in 2020. In addition, production in the world outside China remained above the monthly production levels seen in 2020.

Although a monthly downward trend was observed in Chinese steel exports due to both seasonal effects and measures taken to limit exports from April, total steel exports still exceeded their 2020 levels. One of the remarkable developments in Chinese exports was the increase in exports to Turkey.

In 2021, global steel trading volumes stood at their 5-year average, at 450 million tons. Despite China's lower exports and the application of increased protectionist measures, the steel trade maintains its strong outlook.

The protectionist measures taken in the steel industry, especially by the USA and the EU, reached their highest levels in history. New trade investigations will be scaled back with the impact of the problems experienced on the supply-side while some of the measures put in place in previous years are expected to be loosened.

Other issues which will affect the global steel industry in 2022 are as follows:

- The development of the energy crisis,
- The EU's scrap regulations,
- Duties imposed on scrap exports from Russia and Ukraine,
- The course of Chinese exports and the possibility of duties being introduced, restricting exports,
- The course of exemptions from the protectionist measures imposed by the USA.

GRI 102-15

Turkish steel exports gained momentum, especially in the second half of the year on the back of rising global demand. Turkey's steel exports rose by 19% YoY in volume terms and by 94% YoY in value terms.

The Steel Industry in Turkey

Turkey also maintained its strong position in the global steel industry in 2021 to become the world's seventh largest producer, with a record 40.4 million tons of crude steel production. Long steel production reached its highest ever level, while production of flat steel reached a record 14.6 million tons.

In parallel with the rise in production, vigorous increases were observed in consumption, especially flat steel products consumption, which also reached record levels in the first 9 months of 2021. At its strongest, flat steel consumption even approached its 2017 levels in 2021. Flat steel products accounted for about 60% of the increase in consumption in 2021 with long steel products accounting for the remainder.

Turkish steel exports gained momentum especially in the second half of the year, driven by the increase in global demand with export volumes surging by 19% YoY and by 94% YoY in value terms. The increase in long steel exports was particularly remarkable with records broken in both flat and long steel finished product exports.

The strongest growth was observed in Turkish exports of flat steel finished products to the EU and NAFTA blocs with an increase of 19%. On the other hand, there was a decrease in exports to the MENA (the Middle East and North Africa) region. While there was a significant decline in the volume of flat steel exported to Egypt, which comprised the highest share in exports to the MENA region in 2020, Iraq was the other country to witness a contraction in exports. There was a shift in product breakdown in exports made to the EU in 2021; while exports of hot products decreased by more than 20%, exports of galvanized products nearly doubled.

Turkey's long steel export market had also been the MENA region in 2021. While exports to the MENA region were at a similar level to that seen in the previous year, exports to South America almost quadrupled. South America, which became the second largest market in 2021, was followed by the EU and Asia both in terms of volume and the rate of growth in steel exports.

The impact of the anti-dumping duty on galvanized products, which will be implemented by the EU as of 2022, on exports remains a key material issue going forward.

Despite reaching record levels in steel production, flat steel imports also reached record levels in 2021. The high share of imports in steel consumption, which is approximately 45%, continues to be one of the most critical material issues for our country's steel industry.

In contrast with previous periods when the EU accounted for the highest share of Turkey's flat steel imports, the EU fell into third place in terms of Turkey's flat steel imports in 2021, with the CIS comprising the largest share, followed by Asia. In particular, India started to regularly export to Turkey in 2021, significantly increasingly its exports to Turkey, along with a jump in imports from China, which was also a key development. At the same time, the rise in domestic demand in the EU also limited imports from the EU.

Expectations for 2022

The global economy is expected to post growth of 4.9% in 2022, with steps to be taken by central banks and the schedule regarding financial conditions being the main determining factors. One of the most important factors will be the inflation outlook.

The combination of buoyant demand, an energy market affected by the climate crisis and supply-demand imbalance, and bottlenecks in transportation will continue to support commodity prices.

Due to backlog orders, historically low inventory levels and the effect of increasing demand, global manufacturing industry performance is expected to high in 2022 with a PMI of over 50. This outlook is expected to support steel consumption. Global steel consumption, which increased by 4.5% in 2021, is expected to grow by 2.2% in 2022, driven by demand outside China.

Economic activity in Turkey, which has recovered and is on a positive trend, is expected to maintain its strong performance with the strong course of both local and international demand. Real sector production is expected to grow, backed by the recovery in global economic activity and positive developments in domestic demand.

SHARE PRICE DEVELOPMENTS

Erdemir

İsdemir

Erdemir, which was the most valuable company listed on the Borsa İstanbul in terms of market value at the end of 2021, reached a market value of TL 98.6 billion. Meanwhile, İsdemir became the fifth most valuable company on the Borsa İstanbul with a market value of TL 67.4 billion.

Erdemir

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) shares have been traded on the stock market with the "EREGL" ticker since the establishment of the Borsa İstanbul (BIST) in 1986. Erdemir, which is listed on the BIST 30 index, is one of the largest publicly traded companies in Turkey with a free float of 47.63%. The majority of the shares traded on the Borsa İstanbul are held by institutional investors.

Erdemir shares, which traded at an opening price of TL 14.93 on the first trading day of 2021, concluded the year at a price of TL 28.16 - an increase of 89%. Erdemir was the most valuable company listed on the Borsa İstanbul in terms of market value at the end of 2021, reaching a market value of TL 98.6 billion at the end of 2021, positively decoupling with its financial and operational achievements and generous dividend pay-out. In the same period, the BIST 100 index had yielded 26% as of the end of 2021, taking 31 December 2020 as a basis.

The Investor Relations Directorate of our Mining Metallurgy Companies ensures continuous, effective and transparent communication with all stakeholders by sharing all necessary information equally. In this context, four webcasts and 54 investor meetings, where the published quarterly financial results were discussed, were held in 2021. Erdemir is currently followed by 24 analysts.

İsdemir

Shares in İskenderun Demir ve Çelik A.Ş. (İsdemir), a group company, started trading on Borsa İstanbul's Pre-Market Trading Platform under the "ISDMR" ticker on 28 March 2016. Since April 19, 2018, Company shares have been started to be traded on Yıldız Pazar, due to the fulfillment of the conditions specified in the BİAŞ Quotation Directive after the main shareholder Ereğli Demir ve Çelik Fabrikaları T.A.Ş. realized the sale transaction on the Borsa İstanbul and the publicly traded share ratio exceeded 5%.

İsdemir shares, opening at a price of TL 10.11 on the first trading day of 2021, rounded off the year at a price of TL 23.24, an increase of 130%. Reaching a market value of TL 67,4 million at the end of 2021, İsdemir became the fifth most valuable company listed on the Borsa İstanbul in terms of market value.

Erdemir Ticker Symbols
Borsa İstanbul: EREGL
Bloomberg: EREGL TI
Reuters: EREGL.IS

İsdemir Ticker Symbols
Borsa İstanbul: ISDMR
Bloomberg: ISDMR TI
Reuters: ISDMR.IS

ERDEMİR* vs. İSDEMİR* vs. BIST 100 INDEX (31.12.2020=100)

* Share price readjusted after deducting dividends.

2021 Share Price Performance

1 January-31 December 2021		Lowest	Highest	Average	31 December 2021
Erdemir	Share Price (TL)	13.72	33.60	18.58	28.16
	Market Value (USD million)	5,661	8,675	7,337	7,595
İsdemir	Share Price (TL)	10.02	25.64	13.49	23.24
	Market Value (USD million)	3,624	5,734	4,377	5,193

Source: Bloomberg and Matriks

INVESTMENTS

Our Relevant Priorities

- Climate Change
- Energy Management
- Sustainable Profitability
- Low Emission Production Technologies
- Air Emissions
- R&D and Innovation
- Operational Efficiency
- The Circular Economy

Within the scope of our sustainable and long-term performance goal, we implement all of our investments with an approach which takes operational costs and efficiency into account. We carefully keep our cost base under control and maintain our efforts to diversify our sources of income in line with the competitive conditions.

While planning our investments, we take our environmental and social impacts into account, closely monitor technological innovations and include the risks and opportunities presented by changes in the global and national economy in our analysis.

We aim to gain maximum efficiency from our plant and equipment investments which make up our manufactured capital, and to obtain benefit both financially and through environmental and human factors.

Our Mining Metallurgy Companies maintain their investment activities with innovative solutions in line with our strategic goals focused on minimizing cost and maximizing efficiency.

Our highest priorities in planning our 2021 investments at our Mining Metallurgy Companies have been achieving greater energy efficiency from our facilities, developing applications which will keep up with the digital transformation and creating a healthy and safe working environment for our employees.

During the year, Erdemir and İsdemir started work on six of the 33 investment projects which they had been preparing throughout 2021, and completed three of them before the end of the year.

Erdemir R&D

During the year, Erdemir and İsdemir started work on six of the 33 investment projects which they had been preparing throughout 2021, and completed three of them before the end of the year.

COMPLETED INVESTMENTS

The Erdemir Research and Development (R&D) Simulation Center Project

OYAK's Mining Metallurgy Companies keep up with digital developments and maintain our efforts to obtain greater efficiency from our existing applications through the use of modern technologies.

We have established an R&D Simulation Center in order to identify R&D projects which will generate value and we carry out these projects in a manner which will provide the results we aim for. Within the scope of the project, we planned to carry out raw material and product development studies, with the aim of utilizing waste, increasing energy efficiency, identifying cost reducing alternative materials and technologies and developing processes through raw material studies. We determined the purpose of our product development activities as the development of new steel grades, determining the production process parameters of the new grades and developing technical suggestions to resolve any issues which may arise during the production and use of new products. We commissioned the R&D Simulation Center to achieve all of these goals.

İsdemir New Coke Gas Gasometer

In line with our priority of increasing energy efficiency, we aimed to reduce energy costs by bringing high-calorie coke gas, which is formed in coke batteries and would normally be emitted into the atmosphere unused, into production. We also aimed to balance the efficiency losses arising from pressure fluctuations and prevent the emission of raw gas into the atmosphere by burning excess gas, thus reducing environmental pollution. We completed the project in 2021 and implemented the system.

Steel Mill A-B Hall Extension and Overhead Crane Project

One of our investments carried out in line with our focus on keeping up with the digital transformation was the project to Extend the A-B Hall of the İsdemir Steel Mill. We aimed to prevent production losses and ensure production continuity in the event of failure of the cranes which manipulate the charging crucibles filled with liquid crude iron. Within the scope of the project, we extended the Hall A-B and commissioned two new cranes while modernizing two existing crane automation systems.


İsdemir Coke Factory

INVESTMENTS

Our work within the scope of the Erdemir Steel Mill Converters Modernization Project includes equipment modernization aimed at eliminating wear and deformation which can lead to production halts, and ensuring the continuity of the steel production process.

ONGOING INVESTMENTS

Erdemir New Wide Inspection and Recoil Line Project

Commissioning work continues in the project, which envisages the inspection and recoiling processes of the production over 1,550 mm in the 2nd Galvanizing Line, which will produce with high surface quality to serve the automotive industry.

Erdemir 2nd Blast Furnace Renovation Project

One of our investments focused on increasing energy efficiency is the renovation project of the 2nd Blast Furnace. We aim to renew the 2nd Blast Furnace with minimum production losses and costs by taking into account the need for relining. Our equipment supply, manufacturing and field assembly work within the scope of the project continues.

Erdemir 6th Steam Boiler Project

Another energy efficiency focused project is the Erdemir 6th Steam Boiler. We aim to generate steam by maximizing the use of blast furnace gas and improving efficiency within the framework of the project, the equipment manufacturing and shipment and field applications of which are ongoing.

Erdemir Steel Mill Converters Modernization Project

Renovation work in the Erdemir Steel Mill Converters Modernization Project continues with the aim of increasing energy efficiency and ensuring sustainable production. The scope of the project includes equipment modernization to eliminate wear and deformations which can lead to production halts while ensuring the continuity of the steel production process.

4th Coke Oven Battery Project

The project is aimed at ensuring a balance of coke within Erdemir itself and thus eliminating the need to purchase coke externally, as well as compliance with environmental legislation and related regulations, and the renewal of By-Product Facilities.

Erdemir New Sinter Plant Project

The project aims to increase the sinter usage ratio in blast furnaces, thus saving pellets and coke, as well as the establishment of a desulphurization facility.

Steel Mill Secondary Dust Collection System Capacity Improvement Project Increase Project

The project envisages the installation of a new dust collection system in addition to the existing secondary dust collection system. With the project which we developed with our focus on Occupational Health and Safety, we will ensure appropriate working conditions and fulfill our environmental obligations.

Erdemir 60 MW Turbo Generator Project

This project, which will be developed by prioritizing energy efficiency, involves the purchase of a 60 MW New Turbo Generator to take the place of the 1st, 2nd and 3rd Turbo Generators. Accordingly, we aim to generate more electricity with the same steam input and reduce the amount of electricity we purchase through the commissioning of a new generator, which will offer greater efficiency than the existing generators.

Erdemir New Turbo Blower Project

We have determined the purpose of the project, which we will carry out within the scope of our sustainable production focus, as the installation of a New Turbo Blower in order to ensure the safe continuity of liquid crude iron production in the Blast Furnaces.

Erdemir 1st Slab Furnace Modernization Project

The Erdemir 1st Slab Furnace Modernization project is aimed at eliminating the furnace shell defects caused by the 1st Slab Furnace, reducing the use of mandatory 4th Furnace due to issues regarding quality, and using the 1st Furnace more effectively in strip production. This project is one of the projects being carried out with a focus on energy efficiency.

Erdemir Structural Rehabilitation of Docks, transfer of Existing Slitting Line to the Ersem Facilities and the Warehouse Construction Project

In this project, we aim to carry out the necessary structural rehabilitation in order to comply with the legal regulations at the 1st Cargo and 1st Unloading Docks and carry out the necessary repair works for other docks.

With our project, which involves the transfer of the existing slitting line at Erdemir to the Ersem facilities and the construction of a warehouse, we aim to meet the demands for cold slitting products by selling sliced products rather than unprocessed products.

Erdemir Energy Distribution System Additional Investments

In line with the project, we aim to eliminate production losses which may occur due to transformer failures and to enable the loads of step-down central transformer of the Erdemir Energy Distribution System to be reduced to safer levels.

İsdemir New 1st Blast Furnace Project

The project is aimed at achieving savings in electricity purchases by converting gas emitted from the blast furnace, which will increase with the increase in final product volumes and liquid crude iron production, into electricity generation in line with the expansion in furnace volume. We also aim to prevent production losses occurring during the re-lining of the 3rd Blast Furnace. We continue our work on the equipment supply, manufacturing and field assembly within the scope of the project.

3rd Coke Oven Battery Modernization Project

One of our energy efficiency focused projects is the modernization of the İsdemir 3rd Coke Battery. In this context, we aim to increase the by-product sales volume of the 3rd Coke Battery and save energy by increasing the electricity generation in parallel with the increasing volume of coke gas.

Blast Furnace

INVESTMENTS

In line with the İsdemir North Sea Land Reclamation Area Investment Project and the Renovation of the 1st Dock Ore Unloading Cranes, we aim to ensure the sustainability of steel production and achieve more efficient working conditions through the continuity of port activities.

The İsdemir Vacuum Degassing Plant Project
Under this project, we plan to install a Vacuum Degassing Plant which will enable the production of high-quality clean steel with low hydrogen, low nitrogen and an ultra-low carbon ratio. In this context, we aim to gain carbon removal capability and reduced processing time and prevent production losses in the crucibles.

The İsdemir 1st Blast Furnace Top Pressure Recovery Turbine (TRT) Project and New Sinter Plant
The project is aimed at generating additional electricity by utilizing the pressure of the blast furnace gas to be produced in the new 1st Blast Furnace.

Within the scope of the project, we aim to increase the sinter usage ratio and reduce the consumption of pellets and coke.

The İsdemir 3rd Steam Boiler Retubing (Partial Pipe Replacement) and Burner Modification
In the project, we aim to replace the pipes of the 3rd Steam Boiler, which completed 240,000 hours of operation since its installation, and to modify the burner system in order to provide steam production in an economical and safe manner.

The İsdemir North Sea Land Reclamation Area Investment Project and Renovation of the 1st Dock Ore Unloading Cranes Project
The project aims to meet the site needs which will arise in the new investment projects planned at İsdemir and to utilize approximately 2.4 million tons of slag in the backfilling of the port construction.

In line with the project, we aim to ensure the sustainability of steel production through the continuity of port activities and achieve more efficient working conditions.

NEW INVESTMENTS

No.5 Coke Oven Battery Project

This project, planned in line with our focus on sustainable production, is aimed at providing the metallurgical coke needed by the Erdemir blast furnaces economically and continuously. The investment will eliminate the emission problems arising from the 3rd Coke Oven Battery, preventing additional costs arising from external coke purchases and eliminating risks which could arise during the coke production process.

The Erdemir 1st Galvanizing Line Level-1 Automation System Modernization Project

With this project, where we focus on digitalization, we aim to replace the Level-1 Automation System, which currently is difficult to support technically, with up-to-date and efficient technologies and to ensure sustainability in production.

Erdemir Plate Mill Housing System Renewal Investment Project

The project aims to ensure the production sustainability of the plate rolling mill, as well as to increase the production capacity and quality by increasing the crushing power by providing stronger housing than what can be provided under the existing housing geometry.

The Erdemir 2nd Hot Rolling Mill Investment Projects

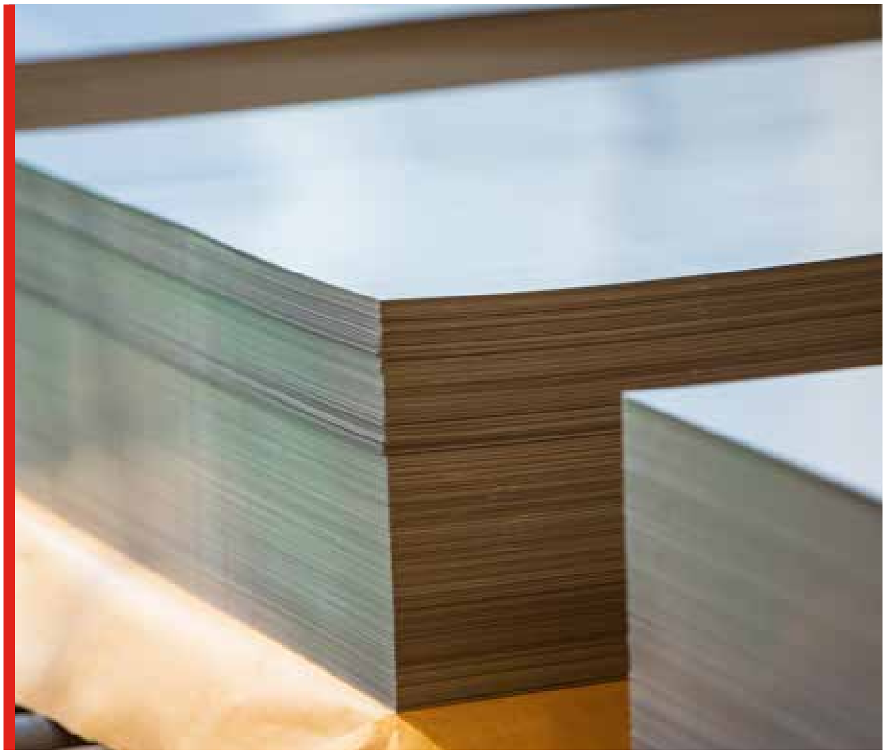
This project aims to ensure the continuity of the engine park and control systems so the line can produce sustainably and safely. We aim to reduce unplanned downtimes and material losses, improve product quality and increase customer satisfaction.

Erdemir Domestic Waste Water Treatment Plant Modernization Project

The project is aimed at carrying out the domestic wastewater treatment activities at Erdemir with a sustainable approach as specified in the relevant laws and regulations.

The İsdemir Hot Rolling Mill Line Length Level-1 Automation Systems Modernization Project

One of the projects which we have developed with a focus on digitalization is the Modernization of Hot Rolling Mill Line Length Level-1 Automation Systems Project. The existing systems, which run on old operating systems and for which the company has terminated its support, pose a risk in terms of information security, with problems encountered in the supply processes of old generation computer systems, on which the existing software operates. This project aims to update and modernize the software required to ensure the continuity of production.



PRODUCTION AND SALES

PRODUCTION

OYAK's Mining Metallurgy Companies continued to add value to the Turkish economy with their activities in 2021. Our total crude steel production, which stood at 8,530 thousand tons in 2020, increased by 6% YoY to reach 9,021 thousand tons in 2021.

In 2021, the crude steel production at our Ereğli facilities, which maintain their activities with high efficiency and innovative solutions, decreased by 8% YoY to 3,337 thousand tons. We increased production at our İskenderun facilities by 16% YoY, with the production of 5,684 thousand tons of crude steel.

PRODUCTION (x1,000 tons)	2019	2020	2021
Liquid Steel	**8,787**	**8,709**	**9,203**
Ereğli	3,161	3,736	3,433
İskenderun	5,626	4,973	5,770
Crude Steel	**8,608**	**8,530**	**9,021**
Ereğli (Slab)	3,072	3,633	3,337
İskenderun (Slab)	4,511	3,875	4,819
İskenderun (Billet)	1,025	1,022	865
Flat Finished Products	**7,257**	**7,266**	**7,515**
Ereğli (Tin)	244	247	259
Ereğli (Galvanized)	401	539	610
Ereğli (Cold)	992	988	1,038
Ereğli (Hot)	2,101	1,969	2,112
Ereğli (Plate)	344	369	378
İskenderun (Hot)	3,164	3,154	3,054
İskenderun (Slab- non-group)	11	0	64
Long Finished Products	**1,026**	**992**	**857**
Billet	438	403	275
Coil	588	589	582
Iron and Magnesite (*)	**1,938**	**2,137**	**2,630**
Pellet and Magnesite	1,547	1,524	1,895
Other	391	613	735

(*) Magnesite production was also added to the crude material productions as the transfer of Kümaş Manyezit San. A.Ş. to OYAK Mining Metallurgy Companies was realized on 3 February 2021.

The capacity utilization ratios of our Mining Metallurgy Companies were as follows:

Capacity Utilization Ratios (%)	1 January-31 December 2020	1 January-31 December 2021
Liquid Steel	90	95
Crude Steel	89	94

SALES

Total flat product sales at our Mining Metallurgy Companies amounted to 7.4 million tons in 2021. Domestic flat product sales stood at 5.8 million tons, decreasing by 5% compared to the previous year's sales. Total sales of long products decreased by 16% to 846 thousand tons. Meanwhile, domestic long product sales decreased by 11% YoY to 829 thousand tons.

Our Mining Metallurgy Companies exported a total of 1.6 million tons of finished products, including 1.6 million tons of flat products and 17,000 tons of long products. This amount comprised 19% of our total sales. We exported flat products to 38 countries and long products to 10 countries.

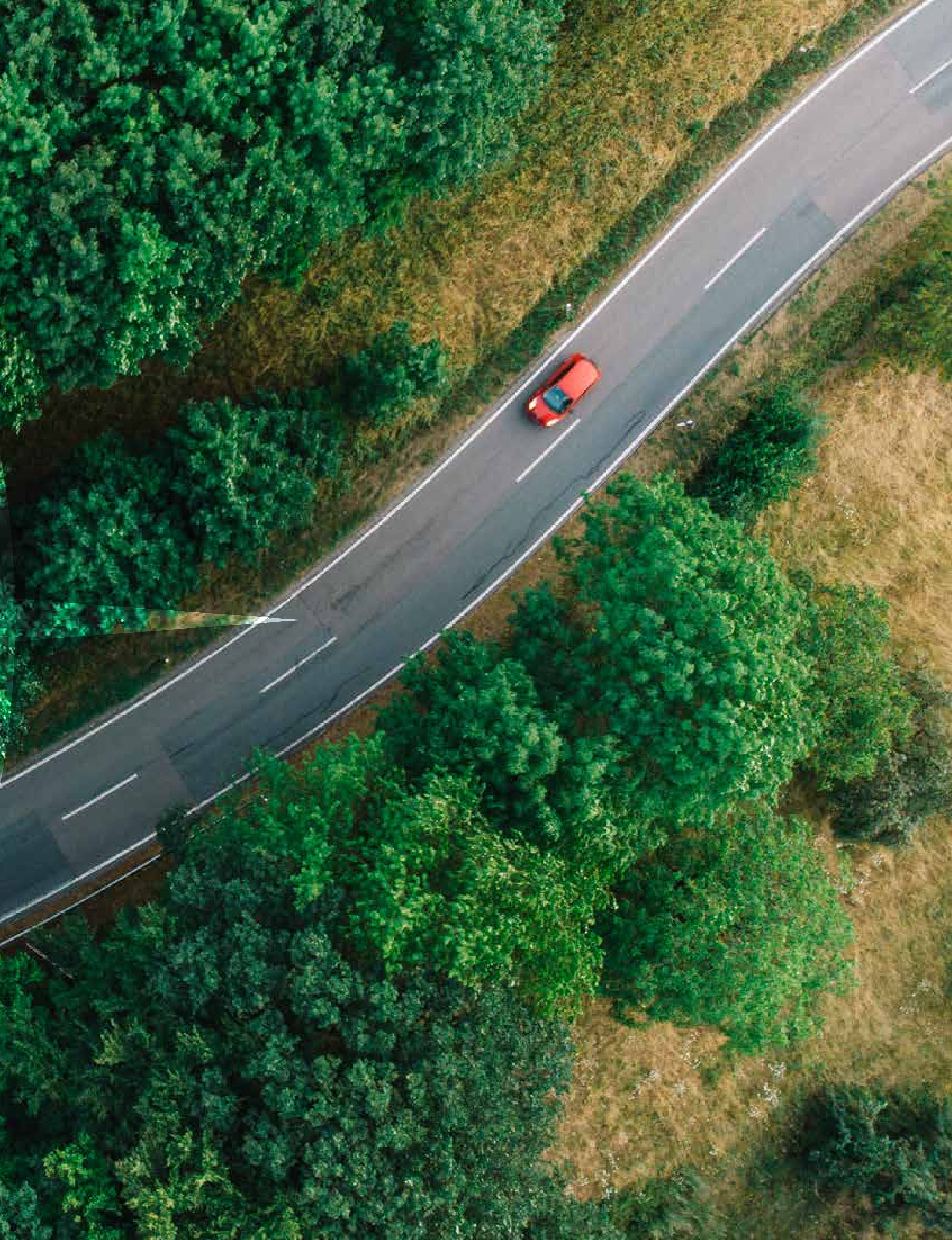
SALES (x1,000 tons)	2019	2020	2021
Flat Finished Products	**7,250**	**7,489**	**7,400**
Ereğli (Tin)	246	260	267
Ereğli (Galvanized)	100	312	242
Ereğli (Cold)	734	756	799
Ereğli (Hot)	1,678	1,710	1,700
Ereğli (Plate)	327	341	357
İskenderun (Hot)	3,110	3,152	2,930
İskenderun (Slab-non-group)	12	0	64
Ersem (Galvanized)	273	281	325
Ersem (Cold)	343	343	312
Ersem (Hot)	427	334	404
Long Finished Products	**1,057**	**1,006**	**846**
Billet	456	412	258
Coil	601	594	588
Pellet, Magnesite and Ore (*)	**1,941**	**2,031**	**2,364**
Pellet and Magnesite	1,544	1,507	1,711
Other	397	524	653

(*) Magnesite sales were also added to the crude material sales as the transfer of Kümaş Manyezit San. A.Ş. to OYAK Mining Metallurgy Companies was realized on 3 February 2021.

Our Mining Metallurgy Companies exported a total of 1.6 million tons of finished products. This amount constituted 19% of our total sales.

GRI 102-7

WE ARE PROGRESSING FROM STRENGTH TO STRENGTH ON THE PATH WE HAVE SET OUT WITH OUR STRONG CORPORATE ORGANIZATION.



CORPORATE GOVERNANCE

Our Relevant Priorities

- Ethics and Transparency
- Corporate Governance

We are aware that successful and strong corporate governance will provide a tangible and measurable contribution towards achieving the strategic goals which we have set. With this awareness, we conduct all of our activities by adhering to ethical values and the principles of fairness, transparency, accountability and responsibility.

We pay utmost attention to full compliance with all laws, regulations and legislative obligations in effect in our country and in our industry.

We establish trust-based cooperation with our stakeholders and strictly observe the corporate governance principles in all of our business relationships. The healthy communication we develop with our stakeholders is of paramount importance in terms of the support which it provides to our social capital.

Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key elements of corporate governance, in all of their activities.

One of the key pillars in managing the developments in our external environment is our corporate management and acting with a sound understanding of governance. Strong corporate governance enables us to achieve long-term sustainable success and create added value for shareholders and all stakeholders by accurately analyzing risks and opportunities. In addition to managerial uncertainties, environmental and social risks now stand out among the factors affecting the sustainability of companies. These risks can be effectively managed by adopting a holistic management approach.

Our Mining Metallurgy Companies observe the principles of fairness, transparency, accountability and responsibility, which are accepted as the key elements of corporate governance, in all of their activities.


Hot Rolling Mill

Our Mining Metallurgy Companies pay the utmost attention to and exercise the greatest efforts in compliance with the Capital Market Law and secondary regulations as well as the decisions taken by the Capital Market Board (CMB). Our companies share their performance in this field and their corporate governance compliance statement with the public on a regular basis.

Erdemir recognized for successful Corporate Governance.
In the Corporate Governance Principles Compliance Rating Report, in which compliance with Corporate Governance Principles is evaluated, Erdemir increased its corporate governance rating score from 9.52 in 2020 to 9.57 in 2021. Thanks to its success, Erdemir once again qualified for inclusion in the Corporate Governance Index. With this success, Erdemir proved once again that it is a transparent, fair, responsible and accountable institution.

İsdemir awarded a high Corporate Governance Performance rating.
İsdemir's corporate governance rating score stood at 9.45 in the Corporate Governance Principles Compliance Rating Report published in 2020. İsdemir increased its corporate governance rating score to 9.51 in 2021. With this success, İsdemir once again qualified for inclusion in the Corporate Governance Index.

The Corporate Governance Principles Compliance Rating Scores of Erdemir and İsdemir were issued following the examination of 408 criteria, which were prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for "BIST First Group Companies". The criteria are grouped under the main headings of shareholders, public disclosure and transparency, stakeholders and the board of directors.

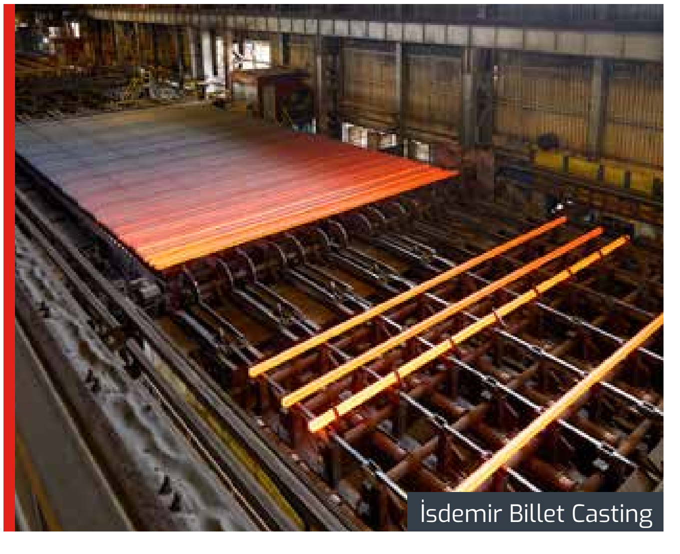
The scores obtained demonstrate that the companies exhibited a high level of compliance with the Corporate Governance Principles published by the Capital Markets Board. They also found that the risks which may arise are largely identified and kept under control. Erdemir and İsdemir, which are among the BIST 1st group companies, qualified for inclusion in the BIST Corporate Governance Index in 2021 with their scores.

Erdemir and İsdemir qualify for inclusion in the BIST Sustainability Index
Aiming to establish sustainability and generate permanent value in all their activities, Erdemir and İsdemir qualified for inclusion in the Sustainability Index in 2021, which includes companies traded on the Borsa İstanbul (BIST) and which demonstrate a high corporate sustainability performance.

Erdemir, a group company, has been included in the Borsa İstanbul Sustainability Index since November 2015 as the first steel producer in the index, and İsdemir has been included in the Index since November 2019, when it was evaluated.

Structure of the Board of Directors
The Board of Directors of OYAK Mining Metallurgy consists of a total of nine members, including two women members. Three of the members of the Board of Directors are dept members. In accordance with the principle of separation of powers and authorities, the Chairman of the Board of Directors and the General Manager are different persons.

To reach the Corporate Governance Rating Report:



İsdemir Billet Casting

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Board of Directors	Duty	Date of Taking Office
OYTAŞ İç ve Dış Ticaret A.Ş. (Representative: Süleyman Savaş ERDEM)	Chairman of the Board of Directors	27.05.2013 (*)
OMSAN Lojistik A.Ş. (Representative: Aslıhan DÖĞER)	Deputy Chairman and Executive Director	11.09.2012 (*)
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Representative: Gürtan DAMAR)	Executive Director	13.09.2012(*)
Privatization Administration, Ministry of Treasury and Finance of the Republic of Turkey (Representative: Bekir Emre HAYKIR)	Board Member	20.09.2012(*)
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Representative: Baran ÇELİK)	Board Member	12.09.2012 (*)
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Representative: Güliz KAYA)	Board Member	12.09.2012 (*)
Ali FİDAN	Independent Board Member	31.03.2017
Kurtuluş Bedri VAROĞLU	Independent Board Member	31.03.2017
Vacant position	Independent Board Member	

(*) The starting date of the Board Member as a legal person is taken as a basis.

SENIOR MANAGEMENT

Senior Management	Position	Date of Taking Office	Education	Professional Experience
Aslıhan DÖĞER	Deputy Chairman and Executive Director	23.02.2021	Middle East Technical University - Industrial Engineering	23 years
Gürtan DAMAR	Board Member and Executive Director, Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. General Manager	23.02.2021 – 26.11.2020	Yıldız Technical University - Mechanical Engineering	26 years
Mustafa Serdar BAŞOĞLU	Financial Management and Financial Affairs Group Vice President	24.09.2020	Karadeniz Technical University - Finance	18 years
Fatih ÇITAK	Marketing and Sales Group Vice President	18.01.2020	İstanbul Technical University - Industrial Engineering	23 years
İsmail Kürşad KORKMAZ	Procurement Group Vice President	21.02.2017	Middle East Technical University - Political Science and Public Administration	26 years
Ercan KAYA	Corporate Architecture and Human Resources Group Vice President	21.07.2020	National Defense University - Business Administration	34 years
Can ÖRÜNG	Information Technologies Group Vice President	21.02.2017	İstanbul Technical University - Management Engineering	21 years
Salih Cem ORAL	Ereğli Demir ve Çelik Fabrikaları .A.Ş. General Manager	06.06.2018	İstanbul Technical University - Metallurgical Engineering	28 years
Mesut KEYFLİ	İskenderun Demir ve Çelik A.Ş. General Manager	12.10.2018	İstanbul Technical University - Electrical Engineering	32 years
Halil YILDIRIM	Erdemir Madencilik Sanayi ve Ticaret A.Ş. General Manager	02.09.2013	Cumhuriyet University -Geological Engineering	24 years
İbrahim ÖZBUNAR	Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. General Manager (A.)	17.01.2020	Ege University - Agricultural Engineering	26 years
Koçağa TÜREOĞLU	Kümaş Manyezit Sanayi A.Ş. General Manager	08.02.2021	Gazi University -Mechanical Engineering	36 years

GRI 102-18, 102-22

COMMITTEES AND THEIR RESPONSIBILITIES

The Corporate Governance Committee, the Audit Committee and the Early Detection of Risk Committee operate to support the duties and responsibilities of the Board of Directors.[1] Due to the number of members on the Board of Directors, each Board member is assigned to more than one committee. Committees may invite specialists to meetings to obtain their views. Reports on the results of the committee meetings are prepared and regularly presented to the Board members.

Sustainability management, which covers social, environmental and ethical issues, is under the responsibility of the Strategic Planning and Sustainability Directorate unit, which operates under the Operational Excellence Directorship. The strategies and goals are determined and their implementation is followed up by the specified unit.

COMPLIANCE WITH ETHICAL PRINCIPLES

The Code of Ethics and Business Conduct together with the Anti-Corruption Policy sets out our expectations, execution standards and ethics practices which form the basis for all business relations and activities of our Mining Metallurgy companies. The Anti-Corruption Policy defines our anti-corruption and anti-bribery policies and practices. The Code of Ethics and Anti-Corruption Policy apply OYAK's Mining Metallurgy Companies and all third parties acting on behalf of these companies and their employees.

Our Code of Ethics and Business Conduct consists of four main headings:
- Integrity
- Avoidance of Conflict of Interest
- Protection of Trade Secrets and Confidentiality
- Our Responsibilities

In the article on Responsibilities to Society and Humanity, we commit to respect human rights. We comply with and act according to constitutions of International Labour Organization (ILO) to which Republic of Turkey is a party regarding non-exploitation of child labour.

Our Code of Ethics and Business Conduct and Anti-Corruption Policy documents are accessible to all of our stakeholders on our websites.

We provide training on the Code of Ethics and Business Conduct to our newly recruited employees as part of the orientation program. In addition, we organize refresher trainings every year for all mothly-paid employees. Traninings are held in digital environment. Besides conveying Code of Ethics and Business Conduct, we also share common business life cases and examples of expected behaviors. In 2021, a total of 3,697 monthly-paid employees attended our training programs on ethics organized through the DigitalİK application. In addition, with the development of the digital infrastructure we organized training on ethics for our hourly-paid employees for the first time in 2021. Accordingly, 7,091 hourly-paid employees participated in the training on ethics.

[1]To reach the detailed information about the regulations of the committees:

GRI 102-16, 102-17, 102-18, 102-19, 102-20, 102-22

After the training on ethics which we organize every year, we receive Code of Ethics And Business Conduct compliance acknowledgment from our employees electronically. We analyze the results with the work conducted jointly by the Human Resources and Internal Audit functions and take corrective/preventive actions when necessary. In cases of potential conflicts of interest, we implement measures such as changes in the area of responsibility and rotation.

The Code of Ethics and Business Conduct and Anti-Corruption Policy documents are included as a part of the contracts we enter into with suppliers and customers. We expect the institutions with which we have a commercial business relationship to comply with these terms. We deem any company which we find to be violating the terms as a risky supplier and avoid doing business with these companies.

Our employees, suppliers and all other stakeholders may submit their questions regarding the Code of Ethics and Anti-Corruption Policy and claim regarding incidents of non-compliance through the e-mail address at etik@erdemiretik.com or by calling 0 850 2113000. The notifications sent through these channels can be accessed by professionals responsible for ethical investigations working in the Internal Audit Directorate, which directly reports to the Deputy Chairman of the Board of Directors and Executive Director. Ethical violation and complaints can be reported anonymously. We conducts investigations in line with the confidentiality rules. We keeps tip-offs, complaints as well as the identities of complainants and informers confidential. We follow a policy to prevent possible retaliatory actions and behaviors towards any employees or individuals who report ethical violations.

The Internal Audit Directorate carries out the investigation and probing activities regarding the notifications received regarding compliance with the Code of Ethics and Business Conduct and Anti-Corruption Policy. The activities of resolving any incidences of non-compliance and implementing disciplinary action, when deemed necessary, are under the responsibility of the Ethics Committee. The Ethics Committee is chaired by the Deputy Chairman of the Board of Directors and the Executive Director, and consists of Vice President of Human Resources and Director of Legal Department. Internal Audit Director acts as the secretary of the Ethics Committee.

As a result of the investigations, we take measures to strengthen the internal control environment in order to prevent the re-occurrence of similar situations, as well as taking disciplinary actions when necessary.

The Internal Audit Directorate regularly shares information regarding ethical compliance activities and ethical investigation results with the Audit Committee, which consists of Independent Board Members. In this context, five meetings were held in 2021.

We keep the code of ethics consultation and any violation notifications in a central database. We review our performance throughout the year and take actions to improve the compliance process.

As part of the development of the ethics compliance program, we hold corporate membership of the Turkish Ethics and Reputation Society (TEID) and Transparency International-Turkey. We are able to access the publications of these associations and participate in the events and training activities which they organize.

To reach the Code of Ethics and Business Conduct:

To reach the Anti-Corruption Policy:

COMMITTEES AND THEIR RESPONSIBILITIES

INTERNAL AUDIT SYSTEM

The effectiveness of risk management, control and governance processes at OYAK's Mining Metallurgy Companies is evaluated within the scope of risk-oriented audits carried out by the Internal Audit Directorate. The Internal Audit Directorate, whose objectives, authorities and responsibilities are determined by the Internal Audit Charter, operates directly under the Deputy Chairman of the Board of Directors and the Executive Director. The Internal Audit Directorate periodically reports to the Audit Committee, which consists of Independent Board Members, regarding audit activities and the effectiveness of the internal control system. In this context, five meetings were held in 2021.

We carry out the audit of the business processes of all our companies with a risk-oriented and value-added approach, within the framework of the annual audit calendar approved by the Deputy Chairman of the Board of Directors and the Executive Director, by taking international internal audit professional practice standards as a reference.

We carry out our audit activities through the Integrated Audit System, which we launched in 2018 as part of our digitalization efforts. During the audit of processes, we evaluate the effectiveness of risk management, control and governance processes. While evaluating the risks, we also consider fraud risk and develop suggestions for the control gaps we have identified.

In addition to risk-focused audit activities, the Internal Audit Directorate carries out consultancy activities for the analysis of the control environment in business processes and the development of improvement suggestions upon the request of the management.

In addition to risk-focused audit and consultancy activities, we carry out continuous audit and monitoring activities with the support of the Integrated Audit System. Thanks to the automated business rules defined in the Process Control module, we continuously evaluate the effectiveness of the critical controls in the SAP (ERP) system. We ensure that any exceptions or anomalies are automatically reported by the system and conduct the necessary analysis.

Actions plans are developed by the business process owners to address audit findings.We systematically monitor the audit actions through the Integrated Audit System and regularly report the results to the senior management.

> We carry out our audit activities through the Integrated Audit System, which we launched as part of our digitalization efforts. During the audit of the processes, we evaluate the effectiveness of the risk management, control and governance processes.

RISK MANAGEMENT

OYAK's Mining Metallurgy Companies proactively manage risks and opportunities to ensure a value-focused sustainable business model. Our companies face a number of risks, including risks regarding the supply of raw materials which has emerged during the pandemic and which continues in different ways, as well as fluctuations in demand for products and the volatility they cause to prices. There are also external risks such as protectionism, cyber threats, climate change, financial risks and internal risks arising from commercial activities and production operations.

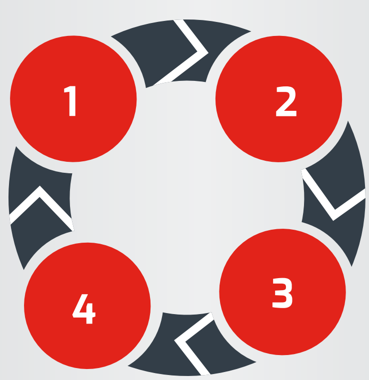
A central Enterprise Risk Management Function serves to identify potential events which may impact our Mining Metallurgy Companies, to manage existing risks, to identify risks which may be realized early and to manage them appropriately. The Enterprise Risk Management Function reports to the Vice President of the Financial Management and Financial Affairs Group and brings risk issues to the attention of the Board of Directors every two months through the Early Detection of Risk Committee. Risk Management activities are audited through internal audits, external audits and independent audit activities.

We created an Enterprise Risk Management Procedure for systematic and comprehensive identification, evaluation, economic control and monitoring of threats and opportunities which may affect the assets, reputation and profitability of our companies.

In 2021, we closely monitored the risks arising from the external environment due to the indirect and delayed effects of the pandemic, as well as the internal risks, and we evaluated the possible effects. In addition, we analyzed changing external environment risk issues, again evaluated the possible impacts. In addition, with a comprehensive assessment of climate change, we planned actions to minimize the risks we may face, while also taking advantage of possible opportunities.

Enterprise Risk Management is a framework and set of rules which enables the systematic and comprehensive definition, evaluation, economic control and monitoring of risks (both threats and opportunities), which may affect the assets, reputation or earning capacity of the companies, and which allows the implementation of integrated risk solutions. We created this framework on the basis of international standards and good practices, and the ISO 31000:2018-Risk Management standard in particular.

Risk Identification
With an inclusive approach, internal risks are identified periodically by the units. Changing external environment risks are identified by constantly monitoring the risks. Newly identified risks are added to the risk list.



Prioritization
The criticality of risks is determined in light of expert opinion, scenarios and calculations carried out through the developed models, impact and probability scales while also taking account of the existing control measures.

Risk Mitigation
In order to bring risks which may exceed the tolerance level in any of the impact criteria to acceptable levels, detailed action plans are prepared, ranging from quick gains to long-term, comprehensive investment plans.

Monitoring and Reporting
Identified risks and the progress of the determined action plans are monitored and reported on regularly.

> We created an Enterprise Risk Management Procedure for systematic and comprehensive identification, evaluation, economic control and monitoring of threats and opportunities which may affect the assets, reputation and profitability of our companies.

COMMITTEES AND THEIR RESPONSIBILITIES

The Risk Management Framework we have determined consists of several interrelated components. We define these components as a management process consisting of phases such as risk identification, prioritization, mitigation, reporting, monitoring, surveillance and routine and immediate communication related to risk.

We have created this framework to identify potential events which may affect OYAK Mining Metallurgy Companies, to manage risks in accordance with our Companies' profile of corporate risk taking, and to provide a reasonable degree of assurance that our Companies will achieve their objectives. This systematic process is adopted by the Board of Directors, Senior Management and all other employees of the companies, is used in determining the strategies and is applied in all Companies.

RISK GROUPS

Risk	How is Managed?
Exchange Rate Risk	Exchange rate risk may arise due to sales, payments or non-sales related collections. For the management of this risk, in accordance with the Financial Risk Management Policy, we hedge exchange rate risks arising from the transactions performed outside the functional currency through derivative transactions.
Interest Rate Risk	We primarily manage interest rate risk by creating a financial asset-liability portfolio with a balanced interest rate structure. Accordingly, we primarily manage the remaining interest rate risk associated with the portfolio of financial assets and liabilities which has been established due to their cost advantages, maturity advantages or similar reasons, as well as interest rate risk associated with movements in interest rates which may occur in the future, with natural "hedging" positions, and when this is not possible, through derivative transactions, in accordance with the Financial Risk Management Policy.
Price Risk	Due to the industry in which we operate in, fluctuations in the prices of coal, iron ore, steel and similar commodities may affect our companies. We analyze the effects of changes in the prices of our main inputs and products on our financial indicators with the models we have developed. We have determined our basic approach in managing these risks as securing the sales profitability in contract/forward sales. We keep the risk level within the determined limits by realizing "hedging" derivative transactions to protect our companies from the fluctuations in sales profitability which would result from fluctuations in product/raw material/auxiliary material prices, and to protect the accepted sales profit in contract sales of our companies.
Liquidity Risks	Primarily we manage liquidity risk by making available ready resources which allow the fulfillment of financial obligations adequately and on time. For this purpose, we regularly monitor the estimated and actual cash flows for short, medium and long-term funding and liquidity requirements. We manage the liquidity risk by providing the continuity of sufficient funds and borrowing reserves by matching the financial assets with the maturities of liabilities.
Counterparty Risk	We consider the counterparty risk as the risk of our business partners being unable to fulfill their financial obligations to us, including the risk of receivables. We obtain bank guarantees or obtain Credit Risk Insurance in order to manage the counterparty risk originating from the customer. In order to manage the counterparty risk associated with financial institutions in accordance with the Financial Institution Counterparty Risk Model which we have developed, we assign limits to financial institutions based on the current assessments and carry out transactions within these limits.

Legislation Change	Following the European Green Deal announced in 2019, the European Union (EU) announced the "Fit for 55" Green Package on 14 July 2021. The most striking feature of this package, which includes a series of legal regulations, is the Carbon Border Adjustment Mechanism (CBAM). According to the draft, the iron and steel industry is one of the five industries set to be subjected to the measure. Following these developments in the EU, the Green Deal Action Plan was published by the Ministry of Commerce of the Republic of Turkey on 16 July 2021. The 2053 net zero emissions target was announced in September 2021, followed by the ratification of the Paris Agreement in October 2021. In the light of all these developments, both the reflections of the CBAM on exports and the effects of the possible carbon pricing mechanism which is planned to apply in our country have been evaluated on the basis of scenarios. We actively participated in the Climate Council activities and shared our views with the relevant Ministries. In addition, we take into account scenario-based effects in our investment feasibility studies and make our plans accordingly.
Extreme Weather Events	We are preparing necessary action plans by anticipating the physical effects of the climate crisis. Sustainable water supply is vital to our production. We are working to reduce our water footprint and waste water discharge. We anticipate that risks such as excessive precipitation and sea level rise caused by the climate crisis may cause problems in respect to the availability of ports, warehouses and even the supply of raw materials. In this context, we prepare our action plan by clarifying our risks together with the consultant firm in line with the TCFD (Task Force on Climate-related Financial Disclosures) methodology.
Access to Financing	The use of fossil fuels in the current blast furnace production route leads to carbon-intensive work by integrated iron and steel producers. The transition to a low carbon economy will impose significant costs as well as the need for technological change. In line with this reality, we follow up opportunities to access preferential financing for investments to be undertaken in the fight against climate change and the green transformation. We convey the importance of the issue and international practices to the relevant parties in various meetings held in regard to legislative measures in our country.
Carbon Pricing Mechanisms	The non-financial period of the EU Carbon Border Adjustment Mechanism (CBAM) is planned to begin in 2023, with the financial period to begin in 2026. Turkey is unwilling to be exposed to the financial burden which would be imposed by the EU regulations, which are designed as a new international trade system. The Turkish government has started working to establish its own carbon pricing mechanism. In this context, we are evaluating the possible carbon pricing situation in Turkey on the basis of scenarios, and we use the calculated effects in strategic and investment planning.
Occupational Health and Safety Risk	The sectors which our companies operate in are classified as very dangerous on the basis of the relevant legislation. Ensuring that our employees work in a healthy, safe and ideal environment is one of our most fundamental responsibilities. All operations in our companies are conducted by considering employee health and safety. In order to effectively manage occupational health and safety risks at our companies, separate organizational teams are in place which focus specifically on the management of these risks. We manage all of our operations with the goal of zero work accidents, and we turn occupational health and safety into a strong work culture.

RISK MANAGEMENT PROJECTS

The Kızılcapınar Hydroelectric Power Plant Project

The Kızılcapınar Dam and its operation was taken over by Erdemir by fulfilling all financial obligations in 1995. Our Company installed the hydroelectric power plant to generate electricity from the water discharged from the bottom sluice of the Kızılcapınar Dam without any of its energy being wasted. The hydroelectric power plant, which was established within the scope of the project we undertook to generate electricity, entered operation in 2021 under Erdemir Enerji Üretim A.Ş. the wholly owned subsidiary of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

With the installation of the hydroelectric power plant, which has an installed capacity of 5.35 MWe, electricity is generated from water discharged from the bottom sluice of the dam. Thus, we provide a renewable source of energy for both our companies and our country. On the other hand, we are also contributing to the reduction of carbon emissions.

The Hasançelebi Iron Ore Production Project

The project covers the production of iron ore from the Hasançelebi iron mine site, the enrichment of the iron ore and its delivery to the Divriği Pellet Plant blending site. We started to work on the project on 9 March 2018 with the aim of contributing to the country's economy and to secure the supply chain by utilizing domestic resources to replace the imported product. We aim to complete the project by the end of 2024.

With the project, which is a first in terms of utilizing low grade iron ore, a total of 1,954,632 tons of iron ore was produced in 2021 and delivered to the Divriği Pellet plant. Approximately 890 thousand tons of pellets were produced from this ore.

The Alacaağzı Coal Production Project

The Alacaağzı Coal Production Project, located in the Kandilli Town of Ereğli District, is planned to enter production for a period of 9 years from 2024, following the 3-year preparatory phase and investment period in the coal and quartz sand site, which was commissioned in 2019. According to the feasibility study, will be produced yearly 600,000 tons of raw coal and 411,000 tons of salable coal once production gets underway. According to figures published by the MTA (Institute of Mineral Survey and Exploration), the project site hosts 400 million tons of quartz sand reserves, corresponding to 25% of Turkey's reserves.

The coal to be produced is of the PCI (pulverized coal injection) type and will be used in the Erdemir and İsdemir blast furnace pulverized coal injection and coke production blend.

Blast Furnace

Erdemir Steel Mill

WE ARE FOCUSED ON SUSTAINABLE GROWTH THROUGH INNOVATIVE SOLUTIONS.

SUSTAINABLE GROWTH

FINANCIAL PERFORMANCE

Our Relevant Priorities

- Sustainable Profitability

In line with our goal of sustainable financial and operational success, we focus on achieving stable and satisfactory financial results and increasing our contribution to the Turkish economy. In this context, we aim to maintain and improve our balance sheet health, increase shareholder value, strengthen our market presence and add value to our stakeholders.

We use our financial capital to produce value-added products and services, to develop our human resources, and to provide benefit to society and the environment.

Contributing to the growth of the Turkish economy, our Mining Metallurgy Companies aim to achieve sustainable growth by maintaining the balance between capacity and cost.

One of OYAK's Mining Metallurgy Companies, Erdemir, Turkey's largest steel producer, also ranks 48th among the world's largest steel producers. As one of the main suppliers of Turkish industry, our Mining Metallurgy Companies meet the demand in the domestic market with the steel they provide to all areas of industry, while reducing dependence on imports. Our Mining Metallurgy Companies, which have contributed to the growth of the Turkish economy since the day they were founded, aim to achieve sustainable growth by maintaining the balance between capacity and cost.

As OYAK Mining Metallurgy Companies, we meet the needs and expectations of our customers with our high-quality products and services. We implement practices of operational excellence with the aim of rolling out efficiency to every link of our value chain in order to increase the value we create for our stakeholders.

In addition, we extend support to the companies we work with in raising their standards within the scope of supply chain management. The iron and steel industry acts as a driving force for national economies. Turkey ranks first among the world's leading countries in this industry both in terms of production and consumption. In our country, which is the 7th largest steel producer and consumer in the world, steel consumption increased by 13% YoY in 2021 to reach 33.4 million tons. Turkey's steel production, on the other hand, increased by 12.7% YoY, reaching 40.4 million tons.

Despite the global pandemic and massive changes in steel prices in the steel industry in 2021, our Mining Metallurgy Companies increased their total revenue to TL 68,227 million, generating an EBITDA margin of 39.4% and a net profit margin of 23.6%.

In the Annual General Meeting held on 17 March 2021, the decision to distribute a cash dividend of TL 6,475,000,000 (gross dividend per share: TL 1.85) from the profits in 2020 and previous years was approved. The process of dividend distribution started on 24 March 2021.

Coil

	Currency	2019	2020	2021
Revenue	(TL million)	27,465	32,048	68,227
	(USD million)	4,844	4,575	7,667
Operating Profit Before Financing Income (Expense)	(TL million)	4,457	5,646	24,866
	(USD million)	786	806	2,794
EBITDA	(TL million)	5,521	6,930	26,886
	(USD million)	974	989	3,021
Period Profit of Parent Company Inventories	(TL million)	3,317	3,309	15,527
	(USD million)	585	472	1,745
Current Assets	(TL million)	24,137	28,507	65,694
	(USD million)	4,063	3,884	4,929
Fixed Assets	(TL million)	22,536	29,487	60,749
	(USD million)	3,794	4,017	4,558
Total Assets	(TL million)	46,673	57,994	126,443
	(USD million)	7,857	7,901	9,487
Short Term Liabilities	(TL million)	9,450	9,434	23,477
	(USD million)	1,591	1,285	1,758
Long Term Liabilities	(TL million)	5,975	7,438	18,417
	(USD million)	1,006	1,013	1,379
Equity of the Parent Company	(TL million)	30,299	39,809	82,293
	(USD million)	5,099	5,421	6,176

In the Annual General Meeting held by İskenderun Demir ve Çelik A.Ş. on 16 March 2021, the decision was taken to distribute a cash dividend of TL 3,712,000,000 (gross dividend per share: TL 1.28) from its 2020 profits. The process of dividend distribution started on 24 March 2021.

In addition, during the Extraordinary General Meeting convened on 6 December 2021, the decision was taken to distribute TL 4,350,000,000 from the previous years' profits in the form of cash dividends (gross dividend per share: TL 1.50). The process of dividend distribution got underway on 8 December 2021.

GRI 102-7

THE CUSTOMER'S SOLUTION PARTNER

Our Relevant Priorities

- Product Quality
- Supply Chain Management
- R&D and Innovation
- Operational Efficiency

We are aware that product and service quality and customer satisfaction develop in direct proportion to each other. We know we will achieve high customer satisfaction and loyalty to the extent that we develop and improve our product and service quality in the process which extends from supply to the end-user within our value chain.

In line with this awareness, we continuously enhance our product and service quality with our approach which is oriented towards R&D and innovation, and meet customer needs with timely and effective solutions. We are proactive in the management of our supply chain and in our purchasing activities. In order to achieve operational excellence, we include our employees in our business processes and turn their innovative ideas into value by using various tools.

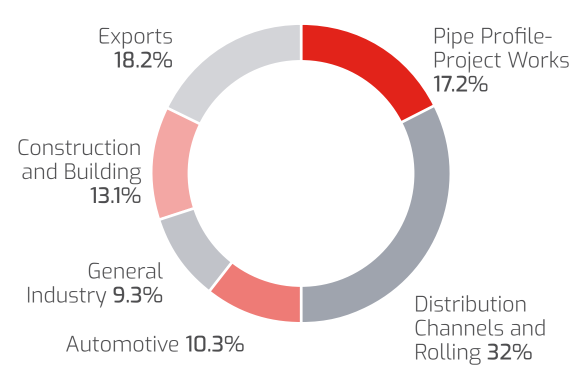
As OYAK's Mining Metallurgy Companies, we focus on achieving lasting successes through our contribution to Turkish industry. We conduct our operations by being the solution partner offering a wide and effective range of services to our customers.

We increase our product and service quality every year in line with our customers' expectations and maintain our proactive efforts to provide just-in-time and effective solutions to our customers' needs. We aim to provide high customer satisfaction and a competitive advantage. We invest in operational excellence in order to increase efficiency in our entire value chain and to provide quality-price advantage in our products.

Over 1,060 customers in 2021
In 2021, we welcomed 36 new customers to our portfolio. In terms of sales weighting, our biggest customers are distribution channels, customers carrying out projects which involve rolling and pipe profile, as well as export customers.

We continue to be a solution partner meeting all requirements through our customer-centric approach.
Listening carefully to our customers and understanding their expectations correctly plays a vitally important role in the actions we will take to improve our existing products and develop new products to meet the requirements of our customers.

Customer Profile by Sales Rates



By providing technical support to our customers, we become their solution partner with our experience in technical support, such as the selection of steel which is suitable for their processes, welding, sheet metal forming and cutting operations. We monitor customer satisfaction with our products and services through customer satisfaction surveys which we conduct each year. In this context, participation in the latest survey exceeded the target, with the customer satisfaction score increasing from a range of -65 and +135 points before the pandemic to +85, exceeding both the previous year's level and the industry averages.

Customer Feedback Process

The feedback we receive from our customers constitutes the foundation of our new product development, strategic investment planning and customer technical service processes.

Obtaining Feedback

The sales and product teams continuously conduct customer visits and customer feedback received through the erdemironline system is examined meticulously.

Preliminary Assessment

A preliminary assessment is conducted within one day of customer feedback being received.

Technical Review

On-site technical investigations and laboratory examinations are carried out depending on the nature of the feedback.

Resolution and Commercial Settlement

Depending on the result of the examinations, actions are taken and resolved. Commercial settlements are then carried out entirely online through the erdemironline system.

PRODUCT MANAGEMENT

We achieved successful results in building the competitiveness of our Mining Metallurgy Companies and improving our carbon footprint through the effective cost management measures carried out in 2021.

An improved performance thanks to our focus on product innovation and value-added products

OYAK's Mining Metallurgy Companies have achieved one of their best performances in recent years by increasing the sales of value-added products to 26% of final product sales. Our Mining Metallurgy Companies increased the production of coated products with the investments undertaken in recent years, offering 11 new flat product grades and six new long product grades to their customers this year alone. The companies increased the sales of the products developed in the last 3 years to more than 600 thousand tons.

For long products, our shipments of high carbon and pre-stressed concrete bundle products increased by 15% YoY in 2021. We successfully progressed in our work on the tyre cord product. Our value-added coil product shipment rate increased from 62% in 2020 to 74% in 2021.

Sustainable success through continuous cooperation

We started mass production of galvanized products in 2021. Thus, we succeeded in becoming the supplier of the main automotive industry and sub-industries, which manufacture in our country and use galvanized products. We successfully managed our processes in order to become a global supplier of new grades to be used in the projects of automotive companies. Accordingly, we were able to supply steel to all major automotive main industries producing in our country.

In the field of packaging steel, we offered our customers double-reduced grades with high formability and thinner gauges, specific to their area of use, providing cost optimization along with environmentally friendly production with low carbon emissions as we sought to increase the competitive capability of our customers.

Generating profit through effective cost management for all stakeholders

With our effective cost management practices in 2021, we achieved successful results in improving the competitiveness of our Mining Metallurgy Companies as well as in improving their carbon footprint. With our quality improvement and developmental efforts during the year, we increased our efficiency in production and achieved cost savings of around USD 1 million/year.

An increase both in customer numbers and customer satisfaction thanks to our customer focused process innovations

We maintain our improvement efforts by following the feedback we receive from our customers through the Customer Satisfaction Index (CSI), which we introduced last year and which allows us to track customer satisfaction through a single index.

Within the scope of the Customer Satisfaction Index (CSI), we maintain our efforts to continuously reduce the number of claim received from customers. As a result of the work carried out to meet the CSI targets, we recorded a decrease of more than 35% in the number of claims at our Mining Metallurgy Companies in 2021.

We are the solution partner for our customers.

We treat the claim received from our customers as an opportunity to improve. Our After Sales Service unit handles Erdemir and İsdemir claims on the basis of all domestic and international product groups. By monitoring all notifications through online portals, we visit customer sites to evaluate the feedback on site and endeavor to ensure our customers always feel we are by their side.

When we analyze the claim recorded in our online systems in terms of the average time taken to be resolved, we find a 20% improvement in 2021 when compared to the previous year.

Average Time Taken to Resolve Complaints (days)

YEAR	ERDEMİR	İSDEMİR
2020	4.5	4.4
2021	3.6	3.7

In our after-sales service philosophy, we provide technical support to our customers and become a solution partner of our customers with our experience in the selection of steel suitable for customer processes, technical support for customer processes such as welding, sheet metal forming and cutting operations.

PROCESS IMPROVEMENT WORK

Operational Excellence
The participation and contribution of employees at OYAK's Mining Metallurgy Companies remains the driving force behind the process of continuous improvement. Employees' experiences and innovative ideas are turned into value through kaizens, improvement suggestions and the operational excellence (OPEX) projects, which are implemented by using statistical analysis and design of experiment studies. Employees provide improvements in the fields of energy efficiency, climate change, occupational health and safety, digitalization and operational activities through these systems and projects.

In 2021, we continued the OPEX Projects, which we implemented with the objectives of production with lower cost, extending equipment life, energy saving, raw material usage optimization and improving product quality. The OPEX Projects completed during the year are expected to yield USD 16.28 million in additional earnings for Erdemir and USD 7.1 million for İsdemir.

A total of 18,320 suggestions were provided at Erdemir during 2021, of which 12,159 were put into practice, with a return of USD 1.85 million obtained from 167 suggestions whose returns had been calculated in the suggestion systems. While 1,599 kaizens initiated at Erdemir, 1,458 kaizens were completed, resulting in a return of USD 7.19 million.

In 2021, 42,105 suggestions were given at İsdemir, with 21,264 suggestions implemented. The 154 suggestions received through the İsdemir Suggestion Systems and whose return was calculated yielded a return of USD 7.2 million. At İsdemir, 1,524 kaizens were initiated, and 1,314 kaizens were completed, yielding a return of USD 22.5 million.

We have transferred some of the training activities, which are carried out at Erdemir and İsdemir to increase the effectiveness and spread of continuous improvement activities, and some of the training provided within the scope of OPEX to the digital environment.

OYAK's Mining Metallurgy Companies have matched the Kaizen and OPEX projects, which we completed in 2021, with the "Sustainable Development Goals" (SDGs) accepted by member states of the United Nations. As a result, we determined the contribution of each project to the SDGs.

In this context, we present the distribution of projects completed in 2021 in the table below:

Sustainable Development Goals	Number of Kaizen and OPEX Projects
12 SORUMLU ÜRETİM VE TÜKETİM	199
7 ERİŞİLEBİLİR VE TEMİZ ENERJİ	114
6 TEMİZ SU VE SANİTASYON	93
4 NİTELİKLİ EĞİTİM	3
13 İKLİM EYLEMİ	33
8 İNSANA YAKIŞIR İŞ VE EKONOMİK BÜYÜME	2.199
9 SANAYİ, YENİLİKÇİLİK VE ALTYAPI	162
3 SAĞLIK VE KALİTELİ YAŞAM	2
Total Number of Projects	**2,805**

Employees' experiences and innovative ideas are turned into value through kaizens, improvement suggestions and the operational excellence (OPEX) projects, which are implemented by using statistical analysis and design of experiment studies.

Examples of Improvement Works

OPEX Projects

Erdemir

- Erdemir achieved gains in net working hours by improving the pass practice of slabs, which are in the low and very low carbon grade group, in the 2nd Hot Rolling Mill rough rolling area. The project is expected to yield a potential return of USD 12,235,606/year based on 2021 figures.
- Our company optimized the firing furnace temperature of the Sinter Factory by analyzing the firing furnace temperature with statistical methods, thus enabling the minimum furnace temperature to be determined without loss of combustion efficiency and saved coke gas. The most important gain in the project, which is expected to generate a return of USD 1,910,530/year, is its contribution to reducing carbon emissions. The project has led to a decrease of 5,600 tons in annual CO_2 emissions.
- Erdemir aimed to increase electricity generation by optimizing the temperature of the body by cooling the body of the cogeneration gas turbines. The project paved the way for an increase of approximately 0.5567 MW in the hourly generation in electricity generation. In addition to the increase in electricity generation, the amount of natural gas needed to generate each 1 MW of electricity decreased by 1,626 Nm^3/MW. The company generated a total return of USD 153,094/year thanks to the savings in natural gas and electricity consumption.

İsdemir

- İsdemir gradually increased the slab target length, which is used in the production of coils with a thickness of 1.8 mm or less, from 10.5 meters to 12 meters in different grades and sizes. Increasing the amount of coil production with the completed project, the company reduced the energy consumption of the slab furnaces, the amount of crop shear and the number of crane operations. The project has yielded revenue of USD 4 million/year.
- İsdemir obtained mathematical modeling of turbine efficiencies based on all parameters affecting turbine efficiency in turbo generators, thus creating an efficiency-based load taking and giving system. The project paved the way for a decrease in the amount of steam consumed in tons for each MW of electricity generated. The company, which saved 1,250,000 Sm^3/year of natural gas, achieved a return of USD 0.3 million/year.

Kaizen

Erdemir

In the pickling tandem line, after the line stops, acid burns were found to be occurring on parts of the coil remaining inside the acid tanks. Erdemir prevented acid burns by increasing the withdrawal length from 5 meters to 7 meters after the line stoppage. 200 coils per year had been sorted from the coil head for a 10-meter section due to the acid burn defect. After the improvement, the sorting process was no longer performed.

İsdemir

İsdemir started to apply a closed loop cooling process instead of an open loop in cigar-type coolers, which are installed instead of burnt coolers located around the Third Blast Furnace. Our Company saved USD 1.6 million/year by switching to closed loop water circulation in 33 coolers located around the furnace, which consume 20 m^3 of water per hour.

SUPPLY CHAIN

The Covid-19 pandemic, which spread in 2020, continued to impact social life and ways of doing business around the globe throughout 2021. In this process, we kept face-to-face interaction with our suppliers to a minimum, continuing to work remotely for the most part. We have adapted to this situation in all of our processes.

While we maintain our relations with our existing suppliers through remote interaction, we integrated our new suppliers into the supply chain.

The year 2021 was a period of revival for economies all over the world. All countries were striving to bring their economic activity back to pre-pandemic levels. Accordingly, there was strong demand for the raw materials and intermediate products required to produce steel. This led to a certain amount of tightening on the supply side and sharp price volatility in the market. In addition, due to climate change, production by raw material suppliers in various geographical regions was interrupted due to natural events, which brought additional complications to purchasing activities.

OYAK's Mining Metallurgy Companies have closely monitored all market conditions, taking a proactive approach with all purchases realized on time under the best possible conditions. Accordingly, we were unaffected by the bottlenecks occurring in the markets.

In order to minimize supply risks, we have created regular performance records in order to continuously measure the performance of suppliers and compare alternative suppliers, with which commercial relations had started, with the existing suppliers. We carried out scoring of the performances of suppliers at regular intervals on the basis of various criteria. With this scoring system, we were able to perform more accurate supplier selection and effective purchasing activities. We also provided regular feedback to suppliers to help them optimize their performance and increase supply efficiency. In line with our purchasing policies, we did not purchase from disputed territories under any circumstances.

During the pandemic, we focused on digitalization, which is one of our priorities. With the aim of increasing the competence of our purchasing team, we implemented a purchasing academy through digital applications. During this practice, which lasted about a year, we carried the professional expertise of our colleagues to higher levels.

Today, when digital transformation has become an obligation, we have launched various projects to integrate digital software into purchasing processes. With an effective analysis, we have taken steps towards creating a more robust data infrastructure for all purchasing data both for today and for the future.

OYAK's Mining Metallurgy Companies closely monitored all market conditions and took a proactive approach, realizing all of our purchases on time and under the best possible conditions.


Ersem

GRI 102-9


WE PRODUCE
WITH A SENSE OF
RESPONSIBILITY
TO BUILD
A BETTER FUTURE.

RESPONSIBLE PRODUCTION

OCCUPATIONAL HEALTH AND SAFETY

Our Relevant Priorities

- Occupational Health and Safety
- Employee and Human Rights
- Operational Efficiency

Our industry, which is classified as highly dangerous in the relevant legislation, requires us to take care of employee health and safety at the highest level. Ensuring that our employees work in a healthy and safe environment is one of our most fundamental responsibilities.

We manage all of our operations at our companies with a goal of zero work accidents. Our Occupational Health and Safety Policy, which we have set out by prioritizing the health of our employees and the safety of our facilities, guides the effective management of risks in this context. Thanks to the practices we have implemented in the field of OHS, we render work environments and work processes safe and take measures to prevent work accidents and occupational illnesses.

At OYAK Mining Metallurgy Companies, we deem people and their lives as our first priority, and provide our employees with healthy and safe working environments.

Occupational Health and Safety (OHS)

Based on the "Communiqué on Workplace Hazard Classes on Occupational Health and Safety", companies within the industry in which our Mining Metallurgy Companies operate, are classified as highly dangerous.

We deem our employees as our most important asset and place Occupational Health and Safety at the heart of our responsible production approach, which also covers the safety of our facilities.

By adopting the approach that all accidents are preventable, we carry out our activities with the goal of Accident Free Steel. We work to reduce the frequency of accidents and the severity of accidents to zero, and to roll out a behavior-oriented safety culture. We manage OHS risks utilizing state-of-the-art technologies and approaches. With the raft of practices we have implemented in the field of the OHS, we aim to keep work environments and processes safe, prevent work accidents and occupational diseases, and protect employee health and the environment.

With the OHS systems, we identify areas open to improvement in terms of Occupational Health and Safety and Process Safety. We eliminate unsafe conditions and behaviors by resolving any deficiencies which we have identified.

The principles we adopt under our Occupational Health and Safety Policy are set out below:

- To produce "accident-free steel" by identifying and systematically managing risks.
- To prevent work related accidents and diseases and to protect the health of our employees by keeping the work environments and processes healthy and safe.
- To roll out the sustainable safety culture shaped by the participation and ideas of all our employees.
- To implement and maintain the Safety Management System for the Prevention of Major Industrial Accidents caused by processes and hazardous materials, which may cause significant losses to work and production.

GRI 403-1, 403-2, 403-3, 403-4, 403-6, 403-7, 403-8

In order to prevent the spread of Covid-19 among our employees in 2021, we took measures at all sites, entrances/exits, dining halls, waiting areas for transportation, distribution and in working and rest areas within the scope of Occupational Health and Safety practices. We monitored compliance with these measures on a daily basis and reported these findings to the management throughout the year. We successfully passed the existing TSE Covid-19 Safe Production Certificate audits and thereby renewed the certification of our companies.

OHS activities at our Mining Metallurgy Companies are managed by high level leadership. The OHS Board is chaired by the Deputy General Manager of Operations at Erdemir and İsdemir and by the General Manager at Erdemir Maden. Accordingly, the OHS managers are within two reporting levels of the CEO in all companies.

Within the scope of Occupational Health and Safety, there are a total of 25 Occupational Safety Specialists, including 19 Class-A Occupational Safety Specialists, three Class-B Occupational Safety Specialists, three Class-C Occupational Safety Specialists and seven Occupational Physicians at Erdemir.

There are a total of 24 Occupational Safety Specialists, including 13 Class-A Occupational Safety Specialists, five Class-B Occupational Safety Specialists, six Class-C Occupational Safety Specialists and 7 Occupational Physicians at İsdemir.

A total of 25 Occupational Safety Specialists are employed at Erdemir within the scope of Occupational Health and Safety.

The number of Occupational Safety Specialists employed at İsdemir within the scope of Occupational Health and Safety is 24.

OHS Risk Assessment Activities

Our Mining Metallurgy Companies meticulously evaluate risks they may encounter during the course of their activities within the scope of OHS activities. They take the necessary measures in line with their aim of preventing work accidents and occupational illnesses.

Through our OHS risk assessment activities at OYAK Mining Metallurgy Companies, we aim to identify areas open to improvement in terms of process safety, eliminate unsafe conditions and behaviors by resolving deficiencies and ensure the continuity of OHS awareness by turning it into a culture.

We aim to learn lessons from the same type of work accidents and near misses and prevent the occurrence of similar accidents through the accident sharing presentations we carry out throughout the year.

We improve the OHS performance of our Mining Metallurgy Companies through the following applications.

- Announced-Unannounced Safety Tours,
- OHS Field Tours,
- Emergency Drills,
- OHS Board Meetings,
- Buddy Application,
- Behavior Oriented Safety Management,
- Legal Legislation Controls,
- Company Compliance Controls,
- Incident Sharing Presentations,
- Near Miss System,
- Risk Assessment Activities,
- 5S System,
- OHS Training.

İsdemir Billet Warehouse Area

OCCUPATIONAL HEALTH AND SAFETY

The Occupational Health and Safety Culture

The Behavior Based Safety Management (BBSM) System is one of the OHS practices that we, at OYAK's Mining Metallurgy Companies, have implemented to promote safe behaviors. With this system implemented at Erdemir and İsdemir, we aim to enable all employees to correctly perceive OHS risks, acquire an OHS culture and develop safe behaviors instead of the frequently encountered risky behaviors.

With the BBSM System, we provide training to focus on the behavior of people in order to ensure that employees speak the same language and share the same sensitivity with regard to OHS. We conduct observations to identify risky behaviors.

In line with the data we obtain as a result of these observations, we provide information with training modules, which are compatible with the learning by experience model, in order to eliminate any risky behaviors exhibited by our employees and to reinforce safe behaviors. Where we identify any incidence of risky behavior during the observation work which we conduct on site, we provide instant feedback to the employee and thereby aim to instill safe behavior in the employee. We eliminate the root causes of such behavior in parallel with the ABC Analysis results, which we conduct to find the root cause of unsafe behavior.

Within the scope of the BBSM System, we provide training on a whole host of issues which concern all production processes and are critical for occupational safety. The main training programs are as follows:

- Protection from the Harmful Effects of Dust
- Heat and Protection from Heat
- Protection from Hazardous Gases
- Load Lifting and Protection of Back (spine)
- Protection from Work Accidents
- Health and Safety Precautions in Working with Chemicals
- Personal Protective Equipment
- Power Off/On and Safe Working at Height

We have created directorate-based Emergency Plans at our Companies to tackle any emergencies which may occur. We conduct directorate based and general drills every year within the framework of the scenarios we determine in these plans. In 2021, we conducted a total of 59 drills at Erdemir and 182 drills at İsdemir. In the Emergency Plans, we also established search and rescue, fire-fighting, first aid support teams to tackle emergencies. We provided task-based training to these teams.

In order to respond to emergencies, 37 fire engines, three water sprinklers and a rescue vehicle are on hand at Erdemir, while 35 fire engines, four water sprinklers and two ladder vehicles are available at İsdemir. In addition, the Emergency Medical Team under the Health Directorates provides a 24/7 service with two ambulances.

An AFAD trained ERDAK Search and Rescue Team, consisting of 50 volunteer personnel is in place at Erdemir, equipped with professional equipment to perform search and rescue operations in the event of disasters which may occur in the facilities or elsewhere in the country.

A Search and Rescue Team, consisting of 30 volunteer personnel trained by AKUT and certified by the International Search and Rescue Advisory Group (INSARAG) is on duty at İsdemir. During the year, 500 employees were given Emergency Response Training certified by AKUT for possible emergencies at the factory.

Automatic fire extinguishing systems are installed in our factories with gas and water in 188 regions, and a Fire Detection System in 137 regions. We monitor the Fire Detection and Extinguishing System on a 24/7 basis through the Fire Brigade Emergency Communication Center. We have a total of 9,536 portable fire extinguishers which we regularly check and maintain at our factory sites.

We perform Prevention of Major Industrial Accidents and Mitigation (SEVESO II Directive) work at Erdemir and İsdemir with the aim of preventing accidents and reducing the impact of any accidents. In this context, our business

The Behavior Based Safety Management system implemented at Erdemir and İsdemir aims to enable all employees to correctly perceive OHS risks, acquire an OHS culture and develop safe behaviors in place of the frequently encountered risky behaviors.

units have classified chemicals and identified hazardous equipment in line with the hazardous materials they have identified. We perform qualitative (HazOP) and quantitative risk (Bow-Tie) analysis of this equipment and have determined possible accident scenarios in accordance with relevant regulations, and created a Major Accident Scenario Document. We also prepared Internal Emergency Plans within the scope of the legislation published later. In 2021, we successfully completed the scheduled Occupational Health and Safety audit within the scope of the Regulation on the Prevention of Major Industrial Accidents and Mitigation.

We prepared Explosion Protection documents in areas which are at risk of explosion in accordance with the Regulation on the Protection of Employees from the Hazards of Explosive Environments and the Equipment and Protective Systems Intended for Use in Potentially Explosive Atmospheres Regulation, which are part of the SEVESO activities. Within the scope of this work, we classified the areas where there is a risk of explosion and determined anti-explosive characteristics of equipment used in these areas and their compliance with the zone classes. We continue to carry out improvements to this equipment.

Safety Tours

OYAK Mining Metallurgy Companies conduct Announced and Unannounced Safety Tours (AST) in order to identify areas open to improvement from an OHS perspective, to eliminate unsafe conditions by resolving any identified deficiencies and rolling out the OHS culture among all employees. By entering the findings of these tours into the OHS System Tracking Application, we monitor the latest developments of improvements in the digital environment.

In 2021, we carried out approximately 1,000 internal and external inspections at Erdemir and İsdemir. In these inspections, we identified 24,870 incidences of non-compliance at Erdemir and took steps to improve 99% of the non-conformities, while carried out improvements to 90% of 20,831 incidences of non-conformity identified at İsdemir.

We also perform legislative and general audits at our companies under a certain program in order to audit the work conducted by subcontractors and the sites.

İsdemir Continuous Castings

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety Training

OYAK Mining Metallurgy Companies carry out training and activities to raise awareness on occupational health and safety in order to reduce risk, achieve positive behavioral changes and to raise general awareness, deeming education to be one of the most important tools in the cultural transformation.

In 2021, we continued to offer OHS training with a range of content which we determined in accordance with the needs of our fields of activity. Some of these training activities are listed below:

- Basic Occupational Safety Training
- Training within the Scope of Behavior Based Safety Management System
- Awareness Training for Covid-19
- Training on Handling and Slinging
- Certified First Aid Training and Certified First Aid Renewal Training
- Fire Prevention and Protection Against Fire Training
- Atex Information Training
- IECEx Training
- EKED Training
- Training on the Preparation of the Explosion Protection Document
- Training on Gas Safety and Use of Equipment
- Work at Height Training


Erdemir Maden

- Accident Information specific to New Employees
- Training on the Use of Protective Equipment
- Training for Workplace Specific Risks
- Emergency Response Team Renewal
- Overview of Risk Management
- Identification and Evaluation of Hazardous Substances
- Identification of Hazardous Equipment (Vade Mecum Method, DOW F&EI Method)
- Identification of Internal and External Hazards (HAZOP, Checklist Method)
- Creation and Analysis of Major Accident Scenarios (FTA, ETA, LOPA and Bowtie Diagram Analysis)
- Training on OHS Systems

In 2021, we provided an average of 21 hours of OHS training per employee at Erdemir and 28.3 hours of OHS training per employee at İsdemir. We supported a safe working culture by providing OHS training to our subcontractors before they started work at our sites.

We care about the health and safety of our visitors.
OYAK's Mining Metallurgy Companies attach importance to ensuring that our visitors, as well as our employees, are informed of occupational health and safety.

We provide information with video demonstrations to ensure the safety of our visitors and to protect our employees from external dangers that may occur due to rule violations by those visiting the sites from outside. We inform our visitors of what action to take in an emergency, provide brochures and keep records, requiring all visitors to sign the Visitor OHS Information Form stating that the necessary information has been provided.

Hours of OHS Training Per Person

	2021
Erdemir	21.0
İsdemir	28.3
Ersem	19.7
Erdemir Maden	30.1

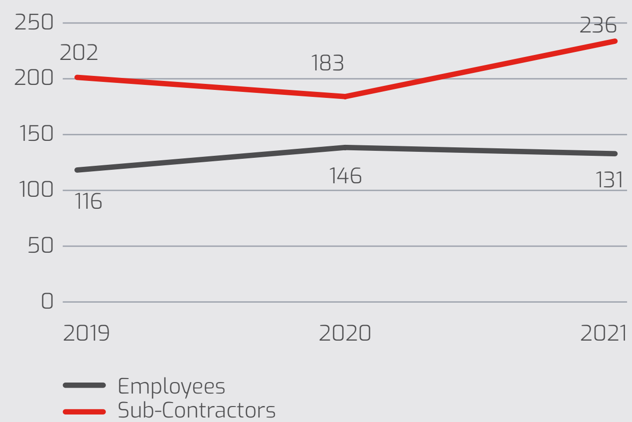
In 2021, we provided an average of 21 hours of OHS training per employee at Erdemir and 28.3 hours of training per employee at İsdemir.

We take proactive measures to prevent work accidents and occupational illnesses at our Mining Metallurgy Companies.

We take proactive measures in occupational health and safety.
Given the high risk of accidents and occupational illness in our Mining Metallurgy Companies, we take proactive measures to prevent occupational accidents. We are working to reduce the incidence of occupational diseases such as chronic lung disease, hearing loss and musculoskeletal system diseases as well as back and waist ailments and neck pain.

2021	Lost-Time Injury Frequency Rate	Accident Severity Rate
Erdemir	5.44	0.902
İsdemir	1.34	0.812
Ersem	0	0.175
Erdemir Maden	0	0

Total Number of Accidents*



*The total number of work-related accidents whether or not they resulted in "lost working days". Subcontractors' performance results reflect only those of Class A subcontractors. The graph is composed based on data provided by Erdemir, İsdemir, Ersem and Erdemir Maden.

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety Projects

Covid-19 Pandemic Period-Daily Field Inspections
In order to prevent the spread of Covid-19 within our Mining Metallurgy Companies, we have ensured that our employees are informed of the measures and practices taken in our facilities and offices. They exhibit the correct behavior and turn this behavior into a culture in their work and social lives.

We conducted daily field inspections in order to raise awareness of the pandemic among all of our employees. We conducted inspections with the aim of preventing the spread of the pandemic within our Companies and supporting the normal lives of our employees, while preventing our employees from contracting Covid-19, which can cause death or permanent damage. In this context, we warned employees who did not comply with the pandemic rules or exhibited unsafe behavior and briefed them of the importance of the issue and ensured that they complied with the rules.

The Erdemir Lifeline Project
At Erdemir, lifelines were installed in accordance with the EN795: 2012 and EN353-1 standards by taking into account the demands of the units in order to ensure safety during the work to be carried out at height such as roof cleaning, sheet metal replacement, maintenance and cleaning on the crane runway and climbing up vertical ladders established for maintenance purposes.

Within the scope of the "Lifelines" project, we set up a lifeline of 49,000 meters where workers anchor their safety harnesses without interruption, to be installed in areas such as on roofing, crane runway or vertical ladders. The project was the longest lifeline project to be carried out in Turkey when it was put in place. With the project, we protect the work safety of personnel working at height by ensuring they are anchored to the lifeline with a safety harness.

ODAK Software Work
Throughout the year, OYAK's Mining Metallurgy Companies continued to work on the software platform which we are developing throughout all of our Companies. We develop the software platform in order to manage occupational safety and environmental and health processes in an integrated manner, enabling our employees to actively participate in these processes and to provide instant dynamic reporting. In 2022, we plan to add additional features to the software platform, where we have commissioned the employee notifications section in the first phase. With the ODAK Software, we aim to align our companies within the scope of the OHS, Environment and Health Modules.


Warehouse Area


Ersem

ENVIRONMENTAL PERFORMANCE

Our Relevant Priorities

- Climate Change
- Energy Management
- Sustainable Profitability
- Waste Management
- Product Quality
- Low Emission Production Technologies
- Water Management
- Air Emissions
- The Circular Economy
- Biodiversity

As a responsible corporate citizen, we evaluate our activities and work environment from a perspective based on the efficient use of all kinds of resources, within the scope of combating climate change and global warming. We undertake the investments necessary for more efficient and environmentally friendly production and focus on the using existing resources effectively, efficiently and correctly.

We aim to continuously improve the environmental performance of our production activities, comply with current legislative obligations, prevent environmental pollution at its source and aim for effective waste management. We support our financial and social value generation process and strengthen our natural capital by generating environmentally friendly products and services.

As OYAK's Mining Metallurgy Companies, we focus on generating sustainable value in every field. We maintain our activities as a corporate citizen aware of its responsibilities to the economy, the environment and society.

Impacts arising from the industry directly affect global climate change. Climate change, limited natural resources and rapidly diminishing biodiversity pose serious risks to the steel industry, which has a high environmental impact. Integrated steel production includes energy intensive processes within the scope of existing production technologies.

OYAK's Mining Metallurgy Companies take into account the need for continuous improvement of our environmental performance while carrying out all our activities. In order to fulfill our responsibility to the environment, we have determined our main focus as using existing resources effectively, efficiently and correctly. Our other focus areas include the use of communication channels in development and raising awareness among all of our stakeholders, and leaving a cleaner and more livable world to future generations.

Our environmental policy, which we have set out by following a proactive approach in environmental management, includes the following elements:

- As a result of technical, economic and commercial evaluations with a life cycle and sustainable development perspective, applying environmental technologies, using natural resources effectively and efficiently, and protecting biodiversity.
- To reduce waste at its source, to develop recovery methods and to encourage recovery and recycling.
- To inform all our stakeholders, including our employees, customers, suppliers, society and the government, and raise awareness about our perspective on the environment, our practices and the results we have achieved by establishing open communication.

In line with our environmental policy, our Companies identify potential environmental risks in advance and take measures to address these risks while continuing their activities in their production facilities. Our Companies monitor and control their environmental impacts with continuous measurements, and implement improvement and investment projects to minimize these impacts. The technologies used in these projects contribute to the development of the economy through the efficient use of vital resources.

The policies and processes we design aim to mitigate our environmental impacts throughout the entire value chain and reduce energy consumption, promote the effective use of resources and reduce the generation of waste. They also aim to support recycling, especially in every stage of operation cycle, while maintaining and developing human capital.

We treat international standards and certifications as a base in our environmental management practices. Some of our companies, including Erdemir, İsdemir, Ersem and Erdemir Romania, hold the ISO 14001: 2015-Environmental Management Standard certificate. Erdemir, İsdemir and Erdemir Romania also hold the ISO 50001-Energy Management Standard certificate.

We have established environmental management units at Erdemir and İsdemir in order to manage environmental activities. Three environmental officers are on duty at each one of our Companies, where there is an obligation to employ a minimum of two environmental officers in accordance with the legislation.

We provide sustainability training, the majority of which is on environmental topics, in order for our employees to internalize sustainability. In 2021, we continued to provide training within this context on the DigitalİK platform, which can be accessed online. In 2021, approximately 7,800 employees completed various training programs on environmental subjects at Erdemir and İsdemir.

ENVIRONMENTAL PERFORMANCE

Within the scope of efforts to tackle climate change, we realize feasibility studies by monitoring low-emission steel production. We reduce our emissions by conducting activities to improve existing production processes to reduce the use of resources and to promote energy efficiency.

Climate Change

According to new findings, global warming arising from human activity has been increasing much more rapidly than had been projected by scientists in the last Inter-governmental Climate Change Panel (IPCC) report, where the scientific basis of global climate change and the factors causing the climate change are evaluated. A significant proportion of the emissions leading to global climate change are caused by industrial activities.

In its Emissions Gap Report published in 2021, the United Nations Environment Program (UNEP) announced that the current national contribution declarations of the countries were far short of the rate required to keep global warming to less than 2°C, adding that more effort and cooperation was needed to combat climate change.

While the report recognized that the announcement of a commitment to net zero by 52 countries, which account for more than half of global emissions, was a promising development, it cautioned that the commitments contain a number of uncertainties which could give rise to difficulty in reaching the target. Accordingly, it is predicted that even if the net zero emission commitments are implemented fully by the end of the 21st century, the increase in global warming can only be limited to 2.2°C.

In order to tackle the climate crisis and to limit the increase in global average surface temperatures to 2°C and, if possible, to less than 1.5°C, the ratification of the Paris Agreement by the parties in 2016 marks an important step in the fight against climate change at a global level. After the Paris Agreement was ratified by our country in 2021 and our country committed to achieving net zero carbon emissions by 2053, the preparation of detailed plans and a policy formulation process, which will be vital for our country if it is to achieve these goals, has got underway.

As one of our country's most important industrial organizations, we are going to great lengths to build the future of our country together by taking part in the work planned in this context. In this vein, we participated in the Climate Council held in February 2022 in order to determine the industry sectoral strategic goals, contribute to the legislation to be developed on climate, determine the basic policies and responsible institutions for different sectors and create a roadmap which sets out the priority actions of the institutions.

835,652 MWh

The amount of energy recovered from waste heat stood at 835,652 MWh.

1,098 million m^3

The total volume of water recovered by our Mining Metallurgy Companies stood at 1,098 million m^3.

USD 30.6 million

We achieved USD 30.6 million in financial savings through our energy efficiency projects.

It is widely recognized that ground-breaking technologies will need to become commonplace in order to significantly reduce emissions from the integrated production facilities. Technological transformations can only be realized with the initiation of significant investments and major collaborations. The latest technological developments, such as the use of hydrogen instead of carbon in production and carbon capture, use and storage present important opportunities in the efforts to tackle against climate change.

At OYAK's Mining Metallurgy Companies, we aim to reduce our emissions by monitoring the current level of low emission steel production technologies and conducting feasibility studies. On the other hand, we aim to reduce our emissions by carrying out studies aimed at improve existing production processes in terms of resource and energy efficiency.

According to the 2022 Global Risks Report, prepared by the World Economic Forum, "Failure to combat climate change" is considered to be the number one long-term threat to the world and the risk with the most severe potential impacts over the next decade. The report also describes "Extraordinary weather events" and "Loss of Biodiversity" as the most important environmental risks which are expected to grow in severity over the next 10 years.

Climate change will undeniably have effects on multi-sectoral structures whose activities are geographically dispersed. We participated in the Evaluation of Climate Risks and Opportunities Project (the CRO Project) in order to examine the effects of climate focused legal regulations and international developments on the operations of our Companies, along with physical changes. The purpose of the project is to evaluate climate related risks and opportunities and integrate them into our strategies.

We have drawn up detailed action plans and roadmaps to manage the climate-related risks and opportunities in the most accurate manner possible, and these will form the focus of our sustainability efforts and contribute to our corporate risk management efforts. We have planned our project, which is based on the TCFD (Task Force on Climate-Related Financial Disclosures) approach in three main phases - analysis and research, strategy formation and reporting. Within the scope of the project, we completed the process of identifying and prioritizing risks and opportunities, and our strategic development work continues.

We adopt the circular economy approach in tackling climate change. We utilize the waste generated by our Companies and ensure resource efficiency. We aim to reduce our water and carbon footprint by constantly improving our facilities with new technologies.

Steel is the most recycled material in the world. The fact that steel can be 100% recycled without losing any of its properties, and the length of its life cycle ensuring it remains in use for many years, stands as testament to its credentials as an environmentally friendly product. We care about the contribution of steel, which is used in many fields such as construction, infrastructure, consumer durables and the automotive industry to the circular economy. In this context, we strive to further improve the properties of our products.

In order to increase resource efficiency, maintain competitive clout and reduce carbon emissions, we participated in the World Steel Association (worldsteel) Step Up program in 2021. The program is carried out to support activities to improve efficiency to levels which are comparable with the best performing facilities in the steel industry. In the program's 4-stage efficiency review process, work was carried out with the team of specialized consultants at the World Steel Association.

Our Erdemir and İsdemir companies calculate their annual emissions by using the mass-balance method and submit the calculated values to the Ministry of the Environment, Urbanization and Climate Change after approval from the verifying body. At our companies, we identify the sources which cause changes in the volume of emissions by conducting an analysis of the causes of changes in annual emission values.

With the coordination of the Strategic Planning and Sustainability Department and the participation of all relevant units, we carry out work for the examination and implementation of new applications in order to reduce emissions. We work on strategies aimed at reducing emissions. In particular, our R&D Directorate is continuing its work on the use of bio-charcoal in the iron and steel production processes and determining the effects of reusing hydrogen from coke gas and its reuse in blast furnaces, as a scenario, on CO_2 emissions. The R&D Directorate conducts studies to determine appropriate methods of carbon capture and storage and hydrogen production methods.

GRI 103-2, 103-3, 302-4

ENVIRONMENTAL PERFORMANCE

The Erdemir, İsdemir and Erdemir Romania facilities, which hold the ISO 50001 International Energy Management System certificate, have the capacity to save money by generating electricity from the by-products produced in the process.

The Erdemir and İsdemir Energy Policy can be summed up as follows:
- To implement technological innovations which increase energy efficiency
- To utilize the released by-product gases and waste heat to the highest level,
- To minimize energy losses through systematic measurement and monitoring.

We are continuing improvement activities at two of our facilities with the aim of maximizing energy efficiency and raising quality in the production lines with an awareness of using resources efficiently, on the basis of the continuous improvement principle.

We determined the main focus areas in energy management as follows:
- To increase efficiency in the production and consumption of energy,
- The recovery of by-products,
- To plan and implement improvement activities through systematic measurement, monitoring and analysis activities,
- To reduce carbon emissions by saving energy as a result of systematic work on energy efficiency.

While we contribute to the protection of natural resources and the environment with our efforts for the effective use of energy, we also gain competitive advantage. As a result of our systematic efforts aimed at energy efficiency, and the energy we have saved, we have succeeded in reducing our carbon emissions.

We monitor energy production and consumption values on a daily and monthly basis. We identify areas which are open to improvement, determine saving projects and carry our improvement activities. We plan activities to reduce energy consumption by determining monthly and annual energy consumption targets with the operation units depending on the production schedules for each year. Through these activities, we have reduced our energy consumption by 42% at Erdemir and by 40% at İsdemir since we began monitoring.

Erdemir and İsdemir are among the companies to have achieved successful results in "Specific Energy Consumption", one of the important performance indicators in the iron and steel industry. According to the latest World Steel Association figures, the 94 steel producers which are members of the Association consumed an average of 4,928 Mcal of energy per ton of crude steel. In 2021, Erdemir's specific energy consumption stood at 4,830 Mcal/ton of crude steel, with 4,704 Mcal/ton of crude steel at İsdemir, with both Erdemir and İsdemir outperforming the average.

Through the energy efficiency projects carried out this year, Erdemir achieved 283,746,414 kWh in energy savings and reduced its CO_2 emissions by 157,479 tons. İsdemir achieved 229,597,317 kWh in energy savings and reduced its CO_2 emissions by 127,427 tons.

Within the scope of the energy efficiency activities carried out in 2021, we implemented the following projects at Erdemir and İsdemir:
- Replacement of Burner Coke Gas Nozzles and Regenerative Air Heater Sections in Steam Boilers
- Conversion of Lighting fixtures to LED
- General Insulation Applications
- Modification of Booster Fan Motor and Increasing Oxygen Gas Gain
- Hydraulic Coupling Applications in Power Plant Boiler Feeding Pumps
- Replacement of Power Plant Coke Gas Main Collector
- Change of Coke Gas Main Lines
- Replacement of Steam Boilers Technical Water Lines
- Replacement of Low Pressure Heaters of Turbo-Generators
- Improvement Studies for Reducing Fuel Consumption
- Reducing Natural Gas Consumption by Optimizing Fuel at Certain Grades in the Annealing Line
- Installation of a Chemical Washing System of Turbine Blades to Extend Downtime Periods of TRT (Top Pressure Recovery Turbine) Units

With energy prices on the rise throughout the world, energy efficiency applications have gained even more importance. OYAK's Mining Metallurgy Companies continue to roll out good practices with the improvement projects which we have designed. We applied to the Ministry of Energy and Natural Resources within the scope of the EIP (Efficiency Increasing Project) Incentives and our projects were found eligible for incentives.

Through the energy efficiency projects, Erdemir reduced its CO_2 emissions by 157,479 tons and İsdemir reduced its CO_2 emissions by 127,427 tons.

With the energy efficiency projects which it had prepared to be presented on various platforms, in 2021, İsdemir was awarded first prize in the "Energy Efficiency in Industry Project Competition" organized by the Ministry of Energy and Natural Resources, in recognition of its "Increasing the Amount of Energy Gained by Operating the TRT System in Engine Mode" application.

Erdemir participated in the competitions organized to reveal, promote and spread energy efficient and environmentally friendly projects and technologies implemented by industrial enterprises, and to encourage new action on energy efficiency. Erdemir won four first prizes, two second prizes and one third prize. İsdemir, on the other hand, won eight first prizes, two second prizes, two third prizes and two Special Jury Awards.

At Erdemir and İsdemir, we organize training programs to raise awareness regarding energy efficiency. We support participation in activities such as the Energy Management and Industry Survey and Project training program. Our companies started the digitalization of training which could not be provided face-to-face due to the pandemic in 2021. In this context, we digitalized the Company Orientation Training (Energy Department) at Erdemir. We continue to work on the digitalization of the training programs on applied steam and combustion.

Priority is given to investments in projects which are in line with the "National Energy and Mining Policy" set out by the Ministry of Energy and Natural Resources in our country's energy strategies on the basis of ensuring supply security with domestic and national resources within the scope of bringing down the current account deficit. In order to reduce carbon emissions, which is in full compliance with this fundamental policy, Erdemir Enerji Üretim A.Ş. commissioned the Kızılcapınar Hydroelectric Power Plant (HEPP) renewable energy investment.

After the acceptance procedures carried out by the acceptance committee of the Ministry of Energy and Natural Resources, the Ministry Acceptance Minute was issued and the hydroelectric power plant Kızılcapınar HEPP based on a renewable resource was put into operation.

The annual energy generated by the Kızılcapınar HEPP, which has an annual average production capacity of 18,700 MWh, prevents the emission of 10,000 tons of CO_2 per year.

Despite some variation depending on hydrology, the annual average production capacity of the Kızılcapınar HEPP stands at 18,700,000 kWh.

The renewable energy generated by the Kızılcapınar HEPP allows a reduction in our country's imports of natural gas and imported coal from abroad. The annual average production amount corresponds to the electricity consumption of approximately 6,250 households. The energy generated in the renewable power plant has prevented the emission of approximately 10,000 tons of CO_2 emissions.

At our Mining Metallurgy Companies, we attach priority to energy production from other renewable energy sources besides hydroelectricity, with the awareness of the importance of renewable energy. In this vein, we have ramped up our feasibility studies for energy generation from other renewable energy sources. At the conclusion of these studies, we realized renewable energy generation with solar energy, a sustainable energy type, at Ersem. We officially commissioned the project to establish a renewable SPP (solar power system) with a power of 3,483 kWp at the Ersem Manisa facility with the provisional acceptance of TEDAŞ on 21 October 2021. Energy production from renewable energy sources, which stand out with their low cost and environmentally friendly character, offers important opportunities in terms of reducing greenhouse gas emissions and contributing to sustainability.

Air Emissions

Transportation, storage, heating and processing of raw materials used at our Mining Metallurgy Companies cause air emissions. Developing technology and legal regulations for air quality have resulted in a significant decrease in air emissions in recent years. Being aware of the effects of air emissions on humans and the environment, we make investments to reduce emissions and increase efficiency in order to improve air quality at all our facilities and in the surrounding areas. With the investments for improvement we make, we keep the air emissions below the legal limits.

At Erdemir and İsdemir, we constantly monitor the Continuous Emission Measurement Systems (CEMS), which is connected to the data network of the Ministry

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of Environment, Urbanization and Climate Change. The accredited laboratory measures air emissions in all flues every 2 years.

The Continuous Monitoring Center (CMC) is a web platform which was prepared by the Ministry of the Environment, Urbanization and Climate Change for the management of the data in the Continuous Monitoring Systems from a single center. In 2021, we met the conditions specified in the CEMS Communiqué, the Regulation on the Control of Industrial Air Pollution and the Environmental Permit/License Regulation in these systems by connecting the Continuous Monitoring Center (CMC) to the CEMS.

At Erdemir and İsdemir, we use the blend compositions calculated on a theoretical basis, especially in sintering, and thus reduce SOx (sulfur oxides) emissions. In new investments to be carried out, we take account of the issues related to the reduction of SOx, NOx and other pollutants. In addition, we provide bags or electro filter systems in all process systems in order to minimize the emissions of PM10 (particles smaller than 10 microns). We monitor the efficiency and working status of our filter systems through the Maintenance Management System.

Water Management

The iron and steel industry is a water-intensive industry, with water being one of the most important inputs of the process for the continuity of production. With climate change leading to drought, water has taken on increasing importance both in the world and in our region. In this vein, we closely monitor the use of water in our factories and reduce the amount of consumption through continuous improvement projects.

Our main principle in water management at our Mining Metallurgy Companies is reducing the amount of water extracted from the natural environment and increasing the amount of water which is reused. There are closed-circuit circulation systems at our facilities, which we installed to minimize the use of water in the production processes. Although the amount of water we use in production increases each year, these systems allow us to keep the amount of water we extract from the natural environment to a minimum. We monitor the recirculation rate in order to monitor the amount of water we reuse. In 2021, 92% of the water used at Erdemir and 94.5% of the water used at İsdemir was used as recirculation water. In total, the two facilities recirculated 1.1 billion m^3 of water to be reused in systems, reducing the amount of water needed to be extracted from nature.

In accordance with the Wastewater Treatment/Deep Sea Discharge Facility Project Approval Circular dated 20 November 2018 and numbered 2018/14, we prepared six technical reports on a closed-circuit system in coordination with the Department of Environmental Engineering at the Faculty of Civil Engineering of İstanbul Technical University. The reports state that the water, which is treated and reused in processes without being discharged operates as a closed-circuit system. The reports were approved by the Provincial Directorate of Environment, Urbanization and Climate Change.

The corporate water footprint is an approach to calculate the amount of clean water consumed and polluted wastewater resulting from daily activities, production activities and corporate activities. The employees at Erdemir and İsdemir received training within the scope of this approach in 2020.

In 2021, at İsdemir, we completed the water footprint calculations and worked on improvement plans in line with the findings. At Erdemir, we continue to work on water footprint calculations.

The water used at all our facilities is discharged in accordance with legal regulations. We sample wastewater released from the processes and cooling water flowing from the discharge points. We conduct measurements of the water on parameters such as dissolved oxygen, pH, temperature, suspended solid mater, chemical oxygen demand, conductivity and flow rate through the Continuous Wastewater Monitoring Systems (CWMS) at our facilities.

We confirm that our wastewater meets the limits with the studies conducted through integrated comparison tests every three months by accredited laboratories authorized by the Ministry. We also frequently analyze wastewater every 15 days within the scope of internal monitoring. In order to monitor wastewater online, in addition to the four CWMS systems at Erdemir and one CWMS at İsdemir, we installed two further CWMS systems at İsdemir in 2021. In 2021, we connected the CWMS to the Continuous Monitoring Center (CMC) under the Ministry of Environment, Urbanization and Climate Change.

The Circular Economy and Waste Management

Among the advantages for the iron and steel industry in terms of cyclicality and waste management are the more efficient use of raw materials in production, the higher rate of re-inclusion of the by-products formed into production and the fact that steel can be recycled countless times. The effective management of waste, which poses both risks and opportunities for the industry, and the transition to a circular economy, both facilitate compliance with legal regulations and provide gains such as reduction in operational expenditures.

At OYAK's Mining and Metallurgy Companies, we prioritize reduction of waste arising from production at the source and increasing recycling and reuse. With this approach, we reduce greenhouse gas emissions and the use of iron ore and therefore, enable the protection of limited natural resources. At Erdemir and İsdemir, we contribute to the circular economy by selling 100% of the blast furnace slag to cement plants and by directing steel mill slag for use on highways.

In addition to coal and iron ore, scrap is one of the important inputs of the iron and steel industry. Scrap is defined as materials which are recyclable or which have completed their useful life which are left over from the production of iron and steel products, or are left over from the iron and steel products used in other sectors. With the increasing importance of the circular economy, especially in recent years, scrap has become an important raw material which meets a significant area of global raw material needs and which is used in the production of new products. The need for scrap has increased globally, as it reduces the use of fossil fuels. We have contributed to the circular economy by using 1.6 million tons of scrap at Erdemir and İsdemir.

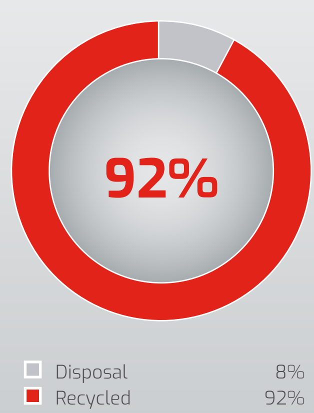
Hazardous Waste

In accordance with legal regulations, we dispose of hazardous waste generated as a result of our production, store them or sell them as inputs to other industries for energy recovery. While we store hazardous waste in accordance with the regulations, we also sell 1st and 2nd category waste oil, bilge and sludge ship wastes. Within the scope of the 1st Class Hazardous Waste Landfill Permit, Erdemir stores oily scale and sends some of the scale to licensed companies for recycling or disposal together with other hazardous wastes.

Within the scope of the Disposal of Permanent Organic Pollutant (POP) Stocks and the reduction of POP Emissions project carried out by the Ministry of Environment, Urbanization and Climate Change in cooperation with the United Nations Development Program (UNDP) and the United Nations Industrial Development Organization (UNIDO), we disposed of 12 transformers with PCB (polychlorinated biphenyls) free of charge. The Global Environment Fund offered large-scale support for this project.

Erdemir Solid Waste Recovery Rate

İsdemir Solid Waste Recovery Rate



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Erdemir used 347,522 tons of waste material as an input and achieved USD 15 million in financial savings, while İsdemir achieved USD 14.2 million in financial savings from 201,959 tons of waste material.

In 2021, we sold 40% of the 20,000 tons of hazardous waste generated at Erdemir and 36% of the 1,735 tons of hazardous waste generated at İsdemir, and thus brought the wastes into the economy.

Waste Recovery

We utilize the wastes and by-products arising from production in different ways such as the replacement of raw materials, recovery or fuel generation. In 2021, at Erdemir, we brought 89.1% of 1.8 million tons of waste generated by the Company into the economy through in-house recovery and sales to other companies, and we brought 92.4% of 2.7 million tons of waste generated at İsdemir into the economy.

In 2021, Erdemir earned approximately USD 34 million and İsdemir approximately USD 68 million through the sale of waste and by-products. In addition, at our Mining and Metallurgy Companies, we supply some of the raw materials we use at sinter factories from waste materials, and therefore both contribute to the circular economy and also achieve significant savings. Erdemir used 347,522 tons of waste material as an input and achieved USD 15 million in financial savings. İsdemir, on the other hand, achieved USD 14.2 million in financial savings from 201,959 tons of waste material.

Moreover:

- At Erdemir and İsdemir, we send waste oils generated during production to licensed companies for recycling. We monitor the recycling rates of waste oils generated after use on a monthly basis. In 2021, we sent 245 tons of waste oil for recycling at Erdemir and 140 tons of waste oil for recycling at İsdemir.
- Waste vegetable oils used during the operation of the canteen are collected and sent to licensed recycling companies to be used for biodiesel production. Moreover, we placed two bins for waste vegetable oil collection at Erdemir as a pilot operation to encourage employees to collect waste vegetable oil for recycling. At İsdemir, we created waste collection points in order to collect the vegetable waste oil generated in the lodging area and send waste vegetable oils produced in housing for recycling. A total of 860 kg of waste vegetable oil was collected in this way in 2021.
- We send e-waste, which consists of all products within the scope of Waste Electrical and Electronic Equipment Regulation generated in our companies for recycling to the companies licensed by the Ministry within the framework of the legislation.
- In 2021, we achieved financial savings by returning the wooden pallets which had come with refractory materials which we had purchased to the company, within the scope of the buy and give back application, thereby paving the way for wooden pallets to be brought into reuse.
- We supported the wheelchair campaign with 450 kg of plastic caps which we sent to the Turkish Spinal Cord Paralysis Association.

Management of Chemicals

The Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals aims to protect human health and the environment from the negative effects of chemicals at the highest level. Within the scope of this regulation, at Erdemir, we, receive consultancy services for the classification of the substances in all the materials we use over 1,000 kg, and to enter them into the Chemical Registration System. In this context, the Chemical Evaluation Specialist notified for 103 items at Erdemir and for 126 items at İsdemir within the SEA (Search Engine Advertising).


Erdemir

We prevented the felling of 3,707 trees by collecting 217.6 tons of waste paper at Erdemir and İsdemir.

We saved 1,473,428 kWh of energy by collecting 254.9 tons of waste plastic at Erdemir and İsdemir.

At our Companies, we store substances that could potentially be a source of volatile organic compounds (VOC) in closed tanks. We monitor the open areas, where the relevant tanks are located, with regular measurements carried out every 2 years.

Zero Waste Policy
The Erdemir, İsdemir, Ersem and Erdemir Maden facilities hold the Zero Waste Certificate. At OYAK's Mining Metallurgy companies, during 2021 we continued to send wastes to relevant companies after their classification. We entered information on the waste through the Integrated Environmental Information System put in place by the Ministry of Environment, Urbanization and Climate Change under the Zero Waste Regulation. Accordingly,

At Erdemir,
- We prevented the felling of 963 trees by collecting 56.6 tons of waste paper.
- We saved 415,612 kWh of energy by collecting 71.9 tons of waste plastic.
- We saved 108.8 tons of raw materials by collecting 88.7 tons of metal waste.

At İsdemir,
- We prevented cutting of 2,744 trees by collecting 161 tons of waste paper.
- We saved 1,057,816 kWh of energy by collecting 183 tons of waste plastic.
- We achieved the recovery of 19 liters of base oil by collecting 26 tons of engine oil.

Environmental Permit and License Certificate
In the fields of wastewater discharge, air emissions, Class 1 landfill, waste acceptance facilities and non-hazardous waste recycling, we fulfilled the requirements of the Environmental Permit and License Certificate which was obtained from the Ministry of Environment, Urbanization and Climate Change in September 2020 at Erdemir, and in March 2021 at İsdemir. The certification remains valid.

Environmental Impact Assessment (EIA) Process
The EIA process is a study carried out in coordination with the Ministry of Environment, Urbanization and Climate Change in order to determine significant environmental impacts of new projects or developments in the projects, for which an Environmental Impact Assessment has previously been prepared.

In 2021, Erdemir received the "EIA is not required" certificate from the Provincial Directorate of Environment and Urbanization for the Kızılcapınar HEPP project. At İsdemir, an "EIA Positive*" decision was made for the Coke Crushing and Screening Plant and Steel Mill Capacity Increase project.

The Environment Award
In 2021, Erdemir won an award with the Evaluation of Metal Production and Processing Facilities within the Scope of Integrated Pollution Prevention and Control (EKÖK- Metal) Project. In order to protect the environment as a whole, the EKÖK-Metal Project aims to prevent atmospheric, water and soil pollution arising from industrial facilities as well as waste generation. İsdemir and Erdemir participated in the project as a pilot facility. The project was implemented on 13 July 2018 within the framework of the protocol signed between the Ministry of Environment, Urbanization and Climate Change and Karabük University. EKÖK environmental activities, which Erdemir has successfully carried out since the beginning of the project, were evaluated by the project coordinators. It was determined that Erdemir had applied the best available techniques in the best way and/or with the highest percentage among any integrated iron and steel facility, and was the most ready integrated iron and steel facility according to the EKÖK Regulation Draft.

Biodiversity
At OYAK's Mining Metallurgy Companies, we attach importance to operating without harming living species in the regions we operate. With the "Let the Fields Be Ploughed, Let Tradition Continue" project, we support the preservation of the world famous Ottoman Strawberry grown in Karadeniz Ereğli. In 2019, 1,919 saplings were planted at Erdemir and İsdemir to commemorate the 100th anniversary of 19 May 1919 with the afforestation work carried out within our companies. We carefully continue to care for the trees we have planted and continue our afforestation activities.

R&D AND INNOVATION

Our Relevant Priorities

- Energy Management
- Product Quality
- Low Emission Production Technologies
- R&D and Innovation
- Operational Efficiency
- Digitalization

In line with our goal of increasing our competitive clout in the domestic and international markets and meeting customer expectations with the right solution proposals, we deem our R&D and innovation efforts as an important focus area. We believe R&D and innovation will accelerate our overall performance in many fields such as sustainable environment, cost management, new product development, process improvement and efficiency.

We carry out intensive studies to ensure that our products and production quality adapt to the latest technologies and trends. Our investments in the field of R&D and innovation constitute an important input for our intellectual and manufactured capital.

We continue to work to support our raw material, process and product development strategies at our R&D Center, which is equipped to conduct the advanced steel research which our customer/market needs.

At OYAK's Mining Metallurgy Companies, we carry out work to develop new environmentally friendly, innovative products with high value added for the strategic goals we set in line with the increasing needs and expectations of our stakeholders. In addition, we carry out work aimed at process improvement, cutting costs, finding alternative raw materials, materials and technologies, waste recovery and more efficient use of raw materials and energy resources.

We produce for the automotive and energy industries, which bear a significant proportion of the responsibility for climate change. Therefore, we attach importance to work on R&D and innovation. We improve the environmental performance of our customers and offer products which will reduce carbon emissions. We develop our activities with innovative products and processes which we create with a focus on technology, the environment and efficiency.

Our R&D Center, which is equipped to carry out advanced steel research, continues to support our raw material, process and product developmental strategies, working with our belief that a strong future will be derived from steel as the leader of the industry.

In 2021, we had completed 45 projects at our R&D Center. R&D activities are gathered under four main groups: Hot Products and Processes, Cold Products and Processes, Steel Making and Casting Technologies, Raw Materials and Iron Making R&D. We continue our work on 42 projects.

Our R&D Center employs 56 person, including 31 researchers, 20 technicians and 5 support team specialist. In line with the importance we attach to the development of our employees, we conduct training activities which reflect current technological developments. In 2021, our

R&D employees received 11 technical training courses in line with their competencies. We also provide support to our employees in their doctorate or master's degree studies. Our R&D team has contributed considerably to our intellectual capital with a total of 74 articles, papers and poster publications.

With 12 patent and utility model applications submitted this year, we increased our total number of applications to 59. The registration process of 42 of these applications is ongoing. As of the end of 2021, we have 17 patent and utility model applications registered on behalf of the Mining Metallurgy Companies. One of our companies, Erdemir, filed two European Patent applications for the first time this year.

As a result of the joint work conducted by our R&D Center and quality departments, we developed a total of 11 new steel grades, nine of which are grades for hot products and two of which are for tin products. With our new steel grades offered for sale, the number of flat steel product grades reached 536. Among long products, by offering six steel grades for sale, the total number of long product grades reached 318. As a result of our new product development efforts, the number of product types increased to 100 with the addition of six new product types to the catalogue.

We unwaveringly pressed ahead our flat and long product development activities in 2021, maintaining our efforts to improve the properties of dual-phase steel (DP steel), enameled steel and double-crushed tin for industries such as automotive, white goods and packaging. In long products, we achieved positive results especially in our work to develop coils, which are suitable for the production of cord wire and heel wire used in the production of car tires. Coil grade for free cutting steel production was included in our product range.

Our R&D Center supported our Mining Metallurgy Companies and end-product users through numerous examinations carried out within the scope of customer satisfaction improvement activities.

We provide services to the automotive industry, with is the biggest user of the high value-added product range, in many fields such as new product development, improvement of existing products, reducing carbon dioxide emissions and reducing fuel consumption by using advance high-strength steels and generating data for shaping analysis.

In 2021, we continued metal forming and characterization studies, including the TOGG (Turkey's Automobile Enterprise Group) project, depending on the increasing amount of use in hot and cold product groups. Taking into account of the expectations of the automotive industry, we continued our studies on new generation steel grades with high added value and coating types.

The process optimization work we carried out in our production processes provided benefits in terms of cost reduction and energy savings, along with sustainable and efficient production.

Development of Heat Treatment Steels

We have pressed ahead with our work on new grade development and homologation in line with the expectations of the heat treatment steels industry. We plan to continue our work to increase the number of heat treatment steel grades which are not yet produced in our country and which are currently imported from abroad.

Development of Tin Material

A look at the trends in the packaging industry reveals an increased need for thinner, double-crushed tin materials with high forming properties. In this area, we have completed work on bringing a special double-crushed tin product suitable for the production of parts with complex geometries to the market.

We took part in the CRFREE2 project, in which passivation technologies of alternative tin that does not contain Cr(VI) are examined. The project is carried out within the Tinplate Group, which includes the world's leading companies operating in the tinplate industry. We closely followed developments in these technologies.

R&D AND INNOVATION

New Generation Steels

At OYAK's Mining Metallurgy Companies, we continue our efforts to produce new generation steels on a pilot scale and to increase efficiency in existing production processes.

As in previous years, we aim to improve our product range by manufacturing special steels such as new generation advanced high-strength steels, low-density steels, multi-phase steels with extra shaping properties on a pilot scale in 2022.

We provide technical support on steel selection and manufacturing processes for the "Steel E-Motive" autonomous electric vehicle project, which is carried out under the roof of World Auto Steel (WAS) that is the mutual meeting point of the world's leading iron and steel manufacturers in the field of automotive steel. We also take part in the studies.

Coating Technologies

In the automotive industry, coatings containing zinc-iron alloy (galvanil) are also used extensively, as well as galvanized coated products. Along with the development of high-strength steels suitable for galvanil coating, we continue to generate know-how within the scope of studies for new coating techniques.

Efficiency in Coke Coils and Utilizing Solid Wastes

In our Mining Metallurgy Companies, we aim to increase efficiency by using non-coking and semi-coking coals, plastic materials and process wastes in the blending in order to reduce the cost of coal blending. We achieve successful results by conducting semi-industrial studies to increase production efficiency in coke batteries.

We are working to reduce the use of coal by adding bio-charcoal, plastic and process wastes into the coal blend.

We are working on agglomeration methods and methods of removing impurities for the recovery of iron and carbon containing wastes.

R&D Investments

We are carrying out investments to improve our R&D capacity. With the vacuum induction furnace, which was temporarily accepted and commissioned in 2021, we are planning pilot-scale production of new generation steels in 2022, which were not included in our grade range.

In line with our goal of developing advanced high-strength new generation steel grades on a pilot scale, temporary acceptance of the experimental hot rolling simulator was completed in the second quarter of 2021 with final acceptance in the last quarter of 2021.

We commissioned the cold rolling simulator, whose performance tests were completed in 2021. We carry out a wide range of studies with the annealing and coating process simulator, which we had started to use in previous years. We actively used simulators in the projects to develop new generation advanced high-strength steel grades, improve existing product properties by optimizing process parameters, achieve cost advantages and improve galvanil coating quality.

We established the "Fatigue Test Laboratory" infrastructure to determine the fatigue performance of steel materials. We actively use the "Fatigue Test Laboratory" infrastructure in the R&D projects and joint work with customers. We added the computer-aided simulation software for continuous casting processes to the computational simulation infrastructure in 2021. We aim to predict semi-product properties in advance by designing quality and process-based models with the software, and to carry out process improvement activities accordingly.

We also actively use our laboratory infrastructure, which we established in order to study the electrochemical corrosion behavior of products.

We are increasing our R&D device/hardware competency by including new equipment into the laboratory infrastructure. These additions include a coke test furnace and sinter pot grate simulator, which aims to determine the alternative raw materials that will reduce carbon emissions and costs

In the coming period, we aim to develop advanced high-strength new generation steel grades on a pilot scale.

We are establishing an Iron and Steel Faculty with the participation of the employees of our Mining Metallurgy Companies and the support of İstanbul Technical University.

by adding alternative raw materials to the coal and sinter blend in the coke and sinter process, a CRI/CSR device which will analyze the coke to be produced, an RDI-RI device, which will determine the reduction behavior of ferrous raw materials in blast furnaces and the dusting (decomposition) tendency which they will be exposed to.

With the commissioning of the experimental sinter simulator, where sinter processes can be simulated on a laboratory scale, we conduct R&D studies on sinter product quality, use of waste materials, emission values, different blend mixtures and process parameters.

With the addition of a semi-industrial (1 ton/hour capacity) briquetting machine to our R&D infrastructure in 2022, we aim to briquette solid wastes with low impurity content and high iron content and bring them back to production. In this way, we aim to reduce the use of primary raw materials and lower emissions. We also aim to expand our work by focusing on increasing the efficiency of coal use through the use of alternative carbon sources such as bio charcoal, plastics, etc. and by methods of increasing bulk density and with the commissioning of simulators.

In 2022, we plan to develop projects which can yield results in focus areas such as efficiency increasing optimization studies in processes, conduct studies on value-added products such as automotive steels, heat treatment steels, automotive steels and packaging steels, maximizing the use of waste, reducing emissions and life cycle analysis.

An expanding R&D and innovation ecosystem

The R&D culture at our OYAK Mining Metallurgy Companies revolves around the contribution of our employees with their ideas, while we benefit from the know-how of our suppliers.

We evaluate the project ideas set out by our employees within the scope of innovation, budget and resources, the financial return of the project and the partnerships that the project will create on the axis of collaborations.

We organize regular meetings and seminars and run joint projects aimed at benefitting from the expertise and know-how of our suppliers. We are establishing an Iron and Steel Faculty with the participation of the employees of our Mining Metallurgy Companies and the support of Istanbul Technical University. We aim to increase the knowledge of our employees and transfer the experience to younger generations with the programs designed on the basis of this process.

DIGITAL TRANSFORMATION AND TECHNOLOGY

The Digital Transformation

The need for digitalization and agility, which is growing all over the world and is of critical importance among our companies' priority issues, is also paving the way for a transformation in the way of doing business. Companies which adapt quickly to this transformation create a competitive advantage by remodeling their ways of doing business. While the modernization in digitalized processes and production systems offers benefits such as efficiency and cost cutting, the presence of agile structures which can be easily managed also support the competitive advantage.

At OYAK's Mining Metallurgy Companies, we continue our digital transformation activities with the vision of creating maximum value for all our stakeholders in our value chain. In this context, in line with our goals of excellence in the stakeholder experience, operational excellence and digital revenue generation, we focus on the integrated supply chain, production and quality, maintenance and reliability, energy and resource management, occupational health and safety and the human and cultural aspects.

We support our digital transformation journey with the most state-of-the-art digital technologies determined according to the technological needs, and progress within the framework of a strategic plan. These technologies range from the Internet of Things to cloud technology, big data, artificial intelligence, image processing and digital twins.

As in 2020, we continued to focus on the renewal of technological infrastructure and system installation, which are the prerequisites for a successful digital transformation, at our Mining Metallurgy Companies during 2021. The focus of our work is on the collection of data and the creation of a data pool, and the ability of all our stakeholders to access democratized data in an analytical structure, with the right tools, reliably and rapidly.

At OYAK's Mining Metallurgy Companies, we continued to work on establishing data warehouse and corporate reporting system and maturing reporting environments in 2021. We developed policies and standards for data governance.

With this work, we aim to rapidly and accurately collect and store data, which is the most valuable asset in the digitalization process, from different source systems, without structural or non-structural distinction, and to process big data with advanced analytical methods. In addition, we aim to create a data pool and to ensure that the collected data can be used effectively at all levels of our companies by supporting analytical work.

We aim to press ahead with the digital transformation work at our Mining Metallurgy Companies with increased momentum in 2022.

Software Development Activities

Inclusion of Ersem in the Erdemir Online Project

The Sales, Shipping and Quality, Process and System Modernization Project, which is one of the important milestones in the digital transformation journey of our Mining Metallurgy Companies, was launched in 2020.

In 2021, we added new applications to the Erdemir Online Customer Portal System, which was established within the scope of our project and which aims to serve sales customers from a single platform, so that Ersem's customers can also carry out transactions.

Digitalization Project of the Sales System Paper Approval

We developed new applications where the processes, which are carried out with paper approval in the Sales Business Systems, are automatically created in the system and stored in the document management system. Thus, we contributed to the end-to-end execution of processes in a digital environment.

Customer Mobile and Corporate Mobile Applications

We put the Customer Mobile and Corporate Mobile applications related to sales and shipment processes at our Mining Metallurgy Companies for internal users and customers. We transformed our work processes into an uninterrupted, mobile infrastructure by providing a wide range of functions which are offered to our internal users from corporate applications over a mobile environment. Customer claim management approval operations transferred to mobile environment to maintain fast and effective approval process for customer claims.

We moved many functions such as order and payment information tracking and payment transactions, which customers access though the Erdemir Online web application, to the mobile environment thus strengthening our uninterrupted and digital interaction network with customers through the most up-to-date data in real-time.

Erdemir Production Management System Project
Our digital transformation project includes the modernization of the Production Control System used in all production processes at Erdemir. With the digital transformation project, we aim to transform the production processes, which had been carried out in the old monolithic structure on the mainframe platform, into a lean, flexible and agile structure supported by end-to-end digital applications. The increase in efficiency and the secure infrastructure to be achieved with the process transformation will also accelerate our technological transformation.

The Budget and Planning Project
We have created a decision support structure to ensure that simulation can be conducted more efficiently and comfortably through the renewal of the Budget and Planning environments. With this structure, which allows the results of changing financial conditions to be evaluated more easily, we have provided flexibility and agility in decision making processes.

The Kümaş Manyezit SAP Integration Project
The project was implemented in order to carry out the work processes and technological infrastructure of the OYAK Mining Metallurgy Companies, which are performed on the SAP systems, over a single system in a standardized manner in a transformation project following the participation of Kümaş. With this project, in the space of just six months we have included Kümaş in the infrastructure of the OYAK Mining Metallurgy Companies by enabling the commissioning of the SAP systems which support all of our processes. We achieved integration between our companies when Kümaş, which joined our OYAK Mining Metallurgy Companies in 2021, started to use the SAP system.

Information Security

The importance of digital infrastructure has come to the forefront in a range of fields, especially in pandemic forecasting and in supporting decision making in the management of companies during the pandemic. Strengthening digital infrastructure in a manner which reduces the effects of current and possible future crises, effectively integrating artificial intelligence technologies into the process and using big data analysis in production processes are seen to be of critical importance.

At OYAK Mining Metallurgy Companies, we believe smart applications will offer superior benefits not only in times of crisis but also in the post-pandemic period. We secure all of our IT assets, including processes and technology, at the highest level in order to maintain our operations without any security related production and service interruptions. We install the most up-to-date security applications on existing systems.

We also carry out improvement activities at our Mining Metallurgy Companies to set our production and service processes to the best security settings, which are published by reputable institutions and accepted as a standard in the detection of security risks. In this context, we identify potential security weaknesses by performing regular penetration tests and offering a useful opportunity for companies to take more advanced security measures.

We attach importance to compliance to meticulously following the COBIT internal security policies and the ISO 27001 standards. We provide regular training to all of our employees in order to increase their awareness of data security and minimize the possibility of company data becoming vulnerable to attack as a result of ignorance and/or carelessness.

Our digital transformation efforts are also geared to radically changing the way companies work. During the pandemic, cyber-attacks - which have become more sophisticated - threaten businesses more than ever before. At the OYAK Mining Metallurgy Companies, we secure all IT assets, including processes and technology, at the highest level, so we are able to maintain our operations without any security related production or service halts. We install the most up-to-date security applications on existing systems.

Control Center

WE CONSIDER PEOPLE AND LIFE AS OUR FIRST PRIORITY.

THE APPROACH THAT PUTS PEOPLE AT THE CENTER

EMPLOYEES

Our Relevant Priorities

- Employee and Human Rights
- Talent Management
- Equal Opportunity and Diversity

We aim to be the most preferred employer in our industry, providing a work environment where our human resources, which we consider to be our most valuable asset, can be happy under a management approach which responds to their expectations in every aspect and which offers them motivation.

In line with this goal, we design and implement effective human resources practices to meet the needs of our employees. We focus on talent and performance management which will add value to our employees, develop their qualifications and enable them to shape their individual careers. We carry out comprehensive training activities which support the professional and basic competencies of our employees.

We see our human capital, which consists of happy and qualified employees, as one of the main factors that also determine our competitive clout.

We support the professional and personal development of our employees. We observe that they have good living standards, and we organize their working environments and processes to be healthier, more efficient and ergonomic.

At the OYAK Mining Metallurgy companies, we work to provide a happy, safe, inclusive and equitable work environment for our employees.

We believe in learning, development and achieving together with all our employees. We contribute to the development of the professional and technical knowledge and skills they need through the training programs we organize.

We place people at the heart of all our activities and business model.
Human resources practices, which we have created by taking into account the needs and expectations of our employees, include projects which will improve their competencies and working conditions.

On the other hand, we contribute to the socio-economic development of our country by creating employment and supporting the development of the regions we operate in, and we implement projects to create social value.

The focus areas of our human resources strategy are to be the preferred employer brand, to contribute to society in our areas of activity, and to bring together the employees who have adopted the priorities and values of the institution.

At our Mining Metallurgy Companies, we share the common goals, values, principles and corporate culture as a member of a big family. As of the end of 2021, our Companies, which are among the largest job creating organizations in Turkey, directly employed 12,788 people.

GRI 103-2, 103-3, 401-1, 405-1

As of the end of 2021, the number of people we employed directly stood at 12,788.

67% of our workforce consists of employees paid on an hourly basis.

We follow a holistic approach at our Mining Metallurgy Companies when managing different human resources processes such as hiring, termination, performance management, promotion, transfer and compensation.

Employees paid on an hourly basis comprise 67% of our workforce with employees drawing a salary consisting of the other 33%.

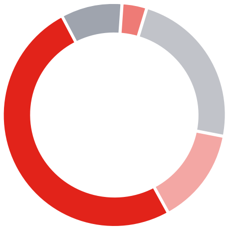
Breakdown of Employees by Category

Monthly Salaried	4,203	33%
Hourly Salaried	8,585	67%

Breakdown of Employees by Age

Under 30	1,883	15%
30-50	9,880	77%
Over 50	1,025	8%

Breakdown of Employees by Education Level



Masters/Doctorate	482	4%
University	2,917	23%
Vocational High School	1,721	13%
High School and Equivalent	6,482	51%
Primary School	1,186	9%

GRI 102-7, 103-2, 103-3, 401-1, 405-1

EMPLOYEES

We care about the health of our employees, business partners and customers.
At OYAK's Mining Metallurgy Companies, we meticulously took the necessary precautions from the very first day of the pandemic, prioritizing the health of our employees, business partners and customers in order to minimize the restrictive and negative effects of the pandemic.

In 2020, we published the OYAK Covid-19 Management Procedure in the early stages of the pandemic. We plan to continue the practices we stated in the Normalization Process Guide within the scope of the Covid-19 Management procedure, until a new guide is published in 2022, when the pandemic is expected to continue. In addition, we closely follow up the practices applied by the Ministry of Health.

A working environment which offers equal opportunities at Mining Metallurgy Companies
At OYAK's Mining Metallurgy Companies, we do not discriminate on the basis of gender, language, race, ethnic origin, political thought, belief, religion, sect, age, physical disability or similar reasons in any human resources process, especially in recruitment.

We believe in the importance of providing our employees with opportunities to strengthen their competencies while achieving our business goals. We also believe that respect for different beliefs and opinions enriches us. We support gender equality by aiming to prevent all kinds of discrimination and we carry out our recruitment activities with this awareness. We are aware that our main responsibility to provide a qualified workforce for both our country and our company. Another primary responsibility is to invest in the development of our employees.

Flexible and scalable human resources processes operating to high standards
We implemented the Human Resources Transformation Project to manage our human resources processes more effectively, in a flexible and scalable manner, while maintaining a certain standard. The application, which contains employee personal information, includes the Performance Management, Selection, Placement and Organization Management, Talent Management, Compensation and Benefits Management and Employee Development systems. We thus ensured that human resources management is carried out through a comprehensive and common system.

Performance Management
Under performance management, those of our employees drawing a salary undergo a target-based individual performance evaluation process once a year.

In the Individual Performance Management process, we evaluate the extent to which our employees have achieved the performance indicators ascribed to them and identify their strengths and areas which require improvement. In this vein, we provide effective feedback to our employees, which will support them in increasing their performance, and plan and follow up their development activities.

In order to achieve corporate goals, we evaluate individual performance results on an annual basis in determining variable salaries and for career management.

We give our employees the opportunity to share their Career Goal requests with their senior managers through the Digital HR system. In this context, employees are able to follow up the Individual Development Plans, which they have structured by planning them on an annual basis.

In the annual performance meetings, employees and managers are able to come together based on the Performance System, where the Annual Individual Targets are monitored, and evaluate the performance of the employee in that year. Employees who do not consent to the process have the opportunity to submit a note of objection in the Reconciliation field defined in the Digital HR system and forward the note to their senior manager, thus enabling them to present their opinion on this issue.

In the Individual Performance Management process, we evaluate the extent to which our employees have achieved their performance targets and identify their strengths and areas requiring improvement.

At OYAK's Mining Metallurgy Companies, ensuring that employees are in the position most appropriate for their abilities and increasing their personal and professional competencies is at the heart of our holistic talent management approach.

Compensation and Benefits
At OYAK's Mining Metallurgy Companies, we create our compensation and benefits policies by taking into account the structure of the industries in which we operate as well as the competitive conditions. We support employees through various practices in light of studies carried out aimed at increasing employee loyalty and motivation.

We apply a systematic approach in compensation which is based on the job levels determined for each position. The compensation and benefits for our employees paid on an hourly basis are determined through collective bargaining agreement. We use a methodology based on an internationally valid and defined system to determine the pay of our employees drawing a salary.

We provide salary drawing workers with private health insurance, life insurance, performance-based variable salaries and an employer contributed individual (private) pension. We provide our workers paid on an hourly basis with benefits such as bonuses and a fuel allowance under the collective bargaining agreement. We also provide our employees' rights such as lodging, nurseries, social facilities and health services.

Talent Management
For OYAK's Mining Metallurgy Companies, ensuring that employees are placed in the right position for their abilities and increasing their personal and professional competencies is the heart of our holistic talent management approach.

Our talent management prioritizes internal human resource assignments in line with our strategies for evaluating the potential of employees for career opportunities in our companies, identifying key and critical roles, creating individual development plans and career goals and determining succession (back-up) plans.

We open career paths for our employees by prioritizing internal candidates, whose competencies and experiences match open positions. We support the evaluation process with Selection and Placement tools to identify the suitable candidate in the relevant process.

We designed the successing planning system we are using in a way that allows transitions between functions and companies.

GRI 103-2, 103-3, 401-2

EMPLOYEES

Training Activities

At OYAK's Mining Metallurgy Companies, the training activities we carry out cover all learning and development activities aimed at improving the existing and required competencies of our employees. In line with our training goals, we carry out comprehensive training activities that support the professional and basic competencies of our employees.

In addition to short/long term training programs for employees on a salary and those drawing a salary, we plan training programs such as leadership development programs, technical faculties, internal trainer programs and catalogue training for employees paid on a monthly basis, which these training programs spread throughout the year. In addition, we offer many learning opportunities such as on-the-job training, classroom training, distance learning, national/international conferences and online seminars, where various training methods suitable for adult education are applied. We support our employees in their career paths with both technical and managerial faculty training.

Thanks to our DigitalİK application, where employees may effectively access all learning and development activities regardless of the time and place, we are able to manage our Human Resources processes more efficiently. We started to use distance education methods actively through our DigitalİK Learning and Development platform. Due to the pandemic, we redesigned and implemented information notifications and many training programs so they could be provided remotely.

Some of the online training we provided to our employees in 2021 is listed below:

- Personal Data Protection Law (KVKK)
- Code of Ethics and Business Conduct
- Greenhouse Gas Emissions
- Information Security Awareness
- E-Orientation

Personal development and technical training programs provided for different employee categories:

Managerial Development Program for Those Transforming Iron (Manager Level)

The Managerial Development Program for Program of Those Transforming Iron is carried out to increase the effective communication and cooperation which will support business results by improving the team management and business practices of managerial level employees. The program is implemented for each group for a duration of 8 days.

Management Development Program for personnel Processing Ore (Chief Engineer and Manager Level)

The Managerial Development Program of Those Processing Ore is implemented for the purposes of helping the chief engineer and management level employees get to know themselves so they can improve their team management and business practices, increase effective communication and cooperation that will support business results. The Program was implemented for a duration of 6 days. We plan to continue the program in 2022.

Catalogue Training (Specialist, supervisor and manager level)

We carry out these training programs which are assigned once a year to employees at the specialist, supervisor and manager level by applying the training appropriate for the developmental needs of employees and selected from existing catalogue training programs.

Training programs provided within the scope of spreading operational excellence projects:

Statistical Data Analysis Training (SDA)

We provide this training to our engineers and specialists, chief engineers and managers over a four-day period with two courses during the year. During the training, we explain statistical data analysis techniques and the relevant concepts with applied examples by using the Minitab program and support the training with workshops. At the end of the program, if participants are successful in the exam, which includes the SDA training topics, they enter the Design of Experiments Training participant pool. We issue a certificate of achievement to successful participants.

The topics explained during the training are as follows: 1- Introduction to Statistics, 2- Graphical Analysis, 3- Measurement System Analysis, 4- Process Capability Analysis, 5- Correlation Analysis, 6- Introduction to Hypothesis Tests, 7- Mean and Variability Hypotheses, 8- Ratio Hypotheses, 9- Regression Models, 10- Statistical Process Control

Design of Experiments Training

As the next step from the SDA training, we provide this training to participants in one class for a duration of three days annually. This classroom-based training consists of

The Managerial Development Program for Those Transforming Iron is carried out to increase effective communication and cooperation which will support business results by improving the team management and business practices of managerial employees.

participants who successfully passed the Statistical Data Analysis Training exam. We offer training which includes advanced statistical analysis techniques and concepts with applied examples by using the Minitab program and support the training with workshops. At the end of the training program, participants sit an exam which includes DOE topics, and those who perform successfully are issued with a certificate of achievement.

The topics explained during the training programs are as follows:
1- SDA General Review, 2- ANOVA, 3- Introduction to Design of Experiments, 4- Full Factorial Experiments, 5- Fractional Factorial Experiments, 6- Multiple Objective Optimization

Measurement System Analysis Training (MSA)

The training is provided to participants in one class and for a duration of two days annually. In the Measurement systems analysis (MSA) training, personnel involved in measurement work carry out a thorough assessment of the measurement processes. The training includes a specially designed experiment that seeks to identify the components of variation in the measurement process as minitab supportted on Minitab supported statistical methods. At the end of the program, we issue a certificate of achievement to participants who perform successfully in the exam.

The following topics are explained during the training:
1- Measurement System Analysis: Introduction, 2- Type-I Study, 3- Gage Linearity & Bias Study, 4- Gage R&R Crossed, 5- Gage R&R Nested, 6- Gage R&R Expanded, 7- Attribute Gage Study (Analytical Method), 8- Attribute Agreement Study

Statistical Modeling Training for Managers (SMTM)

We provide this training to the participants in one class and for the duration of 2 days annually. This training forms the summary of the SDA training for managers and senior managers. The training is completed with sample applications, workshops and statistical analysis by using the Minitab program.

The following topics are explained during the training:
1- Introduction to Statistics with Minitab®, 2- Minitab® Graphics, 3- Measurement System Analysis, 4- Introduction to Hypothesis Tests, 5- Regression Models

Leadership Faculty	
The Managerial Development Program for Those Transforming Iron	The Managerial Development Program for Those Transforming Iron is carried out in order to increase the effective communication and cooperation which will support business results by improving the team management and business practices of managerial employees. The program is implemented for each group for a duration of 8 days. A total of 136 people took part in the program.
The Managerial Development Program for Those Processing Ore	The Managerial Development Program for Those Processing Ore is implemented for the purposes of helping employees of chief engineer and manager level gain awareness of themselves, improve their team management and business practices and to increase effective communication and cooperation which will support business results. The Program was implemented for a duration of 6 days. The program started with three groups on 18 November 2021. We plan to continue the program in 2022, and complete the program with a total of 14 groups on 14 December 2022. Each group contains nearly 20 participants.

Technical Faculties	
Iron - Steel Faculty	We designed the Iron and Steel Faculty in line with the technical, career and professional development stages to improve the competencies of engineers and chief engineers. During the design phase, we conducted both literature research and needs analysis studies based on the results. In these needs analysis studies, we sent electronic questionnaires to employees at different stages of their careers. We then held focus group meetings with managers at different levels and prepared a draft training model based on the results. We aim to be a pioneer in the iron and steel industry with the training sessions provided after the final form of the training content is determined in cooperation with the İstanbul Technical University.

SOCIAL CONTRIBUTION

Our Relevant Priorities

- Projects with a Social Contribution
- Impact on Local People

We consider our contribution to the social development and welfare of society as one of our fundamental responsibilities.

We carry out social responsibility activities in a range of different fields in order to create sustainable and lasting value for society. We support social development with our education and projects oriented towards culture and the arts which we develop through various collaborations.

At OYAK's Mining Metallurgy Companies, we bring some of the added value, we generate, into the society through the social responsibility projects we carry out, especially in the regions where we operate.

We continued to contribute to society with various social responsibility projects.
At OYAK's Mining Metallurgy Companies, we support development and increase the quality of life of the local community in the regions where we operate, with long-term, comprehensive and highly influential social responsibility projects which we carry out in many different areas, including contributions to education, support for culture and the arts and protection of biodiversity.

We carry out our activities with an understanding of creating added value for all our stakeholders in the value chain. In the regions where we operate - Ereğli, İskenderun and Sivas - we also view the support we extend to social development as a part of our internal processes, in addition to our production and economic activities.

We undertake important projects especially to protect local values and to transfer them to the future. In this vein, we aim to roll out the work we carry out to wider audiences and increase the impact of the projects. We cooperate with public institutions and non-governmental organizations and support local NGOs. In 2021, we extended a total contribution of TL 19,450,000 to social projects.

Support for Education, Social Life and Culture and the Arts
The education and culture and arts projects are at the forefront of our approach to supporting the development of society. These projects aim to improve conditions in education, access to educational opportunities and expand cultural and artistic activities.

Büşra Kölmük/Cosmos
6th Erdemir Steel and Life Sculpture Competition
Honorable Mention
Mimar Sinan Fine Arts University

We provided a total contribution of TL 19.45 million to social projects in 2021.

Within the scope of our support for education, we have built 9 schools and donated them to the Ministry of National Education. We continue to meet the electricity, water, heating and cleaning needs of these schools, which are located in the lodging areas in Ereğli and İskenderun. In addition, we encourage the participation of educational institutions in events and competitions in the fields of science, culture, the arts and sports. We contribute to the improvement of their physical conditions, and support them with equipment and technical hardware.

Turkey's First Pocket Satellite in Space with the Support of Erdemir

Prioritizing its work in the field of education, Erdemir continued to support the work of the Zonguldak Bülent Ecevit University Space Team. Turkey's first pocket satellite, Grizu-263A, produced by the team, was launched into space with a Spacex rocket on 13 January 2022. It successfully started its mission that will last for about 4 years. Grizu-263A will provide experimental and educational infrastructure to constellation satellite projects in the future. It has taken its place in history as an example that inspires studies in this field. With this support we provided to the Grizu-263 Space Team, we were found eligible for an award in the category of "Paving the Way for Youth" in the Common Future award program organized by the Confederation of Turkish Employers' Unions.

Every year, we meet the various needs of educational institutions, especially in the regions where we operate. Erdemir also provided maintenance, repair and equipment support to nine schools in 2021.

In order to protect the health of students and teachers who started face-to-face education during the pandemic and ensure that education continues in hygienic conditions, Erdemir delivered 19,350 sanitizer packages to the Karadeniz Ereğli District Directorate of National Education to distribute them to schools in the region. In 2020, we donated 230 tablets to the District Directorate of National Education for pupils unable to access online education in Ereğli. We continued to provide this support in 2021. Erdemir also delivered an additional 1,015 tablets to school heads in a ceremony organized by the Karadeniz Ereğli District Governorate to be delivered to the pupils in need.

Turkey's first pocket satellite, the Grizu-263A was launched into space from a SpaceX rocket on 13 January 2022.

At OYAK's Mining Metallurgy Companies; we carry out various arts and culture projects, organize competitions and free events in order to support the development of culture and arts in the society, and to popularize cultural and artistic activities, especially among young people.

At Erdemir, we took the decision to hold the Erdemir Steel and Life Sculpture Competition every year starting from 2020. We had started the competition in 2005 and held the condition every two years from 2013. Through the Erdemir Steel and Life Sculpture Competition, we aim to support the young talent which will play a role in developing the art of sculpture, while contributing to the education of art in Turkey and drawing attention to various uses of steel through art. Steel sent by Erdemir and İsdemir is also used in the production of the sculptures within the scope of the competition.

Erdemir donated TL 5 million to the Fire and Flood Disaster Relief Campaign, organized by the Directorate of Disaster and Emergency Management under the Ministry of Interior Affairs in order to contribute to the actions needed after the fire and flood disasters experienced nationwide in 2021.

SOCIAL CONTRIBUTION

The "Let the Fields Being Ploughed, Let Tradition Continue" Project
In this project, we maintain our efforts to protect the Ottoman Strawberry, which is identified with Karadeniz Ereğli. We have been carrying out the project since the end of 2016 in cooperation with Erdemir, the District Directorate of Agriculture and Forestry, the Directorate of National Education, the Association for Disseminating the Ottoman Strawberry and Protecting its Producers in Karadeniz Ereğli. In this context, we distributed 3,000 Ottoman Strawberry seedlings to 20 families in Karadeniz Ereğli in 2021.

Donation of Sanitizer to Schools
İsdemir donated sanitizer to schools in İskenderun for face-to-face education which started in September 2021. We delivered 9,500 sanitizer units to the İskenderun District Directorate of National Education to be distributed to schools. In addition, we provide regular assistance to educational institutions in the lodging area including electricity and cleaning services. We continued to support the activities of public institutions and non-governmental organizations with the aim of improving the capabilities of educational institutions.

The Observation Terrace Project
Erdemir Maden supported the construction of the Observation Terrace and Recreation Area within the borders of Ulucami Neighborhood, which is a UNESCO heritage site. We provided the Cevher Çınarı (Ore Plane Tree) statue, which was sculpted by Professor Bülent Çınar, the Head of the Department of Sculpture at the Mimar Sinan Fine Arts University, to the Glass Observation Terrace as a piece of memorabilia. The statue of the Ore Plane Tree represents three different symbols: the Plane Tree, the Double-Headed Eagle and the Tree of Life. The statue is 2.5 meters high and was created in such a way that it can stand as a structure which is formed by two steel axes which join each other by clenching together. The axes were obtained by laser cutting of 2 mm thick ST37 structural steel. Iron ore and pellets produced at Erdemir Maden were used for the roots in the exhibition of the art work. We aim to offer a significant contribution to the regional economy and district tourism with the project, which was carried out jointly with the Divriği District Governorate. The Glass Observation Terrace, which was completed in 2021 and opened its doors to its visitors, continues to welcome guests.

'Cevher Çınarı' (Ore Plane Tree) 2021

Divriği Observation Terrace

"Protecting our Cultural Heritage through Elpek Cloth Weaving" Project

Erdemir aims to keep the cultural values of Karadeniz Ereğli alive. Erdemir implemented the project of "Protecting Our Cultural Heritage through weaving Elpek Cloth" in order to pass on the cultural heritage of the region to future generations and to support women's enterprise. In the first phase of the project, which was completed in 2021, 18 women from the Pınarcık Village of the Karadeniz Ereğli received training with our Company's support. The women learned Elpek cloth weaving skills. After the training phase of the project was completed, we started to work to create a production area in the Pınarcık Village.

The history of Elpek cloth, which is in the category of linen weaving, dates back to ancient times in the region. Elpek cloth has a distinguished reputation as a sail cloth produced for the Ottoman navy, as cited by Katip Çelebi, who was a Turkish scientist working in the field of history and geography, in his work titled Cihannüma.

At Erdemir, we aim to spread the practice of weaving of the "Elpek Cloth", a product indigenous to the Karadeniz Ereğli region, and support women's participation in economic life.

Hatay Children's Traffic Training Park

İsdemir implemented the "Hatay Children's Driving Training Park" together with the General Directorate of Provincial Administration of the Ministry of the Interior. The park was opened for the 2021 school year. In addition to the support we provided for the construction of the park, we donated 10 battery powered vehicles to contribute to the children's practical education.

Hatay Children's Traffic Training Park

MANAGEMENT SYSTEMS

The Total Quality Management Culture and our customer-oriented approach...
Erdemir and İsdemir manage all processes in accordance with company strategies, national and international laws and regulations, and the needs and expectations of their stakeholders. In this management style, which also includes a focus on customers, our companies rely on the experience and knowledge of their employees. They design new and contemporary systems which aim for success with optimum resource use, and carry out work aimed at continuous improvement. Our companies adopt the PDCA (Plan-Do-Check-Act) cycle as the basic philosophy for the implementation of their management systems.

Within the scope of our efforts to prioritize digitalization, OYAK's Mining Metallurgy Companies prepared approximately 20,000 documents aimed at the effective execution and continuity of the Erdemir and İsdemir management systems. We completed all checks of the documents at our companies and published them in the Information Document Management System (IDMS) Document Management Module. We reviewed these documents, which are in a digital media format, in 2021 as in every year, and realized the necessary revisions.

At our Mining Metallurgy Companies, we took precaution to adapt to the new normal, as the pandemic continued to affect our lives in 2021. We conducted risk analysis studies by evaluating the sustainability of management systems practices. Internal audits are conducted at least once a year in order to evaluate the effectiveness and efficiency of management systems at Erdemir and İsdemir. In this context, online (Zoom, Skype, etc.) and on-site audit methods continued to be applied for internal audits in 2021.

INTERNAL AUDITS

	Number of Departments Audited	Number of Processes Audited	Identified Positive Observations	Opportunities For Improvement Made	Areas Identified as Requiring Improvement	Number of Auditors Involved
Erdemir	49	31	560	312	127	172
İsdemir	37	29	1,389	319	100	169

At our Companies, we followed up actions to improve the findings which were identified in internal audits, through the BBYS CPAR (Corrective/Preventive Action Request) Module. Within the scope of the auditor rewarding system, we rewarded 68 internal auditors, who had worked for 5 years or more, and 10 internal auditors, who had worked for 10 years or more.

Apart from internal audits, 186 corrective actions were taken at Erdemir and 167 at İsdemir. The developments regarding the actions taken for corrective actions were monitored on a monthly basis and reported to the relevant parties.

Within the scope of management systems, we took the decision to hold Management Review Meetings twice a year (March and September), having previously held them once a year, in order to transform the meetings into more effective, efficient and value-creating activities.

In the meeting held in March, we evaluated the 2020 performance of the management systems together with the specialized units. In the meeting held in September, we evaluated all the developments and realizations in the management systems in 2021. As a result of these meetings, 11 decisions were taken at Erdemir and 26 at İsdemir. The activities carried out for the implementation of these decisions were followed up on a quarterly basis and reported to the senior management.

In order to increase the effectiveness of our management systems and ensure their continuous improvement, we provided the training activities specified in the table below in 2021 through the virtual classroom application, Digital HR and remote connection (Zoom, Skype, etc.) methods.

Training	Course	Number of Participants
Internal Source	Energy Management System Awareness Training	771
	Information Security Management System Awareness Training	330
	Management Systems Orientation Training	443
	Internal Auditor Information Training	425
	Information - Document Management System Awareness Training	50
External Source	Process FMEA - Failure Mode and Effects Analysis Training	83
	Security Management System Internal Auditor Information Training	173
	Design FMEA - Failure Mode and Effects Analysis Training	70

In order to manage processes effectively and efficiently at Erdemir and İsdemir, 22 processes were reviewed and revised in 2021. The planned actions started to be implemented by determining the process risks by the "FMEA (Failure Modes and Effects Analysis) Method" for all processes.

To this end, a total of 180 processes related meetings were held, including 42 at Erdemir and 37 at İsdemir.

Erdemir and İsdemir successfully concluded the external audits, which were carried out by the certification bodies within the scope of management systems, in 2021.

The practices and documented management systems which contribute to our priorities in the fields of energy efficiency, occupational health and safety, sustainability and digitalization at our Mining Metallurgy Companies are listed below.

Management Standard	Erdemir	İsdemir	Ersem	Erdemir Romania	Erdemir Maden
ISO 9001:2015 Quality Management System	✓	✓	✓	✓	–
ISO 14001:2015 Environmental Management System	✓	✓	✓	✓	–
ISO 45001:2018 Occupational Health and Safety Management System	✓	✓	✓	✓	✓
IATF 16949: 2016 Quality Management System for Automotive Industry	✓	✓	✓	–	–
ISO 50001 Energy Management System	✓	✓	–	✓	–
ISO 17025:2017 Testing and Calibration Laboratory Accreditation Certificate	✓	–	–	–	–
ISO 17025:2017 Test Laboratory Approval Certificate	–	✓	–	–	–
ISO 27001:2017 Information Security Management System	✓	✓	✓	–	–

APPENDIX

SOCIAL PERFORMANCE INDICATORS

	2019		2020		2021	
Number of Employees as per Gender and Category	Woman	Man	Woman	Man	Woman	Man
Monthly-salaried	569	3,338	579	3,391	635	3,568
Hourly-salaried	64	7,457	62	7,506	75	8,510

	2019		2020		2021	
Number of Employees Within the Scope of Collective Agreement	Woman	Man	Woman	Man	Woman	Man
	51	7,236	43	7,128	87	8,323

	2019		2020		2021	
Number of Employees as per Age	Woman	Man	Woman	Man	Woman	Man
Below 30	85	727	93	1036	123	1,760
Between 30-50	516	9,435	512	9,055	545	9,335
Over 50	32	633	34	808	42	983

	2019		2020		2021	
Number of Employees as per Education Level	Woman	Man	Woman	Man	Woman	Man
Primary school	10	1340	16	1,172	23	1,163
High school and equivalent	98	5,569	104	5,712	109	6,373
Vocational high school	55	1,281	39	1,325	42	1,679
University	386	2,305	379	2,351	425	2,492
Masters/Doctorate	84	300	103	337	111	371

	2019		2020		2021	
Employees by Year of Employment	Woman	Man	Woman	Man	Woman	Man
0-5 years	207	1,317	179	1,473	237	2,274
5-10 years	95	1,837	119	1,670	124	1,833
10 years and over	331	7,641	342	7,755	349	7,971

GRI 102-7, 102-8, 102-41, 401-1, 401-3, 405-1, 103-2

	2019		2020		2021	
Parental Leave	**Woman**	**Man**	**Woman**	**Man**	**Woman**	**Man**
Number of employees left for parental leave	18	455	25	370	20	431
Number of employees returned from parental leave	15	455	20	370	14	431

	2019		2020		2021	
Number of Employees Hired as per Gender and Age	**Woman**	**Man**	**Woman**	**Man**	**Woman**	**Man**
Below 30	42	243	24	470	44	852
Between 30-50	38	91	25	85	30	115
Over 50	0	5	0	1	2	10

	2019		2020		2021	
Number of Employees Left as per Gender and Age - Employee Turnover	**Woman**	**Man**	**Woman**	**Man**	**Woman**	**Man**
Below 30	11	33	25	473	6	74
Between 30-50	41	318	24	85	34	212
Over 50	10	186	0	1	1	162

Trainings	**2019**	**2020**	**2021**
Training hours (excluding OHS training)	312,158	164,637	258,751
Average number of training hours	27,3	14,7	20,2
Total Training Cost (TL)	2,402,471	2,393,318	3,493,672

ENVIRONMENTAL PERFORMANCE INDICATORS

	2019		2020		2021	
	Erdemir	İsdemir	Erdemir	İsdemir	Erdemir	İsdemir
Energy Management						
Total energy consumption (MWh)	18,353,294	30,354,863	21,202,974	27,471,567	20,777,709	31,063,387
Total energy savings achieved through energy efficiency projects (MWh)	189,083	121,203	263,144	184,567	283,746	229,597
Amount of energy production from waste heat (MWh)	213,963	606,021	200,993	522,634	236,314	599,338
Amount of CO_2 reduced through energy efficiency projects (ton CO_2)	98,349	161,999	113,754	100,866	157,479	127,427
Financial savings achieved through energy efficiency projects (USD)	11,325,459	20,370,834	12,937,006	10,919,508	15,591,304	14,992,555
Water Management						
Total water consumption (m^3)	36,688,079	38,814,151	34,869,080	38,749,205	36,594,975	39,595,256
Surface water (m^3)	36,688,079	35,971,281	34,869,080	36,173,614	36,594,975	37,033,096
Ground water (m^3)	0	2,842,870	0	2,575,591	0	2,562,160
Recirculated/reused water (m^3)	392,956,869	677,431,304	410,776,807	668,189,403	421,365,010	677,154,857
Circular economy and waste management						
Total amount of waste and by-products (ton)	1,390,728	2,679,021	1,587,017	2,427,773	1,801,069	2,725,850
Total amount of waste and by-products brought into the economy (ton)	887,264	1,894,226	1,083,514	2,264,025	1,604,266	2,519,877
Financial savings achieved through the sales of waste and by-products (USD million)	36	54	24	50	34	68
Total amount of waste reused in the processes (ton)	372,932	283,183	435,493	257,697	347,522	201,959
The amount of alternative raw material used to replace the use of natural resources (ton)	285,964	341,934	304,177	310,519	248,678	221,662
Financial savings achieved through the reused waste in the processes (USD million)	10.6	11.3	10.7	14.5	15.0	14.2
Amount of hazardous waste (ton)	1,284	1,097	9,335	2,253	20,000	1,735
Amount of scrap consumption (ton)	692,834	825,696	762,436	824,309	722,866	909,311
Environmental investments and expenditures						
Total amount of environmental investments and expenditures (USD)	5,147,933	1,607,792	2,198,902	351,186	6,086,001	9,825,364

GRI 302-4, 303-3, 305-5, 306-2

CORPORATE MEMBERSHIPS

Company	Name of the Association/Corporation	
Erdemir	Packaging Manufacturers' Association (ASD)	
Erdemir	R&D Centers Communication and Cooperation Platform (ARGEMİP)	
Erdemir	Association of Fastener Industrialists and Businessmen (BESİAD)	
Erdemir	Steel Exporters' Association (ÇİB)	
Erdemir	Foreign Economic Relations Board (DEİK)	**Business Councils;** Egypt - USA - Brazil - Canada - China - Australia - UK - Singapore - Spain - Italy - Romania
Erdemir	World Energy Council Turkish National Committee	
Erdemir	Ecovadis	
Erdemir	Education and Development Platform Association (TEGEP)	
Erdemir	Ethics and Reputation Association (TEİD)	
Erdemir	Chamber of Maritime Trade (IMEAK)	
Erdemir	Economic Development Foundation (İKV)	
Erdemir	İstanbul Ferrous and Non-Ferrous Metals Exporters' Association (İDMMİB)	
Erdemir	İstanbul Chamber of Industry (İSO)	
Erdemir	İstanbul Chamber of Commerce (İTO)	
Erdemir	Karadeniz Ereğli Education Foundation	
Erdemir	Karadeniz Ereğli Chamber of Commerce and Industry	
Erdemir	Association of Turkish Machine Manufacturers (MİB)	
Erdemir	Corporate Governance Association of Turkey (KRYD)	
Erdemir	Metal Packaging Manufacturers Association (MASD)	
Erdemir	International Chamber of Commerce Turkish National Committee (ICC)	
Erdemir	Business Council for Sustainable Development (SKD Turkey)	
Erdemir	International Tin Association (ITA)	
Erdemir	Integrated Reporting Türkiye (ERTA)	
Erdemir	Corporate Communicators Association (KİD)	
Erdemir	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
Erdemir	Environment and Climate Change Standing Committee (TOBB)	
Erdemir	Turkish Lloyd	
Erdemir	Turkish Constructional Steelwork Association (TUCSA)	
Erdemir	The Institute of Internal Auditing - Turkey (TİDE)	
Erdemir	Turkish Cogeneration Association	
Erdemir	Corporate Governance Association of Turkey (TKYD)	
Erdemir	Turkish Employers Association of Metal Industries (MESS)	
Erdemir	Turkish Investor Relations Society (TÜYİD)	
Erdemir	Transparency International	
Erdemir+İsdemir	Turkish Association of People Management (PERYÖN)	

GRI 102-12, 102-13

CORPORATE MEMBERSHIPS

Erdemir+İsdemir	World Steel Association	**Committees;** Committee on Economic Studies (ECON), Committee on Education&Training (ETCO), Committee on Environment (ECO), Committee on Raw Materials (RAMCO), Committee on Technology (TECO), Committee on Safety & Health (SHCO), Life Cycle Assessment (LCA) Expert Group, Sustainability Reporting Expert Group (SREG), World Auto Steel
Erdemir+İsdemir	Turkish Quality Association (KalDer)	
Erdemir+İsdemir	Port Operators Association of Turkey (TÜRKLİM)	
Erdemir+İsdemir	Turkish Steel Producers Association (TÇÜD)	**Committees;** Quality Committee, Energy Committee, OHS Committee, Environmental Committee, Raw Material Committee
Erdemir-Ro	Turkish Businessmen Association (TİAD)	
Erdemir-Ro	Dambovita County Chamber of Commerce	
Erdemir-Ro	Romania Steel Producers Association (UNIROMSIDER)	
Erdemir Maden	Ankara Chamber of Commerce (ATO)	
Erdemir Maden	Sivas Chamber of Industry	
Erdemir Maden	Chamber of Mining Engineers of Ankara	
Erdemir Maden	Ankara Chamber of Industry (ASO)	
Erdemir Maden	Malatya Chamber of Commerce and Industry	
Erdemir Maden	Karadeniz Ereğli Chamber of Commerce and Industry	
Erdemir Maden	Turkish Mining Association	
Erdemir Maden	Turkish Mining Council (TOBB)	
Ersem	White Goods Suppliers Association (BEYSAD)	
Ersem	Steel Exporters' Association (ÇİB)	
Ersem	Eastern Anatolian Exporters Association (DAİB)	
Ersem	Gebze Chamber of Commerce	
Ersem	İstanbul Ferrous and Non-Ferrous Metals Exporters' Association (İMMİB)	
Ersem	Kocaeli Chamber of Industry	
Ersem	Manisa Chamber of Commerce and Industry	
Ersem	Automotive Suppliers Association of Turkey (TAYSAD)	
Ersem	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
İsdemir	Mediterranean Exporters' Association	
İsdemir	Steel Exporters' Association (ÇİB)	
İsdemir	Dörtyol Chamber of Commerce and Industry	
İsdemir	IMEAK Chamber of Maritime Trade	
İsdemir	İskenderun Chamber of Commerce and Industry	
İsdemir	Middle Anatolian Exporters Association -Machinery and Accessories	
İsdemir	Turkish Ferrous and Non-Ferrous Metals Council (TOBB)	
Erdemir Asia Pacific	ITA	

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Company"), one of the public companies in Turkey with the broadest base, enjoys a leading position in its field in the Turkish industry, and is well aware of its responsibilities towards its stakeholders. In this context, the Company has adopted the concepts of "equality", "transparency", "accountability" and "responsibility", which form the basis of corporate governance in its activities, and has taken maximum care and effort to comply with the Capital Markets Law and the secondary regulations and decisions of the Capital Markets Board (CMB).

In line with the corporate governance efforts, the Company has started to operate corporate governance mechanisms in accordance with the principles since 26 June 2012. Our Company, which is included in the BIST Corporate Governance Index ("XKURY") as of 29 July 2015 and also is subject to corporate governance rating every year by the rating agency KOBİRATE Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., which is authorized to perform activities in Turkey in accordance with the rating methodology approved by the CMB. Corporate Governance Rating Reports are available on our Corporate Website (www.erdemir.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. believes in the importance of ensuring full compliance with the Principles of the Corporate Governance. In the activity period ended on 31 December 2021, the Company has continued to adopt the mandatory corporate governance principles that are included in the Corporate Governance Communiqué annexed to the relevant legislation.

The Company pays utmost attention to compliance with voluntary principles that are not fully complied yet with in the relevant legislation and there is no conflict of interest between the stakeholders so far.

For the period ended at 31 December 2021, compliance with the corporate governance principles included in the Corporate Governance Communiqué and the explanations of those who have not yet achieved compliance are included in the annual report; Corporate Governance Compliance Report, Corporate Governance Information Form, Sustainability Principles Compliance Report and other related sections of the report.

In the future, corporate governance practices of the Company, efforts to improve our corporate governance practices, including non-mandatory principles that have not been put into practice in a limited number, will be continued.

In case of a significant change in the Sustainability Principles Compliance Report during the period, the relevant change will be published in the interim activity reports. When there is a change in the Corporate Governance Compliance Report or Corporate Governance Information Form, there will be a material event disclosure and it will be published in the interim activity reports as well.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Sustainability Principles Compliance Report 2021 - Annual Notification

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
A. GENERAL PRINCIPLES						
A1. Strategy, Policy and Goals						
Environmental, Social and Corporate Governance (ESG) priority issues, risks and opportunities have been identified by the Board.	X					
ESG policy has been established by the Board.	X					
Documents such as in-partnership guidelines, business procedures, etc. for the effective implementation of ESG policies have been prepared.	X					
A decision for the ESG policies has been taken by the board and policies have been disclosed to the public.	X					
Partnership Strategy has been determined in accordance with ESG policies, risks and opportunities.	X					
In line with the partnership strategy and ESG policies, short and long term targets have been set and disclosed to the public.	X					
A2. Implementation / Monitoring						
Committees and / or units responsible for the implementation of ESG policies have been determined and disclosed to the public.		X				Relevant committees and working groups have been determined and their job descriptions have also been created. The organizational structure is in the approval stage.
The designated committees and / or units reported their activities within the scope of ESG policies to the Board at least once a year, and in any case within the maximum periods specified in the relevant regulations of the Board for the disclosure of the annual reports to the public.		X				Relevant committees and working groups have been determined and their job descriptions have also been created. The organizational structure is in the approval stage.
Implementation and action plans have been prepared in line with the short and long-term targets and announced to the public.		X				The important investments and activities planned in line with the targets are mentioned in the integrated annual report.
ESG Key Performance Indicators (KPIs) have been determined and the indicators are disclosed on a yearly basis.		X				Key performance indicators have been determined and detailed follow-up is carried out within the company on a daily, monthly and annual basis. Particularly prominent indicators are mentioned in our integrated annual report.
KPIs are presented together with local and international sector comparisons (in case of verifiable data).		X				International sector comparisons have been made with studies conducted with the World Steel Association. This information is used in internal evaluations.
Innovation activities for business processes or products and services that improve sustainability performance are explained.	X					

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
A3. Reporting						
Sustainability performance, goals and actions have been reported at least once a year and disclosed to the public. Information on sustainability activities have been disclosed in the annual report.	X					
In order for the stakeholders to understand the position, performance and development of the partnership, important information have been shared in a direct and concise manner (Detailed information and data can also be explained on the corporate website, and separate reports that directly meet the needs of different stakeholders can be prepared.).	X					
Maximum care has been taken in terms of transparency and reliability in disclosures and reporting. Within the scope of the balanced approach, all kinds of developments about material issues in disclosure and reporting have been objectively explained.	X					
Information was provided on which of the United Nations Sustainable Development Goals the activities are related to.	X					
Disclosures have been made regarding the lawsuits filed and / or concluded against ESG issues.		X				Lawsuits brought against and / or concluded to our company, those that are deemed necessary / important are disclosed on the Public Disclosure Platform (PDP).
A4. Verification						
Sustainability performance measurements have been disclosed to the public, if verified by independent third parties (independent sustainability assurance providers).		X				Some of the sustainability-related parameters are approved by the independent verifying body and shared with the Ministry. Planning will be made within the scope of the verification and public disclosure of all measurements.
B. ENVIRONMENTAL PRINCIPLES						
Policies and practices, action plans, environmental management systems (ISO 14001) and programs created within the scope of environmental management have been explained.	X					
Compliance with the environment and related laws and other relevant regulations has been achieved and the work done has been explained.	X					
In the report prepared within the scope of Sustainability Principles, the limitations regarding the limit of the environmental report included, reporting period, reporting date, data collection process and reporting conditions have been included.	X					

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
The highest level responsible regarding environment and climate change, relevant committees and duties of them have been explained.		X				Related issues are coordinated by the Strategic Planning and Sustainability Department. The sustainability committee, working groups and tasks have been defined and they are in the process of approval.
Incentives offered to employees for the management of environmental issues, including the achievement of goals, are explained.	X					
How environmental problems are integrated into business goals and strategies is explained.	X					
Sustainability performances for business processes or products and services and activities to improve these performances are explained.	X					
It is explained not only in terms of direct operations, but also how environmental issues are managed throughout the partnership value chain and how suppliers and customers are integrated into strategies.	X					
Whether or not to participate in policy-making processes on environmental issues (sectoral, regional, national and international); Cooperation with affiliated associations, related organizations and non-governmental organizations in the field of environment, duties and activities supported, if any, are explained.	X					
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 has been reported periodically in a comparable manner.		X				Environmental indicators are explained in our integrated annual report. Relevant information is shared with the Ministry of Environment, Urbanization and Climate Change.
The standard, protocol, methodology and base year details used to collect and calculate the data are explained.		X				The standard and methodology used are generally mentioned in the Integrated Annual Report. Not much is given to the details of the methodology.
The status of environmental indicators (increase or decrease) for the reporting year in comparison with previous years has been disclosed.	X					
Short and long-term goals have been determined to reduce environmental impacts and these goals (It is recommended that the targets be determined based on scientific methods as suggested by the United Nations Conference of the Parties on Climate Change). It provided information on the issue, if there are any progress achieved in the reporting year in line with the previously set targets		X				Although the targets are followed within the company, numerical targets are not included in the integrated annual report.

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
The strategy and actions to combat the climate crisis have been explained.		x				Activities carried out in the context of combating the climate crisis are mentioned in our integrated annual report, but the ongoing road map studies are not included in the report.
The program or procedures established to prevent or minimize the potential negative impact of the products and / or services offered are explained; The actions of third parties to reduce greenhouse gas emissions have been explained.		x				The "Emission Report" has been approved by the independent verifying body and submitted to the Ministry of Environment, Urbanization and Climate Change through the online environmental system. These issues were addressed in the integrated annual report.
The actions taken to reduce environmental impacts, the total number of projects and initiatives carried out, and the environmental benefits / benefits and cost savings provided by them are explained.		x				Important projects and actions are included in our integrated annual report, especially energy savings in the context of energy efficiency are explained.
Total energy consumption data (excluding raw materials) are reported and energy consumption is given in the report as Scope-1 and Scope-2.		x				Within the scope of the "Energy Efficiency Law" numbered 5627, the energy production and consumption data of the previous year are entered annually as data in the "Energy Efficiency Portal" according to the criteria determined by the Department of Energy Efficiency and Environment of the Ministry of Energy and Natural Resources. Our integrated annual report contains information on the amount and cost of energy savings achieved through energy efficiency projects.
Information was given on electricity, heat, steam and cooling data generated and consumed in the reporting year.		x				Within the scope of the "Energy Efficiency Law" numbered 5627, the energy production and consumption data of the previous year are entered annually as data in the "Energy Efficiency Portal" according to the criteria determined by the Department of Energy Efficiency and Environment of the Ministry of Energy and Natural Resources.
Studies on increasing the use of renewable energy, transition to zero or low carbon electricity have been carried out and these studies have been announced.		x				Feasibility studies are carried out on increasing the use of renewable energy, transition to zero or low carbon electricity. They are evaluated by the management.
Renewable energy production and usage data were announced.				x		There is no explanation as there is no data yet.
Energy efficiency projects have been carried out and the amount of energy consumption and emission reduction achieved through these studies has been announced.	x					

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	**Compliance Status**					**Explanation**
	Yes	**Partially**	**No**	**Exempt**	**Irrelevant**	
The amount of water withdrawn, used, recycled and discharged from underground or aboveground, its sources and procedures (Total water withdrawal by source, water sources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.) have been reported.	X					
It is explained whether the operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).					X	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report. Erdemir Romania's activities are included in the EU ETS system and are reported.
Information and details regarding the carbon credits accumulated or purchased during the reporting period have been announced.					X	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report. Erdemir Romania's activities are included in the EU ETS system and are reported.
If carbon pricing is applied within the partnership, the details of this application have been announced.					X	No taxation system has come into force in our country. The information that we participate in Partnership for Market Readiness (PMR) studies conducted in our country is given in the integrated annual report. Erdemir Romania's activities are included in the EU ETS system and are reported.
All mandatory and voluntary platforms where environmental information is disclosed have been announced.		X				The platforms such as EIA public participation meetings, website, social media, one-to-one meetings with suppliers, sectoral organizations, associations and NGOs, collaborations, memberships, participation in working groups are described in the integrated report.

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
C. SOCIAL PRINCIPLES						
C1. Human Rights and Employee Rights						
Corporate Human Rights and Employee Rights Policy has been established, in which full compliance with the Universal Declaration of Human Rights, ILO Conventions that are confirmed by Turkey and legal framework and legislation regulating human rights and working life in Turkey has been established. The policy and the roles and responsibilities related to its implementation have been disclosed to the public.	X					
Equality of opportunity is ensured in recruitment processes.	X					
Considering also the supply and value chain effects, fair labor, improvement of labor standards, women's employment and inclusion issues (such as women, men, religious belief, language, race, ethnic origin, age, disability, refugee, etc.) have been included in the policies.	X					
Measures taken throughout the value chain to protect the rights of certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights / equality of opportunity are explained.	X					
Progress in preventing and corrective practices against discrimination, inequality, human rights violations, forced labor has been reported.	X					
Regulations for not employing child labor have been explained.	X					
Policies regarding investment in employees (training, development policies), compensation, vested benefits, right to unionize, work / life balance solutions and talent management are explained.	X					
Mechanisms for employee claim and dispute resolution have been established and dispute resolution processes have been determined.	X					
Activities carried out to ensure employee satisfaction are announced regularly.	X					
Occupational health and safety policies have been created and shared with the public.	X					
The precautions taken in order to prevent occupational accidents and to protect health and accident statistics are explained.	X					
Protection of personal data and data security policies have been created and shared with the public.	X					
Ethical policy (including work, work ethics, compliance processes, advertising and marketing ethics, open disclosure, etc.) has been created and disclosed to the public.	X					

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
Studies within the scope of social investment, social responsibility, financial inclusion and access to finance have been explained.	X					
Informative meetings and training programs regarding ESG policies and practices have been held for employees.	X					
C2. Stakeholders, International Standards and Initiatives						
Activities in the field of sustainability are carried out by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).	X					
The customer satisfaction policy regarding the management and resolution of customer claim has been prepared and disclosed to the public.	X					
Stakeholder communication is carried out continuously and transparently.	X					
Developments in sustainability activities were explained. The developments in sustainability activities and which stakeholders were communicated with for what purpose, on what subject and how often have been explained.	X					
The adopted international reporting standards (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD) etc.) have been disclosed to the public.	X					
Signatory or member international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.), international principles adopted (International Capital Market Association (ICMA) Green / Sustainable Bond Principles etc.) has been disclosed to the public.	X					
Concrete efforts are made to be included in the Borsa Istanbul Sustainability Index and international sustainability indexes (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indexes, etc.).	X					

Principles	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
D. CORPORATE GOVERNANCE PRINCIPLES						
Maximum effort is made to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Corporate Governance Communiqué No. II-17.1.	X					
While determining the corporate management strategy, the issue of sustainability, the environmental impacts of the activities and the principles on this issue are taken into consideration.	X					
As stated in the Corporate Governance Principles, necessary measures are taken to comply with the principles regarding stakeholders and to strengthen communication with stakeholders.	X					
Opinions of stakeholders are sought in determining measures and strategies in the field of sustainability.	X					
Studies are carried out to raise awareness on the issue of sustainability and the importance of sustainability through social responsibility projects, awareness activities and trainings.	X					
Efforts are being made to become a member of international standards and initiatives on sustainability and to contribute to studies.	X					
Policies and programs regarding the fight against bribery and corruption and the principle of tax integrity are explained.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
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					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
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 was no transaction notice in this manner
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	In 2021 fiscal year, there was no participation demand from the media.
1.4. VOTING RIGHTS						
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				Company's capital is divided into shares Group A and Group B. 1(one) share of certificate, issued to the bearer amounting to 1Kr (one Kuruş) is A group. The right of usufruct shall be established in favor of and to the name of Privatization Administration on the shares of A Group with all rights appertaining thereto unless otherwise decided by Supreme Board of Privatization.

	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
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	No cross-shareholding relations exist in the capital of the Company.
1.5. MINORITY RIGHTS						
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			Even though minority rights are not determined less than one in twenty by the Articles of Association, parallel with the general practices, in accordance with Article 38 of the Articles of Association, provisions of Turkish Commercial Code and Capital Market. Law shall be applied to the issues that are not written in the Articles of Association in regard to minority rights. On the other hand, the Company recognizes equal rights to each shareholder and complies with relevant regulations regarding the exercise of shareholder rights. There is no plan to regulate and expand minority rights in the Articles of Association.
1.6. DIVIDEND RIGHT						
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					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Status					
	Yes	**Partially**	**No**	**Exempt**	**Irrelevant**	**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					
2.2. ANNUAL REPORT						
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					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
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					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Although there is no provision in the articles of association, employees are encouraged to participate in management through Internal practices.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					

	Compliance Status					
	Yes	Partially	No	Exempt	Irrelevant	Explanation
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					
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, claim 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					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
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					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
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					

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Status					
	Yes	**Partially**	**No**	**Exempt**	**Irrelevant**	**Explanation**
4.1. ROLE OF THE BOARD OF DIRECTORS						
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					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
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					
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				The Company's paid-In capital is 3.5 billion and it has an executive liability insurance for the damages caused by the board members during their duties however the total Insurance does not exceed 25% of the capital.

	Compliance Status					
	Yes	**Partially**	**No**	**Exempt**	**Irrelevant**	**Explanation**
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
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			Although there is no policy regarding the target of minimum 25% for the ratio of female members in the board of directors, there are two female members in the current board of directors structure.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	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					
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					
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				Due to the Board Member's work and industry experience and contribution to the board of directors there is no restriction for the Board Members to assume any other duties outside the company. The duties undertaken by the members of the board of directors outside the company were presented to the shareholders at the general assembly meeting. Since the current practice does not create any negative situation in terms of corporate governance, no changes expected in 2022.

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Status					
	Yes	**Partially**	**No**	**Exempt**	**Irrelevant**	**Explanation**
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			The company's board of directors consists of 9 members and operates with 3 committees. 3 of our 9 members take part in committees as independent board members. Due to the number of Board members, each board member is assigned to more than one committee.
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	In 2021, any committee did not receive consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			The performance of the Board of Directors was not evaluated.
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				Parallel with the general practices, salaries, bonuses and other benefits of the key management are shared in the annual report as total. Remuneration for the members of the board on an individual basis is shared with the public in the minutes of the general assembly.

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	54
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/910538
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/909161
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Corporate Governance / Policies and Regulations / Donations and Contribution 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/tr/Bildirim/194744
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	There was no participation in the General Assembly meeting regarding 2020 activities except for the shareholders. However, there is no restriction on participation of stakeholders 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.	Privatization Administration / 0.0% / One share of certificate, issued to the bearer amounting to one kurus.
The percentage of ownership of the largest shareholder	49,29%

CORPORATE GOVERNANCE INFORMATION FORM

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	Investor Relations / Corporate Governance / Policies and Regulations / Dividend 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.	-
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

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
17.03.2021	0	63%	0,012%	63%	Investor Relations / General Assembly / Minutes of General Assembly	Investor Relations / General Assembly / The questions asked on General Assembly Meetings	-	205	https://www.kap.org.tr/en/Bildirim/910538

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, Reports and Presentations, Annual Reports, Disclosures and Announcements, General Assembly, FAQ
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 / Ownership Structure
List of languages for which the website is available	Turkish, 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	Investor Relations / Reports and Presentations / Interim Financial Reports / Declarations of Independent Board Members
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	Investor Relations / Annual Reports / Board of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
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	Investor Relations / Reports and Presentations / Interim Financial Reports / Number of Meetings of the Board of Directors and Attendance of the Board Members
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	Investor Relations / Reports and Presentations / Interim Financial Reports / Information about Amendments in Legislation That May Significantly Affect the Company's Activities
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	Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Provision for Lawsuits
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	Investor Relations / Annual Reports / Other Issues
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%	No cross ownership subsidiaries that the direct contribution to the Company's capital exceeds 5%.
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	Investor Relations / Annual Reports / A People-Centered Approach

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	Investor Relations / Corporate Governance / Policies and Regulations / Staff Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	223
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ethics Committee
The contact detail of the company alert mechanism	Mail: etik@erdemiretik.com, Phone : 0 850 211 30 00

CORPORATE GOVERNANCE INFORMATION FORM

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	Union
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	Short, long and medium term succession plans are prepared for key positions within the scope of talent management studies carried out within our Company. Succession plans and assignments to key roles are submitted for the approval of the Board of Directors, when necessary, in line with defined procedures.
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.	OYAK Mining Metallurgy / Career / HR Practices
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.	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct / Responsibilities to Our Employees
The number of definitive convictions the company is subject to in relation to health and safety measures	15
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Corporate Governance / Code of Ethics and Business Conduct
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.	Sustainability / CSR Policy
Any measures combating any kind of corruption including embezzlement and bribery	Board members and employees of OYAK Mining Metallurgy Companies and all third parties acting on behalf of OYAK Mining Metallurgy Companies should avoid any act or behavior that may bring OYAK Mining Metallurgy under suspicion of corruption. Regardless of being in public or private sector, accepting or giving any cash/ non-cash benefit that may be in the scope of corruption is forbidden.

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
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	Süleyman Savaş ERDEM - Chairman (Representative of OYTAŞ İç ve Dış Ticaret A.Ş), Aslıhan DÖĞER - Deputy Chairman and Executive Director (Representative of OMSAN Lojistik A.Ş.), Gürtan DAMAR - Board Member and Executive Director (Representative of OYAK Pazarlama Hizmet ve Turizm A.Ş.)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	5
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	Investor Relations / Annual Reports / Internal Audit System
Name of the Chairman	Süleyman Savaş ERDEM - Chairman (Representative of OYTAŞ İç ve Dış Ticaret A.Ş.)
Name of the CEO	Salih Cem ORAL
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 person.
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	There is an executive liability insurance for the damages caused by the board members during their duties but the total insurance does not exceed 25% of the 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	2, 22%

CORPORATE GOVERNANCE INFORMATION FORM

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
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Süleyman Savaş ERDEM)	Non-executive	Not independent director	27.05.2013		Not considered	No	Yes
OMSAN Lojistik A.Ş. (Represented by: Aslıhan DÖĞER)	Executive	Not independent director	11.09.2012		Not considered	No	Yes
OYAK Pazarlama Hizmet ve Turizm A.Ş. (Represented by: Gürtan DAMAR)	Executive	Not independent director	13.09.2012		Not considered	No	Yes
Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Represented by: Bekir Emre HAYKIR)	Non-executive	Not independent director	20.09.2012		Not considered	No	Yes
OYKA Kağıt Ambalaj Sanayii ve Ticaret A.Ş. (Represented by: Baran ÇELİK)	Non-executive	Not independent director	12.09.2012		Not considered	No	Yes
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (Represented by: Güliz KAYA)	Non-executive	Not independent director	12.09.2012		Not considered	No	Yes
Ali FİDAN	Non-executive	Independent director	31.03.2017	https://www.kap.org.tr/tr/Bildirim/909157	Considered	No	Yes
Kurtuluş Bedri VAROĞLU	Non-executive	Independent director	31.03.2017	https://www.kap.org.tr/tr/Bildirim/909157	Considered	No	Yes
Vacant	Non-executive	Independent director	-		Considered	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3-5 Days
The name of the section on the corporate website that demonstrates information about the board charter	There are internal regulations in which the working principles of the Board of Directors meetings are determined, but they are not published on the corporate website.
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	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
Link(s) to the PDP announcement(s) with the board committee charters	The working principles of the Committee are available on our corporate website. (Investor Relations / Corporate Governance / Policies and Regulations)

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**
Corporate Governance Committee	-	Kurtuluş Bedri Varoğlu	Yes	Board member
Corporate Governance Committee	-	Ali Fidan	No	Board member
Corporate Governance Committee	-	İdil Önay Ergin	No	Not board member
Audit Committee	-	Kurtuluş Bedri Varoğlu	Yes	Board member
Audit Committee	-	Ali Fidan	No	Board member
Committee of Early Detection of Risk	-	Ali Fidan	Yes	Board member
Committee of Early Detection of Risk	-	Kurtuluş Bedri Varoğlu	No	Board member

CORPORATE GOVERNANCE INFORMATION FORM

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)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
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)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
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)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
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)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
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)	Investor Relations / Annual Reports / Board Of Directors Committee Operating Principles and Assessment of Committees' Effectiveness
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)	Investor Relations / Annual Reports / Other Issues
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Corporate Governance / Policies and Regulations / Compensation 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)	Investor Relations / Annual Reports / Notes to the Consolidated Financial Statements / Related Party Disclosures / Salaries, bonuses and other benefits of the key management

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	-	100%	67%	5	3
Committee of Early Detection of Risk	-	100%	100%	6	6

BOARD OF DIRECTORS COMMITTEES OPERATING PRINCIPLES AND AN ASSESSMENT OF SUCH COMMITTEES' EFFECTIVENESS

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Following the resignation of Mahmut Cengiz AYDIN, Independent Board Member who was serving on our Company's Board of Directors, from his seat as an Independent Board Member and his roles as a member of several committees effective 20 August 2021, under the Company's Board of Directors resolution, it was resolved to make the following appointments to the below mentioned committees that were set up pursuant to the provisions of the Capital Markets Board of Turkey's (CMB) Corporate Governance Communiqué no. II-17.1:

- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN to serve as the Audit Committee and Kurtuluş Bedri VAROĞLU to be the committee's chairman;
- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN and Investor Relations Manager İdil ÖNAY ERGİN to serve as the Corporate Governance Committee and Kurtuluş Bedri VAROĞLU to be committee's chairman;
- To appoint Independent Board Members Ali FİDAN and Kurtuluş Bedri VAROĞLU to serve as the Early Detection of Risk Committee and Ali FİDAN to be the committee's chairman.

Taking the structure of the Company's Board of Directors into account, the Board decided under resolution 9148 dated 29 June 2012 to delegate the authorities, duties, and responsibilities of both a Nomination Committee and a Remuneration Committee to the Corporate Governance Committee instead.
Committees' meeting schedules and their activities, and operational procedures are specified in sets of regulations that are published on our corporate website www.erdemir.com.tr. The decisions that such committees take are of an advisory nature and they are submitted as such to the Board of Directors, which has the final say.
During 2021, the Board of Directors' committees fulfilled their duties and responsibilities as required by corporate governance principles and their own regulations and they convened in accordance with their annual meeting schedules as indicated below.

- The Audit Committee convened four times; 11 February 2021, 29 April 2021, 9 August 2021 and 26 October 2021.
- The Corporate Governance Committee convened five times; 11 February 2021, 29 April 2021, 16 June 2021, 9 August 2021 and 26 October 2021.
- Early Detection of Risk Committee convened six times; 11 February 2021, 29 April 2021, 30 June 2021, 9 August 2021, 26 October 2021 and 27 December 2021.

Reports containing information about these committees' activities and the results of the committees' meetings were submitted to the Board of Directors.

As part of their areas of responsibility;
- The Audit Committee oversaw the operation and effectiveness of the Company's accounting system, public disclosure of financial information, independent auditing, and internal control and internal auditing system.

BOARD OF DIRECTORS COMMITTEES OPERATING PRINCIPLES AND AN ASSESSMENT OF SUCH COMMITTEES' EFFECTIVENESS

- The Corporate Governance Committee's activities consisted of:
  - Contributing to the determination and implementation processes of the Company's corporate governance principles and making solution-oriented suggestions to the Board of Directors on such matters; ascertaining whether or not corporate governance principles are being complied with at the Company and, if they are not, identifying both the reasons for and any conflicts of interest that may arise on account of such less than full compliance; making recommendations to the Board of Directors on ways to improve corporate governance practices.
  - Overseeing the activities of the Investor Relations Department.
  - Working on a transparent system for identifying, evaluating, and training candidates for seats on the Board of Directors and for executives with administrative responsibilities identifying policies and strategies for such a system.
  - Regularly assessing the structure and effectiveness of the Board of Directors; making recommendations to the Board of Directors concerning possible changes in such matters.
  - Determining and overseeing approaches, principles, and practices applicable to performance evaluations and career-planning processes of Board Members and managers under executive responsibilities.
  - Making suggestions pertaining to principles governing the remuneration of Board Members and managers under executive responsibilities taking the Company's long-term objectives into account.

- Early Detection of Risk Committee's activities consisted, as required by laws and regulations, of identifying risks with the potential to threaten the Company's existence, development, and/or continuity, ensuring that due precautions are taken with respect to risks that are identified and dealing with risk management issues.

İskenderun Demir ve Çelik A.Ş.

Following the resignation of Mahmut Cengiz AYDIN, Independent Board Member who was serving on our Company's Board of Directors, from his seat as an Independent Board Member and his roles as a member of several committees effective 20 August 2021, under the Company's Board of Directors resolution, it was resolved to make the following appointments to the below mentioned committees that were set up pursuant to the provisions of the Capital Markets Board of Turkey's (CMB) Corporate Governance Communiqué no. II-17.1:

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- To appoint Independent Board Members Kurtuluş Bedri VAROĞLU and Ali FİDAN and Erdemir Investor Relations Manager İdil ÖNAY ERGİN to serve as the Corporate Governance Committee and Kurtuluş Bedri VAROĞLU to be committee's chairman;
- To appoint Independent Board Members Ali FİDAN and Kurtuluş Bedri VAROĞLU to serve as the Early Detection of Risk Committee and Ali FİDAN to be the committee's chairman.

Taking the structure of the Company's Board of Directors into account, the Board decided under resolution 523 dated 22 March 2019 to delegate the authorities, duties, and responsibilities of both a Nomination Committee and a Remuneration Committee to the Corporate Governance Committee instead.

Committees' meeting schedules and their activities, and operational procedures are specified in sets of regulations that are published on our corporate website www.isdemir.com.tr. The decisions that such committees take are of an advisory nature and they are submitted as such to the Board of Directors, which has the final say.
During 2021, the Board of Directors' committees fulfilled their duties and responsibilities as required by corporate governance principles and their own regulations and they convened in accordance with their annual meeting schedules as indicated below.

- The Audit Committee convened four times; 11 February 2021, 29 April 2021, 9 August 2021 and 26 October 2021.
- The Corporate Governance Committee convened five times; 11 February 2021, 29 April 2021, 16 June 2021, 9 August 2021 and 26 October 2021.
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Reports containing information about these committees' activities and the results of the committees' meetings were submitted to the Board of Directors.
As part of their areas of responsibility;

- The Audit Committee oversaw the operation and effectiveness of the Company's accounting system, public disclosure of financial information, independent auditing, and internal control and internal auditing system.

- The Corporate Governance Committee's activities consisted of:
  - Contributing to the determination and implementation processes of the Company's corporate governance principles and making solution-oriented suggestions to the Board of Directors on such matters; ascertaining whether or not corporate governance principles are being complied with at the Company and, if they are not, identifying both the reasons for and any conflicts of interest that may arise on account of such less than full compliance; making recommendations to the Board of Directors on ways to improve corporate governance practices.
  - Overseeing the activities of the Investor Relations Department.
  - Working on a transparent system for identifying, evaluating, and training candidates for seats on the Board of Directors and for executives with administrative responsibilities identifying policies and strategies for such a system.
  - Regularly assessing the structure and effectiveness of the Board of Directors; making recommendations to the Board of Directors concerning possible changes in such matters.
  - Determining and overseeing approaches, principles, and practices applicable to performance evaluations and career-planning processes of Board Members and managers under executive responsibilities.
  - Making suggestions pertaining to principles governing the remuneration of Board Members and managers under executive responsibilities taking the Company's long-term objectives into account.

- Early Detection of Risk Committee's activities consisted, as required by laws and regulations, of identifying risks with the potential to threaten the Company's existence, development, and/or continuity, ensuring that due precautions are taken with respect to risks that are identified and dealing with risk management issues.

OTHER ISSUES

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

- Necessary arrangements are made in "Code of Ethics and Business Conduct" document in order to prevent conflicts of interest between the Company, its employees and institutions that provide services to the Company. The prevention of potential conflicts of interest between the Company and institutions providing investment advisory and rating services is assured through signed contracts. During 2021, no conflicts of interest occurred with these institutions.

- Our company did not disclose any guidance in 2021.

- Our company acquired all of the shares for Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) from Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. on 3 February 2021, The share price dated 3 February 2021 was subject to final adjustment according to the financial statements prepared as of the date of transfer, and the final share price amounted USD 295,943 thousand (TL 2,112,206 thousand) as a result of the adjustment.

- In 2021, our Company had no significant buying or selling activity of assets, except those indicated on note 13 and note 14 of consolidated financial statements for the year ended 31 December 2021.

- Apart from the developments mentioned above, there has been no significant development since 31 December 2021.

İskenderun Demir ve Çelik A.Ş.

- Necessary arrangements are made in "Code of Ethics and Business Conduct" document in order to prevent conflicts of interest between the Company, its employees and institutions that provide services to the Company. The prevention of potential conflicts of interest between the Company and institutions providing investment advisory and rating services is assured through signed contracts. During 2021, no conflicts of interest occurred with these institutions.

- Our Company did not disclose any guidance in 2021.

- In 2021, our Company had no significant buying or selling activity of assets, except those indicated on note 13 of financial statements for the year ended 31 December 2021.

- Apart from the developments mentioned above, there has been no significant development since 31 December 2021.

AFFILIATED COMPANY REPORT

"During 2021, our Company was not-at the instigation either of its majority shareholder, the Turkish Armed Forces Pension Fund (OYAK), or of any OYAK affiliate- a party to any legal transaction that would have benefited either OYAK or an OYAK affiliate; neither did our Company take or avoid taking any action on the grounds that doing so would have been beneficial either to OYAK or to an OYAK affiliate. Based on Board of Directors Resolution number 9742 dated 10 February 2022, decision was taken to confirm that all of the business dealings between our Company and our majority shareholder and our majority shareholder's affiliates during 2021 took place under conditions that were consistent with market conditions and this report was prepared in accordance with true and honest accountability principles.

Within the frame of CMB's II-17.1 Corporate Governance Communiqué, common and continuous commercial trading and slab purchase transactions executed between our company and our subsidiary İskenderun Demir ve Çelik A.Ş. exceed 10% of the total cost of each sales and common and continuous commercial transaction executed between our company and our subsidiary Erdemir Çelik Servis Merkezi Sanayi ve Ticaret A.Ş. exceed 10% of the total sales revenue in 2021 and it is expected that these transactions will continue under the determined circumstances in 2021. Relevant transactions are consistent with the previous years and reasonable when compared to the market conditions."

GRI 102-25

STATEMENT OF RESPONSIBILITY

Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT
RESOLUTION DATE: 10.02.2022
RESOLUTION NUMBER: 9814

We have reviewed the consolidated financial statements for the period 1 January - 31 December 2021, which are prepared by our Company and are subject to independent auditing, in accordance with Capital Market Board's (CMB) Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards/ Turkish Financial Reporting Standards (TMS/TFRS) in a CMB approved format and annual report prepared in accordance with Turkish Commercial Code and CMB Communiqué.

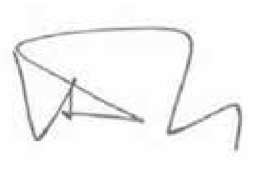
We hereby present to your information and declare that we are responsible for the following disclosures:

- We have reviewed the consolidated financial statements and annual report,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the consolidated financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the consolidated financial statements prepared in accordance with the financial reporting standards in effect provide an honest view of the assets, liabilities, financial position and profit and loss of the Company; The annual report prepared in accordance with the Turkish Commercial Code and CMB Communiqué provides an accurate view of the development and performance of the business and the consolidated financial position of the Company along with the principal risks and uncertainties the Company is exposed to

Sincerely,

Serdar BAŞOĞLU

Financial Management and Financial Affairs Group Vice President



Ali FİDAN

Member of the Audit Committee

Kurtuluş Bedri VAROĞLU

Chairman of the Audit Committee

STATEMENT OF RESPONSIBILITY

İskenderun Demir ve Çelik Fabrikaları A.Ş.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

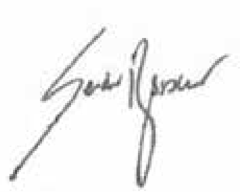
BOARD OF DIRECTORS' RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND ANNUAL REPORT
RESOLUTION DATE: 10.02.2022
RESOLUTION NUMBER: 691

We have reviewed the financial statements for the period 1 January - 31 December 2021, which are prepared by our Company and are subject to independent auditing, in accordance with Capital Market Board's (CMB) Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards/ Turkish Financial Reporting Standards (TMS/TFRS) in a CMB approved format and annual report prepared in accordance with Turkish Commercial Code and CMB Communiqué.

We hereby present to your information and declare that we are responsible for the following disclosures:

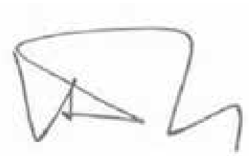
- We have reviewed the financial statements and annual report,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements and the annual report do not contain any incorrect statement or any omission of material facts that may result in misleading conclusion as of the date of the issuance,
- Based on the information we possess within the scope of our duties and responsibilities in our Company, the financial statements prepared in accordance with the financial reporting standards in effect provide an honest view of the assets, liabilities, financial position and profit and loss of the Company; The annual report prepared in accordance with the Turkish Commercial Code and CMB Communiqué provides an accurate view of the development and performance of the business and the financial position of the Company along with the principal risks and uncertainties the Company is exposed to.

Sincerely,



Serdar BAŞOĞLU

Financial Management and Financial Affairs Group Vice President



Ali FİDAN

Member of the Audit Committee

Kurtuluş Bedri VAROĞLU

Chairman of the Audit Committee

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT

(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. Genel Kurulu'na

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("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 Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key Audit Matter	**How the matter was addressed in the audit**
Revenue recognition While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer. The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales. In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management. Please refer to notes 2.8.1 and 24 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.	We performed the following procedures in relation to the revenue recognition: · The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed. · Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed. · For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested. In addition, we assessed the adequacy of the disclosures in Note 24 under TFRS.

INDEPENDENT AUDITOR'S REPORT

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Accounting for business combination

On 3 February 2021, in accordance with the share purchase agreement signed with Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., the Group acquired all shares of Kümaş Manyezit Sanayi A.Ş. and its subsidiaries for a consideration of USD 295,943.

Consequently, Kümaş Manyezit Sanayi A.Ş. and its subsidiaries (Odak Reflakter ve Madencilik San. Tic. A.Ş. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.), became subsidiaries of the Group and have been consolidated by using the full consolidation method.

This transaction is recognized as a business combination in accordance with TFRS 3 "Business Combinations".

For purchase price allocation and calculation of the goodwill value, the Group Management has used important estimates and assumptions such as return on equity, multiplier value, discount rate and growth rates by using the valuation experts. These estimates and assumptions, used to calculate fair values, had a significant impact on the consolidated statement of financial position. Therefore, the accounting for this acquisition is a key matter for our audit.

The accounting policies and related explanations regarding the accounting for the business combination of the Group are presented in the Note 2.8.23.</td><td>We performed the following procedures in relation the accounting for the business combination:

· Examining the share transfer agreements,
· By involving our valuation experts, testing significant judgements used in purchase price allocation exercise including return on equity, multiplier value, discount rate and growth rates, and benchmarking these against the rates used in the industry,
· Inquiring with the Group Management to evaluate future plans and explanations used in these studies within the framework of macroeconomic data,
· By involving our valuation experts, testing the market sensitivity of the assumptions used in the Group's purchase price allocation exercise and assessing the appropriateness of fair value adjustments and identified assets as a result of exercise,
· Testing the mathematical accuracy of the calculations carried out as a result of the above-mentioned studies and assessing the compliance of the accounting entries with TFRS.

In addition, we assessed the adequacy of the disclosures in the consolidated financial statements regarding the accounting for the business combination within the scope of TFRS.</td></tr>
</table>

4) Emphasis of Matter

Without qualifying our opinion, we draw attention to the matter in Note 19 to the accompanying consolidated financial statements. The court cases related to Capital Market Board's ("CMB") claim that the Company had prepared its 31 December 2005 financial statements in accordance with International Financial Reporting Standards instead of Communique Serial XI, No: 25 on "Accounting Standards in Capital Markets" without taking the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions declared to the Company via notifications sent in July 2012. On 1 August 2012, the Company applied to the Administrative Court to remove the conflicting decisions of this court, but the Administrative Court decided to reject the application by the notification made on 17 February 2014. For the lawsuit filed by the Republic of Turkey Prime Ministry Privatization Administration ("PA") decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017. The decision of reversal has been notified to the Company on 2 August 2017. The Company has applied for rectification. With the decision of the 11th Civil Chamber of the Supreme Court dated 27 June 2019, which was notified to the Company on 28 August 2019, it was reported that the Company's application for rectification of the decision has been rejected. The case has been accepted on 30 December 2021 by the 3rd Commercial Court of First Instance of Ankara with subject to appeal. Legal process is ongoing as of the date of audit report and our opinion is not qualified in respect of this matter.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 10 February 2022.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2021 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Volkan Becerik
Partner

İstanbul, 10 February 2022

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EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

ASSETS	Note	(Audited) Current Period 31 December 2021 USD'000	(Audited) Current Period 31 December 2021 TRY'000	(Audited) Previous Period 31 December 2020 USD'000	(Audited) Previous Period 31 December 2020 TRY'000
CURRENT ASSETS		**4.928.616**	**65.693.526**	**3.883.556**	**28.507.242**
Cash and Cash Equivalents	4	1.739.791	23.189.668	1.844.858	13.542.177
Financial Investments	5	740	9.862	5.320	39.048
Trade Receivables		856.302	11.413.658	521.467	3.827.829
Due From Related Parties	*34*	*23.361*	*311.384*	*35.282*	*258.985*
Other Trade Receivables from Third Parties	*8*	*832.941*	*11.102.274*	*486.185*	*3.568.844*
Other Receivables		3.900	51.981	6.338	46.520
Due From Related Parties	*34*	*430*	*5.735*	*1.484*	*10.892*
Other Receivables from Third Parties	*9*	*3.470*	*46.246*	*4.854*	*35.628*
Financial Derivative Instruments	6	12.055	160.683	5.110	37.510
Inventories	10	2.172.721	28.960.197	1.376.838	10.106.678
Prepaid Expenses		53.576	714.110	18.117	132.990
Prepaid Expenses to Related Parties	*34*	*1.672*	*22.282*	*38*	*280*
Other Prepaid Expenses to Third Parties	*11*	*51.904*	*691.828*	*18.079*	*132.710*
Other Current Assets	22	89.531	1.193.367	105.508	774.490
NON CURRENT ASSETS		**4.557.639**	**60.748.771**	**4.016.984**	**29.486.670**
Financial Investments	5	37	493	27	199
Other Receivables		4.098	54.630	5.357	39.325
Due From Related Parties	*34*	*2.439*	*32.512*	*3.877*	*28.458*
Other Receivables from Third Parties	*9*	*1.659*	*22.118*	*1.480*	*10.867*
Investments Accounted for Using Equity Method	12	27.781	370.292	31.327	229.956
Investment Properties	13	49.267	656.680	50.156	368.168
Property, Plant and Equipment	14	3.828.128	51.025.118	3.550.417	26.061.836
Right of Use Assets	16	49.530	660.189	43.273	317.644
Intangible Assets	15	295.528	3.939.090	55.952	410.715
Goodwill	*17*	*18.781*	*250.335*	-	-
Other Intangible Assets	*15*	*276.747*	*3.688.755*	*55.952*	*410.715*
Prepaid Expenses		271.936	3.624.633	241.956	1.776.075
Prepaid Expenses to Related Parties	*34*	*87.651*	*1.168.301*	*87.646*	*643.367*
Other Prepaid Expenses to Third Parties	*11*	*184.285*	*2.456.332*	*154.310*	*1.132.708*
Deferred Tax Assets	32	13.853	184.646	9.851	72.311
Other Non Current Assets	22	17.481	233.000	28.668	210.441
TOTAL ASSETS		**9.486.255**	**126.442.297**	**7.900.540**	**57.993.912**

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

LIABILITIES	Note	(Audited) Current Period 31 December 2021 USD'000	(Audited) Current Period 31 December 2021 TRY'000	(Audited) Previous Period 31 December 2020 USD'000	(Audited) Previous Period 31 December 2020 TRY'000
CURRENT LIABILITIES		**1.758.205**	**23.477.310**	**1.285.214**	**9.434.112**
Short Term Borrowings	7	481.080	6.423.861	162.591	1.193.496
Short Term Portion of Long Term Borrowings	7	246.522	3.291.812	353.114	2.592.032
Trade Payables		504.195	6.732.507	513.173	3.766.949
Due to Related Parties	*34*	*15.159*	*202.414*	*17.892*	*131.336*
Other Trade Payables to Third Parties	*8*	*489.036*	*6.530.093*	*495.281*	*3.635.613*
Payables for Employee Benefits	19	23.251	310.474	26.878	197.296
Other Payables	9	17.677	236.042	17.967	131.885
Financial Derivative Instruments	6	14.248	190.259	8.117	59.582
Deferred Revenue	23	111.626	1.490.544	73.863	542.194
Current Tax Liabilities	32	319.906	4.271.705	73.117	536.715
Short Term Provisions	20	24.928	332.869	34.551	253.624
Other Current Liabilities	22	14.772	197.237	21.843	160.339
		-	-	-	-
NON CURRENT LIABILITIES		**1.379.269**	**18.417.383**	**1.013.313**	**7.438.224**
		-	-	-	-
Long Term Borrowings	7	521.281	6.960.671	383.181	2.812.743
Financial Derivative Instruments	6	10	137	-	-
Long Term Provisions		120.224	1.605.350	131.890	968.136
Long term provisions for employee benefits	*19*	*120.224*	*1.605.350*	*131.890*	*968.136*
Deferred Tax Liabilities	32	737.491	9.847.720	497.989	3.655.488
Other Non Current Liabilities	22	263	3.505	253	1.857
		-	-	-	-
EQUITY		**6.348.781**	**84.547.604**	**5.602.013**	**41.121.576**
		-	-	-	-
Equity Attributable to Equity Holders of the Parent		**6.176.342**	**82.292.893**	**5.421.241**	**39.809.427**
Share Capital	24	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	24	81.366	156.613	81.366	156.613
Treasury Shares (-)	24	(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(79.868)	35.431.629	(55.530)	13.067.766
Revaluation Reserve of Tangible Assets		*10.411*	*147.805*	*10.844*	*77.866*
Actuarial (Loss) Gain funds		*(74.594)*	*(386.301)*	*(50.689)*	*(115.606)*
Foreign Currency Translation Reserves		*(15.685)*	*35.670.125*	*(15.685)*	*13.105.506*
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(233.088)	733.735	(103.971)	241.213
Foreign Currency Translation Reserves		*(237.868)*	*669.905*	*(101.862)*	*256.694*
Cash Flow Hedging Gain (Loss)		*4.780*	*63.830*	*(2.109)*	*(15.481)*
Restricted Reserves Assorted from Profit	24	1.204.833	4.988.204	1.041.255	3.597.448
Retained Earnings	24	1.644.980	21.965.415	2.172.478	15.947.079
Net Profit for the Period		1.744.832	15.527.082	472.356	3.309.093
Non-Controlling Interests		**172.439**	**2.254.711**	**180.772**	**1.312.149**
TOTAL LIABILITIES AND EQUITY		**9.486.255**	**126.442.297**	**7.900.540**	**57.993.912**

The details of presentation currency translation to TRY explained in Note 2.1.

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

	Note	(Audited) Current Period 1 January - 31 December 2021 USD'000	(Audited) Current Period 1 January - 31 December 2021 TRY'000	(Audited) Previous Period 1 January - 31 December 2020 USD'000	(Audited) Previous Period 1 January - 31 December 2020 TRY'000
Revenue	25	7.666.948	68.227.404	4.574.696	32.048.029
Cost of Sales	25	(4.799.581)	(42.710.993)	(3.728.989)	(26.123.431)
GROSS PROFIT		**2.867.367**	**25.516.411**	**845.707**	**5.924.598**
Marketing Expenses	27	(42.655)	(379.587)	(36.801)	(257.809)
General Administrative Expenses	27	(75.664)	(673.322)	(71.030)	(497.600)
Research and Development Expenses	27	(5.353)	(47.633)	(4.196)	(29.397)
Other Operating Income	28	75.859	675.061	84.686	593.266
Other Operating Expenses	28	(24.661)	(219.458)	(22.819)	(159.858)
OPERATING PROFIT		**2.794.893**	**24.871.472**	**795.547**	**5.573.200**
Income from Investing Activities	29	3.108	27.655	23.670	165.822
Expenses from Investing Activities	29	(3.066)	(27.283)	(14.343)	(100.479)
Share of Investments' Profit Accounted by Using The Equity Method	12	(679)	(6.044)	1.097	7.685
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		**2.794.256**	**24.865.800**	**805.971**	**5.646.228**
Finance Income	30	81.753	727.511	65.115	554.376
Finance Expense	31	(188.406)	(1.676.598)	(77.522)	(543.079)
PROFIT BEFORE TAX		**2.687.603**	**23.916.713**	**793.564**	**5.657.525**
Tax (Expense) Income	32	(880.800)	(7.838.155)	(292.559)	(2.147.735)
Current Corporate Tax (Expense) Income		(693.733)	(6.173.465)	(293.168)	(2.151.998)
Deferred Tax (Expense) Income		(187.067)	(1.664.690)	609	4.263
NET PROFIT FOR THE PERIOD		**1.806.803**	**16.078.558**	**501.005**	**3.509.790**
Non-Controlling Interests		61.971	551.476	28.649	200.697
Equity Holders of the Parent		1.744.832	15.527.082	472.356	3.309.093
EARNINGS PER SHARE	33		4,4363		0,9455
(TRY 1 Nominal value per share)					

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

	Note	(Audited) Current Period 1 January - 31 December 2021 USD'000	(Audited) Current Period 1 January - 31 December 2021 TRY'000	(Audited) Previous Period 1 January - 31 December 2020 USD'000	(Audited) Previous Period 1 January - 31 December 2020 TRY'000
PROFIT FOR THE PERIOD		**1.806.803**	**16.078.558**	**501.005**	**3.509.790**
OTHER COMPREHENSIVE INCOME					
Not to be reclassified subsequently to profit or loss					
Increase (Decrease) in Revaluation Reserve of Tangible Assets		(451)	69.939	206	18.914
Actuarial Gain (Loss) of Defined Benefit Plans	19	(30.563)	(346.030)	(3.247)	(17.367)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	32	6.113	69.206	649	3.473
Foreign Currency Translation Gain (Loss)		-	23.579.856	-	4.833.155
To be reclassified subsequently to profit or loss					
Gain (Loss) in Cash Flow Hedging Reserves		8.818	105.065	(3.999)	(27.444)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	32	(1.887)	(25.200)	800	5.489
Foreign Currency Translation Gain (Loss)		(150.396)	10.722.309	(34.586)	2.364.050
OTHER COMPRHENSIVE INCOME (LOSS)		**(168.366)**	**34.175.145**	**(40.177)**	**7.180.270**
TOTAL COMPREHENSIVE INCOME		**1.638.437**	**50.253.703**	**460.828**	**10.690.060**
Distribution of Total Comprehensive Income					
Non-controlling Interests		47.059	1.494.735	25.040	399.733
Equity Holders of the Parent		1.591.378	48.758.968	435.788	10.290.327

The details of presentation currency translation to TRY explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

						Other comprehensive income (expense) not to be reclassified subsequently to profit or loss		
(Audited)	**Note**	**Share Capital**	**Inflation Adjustment to Capital**	**Treasury Shares (-)**	**Share Issue Premium (Discounts)**	**Revaluation Reserve of Tangible Assets**	**Foreign Currency Translation Reserves**	**Actuarial Gain (Loss) Funds**
1 January 2021 (Previously reported)		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**77.866**	**17.198.251**	**(115.606)**
Effect of change in accounting principle	2.2	-	-	-	-	-	(4.092.745)	-
1 January 2021		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**77.866**	**13.105.506**	**(115.606)**
Net profit for the period		-	-	-	-	-	-	-
Other comprehensive income (loss)		-	-	-	-	69.939	23.579.856	(270.695)
Total comprehensive income (loss)		-	-	-	-	69.939	23.579.856	(270.695)
Dividends [*]		-	-	-	-	-	-	-
Transfers	24	-	-	-	-	-	-	-
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(1.015.237)	-
31 December 2021		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**147.805**	**35.670.125**	**(386.301)**
(Audited)								
1 January 2020 (Previously reported)		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**58.952**	**12.365.096**	**(102.008)**
Effect of change in accounting principle	2.2	**-**	**-**	**-**	**-**	**-**	**(3.018.598)**	**-**
1 January 2020		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**58.952**	**9.346.498**	**(102.008)**
Net profit for the period		-	-	-	-	-	-	-
Other comprehensive income (loss)		-	-	-	-	18.914	4.833.155	(13.598)
Total comprehensive income (loss)		-	-	-	-	18.914	4.833.155	(13.598)
Dividends [*]		-	-	-	-	-	-	-
Transfers	24	-	-	-	-	-	-	-
Increase (decrease) due to other changes	2.1	-	-	-	-	-	(1.497.047)	-
31 December 2020		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**77.866**	**12.682.606**	**(115.606)**

[*] At Annual General Assembly dated 17 March 2021, dividend distribution (gross dividend per share: TRY 1,85 (2020: TRY 0,23) amounting to TRY 6.475.000 thousand from 2020 net profit (14 July 2020: TRY 805.000 thousand) and retained earnings was approved. As of 17 March 2021, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3.08% of its own shares with a nominal value of 1 TRY, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 24 March 2021. The Group paid TRY 552.173 thousand (2020: TRY 35.761 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden, which are of subsidiaries of the Group on March and December months of 2021.

Retained earnings; in the consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the consolidated statement of financial position dated 31 December 2021 by converting to US Dollars at historical rates, are explained in Note 2.1.

Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings				
Cash Flow Hedging Gain (Loss)	**Foreign Currency Translation Reserves**	**Restricted Reserves Assorted from Profit**	**Retained Earnings**	**Net Profit For The Period**	**Equity Attributable to the Parent**	**Non-controlling Interests**	**Total Shareholders' Equity**
(15.481)	**7.628.480**	**3.597.448**	**4.482.548**	**3.309.093**	**39.809.427**	**1.312.149**	**41.121.576**
-	(7.371.786)	-	11.464.531	-	**-**	-	**-**
(15.481)	**256.694**	**3.597.448**	**15.947.079**	**3.309.093**	**39.809.427**	**1.312.149**	**41.121.576**
-	-	-	-	15.527.082	**15.527.082**	551.476	**16.078.558**
79.311	9.773.475	-	-	-	**33.231.886**	943.259	**34.175.145**
79.311	9.773.475	-	-	15.527.082	**48.758.968**	1.494.735	**50.253.703**
-	-	-	(6.275.502)	-	**(6.275.502)**	(552.173)	**(6.827.675)**
-	-	1.390.756	1.918.337	(3.309.093)	**-**	-	**-**
-	(9.360.264)	-	10.375.501	-	**-**	-	**-**
63.830	**669.905**	**4.988.204**	**21.965.415**	**15.527.082**	**82.292.893**	**2.254.711**	**84.547.604**
6.474	**5.463.762**	**3.485.761**	**2.057.906**	**3.316.527**	**30.299.298**	**948.177**	**31.247.475**
-	**(5.127.411)**	**-**	8.146.009	**-**	**-**	**-**	**-**
6.474	**336.351**	**3.485.761**	**10.203.915**	**3.316.527**	**30.299.298**	**948.177**	**31.247.475**
-	-	-	-	3.309.093	**3.309.093**	200.697	**3.509.790**
(21.955)	2.164.718	-	-	-	**6.981.234**	199.036	**7.180.270**
(21.955)	2.164.718	-	-	3.309.093	**10.290.327**	399.733	**10.690.060**
-	-	-	(780.198)	-	**(780.198)**	(35.761)	**(815.959)**
-	-	111.687	3.204.840	(3.316.527)	**-**	-	-
-	(1.821.475)	-	3.318.522	-	**-**	-	**-**
(15.481)	**679.594**	**3.597.448**	**15.947.079**	**3.309.093**	**39.809.427**	**1.312.149**	**41.121.576**

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

	Note	(Audited) Current Period 1 January - 31 December 2021 USD'000	(Audited) Current Period 1 January - 31 December 2021 TRY'000	(Audited) Previous Period 1 January - 31 December 2020 USD'000	(Audited) Previous Period 1 January - 31 December 2020 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**1.321.815**	**5.716.945**	**1.021.655**	**7.315.515**
Profit (Loss) for The Period		**1.806.803**	**16.078.558**	**501.005**	**3.509.790**
Adjustments to Reconcile Profit (Loss)		**1.039.017**	**9.455.509**	**492.681**	**3.547.273**
Adjustments for Depreciation and Amortisation Expenses	25.27.28	230.583	2.051.931	217.755	1.525.473
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(7.173)	(63.834)	10.165	71.213
Adjustments for Provision (Reversal of Provision) for Receivables	*8*	*(3.153)*	*(28.058)*	*42*	*293*
Adjustments for Provision (Reversal of Provision) for Inventories	*10*	*(3.718)*	*(33.086)*	*4.519*	*31.659*
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	*14*	*(302)*	*(2.690)*	*5.604*	*39.261*
Adjustments for Provisions		47.779	425.189	39.810	283.381
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	*19*	*37.488*	*333.605*	*29.715*	*208.169*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	*20*	*10.291*	*91.584*	*10.095*	*75.212*
Adjustments for Interest (Income) and Expenses		(36.762)	(327.138)	(25.365)	(177.687)
Adjustments for Interest Income	*30*	*(64.399)*	*(573.078)*	*(75.731)*	*(530.533)*
Adjustments for Interest Expense	*31*	*37.296*	*331.898*	*52.685*	*369.083*
Deffered Financial Expense from Credit Purchases	*28*	*-*	*-*	*1.052*	*7.378*
Unearned Financial Income from Credit Sales		*(9.659)*	*(85.958)*	*(3.371)*	*(23.615)*
Adjustments for Unrealised Foreign Exchange Differences		(7.331)	(375.826)	(25.401)	(185.093)
Adjustments for Fair Value (Gains) Losses		(13.204)	(117.502)	(2.649)	(18.555)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	*30*	*(13.204)*	*(117.502)*	*(2.649)*	*(18.555)*
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	679	6.044	(1.097)	(7.685)
Adjustments for Tax (Income) Expenses	32	880.800	7.838.155	292.559	2.147.735
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		2.078	18.490	(13.062)	(91.509)
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	*29*	*2.078*	*18.490*	*(13.062)*	*(91.509)*
Adjustments for Reconciliation of Profit (Loss)		(58.432)	-	(34)	-
Changes in Working Capital		**(1.084.330)**	**(14.453.489)**	**305.192**	**2.237.389**
Adjustments for Decrease (Increase) in Trade Receivables		(296.698)	(3.954.683)	50.131	367.986
Decrease (Increase) in Trade Receivables from Related Parties		*11.921*	*158.895*	*(6.109)*	*(44.843)*
Decrease (Increase) in Trade Receivables from Third Parties		*(308.619)*	*(4.113.578)*	*56.240*	*412.829*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		2.090	27.853	(3.484)	(25.573)
Decrease (Increase) in Other Receivables from Operations from Third Parties		*2.090*	*27.853*	*(3.484)*	*(25.573)*
Decrease (Increase) in Derivative Financial Instruments		(6.945)	(92.570)	3.321	24.377
Adjustments for Decrease (Increase) in Inventories		(754.273)	(10.053.702)	188.214	1.381.585
Decrease (Increase) in Prepaid Expenses		(46.001)	(613.241)	(9.377)	(68.833)
Adjustments for Increase (Decrease) in Trade Payables		(25.572)	(341.459)	18.809	138.068
Increase (Decrease) in Trade Payable to Related Parties		*(2.733)*	*(36.493)*	*3.460*	*25.398*
Increase (Decrease) in Trade Payable to Third Parties		*(22.839)*	*(304.966)*	*15.349*	*112.670*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(40.794)	(544.729)	7.355	53.990
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*(40.794)*	*(544.729)*	*7.355*	*53.990*
Increase (Decrease) in Derivative Liabilities		28.121	375.499	(10.525)	(77.260)
Adjustments for Other Increase (Decrease) in Working Capital		55.742	743.543	60.748	443.049
Decrease (Increase) in Other Assets Related from Operations		*30.740*	*409.696*	*9.063*	*63.656*
Increase (Decrease) in Other Payables Related from Operations		*25.002*	*333.847*	*51.685*	*379.393*
Cash Flows Provided by Operating Activities		**1.761.490**	**11.080.578**	**1.298.878**	**9.294.452**
Payments Related to Provisions for Employee Termination Benefits	19	(7.634)	(67.937)	(9.454)	(66.234)
Payments Related to Other Provisions	20	(7.572)	(67.377)	(13.111)	(91.851)
Income Taxes Refund (Paid)	32	(424.469)	(5.228.319)	(254.658)	(1.820.852)
CASH FLOWS FROM INVESTING ACTIVITIES		**(736.790)**	**(7.520.856)**	**(419.574)**	**(3.119.368)**
Cash Ouflow Due to Share Purchases of Subsidiaries' not End Up with Losing Control	2.8.23	293.791	(2.096.850)	-	-
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures'	12	1.971	17.500	1.981	13.333
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		9.891	80.000	24.260	165.249
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(5.694)	(48.123)	(16.537)	(120.860)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		2.505	22.282	22.985	161.022
Cash Inflow from Sales of Property, Plant and Equipment	*14/15/29*	*2.505*	*22.282*	*22.985*	*161.022*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(433.992)	(3.862.055)	(306.152)	(2.144.742)
Cash Outflow from Purchase of Property, Plant and Equipment	*14*	*(427.915)*	*(3.807.977)*	*(303.246)*	*(2.124.384)*
Cash Outflow from Purchase of Intangible Assets	*15*	*(6.077)*	*(54.078)*	*(2.906)*	*(20.358)*
Cash Advances and Debts Given		(18.539)	(1.640.002)	(146.432)	(1.195.533)
Other Cash Advances and Debts Given to Related Parties	*33*	*(5)*	*(67)*	*(83.334)*	*(650.728)*
Other Cash Advances and Debts Given		*(18.534)*	*(1.639.935)*	*(63.098)*	*(544.805)*
Dividends Received	12	859	6.392	321	2.163
CASH FLOWS FROM FINANCING ACTIVITIES		**(532.058)**	**(3.425.756)**	**(482.077)**	**(3.370.745)**
Cash Inflow from Borrowings		1.018.916	9.162.437	932.928	6.533.185
Cash Inflow from Loans	*7*	*1.018.916*	*9.162.437*	*932.928*	*6.533.185*
Cash Outflow from Repayments of Borrowings		(668.549)	(5.949.348)	(1.318.402)	(9.236.067)
Cash Outflow from Loan Repayments	*7*	*(603.324)*	*(5.399.348)*	*(1.318.402)*	*(9.236.067)*
Cash Outflows from Repayments of Issued Debt Instruments	*7*	*(65.225)*	*(550.000)*	*-*	*-*
Cash Outflow from Debt Payments for Leasing Contracts	7	(7.242)	(64.445)	(6.633)	(46.470)
Dividends Paid		(906.580)	(6.824.686)	(118.825)	(815.724)
Interest Paid	7	(33.540)	(294.446)	(41.548)	(291.063)
Interest Received		64.937	544.732	66.836	463.565
Other Cash Inflow (Ouflow)		-	-	3.567	21.829
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**52.967**	**(5.229.667)**	**120.004**	**825.402**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(159.811)	14.828.033	(60.132)	2.107.660
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(106.844)**	**9.598.366**	**59.872**	**2.933.062**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1.840.609	13.510.993	1.780.737	10.577.931
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**1.733.765**	**23.109.359**	**1.840.609**	**13.510.993**

As of 31 December 2021, the Group's total amount of time deposit interest accrual is TRY 80.309 thousand (USD 6.026 thousand) (31 December 2020: TRY 31.184 thousand (USD 4.249 thousand)).
Bank deposits with maturities of more than 3 months in financial investments are reported in consolidated statement of cash flow under "Other Cash Inflow (Outflows)".
Since the functional currency is US Dollars, the exchange rate differences between the accrual and payment dates of the dividend payables to the shareholders, whose original currency is followed as Turkish Lira in the consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the consolidated cash flow statements.

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Group ("Group"), is composed of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir" or "the Company"), and its subsidiaries which it owns the majority of their shares or has a significant influence on their management structure.

The main parent and ultimate controlling party of the Group are ATAER Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

Ordu Yardımlaşma Kurumu (OYAK) was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an "aid and retirement fund" for Turkish Armed Forces' members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, cast and pressed steel, coke and their by-products.

The Company's shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Name of the Company	Country of Operation	Operation	2021 Share (%)	2020 Share (%)
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendilik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47
Kümaş Manyezit Sanayi A.Ş.	Turkey	Magnesite Ore, Refractor	100	-
Odak Refrakter ve Madencilik San. Tic. A.Ş.	Turkey	Recycling	100	-
Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş.	Turkey	Special Purpose Entity	100	-

The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş's subsidiaries Odak Refrakter ve Madencilik San Tic. A.Ş. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş. was completed on 3 February 2021. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand) (Note 2.8.23 and Note 17).

The joint venture of the Group, Isdemir Linde Gaz Ortaklığı A.Ş., is accounted for using the equity method in the accompanying consolidated financial statements.

The registered address of the Company is Barbaros Mahallesi Ardıç Sokak No:6 Ataşehir/İstanbul.

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(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (cont'd)

The number of the personnel employed by the Group as of reporting date are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2021 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.284	1.825	6.109
İskenderun Demir ve Çelik A.Ş.	3.124	1.675	4.799
Erdemir Madencilik San. ve Tic. A.Ş.	155	160	315
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	233	79	312
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	292	292
Erdemir Romania S.R.L.	217	40	257
Erdemir Asia Pacific Private Limited	-	1	1
Kümaş Manyezit Sanayi A.Ş.	561	123	684
Odak Refrakter ve Madencilik San. Tic. A.Ş.	11	4	15
Erdemir Enerji Üretim A.Ş.	-	4	4
	8.585	**4.203**	**12.788**

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2020 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.001	1.739	5.740
İskenderun Demir ve Çelik A.Ş.	2.988	1.714	4.702
Erdemir Madencilik San. ve Tic. A.Ş.	156	154	310
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	231	74	305
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	249	249
Erdemir Romania S.R.L.	192	39	231
Erdemir Asia Pacific Private Limited	-	1	1
	7.568	**3.970**	**11.538**

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Group's subsidiaries incorporated in Turkey maintain their legal books of account and prepare their statutory financial statements in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the consolidated financial statements are presented in accordance with "Announcement regarding with TFRS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

The financial statements are prepared on the basis of historical cost, with the exception of derivative financial instruments carried at fair value and revaluation of iron ore and fixed assets used in the production of silicon flat steel at the fair value determined at the date of purchase. In determining the historical cost, generally the fair value of the amount paid for the assets is taken as basis.

Functional and reporting presentation currency

Although the currency of the country in which is the Company is domiciled is Turkish Lira (TRY), the Company's functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the functional currency.

The financial statements of each entity of the Group are presented in the currency (functional currency) valid in the basic economic environment in which they operate. The functional currency of the Company and its subsidiaries' İskenderun Demir ve Çelik A.Ş. "İsdemir" and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş "Ersem" and Kümaş Manyezit Sanayi A.Ş. "Kümaş" are US Dollars while the functional currency of Erdemir Madencilik San. ve Tic. A.Ş. "Ermaden" and Erdemir Mühendislik Yönetim ve Danışmanlık Himetleri A.Ş., Erdemir Enerji Üretim A.Ş., Odak Refrakter ve Madencilik San. Tic. A.Ş. and Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş. are Turkish Lira.

The accompanying financial statements are prepared in Turkish Lira (TRY) in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013.

Functional currency for the foreign subsidiaries

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited "EAPPL" is US Dollars; Erdemir Romania S.R.L is EURO.

Functional currency of the joint venture

The functional currency of the Group's joint venture İsdemir Linde Gaz Ortaklığı A.Ş. is US Dollars.

Translation to presentation currency

In accordance with the Public Oversight, Accounting and Auditing Standards Authority's ("POA") announcement "On the Next Measurement of Foreign Currency Monetary Items According to Turkish Accounting Standards" dated 15 March 2021, the Group carried out a valuation for the assets and liabilities in the condensed consolidated financial statements based on the current buying and selling rates effective as of the end of the reporting period, and translated them into the presentation currency at the same exchange rates.

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(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Translation to presentation currency (cont'd)

Presentation currency of the consolidated financial statements is Turkish Lira. According to TMS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in USD Dollars for the Company, İsdemir, Ersem, Kümaş and EAPPL; in EURO for Erdemir Romania, have been translated in Turkish Lira as the with following method:

a) The assets in the consolidated statement of financial position as of 31 December 2021, has been translated into TL using the foreign exchange buying rates effective as of 31 December 2021 announced by the Central Bank of the Republic of Turkey, TRY 13,3290= US $ 1 and TRY 15,0867= EUR 1 and the liabilities has been translated into TL using the foreign exchange selling rates effective as of 31 December 2021, which is also announced by the Central Bank of the Republic of Turkey, TRY 13,3530= US $ 1 and TRY 15,1139= EUR 1 (31 December 2020: TRY 7,3405= US $ 1, TRY 9,0079= EUR 1).

b) Due to the significant fluctuation in the exchange rate in 2021, for the year ended 31 December 2021, statements of profit or loss are translated from the average exchange rates of the relevant month announced by the Central Bank of the monthly net profits TRY 8,8989= US $ 1 and TRY 10,4161=EUR 1 (31 December 2020: TRY 7,0055 = US $ 1 TRY 8,0141= 1 EUR).

c) Earnings of previous years are carried in US Dollar in the consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of consolidated financial position as of 31 December 2021 are presented by being translated at the TRY 13,3530= US $ 1 rate, which is the effective foreign currency selling rate as of 31 December 2021 as announced by the Central Bank of the Republic of Turkey (31 December 2020: TRY 7,3405 = US $ 1).

d) Exchange differences arising from translation to TRY presentation currency are shown in other comprehensive income as of foreign currency translation reserve.

e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying consolidated financial statements comprising the statements of financial position as of 31 December 2021 and 31 December 2020, consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2021 represent the consolidated financial statements within the frame of functional currency change that the Company has made, which is effective as of 1 July 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

The Group prepared its consolidated financial statements in accordance with the going concern assumption.

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 10 February 2022 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Restatement and Errors In The Accounting Policies and Estimates

Any change in the accounting policies resulted from the first time adoption of a new standards, if any, is made either retrospectively or prospectively. Changes without any transition requirement, material changes in accounting policies or material errors are corrected retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

"Retained Earnings' Profit or Loss" in the consolidated statement of financial position are translated into US Dollars at historical rates and followed as US Dollars in accordance with TAS 21. For a meaningful representation of the translation of prior years' profit followed in US Dollars into Turkish Lira, the presentation currency, the differences arising from the translation of "Prior Years' Profit or Loss" into Turkish Lira at the closing rates announced by the Central Bank of the Republic of Turkey as of the relevant reporting period are recognized under the "Foreign Currency Translation Differences".

As of 31 December 2020, the classifications in the consolidated statement of financial position are as follows:

Account name	(Previously reported) 31 December 2020	(Restated) 31 December 2020	(Change) 31 December 2020
Retained Earnings	4.482.548	15.947.079	11.464.531
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)			
Foreign Currency Translation Reserves	17.198.251	13.105.506	(4.092.745)
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)			
Foreign Currency Translation Reserves	7.628.480	256.694	(7.371.786)
			-

As of 1 January 2020, the classifications in the consolidated statement of financial position are as follows:

Account name	(Previously reported) 1 January 2020	(Restated) 1 January 2020	(Change) 1 January 2020
Retained Earnings	2.057.906	10.203.915	8.146.009
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)			
Foreign Currency Translation Reserves	12.365.096	9.346.498	(3.018.598)
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)			
Foreign Currency Translation Reserves	5.463.762	336.351	(5.127.411)
			-

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are included in the scope of consolidation from the date on which control over their activities is transferred to the Group, and are excluded from the scope of consolidation on the date when control disappears.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company;

(i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee; (iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The statement of financial position and statements profit or loss of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its subsidiaries are eliminated on consolidation. The carrying value of, and the dividends arising from, shares held by Erdemir in its subsidiaries are eliminated from shareholders' equity and income for the year, respectively. The table below sets out all subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, (%) and their functional currencies as of reporting date.

	31 December 2021			31 December 2020		
	Functional Currency	**Ownership Interest**	**Effective Shareholding**	**Functional Currency**	**Ownership Interest**	**Effective Shareholding**
İsdemir	US Dollars	94,87	94,87	US Dollars	94,87	94,87
Ersem	US Dollars	100	100	US Dollars	100	100
Ermaden	Turkish Lira	90	90	Turkish Lira	90	90
Erdemir Mühendislik	Turkish Lira	100	100	Turkish Lira	100	100
Erdemir Romania S.R.L.	Euro	100	100	Euro	100	100
Erdemir Asia Pasific	US Dollars	100	100	US Dollars	100	100
Erdemir Enerji Üretim	Turkish Lira	100	100	Turkish Lira	100	100
İsdemir Linde Gaz	US Dollars	50	47	US Dollars	50	47
Kümaş	US Dollars	100	100	-	-	-
Odak	Turkish Lira	100	100	-	-	-
Yenilikçi	Turkish Lira	100	100	-	-	-

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 38)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Comparative Information and Restatement of Consolidated Financial Statements with Prior Periods

The Group's consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period consolidated financial statements.

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies

The Group, according to TFRS makes estimates and assumptions prospectively while preparing its consolidated financial statements. These accounting estimates are rarely identical to the actual results. The estimates and assumptions that may cause significant adjustments to the carrying values of assets and liabilities in the following reporting periods are listed below.

2.5.1 Useful lives of property, plant and equipment and intangible assets

The Group calculates depreciation for the property, plant and equipment by taking into account their production amounts on the basis of cash flow unit set by independent valuation firm and useful lives that are stated in Note 2.8.3 and 2.8.4 (Note 14, Note 15).

2.5.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. During the evaluation, the expiry dates of future profit projections, financial losses in the current period, unused carried forward financial losses and other tax assets are taken into consideration (Note 32).

2.5.3 Fair values of derivative financial instruments

The Group evaluates its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the reporting date (Note 6).

2.5.4 Provision for expected credit losses

Provision for expected credit losses reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credibility in the current market, their performance after the reporting date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. As of reporting date the provision for expected credit losses is presented in Note 8.

2.5.5 Provision for impairment of inventories

During the assessment of the provision for impairment of inventories the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to provision for inventories accounting policy of the Company. Sales prices listed and related data by sales prices of realized sales after reporting date, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of these studies, provision is made for inventories whose net realizable value is below the cost value and for slow moving inventories are presented in Note 10.

2.5.6 Provisions for employee benefits

The Group makes various actuarial assumptions such as the discount rate, inflation rate, real salary increase rate, and the voluntarily leave the job in the calculation of its liabilities regarding benefits provided to employees. The details related to employee benefits plans are stated in Note 19.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.7 Provision for lawsuits

The Group reliably determines the probability of losing the lawsuits and the liabilities that will arise in case of loss, based on the possible cash outflows based on the best estimation of the Management, taking into account the opinions of the Group Legal Consultancy and external expert lawyers for ongoing lawsuits. As of reporting date, provision for lawsuits is stated in Note 20.

2.5.8 Impairments on assets

The Group, performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment tests performed by the Group, additional impairment is estimated in the accompanying financial statements for the non-financial assets recognized in expenses from investment activities (Note 29). The Group recognized the amount of provisions released in income from investment activities (Note 29).

2.5.9 Impairment on financial assets

The impairment for financial assets are based on assumptions about risk of default and expected losses rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.5.10 Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

2.6 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the financial position statement where either there is a legally enforceable right to offset the recognized amounts or there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2021 summarized below.

Effects of these standarts and interpretations on Group's financial position and performance summarized following paragraphs.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

Amendments that are mandatorily effective from 2021

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

The amendments in Interest Rate Benchmark Reform - Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group assessed that the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17:	Insurance Contracts
Amendments to TAS 1:	Classification of Liabilities as Current or Non-Current
Amendments to TFRS 3:	Reference to the Conceptual Framework
Amendments to TAS 16:	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to TAS 37:	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to TFRS Standards 2018-2020:	Amendments to TFRS 1, TFRS 9 and TAS 41
Amendments to TFRS 4:	Extension of the Temporary Exemption from Applying TFRS 9
Amendments to TFRS 16 :	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to TAS 1:	Disclosure of Accounting Policies
Amendments to TAS 8:	Definition of Accounting Estimates
Amendments to TAS 12:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

New and revised TFRSs in issue but not yet effective (cont'd)

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references published together with the updated Conceptual Framework at the same time or earlier.

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments to TAS 37 specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle Amendments to TFRS 9 Financial

Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

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

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority ("POA") has published COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16) that extends, by one year, the 30 June 2021 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 Adoption of New and Revised Financial Reporting Standards (cont'd)

New and revised TFRSs in issue but not yet effective (cont'd)

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Early application is permitted.

Amendments to TAS 1 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 Definition of Accounting Estimates

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.8 Valuation Principles/Significant Accounting Policies Applied

Accounting policies implemented during preparation of financial statements as follows:

2.8.1 Revenue recognition

Group recognizes revenue when the goods or services are transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to the customer. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, steel and pig iron castings, cast and pressed products and their by-products.

Group recognizes revenue based on the following main principles:

a) Identification of customer contracts
b) Identification of performance obligations
c) Determination of transaction price in the contract
d) Allocation of price to performance obligations
e) Recognition of revenue when the performance obligations are fulfilled

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.1 Revenue recognition (cont'd)

Group recognized revenue from its customers only when all of the following criteria are met:

a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,

b) Group can identify each party's rights regarding the goods or services to be transferred,

c) Group can identify the payment terms for the goods or services to be transferred;

d) The contract has commercial substance,

e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Interest income is accrued in the relevant period in proportion to the remaining principal balance and the effective interest rate that reduces the estimated cash inflows to be obtained from the relevant financial asset to the book value of the asset. Interest income from the Group's time deposit investments are recognized under finance income, maturities sales interest income from trade receivables are recognized in revenue.

2.8.2 Inventories

Inventories are valued at the lower of cost or net realizable value. The costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority valued by using the monthly weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.8.3 Property, plant and equipment

Property, plant and equipment stated through the value of determined by using the historical cost approach that reflects the cost of the assets in purchase date adjusted for impairment and accumulated depreciation. Lands are not subject to depreciation and are shown over the amount after accumulated impairment is deducted from their cost values.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Provision for impairment are recognized in the consolidated statement of profit or loss.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.3 Property, plant and equipment (cont'd)

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives or production amount, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The rates that are used to depreciate the property, plant and equipment are as follows:

	Rates
Buildings	2-16%
Land improvements	2-33% and units of production level
Machinery and equipment	3-50% and units of production level
Vehicles	5-25% and units of production level
Furniture and fixtures	5-33%
Exploration costs and other fixed assets with speacial useful lifes	5-10% and units of production level
Other tangible fixed assets	5-25%

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Property, plant and equipment are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment (cash-generating unit).

Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the consolidated statement of profit or loss of the related period. The Group omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under construction in progress.

2.8.4 Intangible assets

Out of the purchased intangible fixed assets, those with a finite life are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized principally on a straight-line basis over their estimated useful lives and production amounts. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate are accounted for on a prospective basis.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.4 Intangible assets (cont'd)

The customer relationships acquired as a part of the business combinations are reflected in the financial statements at fair value at the acquisition date. The customer relationships have finite useful lives and are measured at cost less accumulated amortization. The amortization of the customer relationships is calculated on a straight-line basis over their estimated useful lives.

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%
Other intangible fixed assets	20-33%
Customer relationship	6,6%

2.8.5 Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation are measured initially at cost less any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss under income (expense) from investment activities.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.8.6 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.6 Leases (cont'd)

The Group as lessee (cont'd)

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments incurred on or before the lease actually commences, and other direct initial costs. These assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. (Note 16).

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

If the Group is in the position of sub-lease, the main lease and sub-lease are recognized as two separate contracts. Sub-lease is classified as financial lease or operating lease regarding the right to use arising from the main lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.7 Impairment on assets

Assets subject to depreciation and amortization are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. Recoverable amounts are estimated at the lowest level for individual assets (for the cash-generating unit). Non-financial assets that are impaired are evaluated for reversal of impairment amount at each reporting date.

2.8.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Investment revenues arising from the temporary utilization of the unused portion of facility loans are netted off from the costs eligible for capitalization.

All other borrowing costs are recognized directly in the consolidated statement of profit or loss of the period in which they are incurred.

2.8.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a part of the the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

<u>Classification of financial assets</u>

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item (Note 30).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Equity instruments designated as at FVTOCI (cont'd)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Entity does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 6.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

Hedge accounting (cont'd)

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge).

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 6 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in Note 6.

2.8.10 The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Each subsidiaries' financial conditions and performance results stated as Turkish Lira in presentation currency in consolidated financial statements.

The Group records foreign currency (currencies other than the functional currency of the related company) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in consolidated statement of profit or loss. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to consolidated statement of profit or loss.

Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

2.8.11 Earnings per share

Earnings/loss per share, disclosed in the consolidated statement of profit or loss, are determined by dividing the 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 by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.12 Subsequent events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date. Post period end events that are not adjusting events are disclosed in the notes when material.

2.8.13 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past legal or subtle event, where it is probable that the Group will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

When the Group's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Group discloses this fact in the notes.

2.8.14 Related parties

A related party is a person or entity that is related to (reporting entity), the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.15 Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in future and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates.

Deferred tax liabilities are generally recognized for all taxable temporary differences where 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. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized if it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.15 Taxation and deferred income taxes (cont'd)

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the consolidated statement of profit or loss, except when they relate to the items credited or debited directly to the equity (in this case the deferred tax related to these items is also recognized directly in the equity), or where they arise from the initial accounting of a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.8.16 Employee benefits

According to the Turkish and Romanian law and union agreements, employee termination payments are made to employees in the case of retiring or involuntarily leaving. Such payments are considered as a part of defined retirement benefit plan in accordance with TAS 19 (revised) *Employee Benefits* ("TAS 19").

The termination indemnities accounted in the balance sheet and seniority incentive premium in accordance with the union agreements in force represent the present value of the residual obligation. Actuarial gains and losses, on the other hand, are recognized in the statement of other comprehensive income.

The Group makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of profit or loss. The details related with the defined benefit plans are stated in Note 19.

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

The Group companies operating in Turkey are required to pay social insurance premiums to the Social Security Instituion. As long as it pays these insurance premiums, the Group does not have any further obligation. These premiums are reflected in the payroll expenses incurred in the period.

2.8.17 Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Group has met all conditions required. Government grants and incentives related to costs are recognized as revenue during the periods they are matched with the costs they will cover.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.18 Statement of cash flows

Cash flows during the period are classified and reported as operating, investing and financing activities in the consolidated statement of cash flows.

Cash flows arising from operating activities represent the cash flows that are used in or provided by the Group's steel products and metal sales activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Group.

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

Cash and cash equivalents comprises of the cash on hand, the demand deposits and highly liquid other short-term investments which their maturities are three months or less from the date of acquisition, are readily convertible to cash and are not subject to a significant risk of changes in value.

The translation difference that occurs due to translation from functional currency to presentation currency is shown as translation difference on cash flow statement.

2.8.19 Share capital and dividends

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

2.8.20 Repurchased shares (Erdemir shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings or accumulated losses.

2.8.21 Significant changes in current period

The Group management took the necessary actions to minimize the impacts of COVID-19 pandemic on the Group's operations and financial position. The manufacturing activities of the Group were not suspended during the lockdowns.

In the preparations of the consolidated financial statements as at 31 December 2021, the Group assessed the possible impacts of COVID-19 pandemic on the financial statements and reviewed the critical estimates and assumptions used in the preparation of the consolidated financial statements. Within this scope, the Group evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated financial statements as at 31 December 2021 for any possible impairment but no impairment were identified.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.22 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the consolidated profit or loss on disposal.

2.8.23 Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.23 Business Combinations (cont'd)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is measured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The Company has purchased the total shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) on 3 February 2021 from Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand).

The consolidated financial statements of Kümaş Manyezit Sanayi A.Ş., which has been audited as of the date of acquisition, are subject to goodwill calculation as of the reporting period (Note 17).

Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) financial statements; If it was included in the consolidated financial statements of the Group as of 1 January 2021; consolidated revenue would be TRY 108.168 thousand and consolidated net profit would be TRY 26.814 thousand higher.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.8 Valuation Principles/Significant Accounting Policies Applied (cont'd)

2.8.23 Business Combinations (cont'd)

	3 February 2021 USD'000	3 February 2021 TRY'000
Shares of the subsidiary purchase cost	**295.943**	**2.112.206**
Assets	**396.125**	**2.827.221**
Cash and cash equivalents	2.152	15.356
Trade receivables	24.095	171.974
Inventories	29.928	213.603
Property, plant and equipment	98.216	700.989
Intangible assets	228.754	1.632.662
Other current and non-current assets	12.980	92.637
Liabilities	**(118.963)**	**(849.060)**
Short term borrowings	(10.217)	(72.921)
Trade payables	(16.594)	(118.433)
Other payables	(35.944)	(256.537)
Payables for employee benefits	(2.844)	(20.297)
Deferred tax liabilities	(45.650)	(325.814)
Other current and non-current liabilities	(7.714)	(55.058)
Fair value of identifiable assets and liabilities	**277.162**	**1.978.161**
Shares aquired (%)	100%	100%
Fair value of identifiable assets and liabilities	**277.162**	**1.978.161**
Goodwill	**18.781**	**134.045**
Paid in cash and cash equivalents	295.943	2.112.206
Cash and cash equivalents obtained	(2.152)	(15.356)
Net cash outflow from the acquisition	**293.791**	**2.096.850**

Identifiable assets and liabilities were converted to TRY using the exchange rate of TRY 7,1372 = 1 USD as of 3 February 2021 announced by the Central Bank of the Republic of Turkey.

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NOTE 3 - SEGMENTAL REPORTING

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.

NOTE 4 - CASH AND CASH EQUIVALENTS

As of reporting date the detail of cash and cash equivalents as follows:

	31 December 2021	31 December 2020
Cash	26	16
Banks - demand deposits	546.480	181.762
Banks - time deposits	22.643.162	13.360.399
	23.189.668	**13.542.177**
Time deposit interest accruals (-)	(80.309)	(31.184)
Cash and cash equivalents excluding interest accruals	23.109.359	13.510.993

The details of demand deposits are presented below:

	31 December 2021	31 December 2020
US Dollars	402.245	38.085
Turkish Lira	70.130	56.334
EURO	64.542	64.944
Romanian Lei	8.972	21.689
Other	591	710
	546.480	**181.762**

The details of time deposits in banks as follows:

	31 December 2021	31 December 2020
US Dollars	11.728.238	9.919.441
Turkish Lira	9.533.650	3.382.449
EURO	1.380.608	58.109
Romanian Lei	666	400
	22.643.162	**13.360.399**

Group's bank deposits consist of deposits with maturity from 1 day to 3 months depending on immediate cash needs. Interest is received based on current short-term rates on the market.

NOTE 5 - FINANCIAL INVESTMENTS

As of reporting date the detail of financial investments as follows:

Financial assets shown at amortized value:

	31 December 2021	31 December 2020
Tresuary bonds	9.862	39.048
	9.862	**39.048**

Group, has made securities investment in order to obtain the return fixed income issued by banks and the private sector in Turkey. These fixed income securities held by the Group under the business model for collection of contractual cash flows that includes principal and interest payments related with principal amount.

As of reporting period long term financial investments as follows:

	31 December 2021	31 December 2020
Fair value differences reflected in income statement	493	199
	493	**199**

As of reporting date, financial investments, investment ratios and amounts as follows:

Company	Ratio %	31 December 2021	Ratio %	31 December 2020
Financial investments without an active market				
Teknopark Hatay A.Ş.	5	361	5	199
Seramik Araştırma Merkezi A.Ş.	4	132	-	-
		493		**199**

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NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

As of reporting date the detail of financial derivative instruments as follows:

	31 December 2021		31 December 2020	
	Asset	**Liability**	**Asset**	**Liability**
Fair value hedging derivative financial assets				
Forward contracts for fair value hedges of currency risk of sales	76.817	513	-	11.166
Forward contracts	-	3.093	-	-
Cross currency swap contracts	-	-	-	-
Interest rate swap contracts	-	-	-	15.247
	76.817	**3.606**	**-**	**26.413**
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	39.248	2.086	-	33.045
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowings	-	-	-	-
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	44.618	184.704	37.510	124
	83.866	**186.790**	**37.510**	**33.169**
	160.683	**190.396**	**37.510**	**59.582**

Derivative instruments for fair value hedge

As of reporting date, the details of forward, swap and cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
31 December 2021		**Nominal value**	**Fair Value**	**Nominal value**	**Fair Value**
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	1.692.236	76.817	247.788	513
		1.692.236	**76.817**	**247.788**	**513**
Forward contracts					
Buy EUR/Sell USD	Less than 3 months	-	-	112.094	3.093
		-	-	112.094	3.093
		1.692.236	**76.817**	**359.882**	**3.606**

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge (cont'd)

		Assets		Liabilities	
31 December 2020		**Nominal value**	**Fair Value**	**Nominal value**	**Fair Value**
Forward contracts for fair value hedges of currency risk of sales					
Buy USD/Sell EUR	Less than 3 months	-	-	185.048	11.111
Buy USD/Sell EUR	Between 3 - 6 months	-	-	855	55
		-	**-**	**185.903**	**11.166**
Interest rate swap contracts					
USD floating interest collection/ Fixed interest payment	Between 3 - 6 months	-	-	67.288	308
TRY floating interest collection/ Fixed interest payment	Between 3 - 6 months	-	-	550.000	14.794
USD basis floating interest collection/Basis floating interest payment	Between 3 - 6 months	**-**	**-**	**67.288**	**145**
		-	**-**	**684.576**	**15.247**
		-	**-**	**870.479**	**26.413**

Derivative instruments for cash flow hedge

Forward contracts for cash flow hedges of currency risk of sales:

Buy USD - Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2022 and April 2023.

In respect of these contracts which has a nominal value of TRY 2.765.339 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY (70.204) thousand was included in consolidated other comprehensive income (31 December 2020: TRY (31.342) thousand).

In the current period, TRY 133.263 thousand resulting from the sales related forward contracts was accounted under the revenue account of the consolidated the profit or loss statement (31 December 2020: TRY (30.336) thousand).

Cross currency and interest rate swap contracts for cash flow hedges of interest rate and currency risk of borrowings:

The derivative contracts made in order to fix the principal and interest rates of the Group's bank loans with floating interest and foreign currency in the future periods of except from the deferred tax effect recognized in the consolidated other comprehensive income. (31 December 2020: TRY (60) thousand).

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NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments for cash flow hedge (cont'd)

Commodity swap contracts for hedges of price risk of raw material purchases:

The Group purchases iron ore on an ongoing basis as its operating activities. The Group has concluded iron ore swap contracts in order to be protected from price risk of iron ore which shall be supplied in future and shall be used in the production of related sales in line with its contracted sales. Group's iron ore forward contracts measured at fair value through other comprehensive income/expense match iron ore price risk associated with future long term sales contracts. The terms and conditions of the iron ore swap contracts made for these sales transactions match the terms and conditions of the sales transactions. Therefore, it is not possible to record any income or expense arising from the ineffectiveness of the protection process.

The maturities' varies until June 2022 contracts of 364 thousands tons of iron ore has a nominal value of TRY 697.593 thousand and fair value of TRY (177.666) thousand except from deffered tax effect recognized on consolidated other comprehensive income (31 December 2020: TRY 1.735 thousand).

As of 31 December 2021, reflected TRY 184.192 thousand from consolidated other comprehensive income to inventory cost thousand (31 December 2020: TRY 23.622 thousand).

The terms and conditions of the forward contracts match the terms and conditions of the expected highly probable forecast sales in EUR. As a result, no hedge ineffectiveness arises requiring recognition and is tracked under other comprehensive income accounts since the aforementioned derivative transaction is a cash flow hedge derivative transaction until the sales is realized in accordance with hedge accounting. After the revenue is recognized, those derivative transactions are recognised in the profit or loss table as fair value hedges until the receivable amounts are collected.

NOTE 7 - BORROWINGS

As of reporting date details of borrowings disclosed at amortized are as follows:

	31 December 2021	31 December 2020
Short term bank borrowings	6.423.861	1.193.496
Current portion of long term bank borrowings	3.228.161	1.988.924
Long term bank borrowings	6.667.016	2.574.623
Total bank borrowings	**16.319.038**	**5.757.043**
Current portion of long term corporate bonds issued	-	562.693
Total corporate bonds issued	**-**	**562.693**
Current portion of long term lease payables	67.420	42.661
Cost of current portion of long term lease payables (-)	(3.769)	(2.246)
Long term lease payables	1.140.029	1.012.559
Cost of long term lease payables (-)	(846.374)	(774.439)
Total lease payables	**357.306**	**278.535**
Total borrowings	**16.676.344**	**6.598.271**

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NOTE 7 - BORROWINGS (cont'd)

As of 31 December 2021, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	31 December 2021
No interest	TRY	-	52.691	-	52.691
Fixed	TRY	18.19	24.892	-	24.892
Fixed	US Dollars	1.76	6.229.747	1.317.806	7.547.553
Fixed	EURO	2.70	24.051	11.536	35.587
Floating	US Dollars	Libor+2,17	2.966.079	3.906.098	6.872.177
Floating	EURO	Euribor+0,78	354.562	1.431.576	1.786.138
			9.652.022	**6.667.016**	**16.319.038**

As of 31 December 2020, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2020
Fixed	TRY	8.74	868.200	-	868.200
Fixed	US Dollars	2.02	477.043	644.140	1.121.183
Fixed	EURO	2.70	14.714	20.613	35.327
Floating	TRY	TRLibor+0,5	562.693	-	562.693
Floating	US Dollars	Libor+1,79	1.656.958	985.855	2.642.813
Floating	EURO	Euribor+0,5	165.505	924.015	1.089.520
			3.745.113	**2.574.623**	**6.319.736**

Maturity distribution of financial borrowings is as follows:

	31 December 2021			31 December 2020			
	Bank Borrowings	Lease Payables	Total Borrowings	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings
Within 1 year	9.652.022	63.651	9.715.673	3.182.420	562.693	40.415	3.785.528
Between 1-2 years	835.273	54.751	890.024	1.544.579	-	31.924	1.576.503
Between 2-3 years	3.201.224	38.360	3.239.584	251.807	-	28.534	280.341
Between 3-4 years	612.632	27.196	639.828	133.639	-	23.913	157.552
Between 4-5 years	809.053	23.637	832.690	121.253	-	20.784	142.037
Five years or more	1.208.834	149.711	1.358.545	523.345	-	132.965	656.310
	16.319.038	**357.306**	**16.676.344**	**5.757.043**	**562.693**	**278.535**	**6.598.271**

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NOTE 7 - BORROWINGS (cont'd)

Movement of net financial borrowings of bank loans and issued bonds as follows:

	31 December 2021	31 December 2020
Opening balance	6.319.736	7.454.327
Additional in borrowings due to acquisition of subsidiaries (Note 2.8.23)	71,372	-
Interest expenses	287.171	330.905
Interest paid	(294.446)	(291.063)
Unrealised foreign exchange differences	(80.694)	(128.034)
Capitalized financing expense	8.338	28.782
Cash inflow from loans	9.162.437	6.533.185
Cash outflow from loan repayments	(5.949.348)	(9.236.067)
Translation difference	6.794.472	1.627.701
Closing balance	**16.319.038**	**6.319.736**

Reconciliation of net financial borrowings of financial leases as follows:

	31 December 2021	31 December 2020
Opening balance	278.535	246.650
Additional in the leases due to acquisition of subsidiaries (Note 2.8.23)	1.549	-
The effect of the increase in the lease contract liability	103.157	38.807
Cash outflow effect	(64.445)	(46.470)
Increase in interest expenses	44.727	38.178
Foreign exchange effect	(6.217)	1.370
Closing balance	**357.306**	**278.535**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's trade receivables are as follows:

	31 December 2021	31 December 2020
Short term trade receivables		
Trade receivables	11.350.733	3.748.555
Due from related parties (Note 34)	311.384	258.985
Notes receivables	23.488	-
Expected credit loss provision (-)	(271.947)	(179.711)
	11.413.658	**3.827.829**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (cont'd)

As of the reporting date, the details of the Group's trade receivables are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance	179.711	145.360
Additional in provisions due to acquisition of subsidiaries (Note 2.8.23)	20.996	-
Provision for the period	1.043	439
Doubtful receivables collected (-)	(202)	(1.999)
Provision released (-)	(28.899)	(1.267)
Translation difference	99.298	37.178
Closing balance	**271.947**	**179.711**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 40-45 days and therefore are all classified as current. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

According to the market conditions and product types, a certain interest charge is applied for deferred trade receivables and overdue interest is applied for overdue trade receivables.

As the Group provides services and products to a large number of customers, collection risk is widely distributed amongst these customers and there is no significant credit risk exposure. Therefore, the Group does not provide for any further provision beyond the expected credit losses provisions that the Group has already provided for in the consolidated financial statements. The detail of overdue receivables included in trade receivables as of the reporting date is disclosed in the management of credit risk management. Other disclosures as to the Group's credit risk are given in Note 35. The Group provides provision according to the balances of all unsecured receivables under legal follow up.

Group's past due but not impaired receivable amount is TRY 41.653 thousand and the maturities of them are between 0 and 90 days (31 December 2020: TRY 45.110 thousand) (Note 35).

As of the balance sheet date, the details of the Group's trade payables are as follows:

Short term trade payables	31 December 2021	31 December 2020
Trade payables	6.500.856	3.633.204
Due to related parties (Note 34)	202.414	131.336
Expense accruals	29.237	2.409
	6.732.507	**3.766.949**

Trade payables consist of payables to sellers for products or services purchased in the ordinary course of business. The average credit period on purchases of certain goods is between 35-40 days.

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES

As of the reporting date, the details of the Group's other receivables are as follows:

Short term other receivables	**31 December 2021**	**31 December 2020**
Due From Related Parties (Note 34)	5.735	10.892
Receivables from water system construction	1.351	1.471
Deposits and guarantees given	7.100	790
Receivables from Privatization Authority	37.795	33.367
	51.981	**46.520**

Long term other receivables	**31 December 2021**	**31 December 2020**
Due From Related Parties (Note 34)	32.512	28.458
Receivables from water system construction	5.900	10.193
Deposits and guarantees given	16.218	674
	54.630	**39.325**

As of the reporting date, the details of the Group's short term other payables are as follows:

Short term other payables	**31 December 2021**	**31 December 2020**
Taxes payable	99.943	51.263
Deposits and guarantees received	128.948	76.542
Dividend payables to shareholders [(*)]	7.151	4.080
	236.042	**131.885**

[(*)] Dividend payable represents the uncollected balances by shareholders related to the prior years.

NOTE 10 - INVENTORIES

As of the reporting date, the details of the Group's inventories are as follows:

	31 December 2021	**31 December 2020**
Raw materials	7.217.219	2.400.813
Work in progress	6.749.579	2.017.296
Finished goods	6.410.581	1.861.015
Spare parts	3.313.741	1.668.699
Goods in transit	4.737.221	1.960.470
Other inventories	1.556.442	746.164
Allowance for impairment on inventories (-)	(1.024.586)	(547.779)
	28.960.197	**10.106.678**

NOTE 10 - INVENTORIES (cont'd)

The movement of the provision for impairment on inventories:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance	547.779	416.261
Additional in provisions due to acquisition of subsidiaries (Note 2.8.23)	42.732	-
Provision for the period	1.147	46.140
Provision released (-)	(34.233)	(14.481)
Translation difference	467.161	99.859
Closing balance	**1.024.586**	**547.779**

The Group has provided the provision for the impairment on the inventories when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 25).

NOTE 11 - PREPAID EXPENSES

As of the reporting date, the details of the Group's short term prepaid expenses are as follows:

	31 December 2021	31 December 2020
Insurance expenses	580.959	94.598
Order advances given	23.856	13.634
Due to related parties (Note 34)	22.282	280
Prepaid utility allowance to employees	25.029	13.218
Mine site permit fee	33.703	-
Other prepaid expenses	28.281	11.260
	714.110	**132.990**

As of the reporting date, the details of the Group's long term prepaid expenses are as follows:

	31 December 2021	31 December 2020
Order advances given	2.179.055	1.063.987
Due to related parties (Note 34)	1.168.301	643.367
Insurance expenses	157.797	66.398
Pickling expenses	116.339	-
Other prepaid expenses	3.141	2.323
	3.624.633	**1.776.075**

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NOTE 12 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The details of the Group's financial investments accounted for using equity method are as follows:

	Right to vote ratio %	31 December 2021	Right to vote ratio %	31 December 2020	Business segment
Joint Venture					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	370.292	50	229.956	Industrial Gas Production and Sale

The Group's shares on assets of investments accounted for using equity method are as follows:

	31 December 2021	31 December 2020
Total assets	778.957	492.495
Total liabilities	38.373	32.584
Net assets	**740.584**	**459.911**
Group's share on net assets	**370.292**	**229.956**

It has been decided to reduce the İsdemir Linde Gaz Ortaklığı A.Ş.'s fully paid-in capital amounting to TRY 175.000 thousand to TRY 140.000 thousand by reducing the amount of TRY 35.000 thousand. Payments regarding the capital reduction were completed as of 12 October 2021.

	31 December 2021	31 December 2020
Share capital	140.000	175.000

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 25 February 2021, decisions regarding the distribution of cash dividend of TRY 12.784 thousand from the net profit of 2020 have been unanimously approved (its effect on statement of cash flows of Group is TRY 6.392 thousand) has been completed on 12 March 2021.

At the Extra Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 9 July 2021, İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 132.460 thousand (31 December 2020: TRY 97.254 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 35.206 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 17.603 thousand) is included in the financial statements prepared as of reporting date.

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NOTE 12 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont'd)

Group's share on profit of investments accounted for using equity method as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Revenue	174.954	123.827
Operating profit	39.648	28.909
Net profit (loss) for the period	(12.088)	15.369
Group's share on net profit	**(6.044)**	**7.685**

NOTE 13 - INVESTMENT PROPERTIES

The details of the Group's investments properties are as follows:

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	213.972	171.436	385.408
Translation difference	174.563	139.861	314.424
Closing balance as of 31 December 2021	**388.535**	**311.297**	**699.832**
Accumulated Depreciation			
Opening balance as of 1 January	-	(17.240)	(17.240)
Translation difference	-	(18.003)	(18.003)
Charge for the period	-	(7.909)	(7.909)
Closing balance as of 31 December 2021	**-**	**(43.152)**	**(43.152)**
Net book value as of 31 December 2020	**213.972**	**154.196**	**368.168**
Net book value as of 31 December 2021	**388.535**	**268.145**	**656.680**

The fair value of the Group's investment properties is TRY 1.300.780 thousand (31 December 2020: TRY 981.540 thousand) according to the most recent valuation reports. The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

All investment properties of the Group consist of land and buildings. The fair value level of these real estates is evaluated as level 2.

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NOTE 13 - INVESTMENT PROPERTIES (cont'd)

The Group does not have contractual obligations regarding the purchase, construction or development of investment properties or maintenance, repair or improvement. For the year ended 31 December 2021, the Group generated rent income amounting to TRY 18.366 thousand (31 December 2020: TRY 16.013 thousand) from rented investment properties under operating leases (Note 29). The Group also has investment properties that do not generate rental income.

The Group has recognized (2.194) thousand TRY (31 December 2020: (2.918) thousand TRY) of estate tax expenses related to investment properties for the year ended 31 December 2021 under investment expenses (Note 29).

	Land	Buildings	Total
Cost			
Opening balance as of 1 January	173.154	138.732	311.886
Translation difference	40.818	32.704	73.522
Closing balance as of 31 December 2020	**213.972**	**171.436**	**385.408**
Accumulated Depreciation			
Opening balance as of 1 January	-	(8.672)	(8.672)
Translation difference	-	(2.342)	(2.342)
Charge for the period	-	(6.226)	(6.226)
Closing balance as of 31 December 2020	**-**	**(17.240)**	**(17.240)**
Net book value as of 31 December 2019	**173.154**	**130.060**	**303.214**
Net book value as of 31 December 2020	**213.972**	**154.196**	**368.168**

Amortization distribution of investment properties is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Associated with cost of production	1.019	802
General administrative expenses	6.890	5.424
	7.909	**6.226**

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and equipment
Cost				
Opening balance as of 1 January	467.275	6.467.731	10.311.218	44.350.949
Additional in property, plant and equivalent due to acquisition of subsidiaries (Note 2.8.23)	160.933	12.129	82.202	421.654
Translation difference	510.589	5.268.174	8.552.415	37.047.266
Additions (*)	3.985	2.617	652	241.596
Transfers from CIP (**)	6.206	86.688	181.537	565.988
Disposals	-	(2.784)	(3.324)	(227.591)
Closing balance as of 31 December 2021	**1.148.988**	**11.834.555**	**19.124.700**	**82.399.862**
Accumulated Depreciation				
Opening balance as of 1 January	-	(4.897.124)	(7.618.710)	(26.896.522)
Translation difference	-	(4.051.821)	(6.330.585)	(22.725.973)
Charge for the period	-	(164.686)	(243.154)	(1.346.376)
Impairment (***)	-	-	59	2.627
Disposals	-	169	442	198.034
Closing balance as of 31 December 2021	**-**	**(9.113.462)**	**(14.191.948)**	**(50.768.210)**
Net book value as of 31 December 2020	**467.275**	**1.570.607**	**2.692.508**	**17.454.427**
Net book value as of 31 December 2021	**1.148.988**	**2.721.093**	**4.932.752**	**31.631.652**

(*) The amount of capitalized borrowing cost is TRY 8.338 thousand for the current period.

(**) TRY 15.738 thousand is transferred to intangible assets (Note 15).

(***) The Group reviewed recoverable amounts for the property,plant and equipment that will be out of use and will not generate independent cash flow. As a result of the review, for Kümaş Manyezit Sanayi T.A.Ş.'s non used assets, an impairment loss of TRY (5.652) thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 29), for Ereğli Demir ve Çelik Fabrikaları T.A.Ş.'s no longer required impairment profit of TRY 8.342 thousand is recognised that on statement of profit or loss under incomes from investment activities (Note 29).

As of 31 December 2021, the Group has no collaterals or pledges upon its property, plant and equipment.

Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
2.377.927	1.189.476	364.647	2.517.334	68.046.557
7.627	2.968	2.454	11.022	700.989
1.852.464	919.816	193.292	3.128.974	57.472.990
34.457	54.102	41.245	3.437.661	3.816.315
20.465	11.163	1.348	(889.133)	(15.738)
(22.597)	(20.068)	(4.020)	-	(280.384)
4.270.343	**2.157.457**	**598.966**	**8.205.858**	**129.740.729**
(1.488.292)	(675.938)	(291.183)	(116.952)	(41.984.721)
(1.140.090)	(511.653)	(165.894)	(97.331)	(35.023.347)
(96.593)	(74.896)	(24.143)	-	(1.949.848)
-	4	-	-	2.690
22.597	17.286	1.087	-	239.615
(2.702.378)	**(1.245.197)**	**(480.133)**	**(214.283)**	**(78.715.611)**
889.635	**513.538**	**73.464**	**2.400.382**	**26.061.836**
1.567.965	**912.260**	**118.833**	**7.991.575**	**51.025.118**

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land Improvements	Buildings	Machinery and equipment
Cost				
Opening balance as of 1 January	376.129	5.212.999	8.297.849	35.099.569
Translation difference	88.393	1.208.451	1.956.397	8.302.098
Additions (*)	16.630	2.133	432	209.945
Transfers from CIP (**)	-	44.451	57.582	971.446
Disposals	(13.877)	(303)	(1.042)	(232.109)
Closing balance as of 31 December 2020	**467.275**	**6.467.731**	**10.311.218**	**44.350.949**
Accumulated Depreciation				
Opening balance as of 1 January	-	(3.870.219)	(6.007.296)	(21.062.754)
Translation difference	-	(907.628)	(1.424.237)	(4.977.519)
Charge for the period	-	(119.119)	(188.096)	(996.948)
Disposals	-	289	919	179.513
Closing balance as of 31 December 2020	**-**	**(4.897.124)**	**(7.618.710)**	**(26.896.522)**
Net book value as of 31 December 2019	**376.129**	**1.342.780**	**2.290.553**	**14.036.815**
Net book value as of 31 December 2020	**467.275**	**1.570.607**	**2.692.508**	**17.454.427**

(*) The amount of capitalized borrowing cost is TRY 28.782 thousand for the current period.

(**) TRY 41.928 thousand is transferred to intangible assets (Note 15).

(***) The Group reviewed recoverable amounts of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.and Erdemir Romania S.R.L for the property,plant and equipment that will be out of use and will not generate independent cash flow. As a result of the review, for non used assets, an impairment loss of TRY (39.261) thousand is recognised that on statement of profit or loss under expenses from investment activities (Note 29).

As of 31 December 2020, the Group has no collaterals or pledges upon its tangible assets.

Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
1.938.964	949.850	303.267	1.441.525	53.620.152
424.892	203.055	42.807	351.448	12.577.541
13.321	27.116	16.619	1.866.970	2.153.166
6.149	16.361	4.692	(1.142.609)	(41.928)
(5.399)	(6.906)	(2.738)	-	(262.374)
2.377.927	**1.189.476**	**364.647**	**2.517.334**	**68.046.557**
(1.179.041)	(525.772)	(226.896)	(94.193)	(32.966.171)
(247.595)	(104.656)	(34.159)	(22.759)	(7.718.553)
(66.901)	(51.310)	(31.223)	-	(1.453.597)
5.245	5.800	1.095	-	192.861
(1.488.292)	**(675.938)**	**(291.183)**	**(116.952)**	**(41.984.721)**
759.923	**424.078**	**76.371**	**1.347.332**	**20.653.981**
889.635	**513.538**	**73.464**	**2.400.382**	**26.061.836**

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of depreciation expenses related to property, plant and equipment is as follows:

	31 December 2021	31 December 2020
Associated with cost of production	1.806.762	1.361.402
General administrative expenses	45.781	32.981
Marketing, sales and distribution expenses	84.665	50.905
Research and development expenses	12.640	8.309
	1.949.848	**1.453.597**

NOTE 15 - INTANGIBLE ASSETS

	Rights	Customer Relationships	Other Intangible Assets	Total
Cost				
Opening balance as of 1 January	1.015.080	-	64.199	1.079.279
Additional in intangible assets due to acquisition of subsidiaries (Note 2.8.23)	863.557	762.557	6.548	1.632.662
Translation difference	1.627.020	661.548	50.444	2.339.012
Additions	53.250	-	828	54.078
Transfers from CIP	14.519	-	1.219	15.738
Disposals	(5)	-	-	(5)
Closing balance as of 31 December 2021	**3.573.421**	**1.424.105**	**123.238**	**5.120.764**
Accumulated amortization				
Opening balance as of 1 January	(619.101)	-	(49.463)	(668.564)
Translation difference	(555.872)	(28.925)	(48.119)	(632.916)
Charge for the period	(66.750)	(58.103)	(5.678)	(130.531)
Disposals	2	-	-	2
Closing balance as of 31 December 2021	**(1.241.721)**	**(87.028)**	**(103.260)**	**(1.432.009)**
Net book value as of 31 December 2020	**395.979**	**-**	**14.736**	**410.715**
Net book value as of 31 December 2021	**2.331.700**	**1.337.077**	**19.978**	**3.688.755**

Customer relationships acquired as a part of business combinations are reflected in the consolidated financial statements over their fair values as of the acquisition date (Note 2.8.23). Amortization of customer relationships is accounted for using the straight-line method over their estimated useful lives (Not 2.8.4).

As of 31 December 2021, the Group has no collaterals or pledges upon its intangible assets.

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NOTE 15 - INTANGIBLE ASSETS (cont'd)

	Rights	Other Intangible Assets	Total
Cost			
Opening balance as of 1 January	781.603	40.264	821.867
Translation difference	183.216	11.910	195.126
Additions	17.729	2.629	20.358
Transfers from CIP	32.532	9.396	41.928
Closing balance as of 31 December 2020	**1.015.080**	**64.199**	**1.079.279**
Accumulated amortization			
Opening balance as of 1 January	(471.990)	(37.343)	(509.333)
Translation difference	(109.915)	(11.137)	(121.052)
Charge for the period	(37.196)	(983)	(38.179)
Closing balance as of 31 December 2020	**(619.101)**	**(49.463)**	**(668.564)**
Net book value as of 31 December 2019	**309.613**	**2.921**	**312.534**
Net book value as of 31 December 2020	**395.979**	**14.736**	**410.715**

As of 31 December 2020, the Group has no collaterals or pledges upon its intangible assets.

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2021	31 December 2020
Associated with cost of production	115.473	25.915
General administrative expenses	14.888	12.101
Marketing, sales and distribution expenses	22	-
Research and development expenses	148	163
	130.531	**38.179**

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NOTE 16 - RIGHT OF USE ASSETS

As of the reporting date the movement of right of use assets are as follows:

	Right to Use Land	Car Leases	Total
Cost			
Opening balance as of 1 January	327.672	29.620	357.292
Additional in right of use assets due to acquisition of subsidiaries (Note 2.8.23)	-	2.072	2.072
Additions to assets of operating lease	34.898	55.140	90.038
Disposals (-)	-	(18.470)	(18.470)
Translation difference	284.694	46.497	331.191
Closing balance as of 31 December 2021	**647.264**	**114.859**	**762.123**
Accumulated Depreciation			
Opening balance as of 1 January	20.996	18.652	39.648
Charge for the period	15.433	18.876	34.309
Disposals (-)	-	(16.283)	(16.283)
Translation difference	24.812	19.448	44.260
Closing balance as of 31 December 2021	**61.241**	**40.693**	**101.934**
Net book value as of 31 December 2020	**306.676**	**10.968**	**317.644**
Net book value as of 31 December 2021	**586.023**	**74.166**	**660.189**

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	Right to Use Land	Car Leases	Total
Cost			
Opening balance as of 1 January	236.950	22.206	259.156
Additions to assets of operating lease	41.911	2.080	43.991
Disposals (-)	(8.637)	-	(8.637)
Translation difference	57.448	5.334	62.782
Closing balance as of 31 December 2020	**327.672**	**29.620**	**357.292**
Accumulated Depreciation			
Opening balance as of 1 January	7.675	6.531	14.206
Charge for the period	10.986	10.099	21.085
Translation difference	2.335	2.022	4.357
Closing balance as of 31 December 2020	**20.996**	**18.652**	**39.648**
Net book value as of 31 December 2019	**229.275**	**15.675**	**244.950**
Net book value as of 31 December 2020	**306.676**	**10.968**	**317.644**

The items right of use assets recognized in profit or loss is as follows:

	31 December 2021	31 December 2020
Amortization of assets to operating lease	34.309	21.085
Interest expense from lease transactions (Note 31)	44.727	38.178

The net book value of the right-of-use assets acquired through the lease is as follows:

	31 December 2021	31 December 2020
Right to use land	586.023	306.676
Car leases	74.166	10.968
	660.189	**317.644**

The Group has usage permit agreements regarding the port areas of the General Directorate of National Real Estate. The values of tangibles with usage permit periods expiring in 2048 and 2050 are measured at their present value by reducing the borrowing rate by 12% - 16% at the initial calculation.

The Group has a usage permit agreement of regarding the forest land and energy transmission line of the General Directorate of Forestry. Forest land use permit will expire in 2039 - 2068, and the energy transmission line use permit will expire in 2064. The values of the immovable assets were measured at present value by reducing the borrowing rate in the first calculation with 12%-15% .

NOTE 16 - RIGHT OF USE ASSETS (cont'd)

In addition, car lease contracts with useful lives between 2021 - 2024 and with borrowing rate reduced by 13% - 25% are measured at their present value.

Lease agreements are accounted for in the consolidated statement of financial position in the notes of right of use assets and borrowing in accordance with the above explanations (Note 7).

The distribution of amortization expenses related to right of use assets is as follows:

	31 December 2021	31 December 2020
Associated with cost of production	633	-
General administration expenses	18.345	10.099
Marketing, sales and distribution expenses	97	-
Other operating expenses	15.234	10.986
	34.309	**21.085**

NOTE 17 - GOODWİLL

The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş and its subsidiaries was completed on 3 February 2021. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand).

As a result of the purchase; the part of the fair value of the acquired assets and liabilities amounting to USD 277.162 thousand (TRY 1.978.161 thousand) below the purchase price is recognized as goodwill amounting to USD 18.781 thousand (TRY 134.045 thousand) (Note 2.8.23).

	31 December 2021
Goodwill	250.335
	250.335

	1 January - 31 December 2021
Opening balance	-
Due to acquisition of subsidiaries during the year (Note 2.8.23)	134.045
Translation difference	116.290
Closing balance	**250.335**

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis. Value in use is determined by discounting the expected future cash flows to be generated by the cashgenerating unit.

NOTE 17 - GOODWİLL (cont'd)

The below key assumptions are used in the calculation of the value in use as of 31 December 2021:

The projection period for the purposes of goodwill impairment testing is approved by the management

as 5 years between 1 January 2022 and 31 December 2026. Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3,0% - 4,5% which does not exceed the estimated average growth rate of economy of the country. Weighted average cost of capital rate of 10,1% - 13,0% is used as after-tax discount rate in order to calculate the recoverable amount of the unit. As of the reporting period, no impairment has been determined in the amount of goodwill associated with the Group's activities.

NOTE 18 - GOVERNMENT GRANTS AND INCENTIVES

These grants and incentives can be used by all companies, which meet the related legislative requirements and those grants have no sectoral differences:

- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption etc.)
- Support in cash from Tubitak - Teydeb, in return for research and devolopment expenditures,
- Inward processing permission certificates,
- Social Security Institution incentives
- Insurance premium employer share incentive.

Research and development incentive premiums received amounts to TRY 3.879 thousand (31 December 2020: TRY 3.009 thousand) which are considered as a deduction subject in the calculation of corporate tax for the year ended 31 December 2021.

NOTE 19 - EMPLOYEE BENEFITS

The Group's short term payables for employee benefits are as follows:

	31 December 2021	31 December 2020
Due to personnel	236.301	139.640
Social security premiums payable	74.173	57.656
	310.474	**197.296**

As of the reporting date long term provisions of the employee benefits of the Group are as follows:

	31 December 2021	31 December 2020
Provisions for employee termination benefits	1.282.538	759.907
Provisions for seniority incentive premium	183.800	108.316
Provision for unpaid vacations	139.012	99.913
	1.605.350	**968.136**

According to the articles of Turkish Labor Law in force, the Group have obligation to pay the legal employee termination benefits to each employee whose are 25 years of working life by completing at least one year of service, leaving for military services and deceased.

As of 31 December 2021, the amount payable consists of one month's salary limited to a maximum of TRY 8.284,59 (31 December 2020: TRY 7.117,17) for each year of service. As of 1 January 2022, the employment termination benefit has been updated to a maximum of TRY 10.848,59.

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NOTE 19 - EMPLOYEE BENEFITS (cont'd)

The employment termination benefit legally is not subject to any funding requirement.

The employment termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2021 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 December 2021	31 December 2020
Discount rate	19,00%	12,80%
Inflation rate	15,00%	8,50%
Salary increase	real 1,5%	real 1,5%
Maximum liability increase	15,00%	8,50%

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 December 2021, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2021, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

The movement of the provision for employee termination benefits is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance	759.907	651.998
Additional in provisions due to acquisition of subsidiaries (Note 2.8.23)	17.312	-
Service cost	80.464	55.790
Interest cost	122.174	83.603
Actuarial loss/(gain)	346.030	17.367
Termination benefits paid	(47.199)	(49.847)
Translation difference	3.850	996
Closing balance	**1.282.538**	**759.907**

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NOTE 19 - EMPLOYEE BENEFITS (cont'd)

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. All other variables were held constant, the sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2021 as follows:

	Interest rate	
Change in rate	**1% increase**	**1% decrease**
Change in employee benefits liability	(89.457)	101.894

	Inflation rate	
Change in rate	**1% increase**	**1% decrease**
Change in employee benefits liability	104.713	(93.126)

According to the current collective labor agreement, employees completing their 5th, 10th, 15th and 20th service years receive seniority incentive premium payments.

The movement of the provision for seniority incentive premium is as follows:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Opening balance	108.316	71.234
Service cost	13.708	8.333
Interest cost	17.041	9.983
Actuarial loss/(gain)	60.829	29.838
Termination benefits paid	(14.434)	(11.106)
Translation difference	(1.660)	34
Closing balance	**183.800**	**108.316**

The movement of the provision for unused vacation is as follows:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Opening balance	99.913	84.092
Additional in provisions due to acquisition of subsidiaries (Note 2.8.23)	2.985	-
Provision for the period	143.380	108.907
Vacation paid during the period (-)	(6.304)	(5.281)
Provisions released (-)	(103.991)	(88.285)
Translation difference	3.029	480
Closing balance	**139.012**	**99.913**

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NOTE 20 - PROVISIONS

The Group's short term provisions are as follows:

	31 December 2021	31 December 2020
Provision for lawsuits	247.419	195.355
Penalty provision for employment shortage of disabled personnel	11.117	13.551
Provision for state right on mining activities	39.248	23.023
Provision for land occupation	35.085	21.695
	332.869	**253.624**

The movement of the short term provisions is as follows:

	1 January 2021	Additional in provisions due to acquisition of subsidiaries (Note 2.8.23)	Change for the period	Payments	Provision released	Translation difference	31 December 2021
Provision for lawsuits	195.355	1.410	60.401	(19.954)	(32.306)	42.513	247.419
Penalty provision for employment shortage of disabled personnel	13.551	-	5.036	(3.755)	(1.478)	(2.237)	11.117
Provision for state right on mining activities	23.023	6.295	29.485	(22.848)	-	3.293	39.248
Provision for land occupation	21.695	-	30.730	(20.820)	(284)	3.764	35.085
	253.624	**7.705**	**125.652**	**(67.377)**	**(34.068)**	**47.333**	**330.435**

	1 January 2020	Additional in provisions due to acquisition of subsidiaries (Note 2.8.23)	Change for the period	Payments	Provision released	Translation difference	31 December 2020
Provision for lawsuits	196.700	-	62.766	(46.534)	(43.727)	26.150	195.355
Penalty provision for employment shortage of disabled personnel	12.836	-	4.647	(3.005)	(945)	18	13.551
Provision for state right on mining activities	19.158	-	24.162	(20.297)	-	-	23.023
Provision for land occupation	13.215	-	28.537	(22.015)	(228)	2.186	21.695
	241.909	**-**	**120.112**	**(91.851)**	**(44.900)**	**28.354**	**253.624**

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NOTE 20 - PROVISIONS (cont'd)

Provision for lawsuits

As of 31 December 2021 and 31 December 2020, lawsuits filed by and against the Group are as follows:

	31 December 2021	31 December 2020
Lawsuits filed by the Group	1.460.069	974.124
Provision for lawsuits filed by the Group	227.346	171.111

The provisions for the lawsuits filed by the Group represents provision for trade and other receivables.

	31 December 2021	31 December 2020
Lawsuits filed against the Group	282.999	175.340
Provision for lawsuits filed against the Group	247.419	195.355

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB's Communiqué Serial XI No 25 on "Accounting Standards to be implemented in Capital Markets" which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB's letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the "Accounting Standards to be implemented in Capital Markets"), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (TFRS) caused a decrease amounting to TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 October 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company's lawyers on 16 July 2012.

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the TFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that "Article 726 and Temporary Provision 1 of CMB's Communiqué Serial XI, No. 25 authorize the use of TFRS on consolidated financial statements of 2005, although CMB had given the Company a 'permission' No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

NOTE 20 - PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on "TFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with "TFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 December 2021 and 31 December 2020 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber's decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company's request for revision of the decision has been rejected. At the hearing held on 30 December 2021, The 3rd Commercial Court of First Instance of Ankara has accepted the case file No. 2019/418 E. subject to appeal.

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 December 2021 and 31 December 2020.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.). located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notification made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. The file was sent to the Karadeniz. Ereğli 2nd Civil Court of First Instance to be send back to the Regional Court of Justice after the reasoned decision was written. At the hearing dated 7 December 2021, it was decided to postpone the judgement to 8 February 2022. At the hearing dated 8 February 2022, it was decided to postpone the trial to 22 February 2022. A provision amounting to TRY 105.796 thousand recognized on consolidated financial statements for the related lawsuit.

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NOTE 20 - PROVISIONS (cont'd)

Resolution of Constitutional Court on Electric and Coal Gas Tax

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, on 16 March 2015, the Company used its right to apply the Constitutional Court individually. In the General Assembly Resolution adopted by the Constitutional Court notified to the Company on 27 December 2018, it is stated that the property rights of the Company were violated, and retrial was decided for the applicable claims to eliminate the consequences of the violation of the property rights regarding to consolidated 15 cases.

Similarly, in the consolidated 21 cases subject to Company's application, the Constitutional Court has decided for retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

There are 3 applications for which the decisions are awaited from the Constitutional Court.

The aforementioned cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company.

Regarding to ongoing cases, resolutions are made in favor of the Company.

Lawsuit against The Municipality of Kdz. Ereğli's Tax Penalty Notifications

A real estate tax review was carried out by the Municipality of Kdz Ereğli under the name of "Real Estate Tax Determination Field Study" at Company's Ereğli facilities in August 2019. As a result of this tax inspection, 1.924 tax penalty notifications were notified to the company on 23 December 2019. With the 1.924 tax penalty notices, the building tax and related cultural assets contribution share has been levied for 2014 to 2019, as well as the tax loss penalty for the same periods. The amount of tax and related cultural assets contribution assessment is TRY 25.586 thousand and TRY 23.888 thousand tax loss penalty has been imposed.

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020. Zonguldak Tax Court has accepted the cases and decided to cancel such notifications. The Municipality of Kdz. Ereğli has requested for appeal against the decisions of the court.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments for the tax, cultural assets contribution fee and tax penalty charged.

Lawsuits against Cease and Desist Orders and Zoning Administrative Fines of The Municipality of Kdz. Ereğli

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee's decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In all lawsuits, the Court has decided to cancel proceedings subject to lawsuits. The Municipality has appealed against these decisions. In 14 cases, the Regional Administration Court has decided to reject the Municipality's request for appeal. In the last filed case, the decision has not been notified. In 11 lawsuit, The Municipality has appealed to the Council of State against these decisions in 11 cases. 3 lawsuits have been finalized in favor of the Company without appeal to Council of State.

No provision has been made in the consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments.

Provision for state right on mining activities

According to "Mining Law" numbered 3213 and regulation on "Mining Law Enforcement"published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is calculated state right on mining activities based on the sales income.

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NOTE 20 - PROVISIONS (cont'd)

Land occupation

The Group have land property within the Erdemir factory area being within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3% of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision is recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

NOTE 21 - COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2021	31 December 2020
Letters of guarantees received	9.218.182	4.102.062
	9.218.182	**4.102.062**

The Collaterals, pledges and mortgages (CPM) given by the Group are as follows:

	31 December 2021	31 December 2020
A. Total CPM given for the Company's own legal entity	194.489	127.548
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.626.528	606.492
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	2.821.017	**734.040**

All of the TRI's given by the Group on behalf of its legal entity consist of letters of guarantee. The CPMs given by the Group in favor of the partnerships included in the scope of consolidation amounting to TRY 2.626.528 thousand have been given regarding the bank loans and raw material procurement transactions detailed in Note 7. As of 31 December 2021, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2020: 0%).

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NOTE 21 - COMMITMENTS AND CONTINGENCIES (cont'd)

The breakdown of the Group's collaterals given regarding service purchases according to their TRY equivalents of foreign currency is as follows:

	31 December 2021	31 December 2020
US Dollars	1.828.701	207.236
Turkish Lira	143.149	106.041
EURO	849.167	420.763
	2.821.017	**734.040**

NOTE 22 - OTHER ASSETS AND LIABILITIES

As of the reporting date, the details of the Group's other assets and liabilities are as follows:

Other current assets

	31 December 2021	31 December 2020
Other VAT receivable	1.026.994	634.830
Deferred VAT	116.126	116.026
Prepaid taxes and funds	11.363	3.488
Other current assets	38.884	20.146
	1.193.367	**774.490**

Other non-current assets

	31 December 2021	31 December 2020
Other VAT receivable	233.000	210.441
	233.000	**210.441**

Other current liabilities

	31 December 2021	31 December 2020
VAT payable	192.800	157.537
Other current liabilities	4.437	2.802
	197.237	**160.339**

Other non-current liabilities

	31 December 2021	31 December 2020
Other non-current liabilities	3.505	1.857
	3.505	**1.857**

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NOTE 23 - DEFERRED INCOME

As of the reporting date, the details of the Group's short term deferred income are as follows:

	31 December 2021	31 December 2020
Advances received	1.381.015	519.271
Deferred income	109.529	22.923
	1.490.544	**542.194**

NOTE 24 - EQUITY

As of the Group's reporting date the capital structure is as follows:

Shareholders	(%)	31 December 2021	(%)	31 December 2020
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares (-)		(116.232)		(116.232)
		3.540.381		**3.540.381**

The capital of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. is subject to the registered capital limit. The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kurus) up to the amount of the registered capital, which is TRY 7.000.000.000.

The issued capital of the Company consists of 350.000.000.000 lots of shares (31 December 2020: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (31 December 2020: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

The Board of Directors consists of 9 members 3 of which are independent. The number and qualifications of independent members are ascertained in compliance with the CMB's Communique numbered II-17,1 on Corporate Governance Principles.

The General Assembly has to choose one member to the Board of Directors from the nominees of the Privatization Administration as the beneficiary owner representing A Group shares. In case, the Board member representing the A Group shares leaves the board within the chosen period, a new board member is obliged to be chosen from the nominees of the Privatization Administration as the beneficiary owner. For decisions to be taken about the rights assigned to A Group shares, the board member representing A Group shares is also obliged to use an affirmative vote.

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NOTE 24 - EQUITY (cont'd)

The decisions to change the Articles of Association of the Company that will have an effect on the board of directors' meeting and decision quorum, rights assigned to A Group shares, rights assigned to A Group shares in relation to investments and employment decisions and any other changes in the Articles of Association of the Company which will directly or indirectly affect the rights of A Group shares, have to receive an affirmative vote of the beneficiary owner representing the A Group shares. Otherwise, the decisions are accepted as invalid.

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" Erdemir, as of 31 December 2021, holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2020: TRY 107.837 thousand). Erdemir's own shares have been reclassified with its inflation adjusted value in the consolidated balance sheet as a deduction under equity.

Other Equity Items	**31 December 2021**	**31 December 2020**
Share Premium	106.447	106.447
Revaluation Reserves of Tangible Assets	147.805	77.866
- Revaluation Reserves of Tangible Assets	*147.805*	*77.866*
Cash Flow Hedging Reserves	63.830	(15.481)
Foreign Currency Translation Reserves	36.340.030	13.362.200
Actuarial (Loss)/Gain Fund	(386.301)	(115.606)
Restricted Reserves Assorted from Profit	4.988.204	3.597.448
- Legal Reserves	*4.988.204*	*3.597.448*
Retained Earnings	21.965.415	15.947.079
	63.225.430	**32.959.953**

However, in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") on 13 June 2013 which is published on Official Gazette numbered 28676, "Paid-in capital", "Restricted profit reserves" and "Share premium" should be presented by using their registered amounts in the statutory records. The restatement differences (e.g. inflation restatement differences) arising from the application of this Communiqué should be associated with the:

- "Capital restatement differences" item following the "paid-in capital" line item in the financial statements, if the differences are caused by "paid-in capital" and have not been added to capital yet;
- "Retained earnings", if the differences are arising from "restricted profit reserves" and "share premium" and have not been associated with either profit distribution or capital increase yet.

Other equity items are carried at the amounts that are valued based on the TFRS.

Capital restatement differences may only be considered as part of the paid-up capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

NOTE 24 - EQUITY (cont'd)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate for the publicly-held subsidiaries. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used as an internal source of capital increase, dividend distribution in cash or the net off from prior period losses. In case of usage of the inflation adjustment differences in dividend distribution in cash, it is subject to corporate tax.

As of the reporting period, the total amount of resources that can be subject to dividend distribution, including the retained earnings of 676.296 thousand TRY and the net profit for the period of 19.155.428 thousand TRY which are in the statutory books of the company is 19.831.724 thousand TRY.

The legal reserves and the share premium, which is regarded as legal reserve in accordance with TCC Article 466, are presented using their amounts in statutory records. In this context, the difference of inflation restatements in accordance with TFRS framework, that are not subject to profit distribution or capital increase as of the date of financial statements, is associated with the prior periods' profit or loss.

According to the first paragraph of Article 519 numbered 6102 of the Turkish Commercial Code ("TCC"), 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/issued capital. First dividend is appropriated for shareholders after deducting from the profit. Following the deduction of the amounts from the "profit", General Assembly of Shareholders is authorized to decide whether shall be the remaining balance shall be fully or totally placed in extraordinary legal reserves or whether it is distributed, also taking into consideration the Company's profit distribution policy. According to the sub-clause 3 of the clause 2 of Article 519 of the Turkish Commercial Code, after deducting dividends amounting to 5% of the paid/ issued capital from the part decided to be allocated; ten percent of the remaining balance shall be appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

According to the CMB Communiqué, until the Company's Article of Association was revised on 31 March 2008, an amount equal to the first dividend distributed to shareholders is allocated as status reserves in order to be used in the plant expansion. Also according to the 13th Article of Association before the revision on 31 March 2008, 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital. The reserve amount that exceeds the 20% of the legal reserves, defined by the Article 519 of TCC, is recorded as status reserve.

At the Ordinary General Assembly Meeting of the Company dated 30 March 2012, it was decided that status reserves could be used for free capital increases and profit distribution.

Cash flow hedging reserve arises from the recognition of the changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows directly in equity. The amounts deferred in equity are recognized in the consolidated statement of profit or loss in the same period, if the hedged item affects profit or loss.

Since the fair values of the assets could not be reasonably determined during the transfer of the subsidiaries to the Group, the assets of each of the Company were revalued during the initial acquisition and the difference between the cost value of the Company's revaluated fair value and the cost value of initial recognition is recorded in the tangible asset revaluation increases (decreases) fund.

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NOTE 24 - EQUITY (cont'd)

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of profit or loss. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Actuarial (Loss)/Gain Funds" under the equity. The funds for actuarial gains/(losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

As it stated in Note 2.1, foreign currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 25 - SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 1.381.015 thousand (Note 23). The Company plans to recognize related revenue amount as a revenue in a year.

	1 January - 31 December 2021	**1 January - 31 December 2020**
Sales Revenue		
Domestic sales	51.422.587	26.045.753
Export sales	14.038.005	5.190.683
Other revenues (*)	2.614.668	756.989
Interest income from sales with maturities	256.594	123.394
Sales returns (-)	(33.613)	(25.418)
Sales discounts (-)	(70.837)	(43.372)
	68.227.404	**32.048.029**
Cost of sales (-)	(42.710.993)	(26.123.431)
Gross profit	**25.516.411**	**5.924.598**

NOTE 25 - SALES AND COST OF SALES (cont'd)

The total amount of product exports in other revenues is TRY 1.166.539 thousand (31 December 2020: TRY 314.848 thousand). Total interest income from export sales with maturities is TRY 8.152 thousand (31 December 2020: TRY 3.063 thousand).

As of Group's reporting date, the detail of cost of sales is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Raw material usage	(33.309.122)	(19.157.870)
Personnel costs	(2.619.796)	(2.127.588)
Energy costs	(2.334.373)	(1.607.837)
Depreciation and amortization expenses	(1.852.588)	(1.394.505)
Manufacturing overheads	(1.070.334)	(903.571)
Other cost of goods sold	(496.353)	(389.758)
Non-operating costs [*]	(51.677)	(64.556)
Freight costs for sales delivered to customers	(778.108)	(304.539)
Allowance expenses for impairment on inventories (Note 10)	(1.147)	(46.140)
Inventory provision released (Note 10)	34.233	14.481
Amortization of right of use assets	(633)	-
Other	(231.095)	(141.548)
	(42.710.993)	**(26.123.431)**

[*] Due to the planned/unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (51.677) thousand, has been accounted directly under cost of sales (31 December 2020: TRY (64.556) thousand).

NOTE 26 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Marketing expenses (-)	(379.587)	(257.809)
General administrative expenses (-)	(673.322)	(497.600)
Research and development expenses (-)	(47.633)	(29.397)
	(1.100.542)	**(784.806)**

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NOTE 27 - OPERATING EXPENSES ACCORDING TO THEIR NATURE

As of Group's reporting date, the detail of marketing, sales and distribution expenses according to their nature is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses (-)	(148.659)	(109.007)
Depreciation and amortization (-)	(84.687)	(50.905)
Service expenses (-)	(146.144)	(97.897)
Amortization of right of use assets (-)	(97)	-
	(379.587)	**(257.809)**

As of Group's reporting date, the detail of general administrative expenses is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses (-)	(311.470)	(214.124)
Depreciation and amortization (-)	(67.559)	(50.506)
Benefits and services from third parties (-)	(287.318)	(200.464)
Tax, duty and charges (-)	(16.688)	(22.232)
Provision/Provision released for doubtful receivables (net)	28.058	(175)
Amortization of right of use assets (-)	(18.345)	(10.099)
	(673.322)	**(497.600)**

As of Group's reporting date, the detail of research and development expenses is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses (-)	(26.101)	(15.128)
Depreciation and amortization (-)	(12.788)	(8.472)
Other (-)	(8.744)	(5.797)
	(47.633)	**(29.397)**

Group, Based on the Board Decision of the Public Oversight, Accounting and Auditing Standards Authority published in the "KGK" Official Gazette, the fees related to the services received from the independent auditor/independent audit firm as of the reporting period are as follows:

	1 Ocak - 31 December 2021	1 Ocak - 31 December 2020
Independent audit fee for the reporting period	(1.751)	(1.076)
Fee for other assurance services	-	(44)
	(1.751)	**(1.120)**

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NOTE 28 - OTHER INCOME/(EXPENSES) FROM OPERATING ACTIVITIES

As of Group's reporting date, the detail of other operating income is as follows:

Other operating income	1 January - 31 December 2021	1 January - 31 December 2020
Share transfer agreement receivable incomes	-	146.556
Foreign exchange gain from trade receivables and payables (net)	489.659	152.645
Forfeit advances from customers	2.512	1.367
Discount income	-	488
Provisions released	33.784	44.672
Service income	25.916	17.788
Maintenance repair and rent income	20.602	17.529
Warehouse income	5.083	5.546
Indemnity and penalty detention income	8.585	4.066
Insurance indemnity income	14.154	148.962
Lawsuit income	701	1.981
Overdue interest income	4.974	8.145
Other income and gains	69.091	43.521
	675.061	**593.266**

As of Group's reporting date, the detail of other operating expenses is as follows:

Other operating expenses (-)	1 January - 31 December 2021	1 January - 31 December 2020
Provision expenses	(65.437)	(67.413)
Interest expenses from purchases with maturities	-	(7.378)
Lawsuit compensation expenses	(15.119)	(5.819)
Right of use assets amortization	(15.234)	(10.986)
Donation expenses	(19.413)	(19.270)
Service expenses	(25.176)	(16.334)
Penalty expenses	(7.650)	(3.732)
Discount expenses	(1.729)	-
Other expenses and losses	(69.700)	(28.926)
	(219.458)	**(159.858)**

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NOTE 29 - INCOME/(EXPENSES) FROM INVESMENT ACTIVITIES

As of Group's reporting date, the detail of income from investment activities is as follows:

Income From Investment Activities	1 January - 31 December 2021	1 January - 31 December 2020
Income from sales on tangible assets	947	149.809
Rent income from investment properties	18.366	16.013
Property,plant and equipment provisions released (Note 14)	8.342	-
	27.655	**165.822**

As of Group's reporting date, the detail of expenses from investment activities is as follows:

Expenses From Investment Activities (-)	1 January - 31 December 2021	1 January - 31 December 2020
Loss on sales of tangible assets	(1.801)	(4.262)
Loss on disposal of tangible assets	(17.636)	(54.038)
Impairment of property, plant and equipment (Note 14)	(5.652)	(39.261)
Expenses from investment properties (-)	(2.194)	(2.918)
	(27.283)	**(100.479)**

NOTE 30 - FINANCE INCOME

As of Group's reporting date, the detail of finance income is as follows:

Finance income	1 January - 31 December 2021	1 January - 31 December 2020
Interest income on bank deposits	570.203	526.286
Interest income from financial investments	2.875	4.247
Fair value differences of derivative financial instruments (net)	117.502	18.555
Other financial income	36.931	5.288
	727.511	**554.376**

NOTE 31 - FINANCE EXPENSES

As of Group's reporting date, the breakdown of finance expenses is as follows:

Finance expenses (-)	1 January - 31 December 2021	1 January - 31 December 2020
Interest expenses on borrowings	(287.171)	(330.905)
Foreign exchange loss (net)	(1.197.305)	(50.816)
Interest cost of employee benefits	(139.215)	(93.586)
Interest expenses on leasings	(44.727)	(38.178)
Other financial expenses	(8.180)	(29.594)
	(1.676.598)	**(543.079)**

During the period, the interest expenses of TRY 8.338 thousand have been capitalized as part of the Group's property, plant and equipment (31 December 2020: TRY 28.782 thousand).

NOTE 32 - TAX ASSETS AND LIABILITIES

The details of the Group's tax expenses as of the reporting period are as follows:

Corporate tax payable:	31 December 2021	31 December 2020
Current corporate tax provision	8.963.309	2.151.998
Prepaid taxes and funds (-)	(4.691.604)	(1.615.283)
	4.271.705	**536.715**

	1 January - 31 December 2021	1 January - 31 December 2020
Taxation:		
Current corporate tax expense	6.173.465	2.151.998
Deferred tax (income)/expense	1.664.690	(4.263)
	7.838.155	**2.147.735**

Corporate tax

The Group, except its subsidiaries in Romania and Singapore, is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

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NOTE 32 - TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax (cont'd)

Pursuant to the Provisional 7316 added with the Article 11 of the Law on Corporate Income Tax, published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate for the corporate earnings for the 2021 taxation period has been determined as 25%, and the corporate tax rate for the corporate earnings for the 2022 taxation period has been determined as 23%. With the amendment added to Article 32 of the Corporate Tax Law, these rates will be applied with a discount of 1 point to the earnings from production activities and earnings from exports.

The effective corporate tax rate in Turkey is 25%, 16% in Romania and 17% in Singapore as of 31 December 2021 (31 December 2020: in Turkey 22%, in Romania 16%, in Singapore 17%).

The total amount of the corporate tax paid by the Group in 2021 is TRY 5.228.319 thousand (31 December 2020: TRY 1.820.852 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2021 has been calculated over the corporate earnings using the rate 25%, during the temporary taxation period. (31 December 2020: 22%).

Except for the changes in the corporate tax rate, the 75% exemption applied to the earnings generated from the sale of intangibles is reduced to 50% and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets, is required to be taken into consideration as 10% instead of 5%.

Losses can be carried forward to offset the future taxable income for up to maximum 5 years (Romania: 7 years). However, losses cannot be carried back to offset the profits of the previous periods, retrospectively.

In Turkey, a definite and distinct reconciliation procedure for tax assessment does not exist. Companies file their tax returns between 1 April - 25 April following the closing period of the related year's accounts. Tax returns and related accounting records may be examined and revised within five years.

Investment discount application

In 2021, the corporate tax reduction incentive based on the regional priority investment incentive certificate received within the scope of article 17/g of the "Decision on State Aids in Investments" numbered 2012/3305 was utilized. The rate of contribution to investment is 40% within the scope of the mentioned decision, 5th region incentives are used.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, except for the dividends distributed to fully fledged taxpayer companies receiving and declaring these dividends and to Turkish branches of foreign companies. As of 22 December 2021, with the President's Decision No. 4936, income tax withholding is applied as 10%. Undistributed dividends incorporated in share capital are not subject to the income withholding taxes.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of income and expenses tax bases in different reporting periods in the financial statements prepared according to TFRS.

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 32 of Corporate Tax Law; corporate tax rate is 22% depending on the 1 point discount the on revenues obtained from production activities and on the revenues obtained from exports for the taxation periods of 2021 and 2022, corporate tax rate will be 20% for the corporate earnings to be obtained in the taxation periods of 2023. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 31 December 2021 (31 December 2020: in Turkey 20%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate. (31 December 2020: 10%)

NOTE 32 - TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.

Deferred tax assets:	31 December 2021	31 December 2020
Provisions for employee benefits	324.706	193.588
Investment incentive	21.937	-
Provision for lawsuits	53.874	36.066
Fair values of the derivative financial instruments	-	9.139
Inventories	114.367	72.768
Tangible and intangible assets	28.991	21.983
Financial lease payables	70.115	54.991
Other	158.312	57.506
	772.302	**446.041**
Deferred tax liabilities:		
Tangible and intangible assets	(8.650.855)	(3.847.913)
Fair values of the derivative financial instruments	(34.049)	-
Amortized cost adjustment on loans	(35.996)	(21.515)
Right of use assets	(132.957)	(63.529)
Inventories	(1.534.789)	(75.885)
Other	(46.730)	(20.376)
	(10.435.376)	**(4.029.218)**
	(9.663.074)	**(3.583.177)**

In the financial statements which are prepared according to the TFRS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries' consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

Presentation of deferred tax assets/(liabilities):

	31 December 2021	31 December 2020
Deferred tax assets	184.646	72.311
Deferred tax (liabilities)	(9.847.720)	(3.655.488)
	(9.663.074)	**(3.583.177)**

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NOTE 32 - TAX ASSETS AND LIABILITIES (cont'd)

Movements of deferred tax asset/(liability)

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance	(3.583.177)	(2.902.426)
Additional in deferred tax assets due to acquisition of subsidiaries (Note 2.8.23)	(325.814)	-
Deferred tax (expense)/income	(1.664.690)	4.263
The amount in comprehensive income	44.006	8.962
Translation difference	(4.133.399)	(693.976)
Closing balance	**(9.663.074)**	**(3.583.177)**

Reconciliation of tax provision is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	23.916.713	5.657.525
Statutory tax rate	25%	22%
Calculated tax expense according to effective tax rate	(5.979.178)	(1.244.656)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(49.187)	(14.154)
- Correction effect of corporate tax rate and deferred tax rates	136.206	259.225
- Effect of currency translation not subject to tax	(2.031.563)	(1.152.958)
- Investment incentive	82.627	4.871
- Effect of the different tax rates due to foreign subsidiaries	2.940	(63)
Total tax expense reported in the statement of income	**(7.838.155)**	**(2.147.735)**

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NOTE 32 - TAX ASSETS AND LIABILITIES (cont'd)

As of Group's reporting date, the details of the tax income/(expense) of the other comprehensive income/(loss) are as follows:

	1 January -31 December 2021		
Other comprehensive income/(loss) in current period	**Amount before tax**	**Tax income/ (expense)**	**Amount after tax**
Change in revaluation reserves of fixed assets	69.939	-	69.939
Change in actuarial (loss)/gain	(346.030)	69.206	(276.824)
Change in cash flow hedging reserves	105.065	(25.200)	79.865
Change in foreign currency translation reserves	34.302.165	-	34.302.165
	34.131.139	**44.006**	**34.175.145**

	1 January -31 December 2020		
Other comprehensive income/(loss) in current period	**Amount before tax**	**Tax income/ (expense)**	**Amount after tax**
Change in revaluation reserves of fixed assets	18.914	-	18.914
Change in actuarial (loss)/gain	(17.367)	3.473	(13.894)
Change in cash flow hedging reserves	(27.444)	5.489	(21.955)
Change in foreign currency translation reserves	7.197.205	-	7.197.205
	7.171.308	**8.962**	**7.180.270**

NOTE 33 - EARNINGS PER SHARE

	1 January - 31 December 2021	**1 January- 31 December 2020**
Number of shares outstanding	350.000.000.000	350.000.000.000
Net profit attributable to equity holders - TRY thousand	15.527.082	3.309.093
Profit per share with 1 TRY nominal value TRY %	4,4363/443,63%	0,9455/94,55%

NOTE 34 - RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

The transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note.

Trade receivables and payables from related parties operated as current account. Debt collection and debt payment days are between 0 and 30.

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NOTE 34 - RELATED PARTY DISCLOSURES (cont'd)

The details of transactions between the Group and other related parties are disclosed below:

Due from related parties (short term)	31 December 2021	31 December 2020
OYAK Renault Otomobil Fab. A.Ş.(2)	212.106	98.111
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	12.569	3.807
OYAK Çimento Fabrikaları A.Ş. (1)	66.851	32.903
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	17.454	122.328
Other	2.404	1.836
	311.384	**258.985**

The trade receivables from related parties mainly arise from sales of iron, energy, service and by-products.

Other receivables from related parties (short term)	31 December 2021	31 December 2020
İsdemir Linde Gaz Ortaklığı A.Ş. (3)	-	6.488
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	5.735	4.404
	5.735	**10.892**

Other receivables from related parties (long term)	31 December 2021	31 December 2020
OYAK NYK RO-RO Liman İşletmeleri A.Ş. (1)	32.512	28.458
	32.512	**28.458**

According to TFRS 16 provision, other short term and long term receivables from related parties arise from monetary receivables under the sub-lease transactions.

Prepaid expenses to related parties(short term)	31 December 2021	31 December 2020
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	15.838	280
OYAK Akaryakıt ve LPG Yatırımları A.Ş. (1)	6.444	-
	22.282	**280**

(1) Subsidiaries of the parent company

(2) Joint venture of the parent company

(3) Joint venture of subsidiary

(4) Ultimate partner

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NOTE 34 - RELATED PARTY DISCLOSURES (cont'd)

Prepaid expenses to related parties (long term)	31 December 2021	31 December 2020
Ordu Yardımlaşma Kurumu[4]	1.110.765	611.717
OYAK Savunma ve Güvenlik Sistemleri A.Ş.[1]	57.536	31.650
	1.168.301	**643.367**

Prepaid expenses generally related with port services and advance transactions of fixed assets. The Group paid an advance payment of TRY 650.728 thousand to its ultimate partner Ordu Yardımlaşma Kurumu for the purchase of fixed assets.

Due to related parties (short term)	31 December 2021	31 December 2020
Omsan Lojistik A.Ş.[1]	47.093	39.134
Omsan Denizcilik A.Ş.[1]	-	12.248
OYAK Pazarlama Hizmet ve Turizm A.Ş.[1]	30.607	19.171
OYAK Savunma ve Güvenlik Sistemleri A.Ş.[1]	21.539	20.228
Omsan Logistica SRL[1]	5.473	2.093
OYAK Denizcilik ve Liman İşletmeleri A.Ş.[1]	39.159	20.904
Doco Petrol ve Danışmanlık A.Ş. [1]	3.230	1.676
Other	55.313	15.882
	202.414	**131.336**

Trade payables to related parties mainly arise from purchase of services, fixed assets and energy.

Major sales to related parties	1 January - 31 December 2021	1 January - 31 December 2020
Ordu Yardımlaşma Kurumu[4]	-	163.436
OYAK Renault Otomobil Fab. A.Ş.[2]	434.763	397.919
OYAK Çimento Fabrikaları A.Ş. [1]	72.152	58.319
OYAK Elektrik Enerjisi Toptan Satış A.Ş.[1]	24.981	6.436
OYAK Denizcilik ve Liman İşletmeleri A.Ş.[1]	1.674	33.994
İskenderun Enerji Üretim ve Ticaret A.Ş. [1]	699.708	276.400
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. [1]	77.603	24.791
İsdemir Linde Gaz Ortaklığı A.Ş.[3]	90.866	61.382
Other	5.619	4.430
	1.407.366	**1.027.107**

[1] Subsidiaries of the parent company

[2] Joint venture of the parent company

[3] Joint venture of subsidiary

[4] Ultimate partner

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NOTE 34 - RELATED PARTY DISCLOSURES (cont'd)

Major purchases from related parties	1 January - 31 December 2021	1 January - 31 December 2020
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. (1)	8.519	7.593
Omsan Denizcilik A.Ş.(1)	205.501	213.172
OYAK Pazarlama Hizmet ve Turizm A.Ş.(1)	200.176	160.270
Omsan Lojistik A.Ş.(1)	395.423	317.160
OYAK Savunma ve Güvenlik Sistemleri A.Ş.(1)	131.480	87.824
Omsan Logistica SRL(1)	41.152	15.177
OYAK Denizcilik ve Liman İşletmeleri A.Ş.(1)	206.399	147.365
Doco Petrol ve Danışmanlık A.Ş. (1)	34.834	14.516
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	153.925	109.639
OYAK Elektrik Enerjisi Toptan Satış A.Ş.(1)	145.857	58.544
Other	24.306	40.059
	1.547.572	**1.171.319**

The major purchases from related parties are generally due to the purchase of services, fixed assets and energy.

(1) Subsidiaries of the parent company

(2) Joint venture of the parent company

(3) Joint venture of subsidiary

(4) Ultimate partner

The terms and policies applied to the transactions with related parties:

The period end balances are un-secured and their collections will be done in cash. As of 31 December 2021, the Group provides no provision for the receivables from related parties (31 December 2020: None).

Salaries, bonuses and other benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents the General Manager and Assistant General Managers. For the year ended 31 December 2021, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 36.605 thousand (31 December 2020: TRY 23.159 thousand).

NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital through the optimization of the debt and the equity balance that minimizes the financial risk.

Through the forecasts regularly prepared by the Group, the future capital amount, debt to equity ratio and similar ratios are forecasted and required precautions are taken to strengthen the capital.

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 24.

The Group's Board of Directors analyze the capital structure in regular meetings. During these analyses, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Group, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

As of reporting date the net (credit) debt/equity ratio is as follows:

	Note	31 December 2021	31 December 2020
Total financial liabilities	7	16.676.344	6.598.271
Less: Cash and cash equivalents	4	23.189.668	13.542.177
Net (credit) debt		(6.513.324)	(6.943.906)
Total adjusted equity (*)		84.870.075	41.252.663
Total resources		**78.356.751**	**34.308.757**
Net (credit) debt/Total adjusted equity ratio		-8%	-17%
Distribution of net (credit) debt/total adjusted equity		-8/108	-20/120

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial gain/(loss) fund and adding non-controlling interests.

(b) Significant accounting policies

The Group's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.8.9 Financial Instruments".

(c) Financial risk management objectives

The Group manages its financial instruments through a separate treasury function which was established for that purpose. The developments are followed on a real time basis. The Group's corporate treasury function manages the financial instruments through daily regular meetings by evaluating the domestic and international markets and by considering the daily cash inflows and outflows in accordance with the policies and regulations issued by the Group Risk Management Unit. At the end of each day, each Group company prepares a "Daily Rash report" and Group Risk Management Unit calculates daily for cash and cash equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies. Thus, all financial transactions of the Group are managed centrally. Additionally, the Group's annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

The Group utilizes derivative financial instruments as required and within the terms and conditions determined by the Group Risk Management Unit. Instruments that are highly liquid and securing a high-level yield are preferred when determining the financial instruments. In that respect, the Group has a right to claim the accrued interest on time deposits when withdraw before the predetermined maturity.

(d) Market risk

The Group is exposed primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group utilizes the following financial instruments to manage the risks associated with the foreign exchange rates and interest rates. Also, the Group follows price changes and market conditions regularly and takes action in pricing instantaneously.

The Group prefers floating interest rates for long term borrowings. To hedge against the interest risk the Group uses interest swap contracts for some of its borrowings.

In the current period, there is no significant change in the Group's exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management

Trade receivables include a large number of customers scattered in various sectors and regions. There is no risk concentration on a specific customer or a group of customers. The majority trade receivables are assured by bank letters of guarantee and/or credit limits. The credit reviews are performed continuously over the accounts receivable balance of the customers. The Group does not have a significant credit risk arising from any customer.

Credit risk of financial instruments

	Receivables					
	Trade Receivables		**Other Receivables**			
31 December 2021	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Bank Deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	311.384	11.102.274	38.247	68.364	23.189.642	160.683
- Secured part of the maximum credit risk exposure via collateral etc.	-	9.570.442	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	311.384	11.060.621	38.247	68.364	23.189.642	160.683
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	41.653	-	-	-	-
- secured part via collateral etc.	-	16.352	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	271.947	-	-	-	-
- Impairment (-)	-	(271.947)	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

The maturity of 41.653 thousand TRY that is overdue but not impaired is in the range of 0-3 months.

(*) The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2020	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Bank Deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	258.985	3.568.844	39.350	46.495	13.542.161	37.510
- Secured part of the maximum credit risk exposure via collateral etc.	-	2.959.953	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	258.985	3.523.734	39.350	46.495	13.542.161	37.510
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	45.110	-	-	-	-
- secured part via collateral etc.	-	6.336	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	179.711	-	-	-	-
- Impairment (-)	-	(179.711)	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

The maturity of 45.110 thousand TRY that is overdue but not impaired is in the range of 0-3 months.

(*)The factors that increase credibility such as guarantees received are not taken into account in determination of the amount.

NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(e) Credit risk management (cont'd)

Explanation on the credit risk which the Group is exposed:

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties.

The Group's current credit risk rating methodology includes the following categories:

Category	**Description**	**Basis for recognizing expected credit loses**
Secured receivables	Consist of secured receivables	Not generating credit loses
Recoverable receivables	The counterparty has a low risk of default and secured	Not generating credit loses
Doubtful or past due receivables	Amount is past due or there has been a significant	100% allowance for unsecured receivables
Write-off	There is evidence indicating the asset is credit impaired	Amount is written off

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management

As of reporting period, stated in Note 2.8.9 the foreign currency position of the Group in terms of original currency is calculated as follows:

		31 December 2021				
		TRY (Total in reporting currency)	**TRY (Original currency)**	**EURO (Original currency)**	**Jap. Yen (Original currency)**	**RON (Original currency)**
1.	Trade Receivables	2.534.776	116.911	157.894	-	11.800
2a.	Monetary financial assets	12.279.822	10.783.933	94.054	21	25.371
2b.	Non- monetary financial assets	-	-	-	-	-
3.	Other	132.013	98.252	2.164	-	366
4.	**CURRENT ASSETS (1+2+3)**	**14.946.611**	**10.999.096**	**254.112**	**21**	**37.537**
5.	Trade receivables	-	-	-	-	-
6a.	Monetary financial assets	284.607	276.049	567	-	-
6b.	Non- monetary financial assets	-	-	-	-	-
7.	Other	1.294.067	652.481	41.094	181.993	196
8.	**NON-CURRENT ASSETS (5+6+7)**	**1.578.674**	**928.530**	**41.661**	**181.993**	**196**
9.	**TOTAL ASSETS (4+8)**	**16.525.285**	**11.927.626**	**295.773**	**182.014**	**37.733**
10.	Trade payables	3.205.113	1.784.014	89.297	433.292	6.870
11.	Financial liabilities	494.330	113.738	25.182	-	-
12a.	Other monetary financial liabilities	6.107.435	6.061.355	2.169	-	4.329
12b.	Other non-monetary financial liabilities	-	-	-	-	-
13.	**CURRENT LIABILITIES (10+11+12)**	**9.806.878**	**7.959.107**	**116.648**	**433.292**	**11.199**
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	1.736.034	291.931	95.548	-	-
16a.	Other monetary financial liabilities	1.563.630	1.561.589	-	-	665
16b.	Other non-monetary financial liabilities	-	-	-	-	-
17.	**NON-CURRENT LIABILITIES (14+15+16)**	**3.299.664**	**1.853.520**	**95.548**	**-**	**665**
18.	**TOTAL LIABILITIES (13+17)**	**13.106.542**	**9.812.627**	**212.196**	**433.292**	**11.864**
19.	**Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)**	**(1.788.390)**	**-**	**(118.541)**	**-**	**-**
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	1.788.390	-	118.541	-	-
20.	**Net foreign currency asset/liability position (9-18+19)**	**1.630.353**	**2.114.999**	**(34.964)**	**(251.278)**	**25.869**
21.	**Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)**	**1.992.663**	**1.364.266**	**40.319**	**(433.271)**	**25.307**
22.	Fair value of derivative financial instruments used in foreign currency hedge	73.578	-	4.877	-	-
23.	Hedged foreign currency assets	1.788.390	-	118.541	-	-
24.	Hedged foreign currency liabilities	-	-	-	-	-
25.	Exports	15.212.696				
26.	Imports	36.320.669				

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

		31 December 2020				
		TRY (Total in reporting currency)	**TRY (Original currency)**	**EURO (Original currency)**	**Jap. Yen (Original currency)**	**RON (Original currency)**
1.	Trade Receivables	644.147	48.847	64.720	-	6.700
2a.	Monetary financial assets	4.432.914	4.290.040	13.405	21	12.039
2b.	Non- monetary financial assets	-	-	-	-	-
3.	Other	50.012	22.502	3.004	-	247
4.	**CURRENT ASSETS (1+2+3)**	**5.127.073**	**4.361.389**	**81.129**	**21**	**18.986**
5.	Trade receivables	-	-	-	-	-
6a.	Monetary financial assets	249.486	249.486	-	-	-
6b.	Non- monetary financial assets	-	-	-	-	-
7.	Other	613.387	263.500	38.299	61.366	294
8.	**NON-CURRENT ASSETS (5+6+7)**	**862.873**	**512.986**	**38.299**	**61.366**	**294**
9.	**TOTAL ASSETS (4+8)**	**5.989.946**	**4.874.375**	**119.428**	**61.387**	**19.280**
10.	Trade payables	1.868.380	1.282.535	61.515	365.841	3.142
11.	Financial liabilities	1.651.528	1.470.108	20.140	-	-
12a.	Other monetary financial liabilities	1.448.781	1.436.797	757	-	2.811
12b.	Other non-monetary financial liabilities	-	-	-	-	-
13.	**CURRENT LIABILITIES (10+11+12)**	**4.968.689**	**4.189.440**	**82.412**	**365.841**	**5.953**
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	1.182.748	236.030	105.099	-	-
16a.	Other monetary financial liabilities	945.133	944.146	-	-	537
16b.	Other non-monetary financial liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**2.127.881**	**1.180.176**	**105.099**	**-**	**537**
18.	**TOTAL LIABILITIES (13+17)**	**7.096.570**	**5.369.616**	**187.511**	**365.841**	**6.490**
19.	**Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)**	**(196.573)**	**-**	**(21.822)**	**-**	**-**
19a.	Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b.	Off-balance sheet foreign currency derivative financial liabilities	196.573	-	21.822	-	-
20.	**Net foreign currency asset/liability position (9-18+19)**	**(1.303.197)**	**(495.241)**	**(89.905)**	**(304.454)**	**12.790**
21.	**Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1.770.023)**	**(781.243)**	**(109.386)**	**(365.820)**	**12.249**
22.	Fair value of derivative financial instruments used in foreign currency hedge	(11.035)	-	(1.225)	-	-
23.	Hedged foreign currency assets	196.573	-	21.822	-	-
24.	Hedged foreign currency liabilities	-	-	-	-	-
25.	Exports	5.508.594				
26.	Imports	16.384.474				

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

The following table shows the Group's sensitivity to a 10% (+/-) change in the TRY, EURO and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

As of 31 December 2021 asset balances are translated by using the following exchange rates; TRY 13,3290= US $ 1, TRY 15,0867= EUR 1, TRY 0,1155 = JPY 1 and 3,0316 TRY = RON 1 and liability are translated by using the following exchange rates; TRY 13,3530= US $ 1,TRY 15,1139= EUR 1, TRY 0,1163 = JPY 1 and 3,0713 TRY = RON 1 (31 December 2020: TRY 7,3405 = US $ 1,TRY 9,0079 = EUR 1, TRY 0,0709= JPY 1 and TRY 1,8373= RON 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2021	**Appreciation of foreign currency**	**Depreciation of foreign currency**
1- TRY net asset/liability	211.500	(211.500)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	**211.500**	**(211.500)**
5- RON net asset/liability	7.795	(7.795)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	**7.795**	**(7.795)**
9- Euro net asset/liability	125.513	(125.513)
10- Hedged portion from Euro risk (-)	(178.839)	178.839
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	**(53.326)**	**53.326**
13- Jap. Yen net asset/liability	(2.935)	2.935
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	**(2.935)**	**2.935**
TOTAL (4+8+12+16)	**163.034**	**(163.034)**

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2020	**Appreciation of foreign currency**	**Depreciation of foreign currency**
1- TRY net asset/liability	(49.524)	49.524
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	**(49.524)**	**49.524**
5- RON net asset/liability	2.350	(2.350)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON Dollars net effect (5+6+7)	**2.350**	**(2.350)**
9- Euro net asset/liability	(61.328)	61.328
10- Hedged portion from Euro risk (-)	(19.657)	19.657
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	**(80.985)**	**80.985**
13- Jap. Yen net asset/liability	(2.159)	2.159
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	**(2.159)**	**2.159**
TOTAL (4+8+12+16)	**(130.318)**	**130.318**

NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(g) Interest rate risk management

The majority of the Group's borrowings are based on floating interest rate terms. In order to manage the exposure to interest rate movements on certain portion of the bank borrowings, the Group uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of deposits in which the Group has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Group minimizes the interest rate risk by increasing the share of floating rate denominated assets in its consolidated the balance sheet. Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Group minimizes its interest rate risk by leveraging in foreign currencies that bear lower interest rate. In addition, a higher interest rate is applied to the trade receivables with a maturity when compared to the interest rate exposed for trade payables.

<u>Interest rate sensivity</u>

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Group's sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 0,25% for Jap.Yen and 1,00% for TRY denominated interest rates.

Since the principal payments of the loans with floating interest rates are not affected from changes in interest rates, the risk exposure of the Group loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

Interest position table

	31 December 2021	31 December 2020
Floating interest rate financial instruments		
Financial liabilities	8.658.315	4.295.026

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 37.090 thousand.

Interest rate swap contracts:

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and loating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

Interest rate swap contract assets and liabilities are included in Note 6.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities and maintaining adequate funds and reserves.

Liquidity risk tables

Conservative liquidity risk management includes maintaining sufficient cash, availability of sufficient amount of borrowings and funds and ability to settle market positions.

The Group manages its funding of actual and forecasted financial obligations by maintaining the availability of sufficient number of high quality loan providers.

The following table details the Group's expected maturity for its derivative and non derivative financial liabilities. Interests which will be paid on borrowings in the future are included in the relevant columns in the following table.

31 December 2021

Contractual maturity analysis	**Book value**	**Total cash outflow per agreement (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities						
Borrowings from banks	16.319.038	17.103.196	2.019.882	7.827.117	5.738.936	1.517.261
Financial lease payables	357.306	1.207.449	16.896	50.688	226.634	913.231
Trade payables	6.732.507	6.732.507	6.732.507	-	-	-
Other financial liabilities (*)	1.753.415	1.753.415	1.753.415	-	-	-
Total liabilities	**25.162.266**	**26.796.567**	**10.522.700**	**7.877.805**	**5.965.570**	**2.430.492**
Derivative financial liabilities						
Derivative cash inflows	160.683	5.048.336	2.859.997	2.158.493	29.846	-
Derivative cash outflows	(190.396)	(4.350.764)	(2.408.629)	(1.912.289)	(29.846)	-
	(29.713)	**697.572**	**451.368**	**246.204**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

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NOTE 35 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2020

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	6.319.736	6.624.183	683.528	3.188.279	2.181.830	570.546
Financial lease payables	278.535	1.005.220	11.277	33.832	154.597	855.514
Trade payables	3.766.949	3.766.949	3.766.949	-	-	-
Other financial liabilities (*)	739.533	739.533	739.533	-	-	-
Total liabilities	**10.826.218**	**11.130.665**	**5.190.010**	**3.188.279**	**2.181.830**	**570.546**
Derivative financial liabilities						
Derivative cash inflows	37.510	1.424.564	411.880	1.012.684	-	-
Derivative cash outflows	(59.582)	(2.105.721)	(400.860)	(1.704.861)	-	-
	(22.072)	**(681.157)**	**11.020**	**(692.177)**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

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NOTE 36 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Categories of the financial instruments and their fair values

31 December 2021	**Financial assets/ liabilities at amortized cost**	**Derivative financial instruments through other comprehensive income**	**Derivative financial instruments through profit/loss**	**Carrying value**	**Note**
Financial Assets					
Cash and cash equivalents	23.189.668	-	-	23.189.668	4
Trade receivables	11.413.658	-	-	11.413.658	8
Financial investments	9.862	-	493	10.355	5
Other financial assets	106.611	-	-	106.611	9
Derivative financial instruments	-	83.866	76.817	160.683	6
Financial Liabilities					
Financial liabilities	16.676.344	-	-	16.676.344	7
Trade payables	6.732.507	-	-	6.732.507	8
Other liabilities	1.753.415	-	-	1.753.415	9/19/23
Derivative financial instruments	-	186.790	3.606	190.396	6
31 December 2020					
Financial Assets					
Cash and cash equivalents	13.542.177	-	-	13.542.177	4
Trade receivables	3.827.829	-	-	3.827.829	8
Financial investments	39.048	-	199	39.247	5
Other financial assets	85.845	-	-	85.845	9
Derivative financial instruments	-	37.510	-	37.510	6
Financial Liabilities					
Financial liabilities	6.598.271	-	-	6.598.271	7
Trade payables	3.766.949	-	-	3.766.949	8
Other liabilities	739.533	-	-	739.533	9/19/23
Derivative financial instruments	-	33.169	26.413	59.582	6

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement 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.

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NOTE 36 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

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

Financial assets

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

Financial asset and liabilities at fair value		**Fair value level as of reporting date**		
	31 December 2021	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	76.817	-	76.817	-
Derivative financial liabilities	(3.606)	-	(3.606)	-
			-	
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	83.866	-	83.866	-
Derivative financial liabilities	(186.790)	-	(186.790)	-
Total	**(29.713)**	**-**	**(29.713)**	**-**

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NOTE 36 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Categories of the financial instruments and their fair values (cont'd)

Financial asset and liabilities at fair value		**Fair value level as of reporting date**		
	31 December 2020	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(26.413)	-	(26.413)	-
			-	
Financial assets and liabilities at fair value through other comprehensive income/expense				
			-	
Derivative financial assets	37.510	-	37.510	-
Derivative financial liabilities	(33.169)	-	(33.169)	-
Total	**(22.072)**	**-**	**(22.072)**	**-**

First Level: Quoted (non adjusted) prices in active markets for identical assets or liabilities.

Second Level: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Third Level: Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTE 37 - SUBSEQUENT EVENTS

In accordance with the Tax Procedure Law No. 7352 and the Law on the Amendment of the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the financial statements prepared according to the tax procedure law was postponed to 31 December 2023.

NOTE 38 - OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 31 December 2021, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("TFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with TFRS.

GRI CONTENT INDEX

GRI STANDARD	NUMBER OF DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GRI 102: GENERAL DISCLOSURES 2016		
	ORGANIZATIONAL PROFILE	
GRI 102: GENERAL DISCLOSURES 2016	102-1	1
	102-2	12-17
	102-3	256
	102-4	12-17
	102-5	12
	102-6	12-17
	102-7	48-49, 66-67, 103, 114-115
	102-8	114-115
	102-9	73
	102-10	There are no significant changes to the organization's size, structure, ownership, or supply chain during the reporting period.
	102-11	58-61
	102-12	117-118
	102-13	117-118
	STRATEGY	
	102-14	4-8, 20-23
	102-15	38-39, 59-61
	ETHICS AND INTEGRITY	
	102-16	56-57
	102-17	56-57
	GOVERNANCE	
	102-18	52-57, 143-145
	102-19	56
	102-20	56
	102-22	54-57, 139-142
	102-23	The chair of the highest governance body has no executive duty in the organization.
	102-24	139-142
	102-25	143-146
	STAKEHOLDER ENGAGEMENT	
	102-40	30-31
	102-41	114-115
	102-42	28-30
	102-43	28-31
	102-44	28-31

GRI STANDARD	NUMBER OF DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 102: GENERAL DISCLOSURES 2016	**REPORTING**	
	102-45	163
	102-46	1
	102-47	29
	102-48	There is no restated information.
	102-49	28-30
	102-50	01.01.2021-31.12.2021
	102-51	2020
	102-52	Annual
	102-53	1
	102-54	1
	102-55	252-255
	102-56	No external assurance received about sustainability.
GRI 200: ECONOMIC STANDARD SERIES		
	ECONOMIC PERFORMANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23
	103-3	4-8, 20-23
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	18-19, 66-67
	201-2	59-62
	PROCUREMENT PRACTICES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23
	103-3	4-8, 20-23
GRI 204: PROCUREMENT PRACTICES 2016	204-1	73

GRI 102-55

GRI CONTENT INDEX

GRI STANDARD	NUMBER OF DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 300: ENVIRONMENTAL STANDARD SERIES		
	MATERIALS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 84-93
	103-3	4-8, 20-23, 84-93
GRI 301: MATERIALS 2016	301-2	91-93
	ENERGY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 84-93
	103-3	4-8, 20-23, 84-93
	302-4	86-89, 116
	WATER	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 84-93
	103-3	4-8, 20-23, 84-93
GRI 303: WATER 2018	303-1	90
	303-3	90, 116
	EMISSIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 84-93
	103-3	4-8, 20-23, 84-93
GRI 305: EMISSIONS 2016	305-5	88-90, 116
	WASTE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 84-93
	103-3	4-8, 20-23, 84-93
GRI 306: EFFLUENTS AND WASTE 2016	306-2	91-93, 116
GRI 400: SOCIAL STANDARD SERIES		
	EMPLOYMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 102-107
	103-3	4-8, 20-23, 102-107
GRI 401: EMPLOYMENT 2016	401-1	102-103, 114-115
	401-2	104-105
	401-3	115
	LABOR/MANAGEMENT RELATIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 102-107
	103-3	4-8, 20-23, 102-107
GRI 402: LABOR/ MANAGEMENT RELATIONS 2016	402-1	In case of operational changes, OMM is fully compliant with current laws and regulations about minimum notice periods.

GRI STANDARD	NUMBER OF DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
	OCCUPATIONAL HEALTH AND SAFETY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 102-107
	103-3	4-8, 20-23, 102-107
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	76-82
	403-2	76-82
	403-3	76-82
	403-4	76-82
	403-6	76-82
	403-7	76-82
	403-8	76-82
	403-9	81
	403-10	81
	TRAINING AND EDUCATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 102-107
	103-3	4-8, 20-23, 102-107
GRI 404: TRAINING AND EDUCATION 2016	404-1	115
	404-2	106-107, 115
	404-3	106-107, 115
	DIVERSITY AND EQUAL OPPORTUNITY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 102-107
	103-3	4-8, 20-23, 102-107
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	102-103, 114-115
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	28-30
	103-2	4-8, 20-23, 102-107, 114
	103-3	4-8, 20-23, 102-107, 114
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	During the reporting period, no case was found to be under the risk of freedom of association and collective bargaining at OMM operations. The same principle is observed during the supplier audit process and no risk factors have been observed.

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