(CONVENIENCE TRANSLATION INTO ENGLISH OF THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 36)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2024 AND INDEPENDENT AUDITOR’S REPORT

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İskenderun Demir ve Çelik Fabrikaları Anonim Şirketi;

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of İskenderun Demir ve Çelik Fabrikaları Türk Anonim Şirketi (the Company), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA) and adopted within the framework of Capital Markets Board (CMB) regulations. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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) as issued by the POA and other ethical principles included in CMB legislation, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Convenience translation of a report originally issued in Turkish)

3) Key Audit Matters

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

Key Audit Matters	**How Key Audit Matters Are Addressed in the Audit**
Revenue Recognition	
In assessment of the revenue recognition, the Company's management evaluate the detailed criteria set out in TFRS 15, with a particular focus on whether control over goods and services has been transferred to the customer. A significant portion of the Company's revenue arises from performance obligations that are satisfied at a point in time. The Company primarily generates revenue through the production and sale of mining and metallurgy products. Revenue recognition is determined based on an analysis of the transfer of significant risks and rewards to the buyer, considering the nature of shipment arrangements for both domestic and export sales. For performance evaluation of the Company's financial results, the revenue constitutes one of the key financial indicators. Revenue holds significant importance in assessing the outcomes of the strategies implemented during the year and in measurement of performance. Therefore, it has been identified as a key audit matter due to its status as the most significant item in the statement of total comprehensive income for the year ended 31 December 2024. The accounting policies for revenue recognition and other information related to revenue are disclosed in Note 2.7.1 and Note 23.	During our audit, the following audit procedures were performed regarding the revenue recognition: - Understanding for the Company's sales, collection, and credit risk management processes were gained. - The design and implementation of controls related to the revenue process were evaluated. Additionally, The Company's sales and delivery procedures were examined. - The compliance of the accounting policies applied by the Company's management for revenue recognition with TFRSs was assessed. - Substantive analytical procedures were performed to assess whether the revenue recorded in the financial statements was at predicted levels or not. - Sample-based tests were conducted to verify the accuracy of sales invoices, and these invoices were reconciled with delivery documents. - For the sampled invoices, it was tested whether control over the related products had been transferred to the customer. - Revenue completeness was tested by selecting samples from delivery documents and matching them with accounting records and related invoices. - Confirmation letters were obtained from customers for a sample of trade receivable balances, and the balances per confirmation replies were reconciled with accounting records. In addition to the above procedures, the adequacy of the disclosures in Note 23 was evaluated in accordance with TFRSs.

(Convenience translation of a report originally issued in Turkish)

Key Audit Matters	How Key Audit Matters Are Addressed in the Audit
Accounting for Property, Plant, Equipment, and Construction in Progress	
As disclosed in Notes 12 and 13, the total carrying amount related to the property, plant, and equipment and advances given for investments classified under prepaid expenses of the Company is TRY 104.525.251 thousand, representing 59% of total assets as of 31 December 2024. Additionally, as of the same date, the Company has capital expenditures as construction in progress amounting to TRY 41.792.798 thousand reported in property, plant and equipment. The Company's construction in progress investments primarily consist of expenditures related to the production lines. Considering the material amount of additions as capital expenditures during the current period, advances given for these investments and the expectation that these investments will be capitalized in the subsequent period, this matter has been identified as a key audit matter in our audit. The determination of the depreciation and amortization methods for property, plant and equipment, the calculation and accounting of depreciation expenses require significant judgment. The disclosures related to property, plant and equipment, construction in progress, and the prepaid expenses are provided in Notes 2.7.3, 12, and 13.	During our audit, the following procedures were performed related to recognition of property, plant and equipment and construction in progress: - The accuracy of depreciation expenses recorded for the current period was recalculated and verified, considering the economic useful lives determined under the straight-line method and the units of production method applied to specific assets, considering total capacity and production units. - The appropriateness, completeness, and periodicity of capital expenditures incurred during the current period were assessed in accordance with TFRSs and the investments were physically observed during our site visits. - Confirmation letters were obtained from selected suppliers on a sample basis for the balances of advances given and construction in progress, and the balances were reconciled with accounting records. - The impairment assessment prepared by the Company's management for property, plant, and equipment was reviewed, and reconciliations were performed with balances reported in the financial statements. Furthermore, insurance compensation income recognized during the period was verified through the communications with the insurance firms and the related cash collections were tested. In addition to the above procedures, the adequacy of the disclosures in the notes to the financial statements was evaluated in accordance with TFRSs.

4) Other Matter

The full scope audit of the financial statements for the year ended 31 December 2023, of the Company were performed by another auditor. The auditor has expressed an unmodified audit opinion in the full-scope audit report dated 22 February 2024.

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(Convenience translation of a report originally issued in Turkish)

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

6) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the 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 standards on auditing as issued by the Capital Markets Board of Turkey and InAS 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 financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 12 February 2025.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2024 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Mehmet Başol Çengel.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Başol Çengel, SMMM
Partner

12 February 2025
İstanbul, Türkiye

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İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2024

(Amounts are expressed as Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

ASSETS	Note	(Audited) Current Period 31 December 2024 USD'000	(Audited) Current Period 31 December 2024 TRY'000	(Audited) Previous Period 31 December 2023 USD'000	(Audited) Previous Period 31 December 2023 TRY'000
Current Assets		**1.959.667**	**69.137.658**	**1.953.090**	**57.495.472**
Cash and Cash Equivalents	4	532.238	18.777.531	392.968	11.568.280
Financial Investments	5	5.428	191.503	-	-
Trade Receivables		209.932	7.406.470	177.060	5.212.321
Due From Related Parties	*32*	*120.693*	*4.258.096*	*129.883*	*3.823.513*
Other Trade Receivables	*9*	*89.239*	*3.148.374*	*47.177*	*1.388.808*
Other Receivables		4.340	153.109	114.111	3.359.220
Due From Related Parties	*32*	-	-	110.822	3.262.404
Other Receivables	*10*	*4.340*	*153.109*	*3.289*	*96.816*
Financial Derivative Instruments	7	816	28.785	-	-
Inventories	11	989.092	34.895.478	1.075.932	31.673.490
Prepaid Expenses	12	33.352	1.176.677	10.255	301.892
Other Current Assets	20	184.469	6.508.105	182.764	5.380.269
Non Current Assets		**3.063.739**	**108.089.603**	**2.652.192**	**78.075.747**
Financial Investments	5	1.979	69.831	2.252	66.285
Other Receivables	10	139	4.903	182	5.355
Investments Accounted For Using Equity Method	6	36.283	1.280.062	30.039	884.293
Property, Plant and Equipment	13	2.835.917	100.051.989	2.398.380	70.604.004
Right of Use Assets	15	13.105	462.360	8.343	245.593
Intangible Assets	14	41.118	1.450.662	42.119	1.239.911
Prepaid Expenses		135.198	4.769.796	170.877	5.030.306
Due From Related Parties	*32*	*1.357*	*47.892*	*1.600*	*47.097*
Other Prepaid Expenses	*12*	*133.841*	*4.721.904*	*169.277*	*4.983.209*
TOTAL ASSETS		**5.023.406**	**177.227.261**	**4.605.282**	**135.571.219**

The details of presentation currency translation to TRY explained in Note 2.1.

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

LIABILITIES	Note	(Audited) Current Period 31 December 2024 USD'000	(Audited) Current Period 31 December 2024 TRY'000	(Audited) Previous Period 31 December 2023 USD'000	(Audited) Previous Period 31 December 2023 TRY'000
Current Liabilities		**847.874**	**29.967.974**	**1.278.371**	**37.701.321**
Short Term Borrowings	8	278.156	9.831.094	582.525	17.179.415
Short Term Portion of Long Term Borrowings	8	91.650	3.239.261	108.274	3.193.139
Trade Payables		348.798	12.328.734	408.165	12.037.825
Due to Related Parties	*32*	*62.503*	*2.209.079*	*83.559*	*2.464.278*
Other Trade Payables	*9*	*286.295*	*10.119.655*	*324.606*	*9.573.547*
Payables for Employee Benefits	17	81.822	2.891.890	36.659	1.081.118
Other Payables	10	20.954	740.577	33.468	987.014
Derivative Financial Instruments	7	-	-	1.181	34.818
Deferred Revenue	21	10.908	385.542	13.233	390.267
Current Tax Liabilities	30	5.809	205.298	84.616	2.495.441
Short Term Provisions	18	5.111	180.654	5.169	152.452
Other Current Liabilities	20	4.666	164.924	5.081	149.832
Non Current Liabilities		**867.556**	**30.662.714**	**402.395**	**11.867.180**
Long Term Borrowings	8	564.899	19.965.671	122.635	3.616.679
Long Term Provisions		75.137	2.655.639	70.741	2.086.239
Long Term Provisions for Employee Benefits	*17*	*75.137*	*2.655.639*	*70.741*	*2.086.239*
Deferred Tax Liabilities	30	227.520	8.041.404	209.019	6.164.262
EQUITY		**3.307.976**	**116.596.573**	**2.924.516**	**86.002.718**
Share Capital	22	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital		85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(73.707)	61.397.172	(66.409)	49.811.251
Actuarial (Loss)/ Gain Funds		*(73.707)*	*(1.196.793)*	*(66.409)*	*(953.191)*
Foreign Currency Translation Reserves		-	*62.593.965*	-	*50.764.442*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		119	4.217	(882)	(26.023)
Cash Flow Hedging Gain (Loss)		*119*	*4.217*	*(882)*	*(26.023)*
Restricted Reserves Assorted from Profit		486.185	3.179.560	482.127	3.049.060
Retained Earnings		986.353	34.861.452	870.315	25.666.719
Net Profit for the Period		434.836	14.254.008	165.175	4.601.547
TOTAL LIABILITIES AND EQUITY		**5.023.406**	**177.227.261**	**4.605.282**	**135.571.219**

The details of presentation currency translation to TRY explained in Note 2.1.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

	Note	(Audited) Current Period 1 January - 31 December 2024 USD'000	(Audited) Current Period 1 January - 31 December 2024 TRY'000	(Audited) Previous Period 1 January - 31 December 2023 USD'000	(Audited) Previous Period 1 January - 31 December 2023 TRY'000
Revenue	23	3.369.001	110.436.515	3.180.762	88.611.904
Cost of Sales	23	(3.078.687)	(100.919.980)	(2.957.271)	(82.385.737)
GROSS PROFIT/(LOSS)		**290.314**	**9.516.535**	**223.491**	**6.226.167**
Marketing, Sales and Distribution Expenses	25	(31.720)	(1.039.783)	(24.643)	(686.527)
General Administrative Expenses	25	(55.390)	(1.815.705)	(38.966)	(1.085.544)
Research and Development Expenses		(76)	(2.487)	(48)	(1.350)
Other Operating Income	26	282.261	9.252.559	114.454	3.188.550
Other Operating Expenses	26	(10.113)	(331.462)	(6.600)	(183.850)
OPERATING PROFIT/(LOSS)		**475.276**	**15.579.657**	**267.688**	**7.457.446**
Income from Investing Activities	27	7.738	253.663	513	14.293
Expenses from Investing Activities	27	(5.058)	(165.829)	(21.779)	(606.756)
Share of Investments' Profit Accounted by Using The Equity Method	6	6.244	204.668	3.305	92.073
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/ (EXPENSE)		**484.200**	**15.872.159**	**249.727**	**6.957.056**
Finance Income	28	74.551	2.443.808	40.543	1.129.485
Finance Expense	29	(97.507)	(3.196.307)	(91.750)	(2.556.034)
PROFIT/(LOSS) BEFORE TAX		**461.244**	**15.119.660**	**198.520**	**5.530.507**
Tax (Expense)/ Income	30	(26.408)	(865.652)	(33.345)	(928.960)
Current Corporate Tax (Expense)/ Income		(5.809)	(190.407)	(83.384)	(2.322.979)
Deferred Tax (Expense)/ Income		(20.599)	(675.245)	50.039	1.394.019
NET PROFIT/(LOSS) FOR THE PERIOD		**434.836**	**14.254.008**	**165.175**	**4.601.547**
Earnings/(Loss) per share (TRY 1 Nominal value per share)	31		4,9152		1,5867

The details of presentation currency translation to TRY explained in Note 2.1.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

	Note	(Audited) Current Period 1 January - 31 December 2024 USD'000	(Audited) Current Period 1 January - 31 December 2024 TRY'000	(Audited) Previous Period 1 January - 31 December 2023 USD'000	(Audited) Previous Period 1 January - 31 December 2023 TRY'000
PROFIT/(LOSS) FOR THE PERIOD		**434.836**	**14.254.008**	**165.175**	**4.601.547**
OTHER COMPREHENSIVE INCOME					
Not to be reclassified subsequently to profit or loss					
Foreign Currency Translation Gain (Loss)		-	18.003.209	-	29.977.867
Actuarial Gain/(Loss) of Defined Benefit Plans	17	(9.731)	(324.803)	(16.860)	(476.313)
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	30	2.433	81.201	4.215	119.078
To be reclassified subsequently to profit or loss					
Gain (Loss) in Cash Flow Hedging Reserves		1.335	40.320	(711)	(25.980)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	30	(334)	(10.080)	178	6.495
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(6.297)**	**17.789.847**	**(13.178)**	**29.601.147**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**428.539**	**32.043.855**	**151.997**	**34.202.694**

The details of presentation currency translation to TRY explained in Note 2.1.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)

				Other Comprehensive Income (Expense) Not to be Reclassified to Profit/ (Loss)		Other comprehensive income (expense) to be reclassified subsequently to profit or loss		Retained Earnings		
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit for the Period	**Total Shareholders' Equity**
1 January 2024		**2.900.000**	**164**	**50.764.442**	**(953.191)**	**(26.023)**	**3.049.060**	**25.666.719**	**4.601.547**	**86.002.718**
Net profit for the period		-	-	-	-	-	-	-	14.254.008	14.254.008
Other comprehensive income/(loss)		-	-	18.003.209	(243.602)	30.240	-	-	-	17.789.847
Total comprehensive income/(loss)		-	-	18.003.209	(243.602)	30.240	-	-	14.254.008	32.043.855
Increase (decrease) due to other changes (**)	2.1	-	-	(6.173.686)	-	-	-	6.173.686	-	-
Dividends (*)		-	-	-	-	-	-	(1.450.000)	-	(1.450.000)
Transfers		-	-	-	-	-	130.500	4.471.047	(4.601.547)	-
31 December 2024		**2.900.000**	**164**	**62.593.965**	**(1.196.793)**	**4.217**	**3.179.560**	**34.861.452**	**14.254.008**	**116.596.573**
(Audited)										
1 January 2023		**2.900.000**	**164**	**31.862.614**	**(595.956)**	**(6.538)**	**3.049.060**	**7.864.483**	**6.726.197**	**51.800.024**
Net profit for the period		-	-	-	-	-	-	-	4.601.547	4.601.547
Other comprehensive income/(loss)		-	-	29.977.867	(357.235)	(19.485)	-	-	-	29.601.147
Total comprehensive income/(loss)		-	-	29.977.867	(357.235)	(19.485)	-	-	4.601.547	34.202.694
Increase (decrease) due to other changes (**)	2.1	-	-	(11.076.039)	-	-	-	11.076.039	-	-
Transfers		-	-	-	-	-	-	6.726.197	(6.726.197)	-
31 December 2023		**2.900.000**	**164**	**50.764.442**	**(953.191)**	**(26.023)**	**3.049.060**	**25.666.719**	**4.601.547**	**86.002.718**

(*) At the Ordinary General Assembly Meeting of the Company held on 28 March 2024, dividend per share: TRY 0,50 from the profits of 2023. The decision to distribute a cash dividend of TRY 1.450.000 thousand was unanimously approved. Dividend distribution started on 16 April 2024.

(**) Retained earnings; in the financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the statement of financial position dated 31 December 2024 by converting to US Dollars at historical rates, are explained in Note 2.1

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts are expressed as Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	Note	(Audited) Current Period 1 January - 31 December 2024 USD'000	(Audited) Current Period 1 January - 31 December 2024 TRY'000	(Audited) Previous Period 1 January - 31 December 2023 USD'000	(Audited) Previous Period 1 January - 31 December 2023 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**516.388**	**16.560.275**	**486.104**	**13.820.807**
Profit (Loss) for The Period		**434.836**	**14.254.008**	**165.175**	**4.601.547**
Adjustments to Reconcile Profit (Loss)		**(101.902)**	**(3.330.984)**	**96.791**	**2.645.531**
Adjustments for Depreciation and Amortisation Expenses	23/25/26	121.630	3.999.561	107.730	3.001.227
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(5.578)	(182.833)	2.844	79.225
Adjustments for Provision (Reversal of Provision) for Receivables	9	*(3)*	*(96)*	*(362)*	*(10.071)*
Adjustments for Provision (Reversal of Provision) for Inventories	11	*965*	*31.632*	*(17.042)*	*(474.784)*
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	13	*(6.540)*	*(214.369)*	*20.248*	*564.080*
Adjustments for Provisions		18.648	611.231	23.593	657.285
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	17	*17.635*	*578.032*	*22.551*	*628.248*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	*18*	*1.013*	*33.199*	*1.042*	*29.037*
Adjustments for Interest (Income) and Expenses		11.383	373.162	28.785	801.900
Adjustments for Interest Income	*28*	*(70.960)*	*(2.326.059)*	*(40.543)*	*(1.129.485)*
Adjustments for Interest Expense	*29*	*85.919*	*2.816.443*	*72.563*	*2.021.511*
Unearned Financial Income from Credit Sales		*(3.576)*	*(117.222)*	*(3.235)*	*(90.126)*
Adjustments for Unrealised Foreign Exchange Differences		(6.356)	(220.699)	2.323	13.719
Adjustments for Fair Value (Gains) Losses		(470)	(15.398)	53	1.483
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		*(470)*	*(15.398)*	*53*	*1.483*
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	6	(6.244)	(204.668)	(3.305)	(92.073)
Adjustments for Tax (Income) Expenses	30	26.408	865.652	33.345	928.960
Other Adjustments for Non-Cash Items	*26*	(260.000)	(8.522.852)	(100.000)	(2.785.870)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(1.043)	(34.140)	1.423	39.675
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		*(1.043)*	*(34.140)*	*1.423*	*39.675*
Other adjustments for Losses (Gains) Reconciliation		(280)	-	-	-
Changes in Working Capital		**(31.183)**	**(1.100.146)**	**170.675**	**5.024.352**
Adjustments for Decrease (Increase) in Trade Receivables		(29.541)	(1.042.215)	40.717	1.198.621
Decrease (Increase) in Trade Receivables from Related Parties		*9.190*	*324.226*	*19.107*	*562.476*
Decrease (Increase) in Trade Receivables from Third Parties		*(38.731)*	*(1.366.441)*	*21.610*	*636.145*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(1.008)	(35.563)	(711)	(20.930)
Decrease (Increase) in Other Receivables from Operations from Third Parties		*(1.008)*	*(35.563)*	*(711)*	*(20.930)*
Decrease (Increase) in Derivative Financial Instruments		(816)	(28.789)	-	-
Adjustments for Decrease (Increase) in Inventories		89.514	3.158.081	(16.492)	(485.506)
Decrease (Increase) in Prepaid Expenses		(18.220)	(642.807)	(14.568)	(428.844)
Adjustments for Increase (Decrease) in Trade Payables		(59.367)	(2.094.486)	199.127	5.861.940
Increase (Decrease) in Trade Payable to Related Parties		*(21.056)*	*(742.862)*	*37.707*	*1.110.026*
Increase (Decrease) in Trade Payable to Third Parties		*(38.311)*	*(1.351.624)*	*161.420*	*4.751.914*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		32.696	1.153.525	50.878	1.497.757
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*32.696*	*1.153.525*	*50.878*	*1.497.757*
Increase (Decrease) in Derivative Liabilities		624	22.015	(103)	(3.032)
Adjustments for Other Increase (Decrease) in Working Capital		(45.065)	(1.589.907)	(88.173)	(2.595.654)
Decrease (Increase) in Other Assets Related from Operations		*(42.325)*	*(1.493.239)*	*(92.988)*	*(2.737.399)*
Increase (Decrease) in Other Payables Related from Operations		*(2.740)*	*(96.668)*	*4.815*	*141.745*
Cash Flows Provided by Operating Activities		**301.751**	**9.822.878**	**432.641**	**12.271.430**
Payments Related to Provisions for Employee Termination Benefits	17	(9.541)	(312.760)	(12.811)	(356.912)
Payments Related to Other Provisions	18	(316)	(10.360)	(107)	(2.978)
Income Taxes Refund (Paid)	30	194	(36.329)	(5.119)	(82.630)
Other Cash Inflow (Outflow)		224.300	7.096.846	71.500	1.991.897
CASH FLOWS FROM INVESTING ACTIVITIES		**(521.101)**	**(17.018.326)**	**(439.372)**	**(12.425.655)**
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		3.629	118.921	184	5.090
Cash Inflow from Sales of Property, Plant and Equipment		*3.629*	*118.921*	*184*	*5.090*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(462.908)	(14.956.147)	(348.986)	(9.722.312)
Cash Outflow from Purchase of Property, Plant and Equipment	*13*	*(462.532)*	*(14.943.827)*	*(348.879)*	*(9.719.314)*
Cash Outflow from Purchase of Intangible Assets	*14*	*(376)*	*(12.320)*	*(107)*	*(2.998)*
Cash Advances and Debts Given		(56.394)	(1.989.597)	(96.472)	(2.839.962)
Cash Advance and Debts Given to Related Parties		-	-	*340*	*10.009*
Other Cash Advances and Debts Given		*(56.394)*	*(1.989.597)*	*(96.812)*	*(2.849.971)*
Dividends Received		-	-	4.899	112.769
Other Cash Inflows (Outflows)		(5.428)	(191.503)	1.003	18.760
CASH FLOWS FROM FINANCING ACTIVITIES		**168.292**	**5.145.832**	**48.857**	**700.688**
Cash Inflow from Borrowings		726.939	23.829.219	638.040	17.774.968
Cash Inflow from Loans	8	*726.939*	*23.829.219*	*638.040*	*17.774.968*
Cash Outflow from Repayments of Borrowings		(611.464)	(20.071.823)	(449.799)	(13.012.904)
Cash Outflow from Loan Repayments	8	*(611.464)*	*(20.071.823)*	*(449.799)*	*(13.012.904)*
Decrease in Other Payables to Related Parties		110.822	3.262.404	(110.822)	(3.262.404)
Cash Outflow from Debt Payments for Leasing Contracts		(1.383)	(45.343)	(919)	(25.606)
Dividends Paid		(45.127)	(1.449.719)	-	-
Interest Paid		(82.610)	(2.707.985)	(67.381)	(1.877.161)
Interest Received		71.115	2.329.079	39.738	1.103.795
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**163.579**	**4.687.781**	**95.589**	**2.095.840**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(24.406)	2.516.229	(49.760)	2.978.141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**139.173**	**7.204.010**	**45.829**	**5.073.981**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		392.653	11.558.996	346.824	6.485.015
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**531.826**	**18.763.006**	**392.653**	**11.558.996**

- As of 31 December 2024, the Company’s total amount of time deposit interest accrual is TRY 14.525 thousand (USD 412 thousand) (31 December 2023: TRY 9.284 thousand (USD 315 thousand)).
- As of 31 December 2024, insurance compensation income of TRY 8.522.852 thousand (USD 260.000 thousand) was reported in the summary cash flow statements under “Other Adjustments for Non-Cash Items”, and insurance compensations of TRY 7.096.846 thousand (USD 224.300 thousand) collected in cash were reported in the summary cash flow statements under “Other Cash Inflows (Outflows)”.
- In the statement of financial position, since the functional currency of the Company is USD, exchange differences between the accrued and payment dates of the dividend payables to the shareholders whose original currency is Turkish Lira are reported in Other Adjustments to reconcile Profit (Loss)

NOTE 1 – COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS

İskenderun Demir ve Çelik A.Ş. (“the Company”) registered in 12 November 1968 and published at 19 November 1968 in the trade registry gazette. The Company established in 3 October 1970 in the southern of Türkiye on the Mediterranean coast in the distance of 17 km from İskenderun in Payas region. The principal activities of the Company are production and sale of iron products, flat and long steel products and their by-products. The Company’s main products are billet, slab, coil, plate, wire rod and by-products are coke, benzol, ammonium sulphate and slag.

The Company had become an affiliated company of the Turkish Iron and Steel Administration with the decision no 93/T-85 dated 10 September 1993 of Supreme Planning Committee.Then with the decision no 98/20 of Privatization Committee dated 2 March 1998, the Company was transferred to Turkish Privatization Administration.Ultimately, shares of the Company were transferred to Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (“Erdemir”) in 31 January 2002 by the Turkish Privatization Administration with the decision no 2001/08 which dated 8 February 2001. The immediate parent of Ereğli Demir ve Çelik Fabrikaları T.A.Ş is Ataer Holding A.Ş. The ultimate controlling party is Ordu Yardımlaşma Kurumu (OYAK). İskenderun Demir ve Çelik A.Ş. (“the Company”) stocks continue to be traded on Borsa İstanbul since 26 March 2016.

The main operations of the subsidiaries of the Company and the share percentages of İsdemir for these companies are as follows:

Shares in Subsidiaries and Joint Ventures	Country of Operation	Operation	31 December 2024 Share (%)	31 December 2023 Share (%)
Teknopark Hatay A.Ş.	Türkiye	R&D Centre	5%	5%
İsdemir Linde Gaz Ortaklığı A.Ş.	Türkiye	Industrial Gas Production and Sale	50%	50%

The registered address of the Company is Karayılan Beldesi, 31319 İskenderun/HATAY.

The number of the personnel employed by the Company as of reporting period are as follows:

	31 December 2024 Personnel	31 December 2023 Personnel
Paid Hourly Personnel	3.711	3.069
Paid Monthly Personnel	1.437	1.463
	5.148	4.532

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company maintains its legal books of account and prepares their statutory financial statements (“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.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

In addition, the financial statements are presented in accordance with the formats determined in the "Announcement on TFRS Taxonomy" published by the POA on 3 July 2024 and in the Financial Statement Samples and User Guide published by the CMB.

The financial statements are prepared on the historical cost basis, except for financial instruments carried at fair value. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as basis.

<u>Functional and reporting currency</u>

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 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.

<u>Functional currency of the joint venture</u>

The functional currency of the Company’s joint venture İsdemir Linde Gaz Ortaklığı A.Ş. is US Dollars.

<u>Inflation accounting</u>

The Public Oversight, Accounting and Auditing Standards Authority (“POA”) 23 November 2023, in accordance with the announcement “Adjustment of the Financial Statements of Companies Subject to Independent Audit in Accordance with Inflation”; It has been decided that the financial statements of the enterprises applying the Turkish Financial Reporting Standards for the annual reporting period ended on or after 31 December 2023, in accordance with the relevant accounting principles contained in the Turkish Accounting Standard 29 “Financial Reporting in High-Inflation Economies” (TAS 29) will be presented adjusted for the effect of inflation.

In line with the above explanations, the Company does not need to make any adjustments in accordance with TAS 29 in its financial statements to be prepared in accordance with TFRS due to the fact that the functional currency of the Company is US dollars as of the reporting date.

<u>Presentation currency translation</u>

Company; Pursuant to the Public Oversight, Accounting and Auditing Standards Authority's "POA" announcement dated 15 March 2021, "On the Next Measurement of Foreign Currency Monetary Items According to Turkish Accounting Standards", the assets and liabilities in the summary financial statements are used by using the buying and selling rates valid as of the end of the reporting period. It has been valued and translated into the presentation currency at the same exchange rates.

a) The assets on financial position as of 31 December 2024 are translated from US Dollars into TRY using the Central Bank of the Republic of Türkiye's buying rate of exchange which is TRY 35,2803 =US $ 1 and the liabilities selling rate of exchange which is TRY 35,3438 =US $ 1on the balance sheet date (31 December 2023 foreign exchange buying rate: 29,4382 TRY = 1 US $, foreign exchange selling rate: 29,4913 TRY = 1 US $).

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Presentation currency translation (cont'd)

b) Profit or loss statements for the year ended 31 December 2024 profit or loss statements have been translated into TRY using the annual average 32,7802 TRY = 1 US $ rates of 2024 January-December period (31 December 2023: 27,8587 TRY = 1 US $).
c) Retained earnings; In the financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed in US Dollars. Retained earnings in the statement of financial position dated 31 December 2024 are presented by converting them into TRY using the foreign exchange selling rate effective as of 31 December 2024 announced by the Central Bank of the Republic of Türkiye, TRY 35,3418 = US $ 1 (31 December 2023: TRY 29,4913 = US $ 1)
d) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
e) Capital and other reserves are presented with their legal values in the accompanying financial statements, and other equity items are presented with their historical cost values. The translation differences between the historical values of these items translated into the presentation currency and their carrying values from legal records are accounted for as foreign currency translation differences in the other comprehensive income statement.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying financial statements comprising the statements of financial position as of 31 December 2024 and 31 December 2023, statement of income and other comprehensive income, and statement of cash flows for the year ended 31 December 2024 representing the 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.

Shares in subsidiaries and joint ventures

			Share of Capital and right to vote of Company (%)	
Shares in Subsidiaries and Joint Ventures	Business Area	Valid Currency	31 December 2024	31 December 2023
Teknopark Hatay A.Ş.	R&D Centre	TRY	5%	5%
İsdemir Linde Gaz Ortaklığı A.Ş.	Industrial Gas Production and Sales	USD	50%	50%

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or a joint venture.

When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or a joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Going concern

The Company prepared its financial statements in accordance with the going concern assumption.

Approval of the financial statements

The financial statements have been approved on 12 February 2025 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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 is made either retrospectively or prospectively in accordance with the transition requirements of the standards. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are 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.

2.3 Comparative Information and Restatement of Financial Statements with Prior Periods

The Company's 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 financial statements.

2.4 Significant Judgements and Estimates of the Company on Application of Accounting Policies

The Company, according to TAS makes estimates and assumptions prospectively while preparing its 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:

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 Significant Judgements and Estimates of the Company on Application of Accounting Policies (cont'd)

2.4.1 Useful lives of property, plant and equipment and intangible assets

The Company calculates depreciation for the fixed assets by taking into account their production amounts and useful lives that are stated in Note 2.7.3 and 2.7.4 (Note 13, Note 14).

2.4.2 Deferred tax

The Company 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 financial statements prepared in accordance with statutory and TFRS. The Company has deferred tax assets, which could reduce taxable income in the future periods.

All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative fiscal losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset (Note 30).

2.4.3 Fair values of derivative financial instruments

The Company values 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 balance sheet date (Note 7).

2.4.4 Provision for expected loan loss

Allowance for expected loan loss provisions reflect the future loss that the Company 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 credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. As of the reporting date, the provision for doubtful receivables is presented in Note 9.

2.4.5 Provision for inventories

During the assessment of the provision for inventory the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed and related data by sales prices of realized sales after balance sheet 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 this, the provision for inventories with the net realizable values below the costs and the slow moving inventories are presented in Note 11.

2.4.6 Provisions for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are made to calculate the Company's provision for employee benefits. The details related with the defined benefit plans are stated in Note 17.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies (cont'd)

2.4.7 Provision for lawsuits

Provision for lawsuits is evaluated by the Company Management based on opinions of Company's Legal Council and legal consultants. The Company Management determines the amount of provisions based on best estimates. As of the balance sheet date, the provision for lawsuits is stated in Note 18.

2.4.8 Impairments on Assets

The Company 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 carried at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment works performs by the Company management, as of the reporting date any impairment except calculated provision on non-financial assets has not been estimated.

2.4.9 Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.4.10 Loss provision calculation

When measuring ECL the Company 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.

2.5 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the balance sheet 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.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.6 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim financial statements as of 31 December 2024 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 2024 summarized below.

a)The new standards, amendments and interpretations which are effective from 2024

Amendments to TAS 1	:*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 16	:*Lease Liability in a Sale and Leaseback*
Amendments to TAS 7 and TFRS7	:*Supplier Finance Arrangements*

The effects of these standards and interpretations on the Company's financial statements and performance are explained in the relevant paragraphs.

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

In March 2020 and January 2023, the "POA" made amendments to TAS 1 to determine the principles for classifying liabilities as short-term and long-term. According to the amendments made in January 2023, if the entity's right to defer payment of a liability depends on compliance with the terms of the credit agreement at a date after the reporting period, it has the right to defer the liability in question as of the end of the reporting period (even if it does not comply with the relevant terms at the end of the reporting period). When a liability arising from a credit agreement is classified as long-term and the entity's right to defer payment depends on compliance with the terms of the credit agreement within 12 months, the January 2023 amendments require entities to make various disclosures. These disclosures should include information about the terms of the credit agreement and the related liabilities. In addition, these amendments clarified that the right to defer payment for long-term classification must exist as of the end of the reporting period, regardless of whether compliance with the terms of the agreement will be tested at the reporting date or a later date. The amendments clearly state that the possibility of the company not exercising its right to postpone payment for at least twelve months after the reporting period will not affect the classification of the liability. The amendments are applied retroactively in accordance with TAS 8.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

In January 2023, the POA published amendments to TFRS 16. These amendments determine the provisions to be applied in the measurement of lease obligations arising from the sale and leaseback transaction by the seller-lessee in a way that will ensure that no gain or loss is recognized regarding the remaining right of use. In this context, the seller-lessee will determine the lease payments or revised lease payments in a way that will not recognize any gain or loss regarding the remaining right of use while applying the provisions of TFRS 16 under the heading "Subsequent measurement of the lease obligation" after the date the sale and leaseback transaction actually begins. The amendments do not include a specific provision regarding the measurement of lease obligations arising from the leaseback. The initial measurement of the lease obligation in question may cause payments other than those included in the definition of lease payments in TFRS 16 to be determined as lease payments. The seller-lessee will be required to develop and implement an accounting policy that will provide reliable and appropriate information in accordance with TAS 8. The seller-lessee applies the amendments retroactively to the sale and leaseback transactions entered into after the initial application date of TFRS 16, in accordance with TAS 8.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

a)The new standards, amendments and interpretations which are effective from 2024 (cont'd)

Amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements

The amendments published by the POA in September 2023 introduce explanations that improve existing provisions in order to contribute to the understanding of the effects of supplier financing agreements on the liabilities, cash flows and liquidity risks to which the company is exposed by financial statement users. Supplier financing agreements are defined as agreements in which one or more financing providers undertake to pay the company's debt to its supplier and the company agrees to make the payment on or after the date the payment is made to the supplier. These amendments require disclosures on the terms and conditions of such agreements, quantitative information on the obligations arising from them as of the beginning and end of the reporting period, and the nature and effects of non-cash changes in the carrying amount of these obligations. In addition, within the scope of quantitative disclosures on liquidity risk stipulated in TFRS 7, supplier financing agreements are shown as examples of other factors that may need to be disclosed.

The Company Management has evaluated that these changes and comments, effective from 2024, do not have a significant impact on the Company's financial statements.

b) Standards that have not yet entered into force and amendments to existing previous standards, and comments

The company, with the following standards that have not yet entered into force, has not yet implemented the following changes and comments:

Amendments to TFRS 10 and TAS 28	*: Sales or Contributions of Assets by the Investor to its Associate or Joint Venture*
TFRS 17	: *Insurance Contracts*
Amendments to TAS 21	*: Lack of Exchangeability*

Amendments to TFRS 10 and TAS 28 Sales or Contributions of Assets by the Investor to its Associate or Joint Venture

The POA postponed the effective date of the amendments made to TFRS 10 and TAS 28 indefinitely in December 2017, to be changed depending on the ongoing research project outputs regarding the equity method. However, it still allows early application.

TFRS 17 *Insurance Contracts*

In February 2019, the POA published TFRS 17, a comprehensive new accounting standard covering recognition and measurement, presentation and disclosure for insurance contracts. TFRS 17 introduces a model that allows both the measurement of liabilities arising from insurance contracts with current balance sheet values and the recognition of profit throughout the period in which the services are provided. With the announcement made by the POA, the mandatory effective date of the Standard has been postponed to accounting periods starting on or after 1 January 2026.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.6 Adoption of New and Revised Financial Reporting Standards (cont’d)

b) Standards that have not yet entered into force and amendments to existing previous standards, and comments (cont’d)

Amendments to TAS 21 Lack of Exchangeability

In May 2024, the POA published amendments to TAS 21. The amendments determine how to assess whether a currency is fungible and how to determine the applicable exchange rate in cases where the currency is not fungible. According to the amendment, when an estimate of the applicable exchange rate is made because a currency is not fungible, information is disclosed that enables financial statement users to understand how the inability to fungible currency with another currency affects or is expected to affect the performance, financial position and cash flow of the enterprise.

These amendments include guidance on determining when a currency is convertible and how to determine the exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after 1 January 2025.

The potential impacts of these standards, amendments and improvements on the Company's summary financial position and performance are being assessed.

c) Amendments Valid from the Moment of Publication

TAS 12 (Amendments): International Tax Reform – Second Pillar Model Rules

d) Changes published by the International Accounting Standards Board (IASB) but not published by the POA

TFRS 9 and TFRS 7 (Amendments)	*: Classification and Measurement of Financial Instruments*
TFRS 9 and TFRS 7 (Amendments)	*: Contracts for Electricity Produced from Natural Resources*
TFRS 18	*: New Standard for Presentation and Disclosures in Financial Statements*
TFRS 19	*:New Non-Publicly Accountable Subsidiaries: Disclosures Standard*

Annual Improvements to TFRS Accounting Standards – 11th Amendment

The possible effects of these standards, changes and improvements on the Company's financial position and performance are being evaluated.

2.7 Valuation Principles Applied / Significant Accounting Policies

Accounting policies implemented during preparation of financial statemens as follows:

2.7.1 Revenue recognition

Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.1 Revenue recognition (cont'd)

The company constitutes the largest share in the revenues of coils in the flat product group and billets and wire rod in the long product group.

Company 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

Company 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) Company can identify each party's rights regarding the goods or services to be transferred,
c) Company can identify the payment terms for the goods or services to be transferred;
d) The contract has commercial substance,
e) It is probable that Company 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 in question. Interest income from the Company's time deposit investments are recognized under finance income, while maturities sales interest income from trade receivables are recognized in revenue.

2.7.2 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.

2.7.3 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. 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.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.3 Property, plant and equipment (cont'd)

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. Impairment losses are recognized in the income statement.

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, using the straight-line method and produce amount. 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 fixed assets 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%
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. Tangible assets 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. 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 income statement of the related period. The Company 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 on-going investments.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.4 Intangible assets

Intangible assets purchased are recognized at acquisition cost less any amortization and impairment loss. 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.

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%

2.7.5 Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company 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 FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.5 Leases (cont'd)

The Company as lessee (cont'd)

The lease liability is presented as under borrowings in the 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 Company 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 company announced the changes made during the periods presented in the financial statements with its details in Note 15.

The right of use assets include the initial measurement of the corresponding lease obligation, lease payments made before or before the lease actually starts, and other direct initial costs. These assets are subsequently measured at cost by deducting accumulated depreciation and impairment losses.

The Company 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. These costs are included in the relevant use right asset, unless they are incurred for stock production.

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 Company 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 statement of financial position. (Note 15).

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.5 Leases (cont'd)

The Company as lessor

Leases for which the Company 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 Company 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 Company's net investment in the leases.

2.7.6 Impairment of 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 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.

2.7.7 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 income statement of the period in which they are incurred.

2.7.8 Financial Instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.8 Financial Instruments (cont'd)

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 Company 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset; the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont’d)

2.7.8 Financial Instruments (cont’d)

Financial assets (cont’d)

Classification of financial assets (cont’d)

(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 28).

(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 recognised in profit or loss to the extent they are not part of a designated hedging relationship.

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 amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the ‘other gains and losses’ line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.8 Financial Instruments (cont'd)

Financial assets (cont'd)

Foreign exchange gains and losses (cont'd)

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. 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 Company 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.

For all other financial instruments, the Company recognises 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month 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 described above. 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 loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.8 Financial Instruments (cont'd)

Derecognition of financial assets

The Company 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 Company 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.
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 Company 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 Company does not reclassify any financial liability.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.8 Financial Instruments (cont'd)

Financial liabilities (cont'd)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Company 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 7.

Derivatives are recognised 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 recognised 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 recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company 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 realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company 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.

At the inception of the hedge relationship, the Company 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 Company 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 Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.8 Financial Instruments (cont'd)

Hedge accounting (cont'd)

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 Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge).

The Company 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 7 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements of the hedge fund accounted under equity are detailed in Note 7.

2.7.9 The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. The Company' financial conditions and performance results stated as Turkish Lira in presentation currency in financial statements

The Company 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 statement of income. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to statement of income. 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.

2.7.10 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 Company 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.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont’d)

2.7.11 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Company has a present obligation as a result of a past legal or subtle event, where it is probable that the Company 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 Company’s contingent liabilities’ availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Company discloses this fact in the notes.

2.7.12 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).

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.12 Related parties(cont'd)

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.

2.7.13 Taxation and deferred income taxes

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 income statement 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 Company'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 Company 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.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.13 Taxation and deferred income taxes(cont'd)

Deferred tax (cont'd)

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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the income statement, 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.

2.7.14 Employee benefits

According to the Turkish 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 TAS19 (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 Company 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 income. The details related with the defined benefit plans are stated in Note 17.

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.14 Employee benefits(cont'd)

The Company is required to pay social insurance premiums to the Social Security Agency. As long as it pays these insurance premiums, the Company does not have any further obligation. These premiums are reflected in the payroll expenses incurred in the period.

2.7.15 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 Company 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.

2.7.16 Statement of cash flows

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows arising from operating activities represent the cash flows that are used in or provided by the Company's steel products 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 Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company 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.

2.7.17 Share capital and dividends

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

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.18 Earnings per share

Earnings per share, disclosed in the 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 Türkiye, 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. Accordingly, the weighted-average number of shares are computed by taking into consideration of the retrospective effects of the share distributions.

NOTE 3 – SEGMENT REPORTING

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

The detail of cash and cash equivalents as of reporting period is as follows:

	31 December 2024	31 December 2023
Banks – demand deposits	125.669	82.784
Banks – time deposits	18.651.862	11.485.496
	18.777.531	11.568.280
Time deposit interest accruals (-)	(14.525)	(9.284)
	18.763.006	11.558.996

The breakdown of demand deposits is presented below:

	31 December 2024	31 December 2023
US Dollars	995	2.701
TRY	124.433	79.487
EURO	11	408
GB Pound	67	57
Other	163	131
	125.669	82.784

NOTE 4 – CASH AND CASH EQUIVALENTS (cont'd)

The breakdown of time deposits is presented below:

	31 December 2024	31 December 2023
US Dollars	9.832.771	9.533.653
TRY	8.501.790	1.951.843
EURO	317.301	-
	18.651.862	11.485.496

Bank deposits consist of amounts with maturities ranging from 1 day to 3 months depending on the cash needs of the Company, and interest is calculated for these deposits depending on the short-term interest rates in the market.

NOTE 5 – FINANCIAL INVESTMENTS

The details of the Company's short-term investments of the reporting period are as follows:

	31 December 2024	31 December 2023
Marketable Securities	191.503	-
	191.503	-

The Company has invested in fixed income securities issued by the private sector in Turkey for the purpose of generating returns. The relevant fixed income security is held by the Company within the scope of a business model whose purpose is to collect contractual cash flows including principal and interest payments arising from the principal outstanding and these financial assets are measured at amortized cost.

The details of the Company's long-term investments at fair value through profit or loss as of the reporting period are as follows:

	31 December 2024	31 December 2023
Financial investment without an active market	956	798
Venture capital investment fund	68.875	65.487
	69.831	66.285

As of reporting period, ratios and amounts of subsidiaries of the Company are as followings:

Company	Ratio %	31 December 2024	Ratio %	31 December 2023
Financial investments without an active market				
Teknopark Hatay A.Ş.	5	956	5	798
		956		798

NOTE 6 – INVESTMETS ACCOUNTED FOR USING EQUITY METHOD

The detail of the Company's investments accounted for using equity method is follows:

Joint Venture	Right to vote ratio %	31 December 2024	Right to vote ratio %	31 December 2023	Business segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	1.280.062	50	884.293	Industrial Gas Production and Sale

The movement table of the Company's investments valued using the equity method is as follows:

	31 December 2024	31 December 2023
Opening balance as of 1 January	884.293	606.053
Net profit(loss) for the period	204.668	92.073
Dividend	-	(112.769)
Currency translation difference	191.101	298.936
Closing balance as of 31 December	1.280.062	884.293

The share of the Company's net assets in its investments valued using the equity method is as follows:

	31 December 2024	31 December 2023
Total assets	2.869.854	1.913.261
Total liabilities	309.731	144.675
Net assets	2.560.123	1.768.586
Company's share on net assets	1.280.062	884.293

	31 December 2024	31 December 2023
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş has the right of to deduct TRY 221.977 thousand (31 December 2023: TRY 228.207 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 (6.230) thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY (3.115) thousand) is included in the financial statements prepared as of reporting date.

Company's share in profit of investments accounted for using equity method is as follows:

	1 January – 31 December 2024	1 January – 31 December 2023
Revenue	791.089	748.209
Operating Profit	217.256	249.829
Net profit (loss) for the period	409.336	184.146
Company's share in net profit (loss)	204.668	92.073

NOTE 7 – FINANCIAL DERIVATIVE INSTRUMENTS

The detail of financial derivative instruments as of reporting period is as follows:

	31 December 2024		31 December 2023	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Forward contracts for fair value hedges of currency risk of sales	23.141	-	-	183
	23.141	-	-	183
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	5.644	-	-	34.635
	5.644	-	-	34.635
	28.785	-	-	34.818

Derivative instruments for fair value hedge

As of 31 December 2024, the details of swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
31 December 2024		Nominal value	Fair value	Nominal value	Fair value
Forward contracts for sales					
Buy USD/Sell EUR	Less than 3 months	281.365	23.141	-	-
		281.365	23.141	-	-

		Assets		Liabilities	
31 December 2023		Nominal value	Fair value	Nominal value	Fair value
Forward contracts for sales					
Buy USD/Sell EUR	Less than 3 months	-	-	9.957	183
		-	-	9.957	183

Cash flow hedging derivative financial assets

The Company's US Dollar purchase - EURO sales forward contracts, whose fair values are recognized in the other comprehensive income statement, are associated with the parity risk that will occur regarding the sales made in EURO. The sales contracts of these sales transactions have been finalized and their maturities vary between January 2025 and June 2025. Based on these transactions with a nominal value of TRY 964.437 thousand, for the purpose of hedging the cash flow risk, TRY 40.279 thousand, excluding the deferred tax effect, has been accounted for in the statement of other comprehensive income (31 December 2023: TRY (26.477) thousand).

In the current period, TRY 7.340 thousand arising from forward contracts regarding sales has been recognized in the revenue account of the profit or loss statement (31 December 2023: TRY 31.657 thousand).

NOTE 8 – BORROWINGS

As of the balance sheet date, the details of the Company's borrowings are as follows:

	31 December 2024	31 December 2023
Short term bank borrowings	9.831.094	17.179.415
Short term portion of long term bank borrowings	3.164.273	3.168.187
Long term bank borrowings	19.732.100	3.517.686
Total bank borrowings	32.727.467	23.865.288
Current portion of long term lease payables	80.101	26.886
Cost of current portion of long term lease payables (-)	(5.113)	(1.934)
Long term lease payables	999.412	370.068
Cost of long term lease payables (-)	(765.841)	(271.075)
Total leases borrowings	308.559	123.945
Total borrowings	33.036.026	23.989.233

As of 31 December 2024, the breakdown of the Company's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2024
Fixed	US Dollars	7,75	10.248.346	12.251.798	22.500.144
Floating	US Dollars	TERM SOFR+2,94	1.039.869	6.215.818	7.255.687
Floating	EURO	Euribor+0,5	261.880	1.264.484	1.526.364
Fixed	TRY	51,45	1.445.272	-	1.445.272
			12.995.367	19.732.100	32.727.467

As of 31 December 2023, the breakdown of the Company's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2023
Fixed	US Dollars	10,26	16.424.320	-	16.424.320
Floating	US Dollars	TERM SOFR+3,43	3.691.413	2.213.447	5.904.860
Floating	EURO	Euribor+0,5	231.869	1.304.239	1.536.108
			20.347.602	3.517.686	23.865.288

NOTE 8 – BORROWINGS (cont'd)

The breakdown of loan repayment is as follows:

	31 December 2024			31 December 2023		
	Bank Loans	Lease liabilities	Total liabilities	Bank Loans	Lease liabilities	Total liabilities
Within 1 year	12.995.367	74.988	13.070.355	20.347.602	24.952	20.372.554
Between 1-2 years	2.126.113	12.463	2.138.576	782.079	10.399	792.478
Between 2-3 years	14.139.559	7.817	14.147.376	438.018	6.522	444.540
Between 3-4 years	1.365.114	6.679	1.371.793	438.018	5.573	443.591
Between 4-5 years	497.359	5.970	503.329	401.771	4.981	406.752
Five years or more	1.603.955	200.642	1.804.597	1.457.800	71.518	1.529.318
	32.727.467	308.559	33.036.026	23.865.288	123.945	23.989.233

Reconciliation of net financial borrowings as of reporting period is as follows:

	31 December 2024	31 December 2023
Opening balance	23.865.288	11.750.757
Interest expenses	2.777.651	2.008.607
Interest paid	(2.707.985)	(1.877.161)
Unrealised foreign exchange differences	(217.316)	26.539
Cash inflow from loans	23.829.219	17.774.968
Borrowing costs capitalized	217.122	148.066
Cash outflow from loan repayment	(20.071.823)	(13.012.904)
Translation reserves	5.035.311	7.046.416
	32.727.467	23.865.288

Net financial debt reconciliation of debts from leasing transactions is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Opening balance	123.945	66.054
The effect of the increase in the lease contract liability	192.749	82.720
Cash outflow effect	(45.343)	(25.606)
Period interest expense effect	38.792	12.904
Exchange rate effect	(1.584)	(12.127)
Closing balance	308.559	123.945

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

As of the balance sheet date, the details of the Company's trade receivables are as follows:

Short term trade receivables	31 December 2024	31 December 2023
Trade receivables	3.150.547	1.390.838
Due from related parties (Note 32)	4.258.096	3.823.513
Provision for doubtful trade receivables (-)	(2.173)	(2.030)
	7.406.470	5.212.321

The movements in the short-term expected credit loss provision are as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Opening balance	2.030	8.349
Doubtful receivables collected (-)	(96)	(10.071)
Translation difference	239	3.752
Closing balance	2.173	2.030

Trade receivables consist of receivables from the customer for products sold in normal work flow. The term of trade receivables is 40 to 45 days on average, and is classified as short-term trade receivables. The Company holds its trade receivables in order to collect the cash flows arising from the contract and therefore, measures the amortized cost by 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 Company 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 Company does not provide for any further provision beyond the doubtful receivables provisions that the Company has already provided for in the 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 Note 33. As of the balance sheet date, there are no significant receivables in trade receivables past due. The Company provides provision according to the balances of all unsecured receivables under legal follow up. In accordance with the "TFRS 9 Financial Instruments" standard, expected credit losses related to trade receivables were measured, but expected credit loss provisions did not have a significant impact on the financial statements.

As of the balance sheet date, the details of the Company's trade payables are as follows:

Short term trade payables	31 December 2024	31 December 2023
Trade payables	10.119.655	9.573.547
Due to related parties (Note 32)	2.209.079	2.464.278
	12.328.734	12.037.825

Trade payables consist of payables to sellers for products or services purchased in the normal workflow. The average repayment period of commercial debts is approximately 35-40 days.

NOTE 10 – OTHER RECEIVABLES AND PAYABLES

As of the balance sheet date, the details of the Company's short-term other receivables are as follows:

Short term other receivables	31 December 2024	31 December 2023
Other receivables from related parties (Note 32)	-	3.262.404
Receivables from water system construction	1.364	1.426
Receivables from Privatization Authority	150.118	95.052
Deposits and guarantees given	1.627	338
	153.109	3.359.220

As of the balance sheet date, the details of the Company's long term other receivables are as follows:

Long term other receivables	31 December 2024	31 December 2023
Receivables from water system construction	4.903	5.355
	4.903	5.355

As of the balance sheet date, the details of the Company's short-term other payables are as follows:

Short term other payables	31 December 2024	31 December 2023
Taxes payable	695.626	943.480
Deposits and guarantees received	34.882	33.746
Dividend payables to shareholders (*)	10.069	9.788
	740.577	987.014

(*) Dividend payable represents the uncollected balances by shareholders.

NOTE 11 – INVENTORIES

As of the balance sheet date, the details of the Company's inventories are as follows:

	31 December 2024	31 December 2023
Raw materials	10.636.629	6.118.941
Work in progress	6.265.485	6.930.033
Finished goods	3.898.281	2.734.611
Spare parts	5.390.597	3.919.673
Goods in transit	6.268.327	10.452.725
Other inventories	3.549.244	2.417.868
Allowance for impairment on inventories (-)	(1.113.085)	(900.361)
	34.895.478	31.673.490

NOTE 11 – INVENTORIES (cont'd)

The movement of the allowance for impairment on inventories:

	1 January – 31 December 2024	1 January – 31 December 2023
Opening balance	900.361	890.550
Provision for the period	117.469	103.760
Provision released (-)	(85.837)	(578.544)
Translation difference	181.092	484.595
Closing balance	1.113.085	900.361

The Company has provided an allowance for the impairment on the inventories of finished goods, work in progress when their net realizable values are lower than their costs. The provision released has been recognized under cost of sales (Note 23).

NOTE 12 – PREPAID EXPENSES

As of the balance sheet date, the details of the Company's short term prepaid expenses are as follows:

	31 December 2024	31 December 2023
Insurance expenses	963.904	254.202
Order advances given for inventories	163.681	9.733
Prepaid utility allowance to employees	34.878	27.871
Other prepaid expenses	14.214	10.086
	1.176.677	301.892

As of the balance sheet date, the details of the Company's long term prepaid expenses are as follows:

	31 December 2024	31 December 2023
Fixed asset advances given to related parties (Note 32)	47.892	47.097
Fixed asset advances given to other parties	4.425.370	4.593.261
Insurance expenses	296.534	389.948
	4.769.796	5.030.306

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

The details of the Company's tangible assets as of the reporting period are as follows:

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January 2024	902.292	20.781.079	22.505.312	82.592.629	7.411.517	3.437.171	239.174	22.490.793	160.359.967
Translation difference	178.878	4.164.012	4.480.712	16.575.493	1.474.170	677.665	58.259	5.490.751	33.099.940
Additions (*)	-	635	-	314.605	35.783	67.468	17.705	17.802.324	18.238.520
Transfers from CIP (**)	-	533.494	863.935	2.283.163	11.289	43.406	984	(3.778.438)	(42.167)
Disposals	(2.432)	(10.403)	(674.286)	(175.609)	(3.386)	(169.243)	(1.068)	-	(1.036.427)
Closing balance as of 31 December 2024	1.078.738	25.468.817	27.175.673	101.590.281	8.929.373	4.056.467	315.054	42.005.430	210.619.833
Accumulated Depreciation									
Opening balance as of 1 January 2024	-	(15.495.286)	(16.933.787)	(50.204.732)	(4.640.769)	(1.985.058)	(213.042)	(283.289)	(89.755.963)
Translation difference	-	(3.104.430)	(3.350.316)	(10.144.870)	(940.028)	(394.291)	(52.392)	(8.025)	(17.994.352)
Charge for the period	-	(418.697)	(550.695)	(2.574.987)	(253.560)	(173.890)	(11.715)	-	(3.983.544)
Impairment(loss)/reversal (***)	-	23.548	86.613	23.443	1.761	322	-	78.682	214.369
Disposals	-	10.403	597.157	170.654	3.386	168.983	1.063	-	951.646
Closing balance as of 31 December 2024	-	(18.984.462)	(20.151.028)	(62.730.492)	(5.829.210)	(2.383.934)	(276.086)	(212.632)	(110.567.844)
Net book value as of 31 December 2023	902.292	5.285.793	5.571.525	32.387.897	2.770.748	1.452.113	26.132	22.207.504	70.604.004
Net book value as of 31 December 2024	1.078.738	6.484.355	7.024.645	38.859.789	3.100.163	1.672.533	38.968	41.792.798	100.051.989

(*) The amount of capitalized borrowing cost is TRY 217.122 thousand for the current period, average borrowing ratio 7,1%

(**) TRY 42.167 thousand is transferred to intangible assets (Note 14).

(***) The Company had recorded fixed asset impairment loss provisions in the previous period financial statements for tangible fixed assets that will be out of use. As of the reporting date, the TRY 214.369 thousand worth of value reductions that are no longer required to be out of use have been recorded in the "Income from Investment Activities" account of the profit or loss statement.

As of 31 December 2024, the Company has no collaterals or pledges on tangible assets.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (cont’d)

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January 2023	573.110	12.754.988	14.293.448	52.803.812	4.703.475	2.224.188	158.353	9.328.077	96.839.451
Translation difference	329.182	7.363.742	8.209.958	30.300.368	2.701.921	1.274.063	97.278	5.661.038	55.937.550
Additions (*)	-	304	-	323.896	37.258	26.410	3.978	9.475.534	9.867.380
Transfers from CIP (**)	-	1.304.118	1.906	516.577	11.482	42.822	5.602	(1.973.856)	(91.349)
Disposals	-	(642.073)	-	(1.352.024)	(42.619)	(130.312)	(26.037)	-	(2.193.065)
Closing balance as of 31 December 2023	902.292	20.781.079	22.505.312	82.592.629	7.411.517	3.437.171	239.174	22.490.793	160.359.967
Accumulated Depreciation									
Opening balance as of 1 January 2023	-	(9.964.999)	(10.375.871)	(31.356.756)	(2.838.668)	(1.257.190)	(142.846)	(212.629)	(56.148.959)
Translation difference	-	(5.713.303)	(5.991.514)	(18.055.571)	(1.639.973)	(722.413)	(88.248)	(3.791)	(32.214.813)
Charge for the period	-	(270.542)	(466.379)	(1.906.496)	(191.399)	(133.610)	(7.985)	-	(2.976.411)
Impairment (***)	-	(188.489)	(100.023)	(196.390)	(11.101)	(1.208)	-	(66.869)	(564.080)
Disposals	-	642.047	-	1.310.481	40.372	129.363	26.037	-	2.148.300
Closing balance as of 31 December 2023	-	(15.495.286)	(16.933.787)	(50.204.732)	(4.640.769)	(1.985.058)	(213.042)	(283.289)	(89.755.963)
Net book value as of 31 December 2022	573.110	2.789.989	3.917.577	21.447.056	1.864.807	966.998	15.507	9.115.448	40.690.492
Net book value as of 31 December 2023	902.292	5.285.793	5.571.525	32.387.897	2.770.748	1.452.113	26.132	22.207.504	70.604.004

(*) The amount of capitalized borrowing cost is TRY 148.066 thousand for the current period.
(**) TRY 91.349 thousand is transferred to intangible assets (Note 14).
(***) Due to the earthquake that occurred on 6 February 2023; in line with the damage assessment reports, (564.080) thousand TRY impairment was calculated for the Company's assets that will be out of use.As of the reporting date, the recalculated impairment provision is recorded in the "Expenses from Investing Activities" account of the statement of profit or loss.

As of 31 December 2023, the Company has no collaterals or pledges on tangible assets.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of depreciation expenses related to property, plant and equipment is as follows:

	31 December 2024	31 December 2023
Associated with cost of production	3.828.200	2.862.735
General administrative expenses	31.477	21.618
Marketing, sales and distribution expenses	123.867	92.058
	3.983.544	2.976.411

NOTE 14 – INTANGIBLE ASSETS

As of the balance sheet date, the details of the Company's intagible assets are as follows:

	Rights
Cost	
Opening balance as of 1 January 2024	2.568.081
Translation difference	513.800
Additions	12.320
Transfers from CIP	42.167
Closing balance as of 31 December 2024	3.136.368
Accumulated amortization	
Opening balance as of 1 January 2024	(1.328.170)
Translation difference	(270.238)
Charge for the period	(87.298)
Closing balance as of 31 December 2024	(1.685.706)
Net book value as of 31 December 2023	1.239.911
Net book value as of 31 December 2024	1.450.662

As of 31 December 2024, the Company has no collaterals or pledges on intangible assets.

NOTE 14 – INTANGIBLE ASSETS (cont'd)

	Rights
Cost	
Opening balance as of 1 January 2023	1.567.846
Translation difference	905.888
Additions	2.998
Transfers from CIP	91.349
Closing balance as of 31 December 2023	2.568.081
Accumulated amortization	
Opening balance as of 1 January 2023	(789.919)
Translation difference	(458.251)
Charge for the period	(80.000)
Closing balance as of 31 December 2023	(1.328.170)
Net book value as of 31 December 2022	777.927
Net book value as of 31 December 2023	1.239.911

As of 31 December 2023, the Company has no collaterals or pledges on intangible assets.

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2024	31 December 2023
Associated with cost of production	87.298	80.000
	87.298	80.000

NOTE 15 – RIGHT OF USE ASSETS

As of the reporting date the movement of right of use assets is as follows:

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January 2024	249.924	57.348	307.272
Additions to assets of operating lease	121.937	70.804	192.741
Disposals (-)	-	(36.316)	(36.316)
Translation difference	58.898	14.011	72.909
Closing balance as of 31 December 2024	430.759	105.847	536.606
Accumulated Depreciation			
Opening balance as of 1 January 2024	33.122	28.557	61.679
Charge for the period	12.348	23.141	35.489
Disposals (-)	-	(35.185)	(35.185)
Translation difference	7.515	4.748	12.263
Closing balance as of 31 December 2024	52.985	21.261	74.246
Net book value as of 31 December 2024	377.774	84.586	462.360

	Right to Use Land	Vehicle Leases	Total
Cost			
Opening balance as of 1 January 2023	115.393	30.381	145.774
Additions to assets of operating lease	64.591	18.129	82.720
Disposals (-)	-	(9.123)	(9.123)
Translation difference	69.940	17.961	87.901
Closing balance as of 31 December 2023	249.924	57.348	307.272
Accumulated Depreciation			
Opening balance as of 1 January 2023	15.715	13.707	29.422
Charge for the period	7.932	15.292	23.224
Disposals (-)	-	(8.689)	(8.689)
Translation difference	9.475	8.247	17.722
Closing balance as of 31 December 2023	33.122	28.557	61.679
Net book value as of 31 December 2023	216.802	28.791	245.593

As of the reporting date the items right of use assets recognized in profit or loss is as follows:

	31 December 2024	31 December 2023
Amortization of assets to operating lease (Note 23, 25, 26)	35.489	23.224
Interest expense from lease transactions (Note 29)	38.792	12.904

NOTE 15 – RIGHT OF USE ASSETS (cont’d)

The net book value of the right-of-use assets acquired through the lease is as follows:

	31 December 2024	31 December 2023
Right to use land	377.774	216.802
Car leases	84.586	28.791
	462.360	245.593

The area where the Company's campus and port facilities are located; Within the scope of Law No. 4737, İskenderun Demir ve Çelik A.Ş. Hatay Special Industrial Zone "İsdemir SIZ" has been declared. In 2022, according to the 34th article of the Industrial Zones Regulation and the 12th article of the Regulation on the Administration of Treasury Immovables, the usage permits for ports and filling areas within the borders of İsdemir SIZ, which are under the jurisdiction and disposal of the state, have been revised in terms of duration and cost. The unit price of the usage permit contracts within the boundaries of the SIZ was calculated as 1 per thousand of the real estate market value, and the contract duration was extended until 2071, 49 years from the date of the contract revision.

In line with the explanations above; the usage permits of the Company for the port areas belonging to the General Directorate of National Estate outside the borders of İsdemir SIZ will expire in 2048 and 2071.The values of the real estates are measured at their present value by reducing the borrowing rate of 11-25% in the first calculation. The use permit agreement for the forest land belonging to the General Directorate of Forestry the forest land use permit period will expire in 2072. The value of the property is measured at its present value by reducing the borrowing rate of 10-27% in the first calculation. Moreover, Vehicle rental contracts with usage permits between 2025 and 2027 and measured at present value by reducing the borrowing rate of 8%-38% in the first calculation are also accounted for in line with the explanations stated. Right of use in the statement of financial position of lease agreements assets and borrowings (Note 8) are accounted for in the notes.

The distribution of amortization expenses related to right of use assets is as follows:

	31 December 2024	31 December 2023
Associated with cost of production	12.503	-
General administrative expenses	14.924	15.291
Other operating expenses	8.062	7.933
	35.489	23.224

NOTE 16 – 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,
- Cash incentives from Tübitak – Teydeb for cost of research and development,
- Inward processing permission certificates and Social Security Institution incentives,
- Social Security Institution incentives
- Insurance premium employer share incentive.

Research and development incentive premiums received or certain to be received amounts to TRY 16.985 thousand (31 December 2023: TRY 8.778 thousand) which are considered as a deduction subject in the calculation of corporate tax as of the reporting date.

NOTE 17 – EMPLOYEE BENEFITS

The Company's short term payables for employee benefits are as follows:

	31 December 2024	31 December 2023
Due to personnel	575.663	256.594
Social security premiums payable	2.316.227	824.524
	2.891.890	1.081.118

Long term provision of the employee termination benefits of the Company is as follows:

	31 December 2024	31 December 2023
Provisions for employee termination benefits	2.254.266	1.773.470
Provisions for seniority incentive premium	125.065	123.634
Provision for unused vacations	276.308	189.135
	2.655.639	2.086.239

According to the Turkish Labor Law, the company is obliged to pay severance pay to every employee who has completed at least one year of service and retired after 25 years of working life, who has been dismissed, called for military service or died.

As of 31 December 2024, the amount payable consists of one month's salary limited to a maximum of TRY 41.828,42 (31 December 2023: TRY 23.489,83) As of the reporting date, the severance pay ceiling, which has been taken into account in the calculation of severance pay provision and will be applied as of 1 January 2025, has been increased to TRY 46.655,43 per month.

The employee termination benefit legally is not subject to any funding requirement.

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans. The obligation as of 31 December 2024 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 2024	31 December 2023
Interest rate	25,88%	24,27%
Inflation rate	21,81%	21,02%

NOTE 17 – EMPLOYEE BENEFITS (cont'd)

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 2024, 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 2024 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 2024	1 January – 31 December 2023
Opening balance	1.773.470	1.171.313
Service cost	102.010	198.691
Interest cost	329.398	206.011
Actuarial loss/(gain)	324.803	476.313
Termination benefits paid	(262.667)	(292.247)
Translation difference	(12.748)	13.389
Closing balance	2.254.266	1.773.470

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 2024 as follows:

	Interest rate	
Change in Rate	1% increase	1% decrease
Change in employee benefits liability	(83.031)	97.730

	Inflation rate	
Change in Rate	1% increase	1% decrease
Change in employee benefits liability	100.386	(86.233)

NOTE 17 – EMPLOYEE BENEFITS (cont'd)

According to the current labor agreement, employees completing their 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 2024	1 January – 31 December 2023
Opening balance	123.634	85.832
Service cost	21.652	15.165
Interest cost	31.825	17.900
Actuarial loss/(gain)	(29.125)	45.162
Termination benefits paid	(21.926)	(34.162)
Translation difference	(995)	(6.263)
Closing balance	125.065	123.634

The movement of the provision for unused vacation is as follows:

	1 January – 31 December 2024	1 January – 31 December 2023
Opening balance	189.135	100.110
Provision for the period	232.125	232.679
Vacation paid during the period (-)	(28.167)	(30.503)
Provisions released (-)	(109.853)	(87.360)
Translation difference	(6.932)	(25.791)
Closing balance	276.308	189.135

NOTE 18– PROVISIONS

The Company's short term provisions are as follows:

	31 December 2024	31 December 2023
Provision for lawsuits	170.725	142.840
Penalty provision for employment shortage of disabled personnel	5.960	6.624
Provision for land occupation	3.969	2.988
	180.654	152.452

NOTE 18 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	1 January 2024	Change for the period	Payments	Provision released	Translation Difference	31 December 2024
Provision for lawsuits	142.840	65.385	(10.360)	(32.429)	5.289	170.725
Penalty provision for employment shortage of disabled personnel	6.624	790	-	(1.499)	45	5.960
Provision for land occupation	2.988	1.229	-	(277)	29	3.969
	152.452	67.404	(10.360)	(34.205)	5.363	180.654

	1 January 2023	Change for the period	Payments	Provision released	Translation Difference	31 December 2023
Provision for lawsuits	111.276	36.017	(2.978)	(6.099)	4.624	142.840
Penalty provision for employment shortage of disabled personnel	8.443	-	-	(2.171)	352	6.624
Provision for land occupation	1.885	1.393	-	(103)	(187)	2.988
	121.604	37.410	(2.978)	(8.373)	4.789	152.452

NOTE 18 – PROVISIONS (cont’d)

As of reporting period, lawsuits filed by and against the Company are as follows:

	31 December 2024	31 December 2023
Lawsuits filed by the Company	112.491	149.206

The provisions for the lawsuits filed by the Company represents the doubtful trade receivables.

	31 December 2024	31 December 2023
Lawsuits filed against the Company	149.062	98.867
Provision for lawsuits filed against the Company	170.725	142.840

The Decision of the Constitutional Court for Electricity and Air Gas Consumption Tax

The claims filed every month since May 2012 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, the Company used its right on 15 January 2015 to apply the Constitutional Court individually. As a result of the General Assembly Resolution of the Supreme Court the Company, which was issued on 25 October 2018 and published in the Official Gazette on 25 December 2018, was notified and stated that the property rights of the Company were violated, and retrial was decided 22 trials for the applicable claims to eliminate the consequences of the violation of the property rights.

Similarly, it was decided by the Supreme Court that it was combined within the scope of our individual application and that the Company's right to property was violated in 34 cases that were concluded, and that the trials in the relevant lawsuits were taken to eliminate the consequences of the violation of the right to property.

56 lawsuits, which were decided to be retrial by the Constitutional Court, were heard again at the Hatay Tax Court, and the Local Court decided to accept the cases in favor of the Company. In addition, in 9 cases, based on the decision of the Constitutional Court, in favor of the Hatay 1st Tax Court, and in favor of the Adana Regional Court of Justice after the Council of State reversed 12 cases, the cases were decided to be accepted in a total of 77 cases. All of these 77 files have been finalized in favor of the Company. The total number of lawsuits filed by the company in this regard is 80, and the Constitutional Court's review for 3 files is still ongoing. Litigation provision amounts is provided by taking legal opinion of Company’s lawyers.

It is evaluated by the Company Management that it will not cause a more significant loss than the provision amount reserved for lawsuits.

NOTE 19 – CONTINGENT ASSETS AND LIABILITIES

The guarantees received by the Company are as follows:

	31 December 2024	31 December 2023
Letters of guarantees received	7.324.019	5.158.987
	7.324.019	5.158.987

The Collaterals, Pledges and Mortgages (CPM) given by the Company are as follows:

	31 December 2024	31 December 2023
A. Total CPM given for the Company's own legal entity	9.694.733	2.445.685
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
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	-	-
	9.694.733	2.445.685

As of reporting period, the ratio of the other CPM given by the Company consist of letters of guarantee to shareholders equity is 0% (31 December 2023: 0%).

The breakdown of the Company's collaterals given regarding service purchases according to their TRY equivalents of foreign currency is as follows:

	31 December 2024	31 December 2023
US Dollars	4.249.477	2.197.032
TRY	5.371.784	183.505
EURO	73.472	65.148
	9.694.733	2.445.685

NOTE 20 – OTHER ASSETS AND LIABILITIES

As of the balance sheet date, the details of the Company's other assets and liabilities are as follows:

Other current assets

	31 December 2024	31 December 2023
Insurance income accruals	2.264.995	838.989
Other VAT receivable	1.818.957	4.154.141
Deferred VAT	2.123.492	309.533
Prepaid taxes and funds	159.900	60.831
Other current assets	140.761	16.775
	6.508.105	5.380.269

Insurance income accruals consist of the amount of receivables for which the Company has an insurance agreement due to the earthquake that occurred on 6 February 2023.

Other current liabilities

	31 December 2024	31 December 2023
VAT payable	145.013	116.561
Other current liabilities	19.911	33.271
	164.924	149.832

NOTE 21 – DEFERRED REVENUE

As of the balance sheet date, the details of the Company's short term deferred revenue are as follows:

	31 December 2024	31 December 2023
Advances received	322.975	366.402
Deferred income	62.567	23.865
	385.542	390.267

NOTE 22 – EQUITY

As of the balance sheet date, the capital structure is as follows:

	(%)	31 December 2024	(%)	31 December 2023
Shareholders				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	94,87	2.751.326
Quoted in Stock Exchange	5,13	148.674	5,13	148.674
Historical capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		2.900.164		2.900.164

NOTE 22 – EQUITY (cont'd)

The Company's principal capital is TRY 2.900.000.000,00 and the said capital has been fully paid free from collusion. This capital is divided into 290.000.000.000 registered shares, each worth 1 Kurus. This capital is divided into A and B Group shares. This, 2.000 registered shares belonging to ERDEMİR corresponding to the capital of TRY 20 are Group A, and 289.999.998.000 shares corresponding to the capital of TRY 2.899.999.980,00 are Group B.

As of the balance sheet date, the other equity items are as follows:

Other equity items	31 December 2024	31 December 2023
Cash Flow Hedging Reserves	4.217	(26.023)
Foreign Currency Translation Reserves	62.593.965	50.764.442
Actuarial (Loss)/ Gain Fund	(1.196.793)	(953.191)
Restricted Reserves Assorted from Profit	3.179.560	3.049.060
-Legal Reserves	*3.179.560*	*3.049.060*
Retained Earnings	34.861.452	25.666.719
	99.442.401	78.501.007

Public companies distribute dividends in accordance with the CMB's II-19.1 Profit Share Communiqué, which entered into force on 1 February 2014. Partnerships distribute their profits in accordance with the profit distribution policies to be determined by their general assemblies and in accordance with the relevant legislation by a decision of the general assembly. Within the scope of the said communiqué, no minimum distribution rate has been determined for publicly held partnerships listed on the stock exchange. Companies pay dividends as determined in their articles of association or profit distribution policies. In addition, dividends may be paid in equal or different installments and cash dividend advances may be distributed based on the profit included in the interim financial statements.

According to the Turkish Commercial Code (TCC), legal reserves split up as the first legal reserves and the second legal reserves. According to the Turkish Commercial Code 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. After deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; 10% percent of the remaining balance shall be appropriated to second legal reserves. According to the Turkish Commercial Code (TCC), as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset losses and cannot be used in any other way. The Company's financial statements prepared in accordance with the Tax Procedure Law have been subject to inflation adjustment as of 31 December 2024, and the inflation differences of equity items (retained earnings and resources that can be added to capital) have been recorded in the legal financial statements as of the reporting date.

As of the reporting period, the Company's legal records of the resource that can be subject to profit distribution are TRY 19.724.621 thousand.

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 income. 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 Company's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Profit or loss statement items are translated using annual average exchange rates. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 23 – SALES AND COST OF SALES

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. As of reporting date, the amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 322.975 thousand. (Note 21) The Company planning to recognize related revenue amount as a revenue in a year.

The breakdown of sales revenue for the reporting period is as follows:

Sales Revenue	1 January - 31 December 2024	1 January - 31 December 2023
Domestic sales	84.588.753	76.581.804
Export sales	21.584.599	8.364.431
Other revenues (*)	3.896.210	3.376.949
Interest income from sales with maturities	376.612	313.887
Sales returns (-)	(9.659)	(25.167)
	110.436.515	88.611.904
Cost of sales (-)	(100.919.980)	(82.385.737)
Gross profit	9.516.535	6.226.167

(*) The total amount of by product exports in other revenues is TRY 1.798.936 thousand (31 December 2023: TRY 1.242.069 thousand).

The breakdown of cost of goods sales for the reporting period is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Raw material usage	(78.787.935)	(62.342.075)
Personnel costs	(5.486.340)	(3.362.137)
Energy costs	(3.851.213)	(4.299.231)
Depreciation and amortization expenses	(3.808.728)	(2.864.327)
Factory overheads	(3.612.175)	(2.002.332)
Other cost of goods sold	(3.580.890)	(5.343.076)
Idle capacity costs (*)	(173.560)	(1.732.218)
Freight costs for sales delivered to customers	(825.317)	(418.764)
Allowance for impairment on inventories for the period (Note 11)	(117.469)	(103.760)
Reversal of inventory write-downs (Note 11)	85.837	578.544
Amortisation expenses of right of use	(12.503)	-
Other	(749.687)	(496.361)
	(100.919.980)	(82.385.737)

(*) Due to the earthquake on 6 February 2023; until due diligence studies are completed, the company's production activities were suspended. TRY (1.732.218) thousand nonworking part expense due to unexpected stoppage at the Company's production facilities, is not associated with the product cost and is directly included in the cost of sales.

NOTE 24 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operational expenses according to their nature for the reporting periods is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Marketing, sales and distribution expenses (-)	(1.039.783)	(686.527)
General administrative expenses (-)	(1.815.705)	(1.085.544)
Research and development expenses (-)	(2.487)	(1.350)
	(2.857.975)	(1.773.421)

NOTE 25 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing expenses according to their nature for the reporting period is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Personnel expenses (-)	(177.621)	(139.277)
Depreciation and amortization (-)	(123.867)	(92.058)
Tax, duty and charges (-)	(786)	(750)
Outsourcing expenses (-)	(737.509)	(454.442)
	(1.039.783)	(686.527)

The breakdown of general administrative expenses for the reporting period is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Personnel expenses (-)	(401.427)	(278.636)
Depreciation and amortization expenses(-)	(31.477)	(21.618)
Amortization expense of right of use (-)	(14.924)	(15.291)
Provision for doubtful/released receivables (-) net	96	10.071
Tax, duty and charges (-)	(28.022)	(22.131)
Outsourcing expenses (-)	(1.339.951)	(757.939)
	(1.815.705)	(1.085.544)

Fees for services received from an independent audit firm

Based on the Board Decision of the Public Oversight, Accounting and Auditing Standards Authority published in the "POA" 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 January– 31 December 2024	1 January– 31 December 2023
Auditing fee for the reporting period	(2.190)	(1.093)
	(2.190)	(1.093)

NOTE 26 – OTHER OPERATING INCOME/EXPENSES

The breakdown of other operating income for the reporting period is as follows:

Other operating income	1 January - 31 December 2024	1 January - 31 December 2023
Foreign exchange gains from trade receivables and payables	304.795	-
Discount income	404	-
Provisions released	33.928	8.270
Service income	69.727	38.211
Maintenance repair and rent income	27.148	14.351
Lawsuit income	2.610	148
Indemnity and penalty detention income	37.438	30.222
Previous period Insurance indemnity income	76.809	205.563
Warehouse income	27.593	21.431
Customers delay interest income	1.449	2.383
Current period Insurance indemnity income	8.522.852	2.785.870
Other income and gains	147.806	82.101
	9.252.559	3.188.550

Due to the earthquake that occurred on 6 February 2023, an agreement was reached for the collection of the advance payment of TRY 8.522.852 thousand (USD 260.000 thousand) regarding the damage compensation to be collected under the insurance coverage of the Company (31 December 2023: TRY 2.785.870 thousand (USD 100.000 thousand)). As of the reporting date, an agreement was reached with the insurance companies for the collection of a total of USD 360.000 thousand within the scope of the earthquake.

The breakdown of other operating expenses for the reporting period is as follows:

Other operating expenses (-)	1 January - 31 December 2024	1 January - 31 December 2023
Provision expenses	(66.175)	(36.017)
Donation expenses	(24.616)	(9.219)
Amortisation expenses of right of use	(8.062)	(7.933)
Foreign exchange expenses from trade receivables and payables	-	(21.980)
Penalty expenses	(6.096)	(5.492)
Service expenses	(64.422)	(31.301)
Lawsuit compensation expenses	(13.252)	(4.502)
Other expenses and losses	(148.839)	(67.406)
	(331.462)	(183.850)

NOTE 27 – INVESTING ACTIVITIES INCOME/EXPENSES

The breakdown of investing activities income for the reporting period is as follows:

Income from Investing Activities	1 January - 31 December 2024	1 January - 31 December 2023
Fixed asset impairment provision no longer required (Note 13)	214.369	-
Gain on sales of tangible assets	39.164	3.001
Net gain/(loss) from currency hedged time deposit at fair value through profit /(loss)	130	11.292
	253.663	14.293

The breakdown of investing activities expenses for the reporting period is as follows:

Expenses from Investing Activities	1 January - 31 December 2024	1 January - 31 December 2023
Loss on sales of tangible assets	(165.829)	(42.676)
Fixed asset impairment expense (Note 13)	-	(564.080)
	(165.829)	(606.756)

NOTE 28 – FINANCE INCOME

The breakdown of financial income for the reporting period is as follows:

Finance income	1 January - 31 December 2024	1 January - 31 December 2023
Interest income on bank deposits	1.715.478	963.664
Interest income from financial investments	41.780	-
Foreign exchange gains	60.571	-
Interest income on related party	610.581	165.821
Fair value differences of derivative financial instruments (net)	15.398	-
	2.443.808	1.129.485

NOTE 29 – FINANCE EXPENSES

The breakdown of financial expenses for the reporting period is as follows:

Finance expenses (-)	1 January - 31 December 2024	1 January - 31 December 2023
Interest expenses on borrowings	(2.777.651)	(2.008.607)
Foreign exchange loss (net)	-	(294.850)
Interest cost of employee benefits	(361.223)	(223.911)
Interest expenses on leases	(38.792)	(12.904)
Other financial expenses	(18.641)	(14.279)
Fair value differences of derivative financial instruments (net)	-	(1.483)
	(3.196.307)	(2.556.034)

During the period, the interest expenses of TRY 217.122 thousand have been capitalized as part of the Company's property, plant and equipment (31 December 2023: TRY 148.066 thousand).

NOTE 30 – TAX ASSETS AND LIABILITIES

The breakdown of profit for the period tax liability for the reporting period is as follows:

Corporate tax payable:	31 December 2024	31 December 2023
Previous period provision of corporation tax	-	54.494
Current corporate tax provision	205.298	2.459.112
Prepaid taxes and funds (-)	-	(18.165)
	205.298	2.495.441

Taxation:	1 January - 31 December 2024	1 January - 31 December 2023
Current corporate tax expense	190.407	2.322.979
Deferred tax expense/(income)	675.245	(1.394.019)
	865.652	928.960

Corporate tax

The Company is subject to corporation tax applicable in Türkiye. The necessary provisions are allocated in the financial statements for the estimated liabilities based on the Company's results for the current period. 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 other deductions (retained losses if any, used investment allowance if required).

With the Law No. 7456 published in the Official Gazette dated 15 July 2023, the first paragraph of Article 32 of the Corporate Tax Law was amended, and the corporate tax rate was increased to 25% for the corporate earnings of 2023 and the following taxation periods. The valid corporate tax rate is 25% as of reporting date. The exemption rate applied to the gains arising from the sale of immovable properties in the assets of institutions before 15 July 2023 is 25% and will be applied to the deferred tax to be calculated on the temporary differences arising in case of revaluation of the relevant immovable properties. The tax rate should be taken into account as 18,75% if the book value of the relevant real estate is recovered through sale.

The corporate tax payments made by the company in the twelve month period of 2024 are TRY 36.329 thousand after offsetting.

By the Republic of Türkiye Ministry of Treasury and Finance; taxpayers in the provinces affected by the earthquake, it has been accepted as force majeure which was between 6 February 2023 and 30 April 2024 for taxpayers in the provinces affected by the earthquake, extended to 30 November 2024. In this context, the deadlines for submitting tax returns and notifications during force majeure have been extended until 31 January 2025.

Pursuant to subparagraph (A) of Article 298 and temporary article 33 of Tax Procedure Law No. 213, it has been stipulated that the balance sheets will be subject to inflation adjustment at the end of the 2023 accounting period and in the following accounting periods, depending on the fulfillment of the adjustment conditions (including temporary tax periods). In this context; the financial statements dated 31 December 2024, prepared in accordance with the Tax Procedure Law, have been subject to inflation adjustment.

NOTE 30 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon the temporary differences arising between its statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of some income and expenses statutory in different reporting periods in the financial statements prepared according to TFRS.

The tax rate used in the calculation of deferred tax assets and liabilities (excluding land and land) is based on 25% (31 December 2023: 25%). Deferred tax on temporary timing differences arising from land and land is calculated with 18,75% (31 December 2023: 18,75%).

The breakdown of deferred tax assets and liabilities for the reporting period is as follows:

Deferred tax assets:	31 December 2024	31 December 2023
Provisions for employee benefits	663.910	521.560
Leasing payables	77.140	30.986
Provision for lawsuits	43.674	36.457
Adjustment of receivable rediscount	4.930	5.032
Inventories	135.038	-
Fair values of the derivative financial instruments	-	8.704
Other	185.064	169.467
	1.109.756	772.206
Deferred tax liabilities:		
Tangible and intangible fixed assets (net)	(9.014.431)	(6.365.987)
Right of use assets	(115.798)	(61.509)
Amortized cost adjustment on loans	(13.722)	(17.093)
Fair values of the derivative financial instruments	(7.209)	-
Inventories	-	(281.753)
Other	-	(210.126)
	(9.151.160)	(6.936.468)
Deferred tax assets/(liabilities) net:	(8.041.404)	(6.164.262)

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.

The breakdown of deferred tax asset / (liability) is as follows:

	1 January - 31 December 2024	1 January - 31 December 2023
Opening balance	(6.164.262)	(4.935.507)
Deferred tax (expense)/income	(675.245)	1.394.019
The amount in comprehensive income/(expense)	71.121	125.573
Translation difference	(1.273.018)	(2.748.347)
Closing balance	(8.041.404)	(6.164.262)

NOTE 30 – TAX ASSETS AND LIABILITIES (cont'd)

Reconciliation of tax provision is as follows:

Reconciliation of tax provision	1 January - 31 December 2024	1 January - 31 December 2023
Profit before tax	15.119.660	5.530.507
Statutory tax rate	25%	25%
Calculated tax acc. to effective tax rate	(3.779.915)	(1.382.627)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(6.823)	(2.590)
- Investment discount	1.832.615	-
- Non-taxable income	20	28.212
- The impact of investments accounted for using the equity method	51.167	23.018
- Effect of currency translation (*)	1.037.284	405.027
Tax (expense)/income in the profit or loss statement	(865.652)	(928.960)

(*) The difference between the Company's functional currency and the currency in basis of tax base cause to translation difference.

The Company has a strategic investment incentive certificate based on the Council of Ministers Decision No. 2012/3305 published in the Official Gazette dated 19 June 2012. As of the reporting date, TRY 1.832.615 thousand in reduced corporate tax was used within the scope of the strategic investment incentive certificate as a result of meeting the valid conditions in the current period.

As of reporting period, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	1 January -31 December 2024		
Other comprehensive income/(loss)	Amount before tax	Tax income/ (expense)	Amount after tax
Change in actuarial (loss)/gain	(324.803)	81.201	(243.602)
Change in cash flow hedging reserves	40.320	(10.080)	30.240
Change in foreign currency translation reserves	18.003.209	-	18.003.209
	17.718.726	71.121	17.789.847

	1 January -31 December 2023		
Other comprehensive income/(loss)	Amount before tax	Tax income/ (expense)	Amount after tax
Change in actuarial (loss)/gain	(476.313)	119.078	(357.235)
Change in cash flow hedging reserves	(25.980)	6.495	(19.485)
Change in foreign currency translation reserves	29.977.867	-	29.977.867
	29.475.574	125.573	29.601.147

NOTE 31 – EARNINGS PER SHARE

	1 January - 31 December 2024	1 January - 31 December 2023
Number of shares outstanding	290.000.000.000	290.000.000.000
Net profit attributable to equity holders - TRY thousand	14.254.008	4.601.547
Profit per share with 1 TRY nominal value TRY/ %	4,9152 / 491,52%	1,5867 / 158,67%

NOTE 32 – RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parent of the Company are Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

Trade receivables and payables from related parties operated as current account. Debt collection and debt payment days are between 0 and 30.

The details of receivables of the Company from related parties are disclosed below:

Due from related parties (short term)	31 December 2024	31 December 2023
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	4.226.819	3.806.883
OYAK Çimento Fabrikaları A.Ş. (5)	-	146
OYAK Sentetik Karbon Ürünleri San. Ve Tic. A.Ş. (3)	1.047	206
Erdemir Asia Pacific PTE LTD (2)	23	-
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	30.207	16.278
	4.258.096	3.823.513

The trade receivables from related parties mainly arise from sales of iron, steel and by-products.

The details of other receivables between the Company and other related parties are disclosed below:

Other receivables from related parties (short term)	31 December 2024	31 December 2023
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	-	3.262.404
	-	3.262.404

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint venture
(5) Participations of the ultimate company

NOTE 32 – RELATED PARTY DISCLOSURES (cont’d)

Erdemir’s personnel, data system infrastructure and marketing management system are used by The Company for selling flat products to third parties. Flat products which are produced in İsdemir, directly selling over Erdemir and Erdemir takes these inventories as a “Trade goods”. Erdemir sells such products through their buying price and date, without adding any profit. Accordingly, in the financial statements, balances of trade receivables and other receivables are arisen from centralized selling.

The details of prepaid expenses between the Company and other related parties are disclosed below:

Prepaid expenses (long term)	31 December 2024	31 December 2023
OYAK Savunma ve Güvenlik Sistemleri A.Ş. [3]	47.892	47.097
	47.892	47.097

Prepaid expenses to related parties arise from advances given for tangible assets and port services.

The details of payables of the Company to the related parties are disclosed below:

Due to related parties (short term)	31 December 2024	31 December 2023
Erdemir Madencilik San. ve Tic. A.Ş. [2]	1.174.850	1.234.266
OYAK Pazarlama Hizmet ve Turizm A.Ş. [3]	110.738	61.728
Erdemir Asia Pacific PTE LTD [2]	-	706.905
Omsan Lojistik A.Ş. [3]	183.494	95.521
OYAK Savunma ve Güvenlik Sistemleri A.Ş. [3]	25.697	23.438
OYAK Denizcilik ve Liman İşletmeleri A.Ş. [3]	47.146	16.154
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. [2]	27.753	6.464
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. [2]	42.081	25.756
Kümaş Manyezit Sanayi A.Ş. [2]	173.615	91.452
OYAK Çimento Fabrikaları A.Ş. [5]	78.084	-
Other	345.621	202.594
	2.209.079	2.464.278

The trade payables from related parties are generally due to the purchase of raw material, material and service transactions.

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint venture
(5) Participations of the ultimate company

NOTE 32 – RELATED PARTY DISCLOSURES (cont'd)

The details of transactions between the Company and related parties are disclosed below:

Major sales to related parties	1 January - 31 December 2024	1 January - 31 December 2023
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	67.385.883	67.116.437
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	11.010	9.336
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	413.139	377.211
Erdemir Romania S.R.L. (2)	-	10.851
Omsan Lojistik A.Ş. (3)	333	624
OYAK Çimento Fabrikaları A.Ş. (5)	77.438	118.996
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. (3)	151.855	182.682
OYAK Pazarlama Hizmet ve Turizm A.Ş. (3)	101	6.135
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (3)	1.251	796
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	27	180
Kümaş Manyezit Sanayi A.Ş. (2)	447	-
Other	2.026	3.679
	68.043.510	67.826.927

The major sales to related parties are generally due to the sales transactions of iron, steel, energy, service and by products.

Major purchases from related parties	1 January - 31 December 2024	1 January - 31 December 2023
Doco Petrol ve Danışmanlık A.Ş. (3)	90.837	63.334
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. (3)	124.857	149.361
Erdemir Madencilik San. ve Tic. A.Ş. (2)	8.975.671	7.594.777
Erdemir Asia Pacific PTE LTD (2)	1.618.029	2.717.434
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	941.718	562.143
OYAK Pazarlama Hizmet ve Turizm A.Ş. (3)	959.318	543.725
Omsan Denizcilik A.Ş. (3)	84.709	11.216
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	587.797	189.724
Omsan Lojistik A.Ş. (3)	1.402.260	887.442
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	135.214	52.573
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. (2)	416.591	278.088
İsdemir Linde Gaz Ortaklığı A.Ş. (4)	695.145	666.860
OYAK Denizcilik ve Liman İşletmeleri A.Ş. (3)	534.596	296.448
Kümaş Manyezit Sanayi A.Ş. (2)	568.097	288.566
OYAK Yenilenebilir Enerji A.Ş. (3)	1.344.437	938.621
OYAK Çimento Fabrikaları A.Ş. (5)	410.566	59.366
Other	248.014	538.073
	19.137.856	15.837.751

The major purchases from related parties are generally due to the purchased raw material, material, energy and service transactions.

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company
(4) Joint venture
(5) Participations of the ultimate company

NOTE 32 – RELATED PARTY DISCLOSURES (cont'd)

The Company earned TRY 928.727 thousand (31 December 2023: TRY 446.210 thousand) of revenue from related party transactions of the twelve month period of 2024, amounting to TRY 610.581 thousand of interest income and TRY 318.146 thousand of interest accrued on term.

The terms and policies applied to the transactions with related parties:

The period end balances are secured and their collections will be done in cash. Other receivables from related parties balances are non-secured, interest-bearing and their collections will be done in cash. As of 31 December 2024, the Company provides no provision for the doubtful receivables from related parties (31 December 2023: None).

Salary, premium and similar benefits provided to executive managers:

The company's key management team consists of the Board of Directors, General Manager and Assistant General Managers.For the year ended 31 December 2024, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 27.264 thousand (31 December 2023: TRY 18.504 thousand).

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

(a) Capital risk management

The Company 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 Company, 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 Company consists of debt which includes the financial liabilities disclosed in Note 8, 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 22.

The Company's Board of Directors analyzes 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 Company, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(a) Capital risk management (cont'd)

As of reporting period the net debt/equity ratio is as follows:

	Note	31 December 2024	31 December 2023
Total financial liabilities	8	33.036.026	23.989.233
Less: Other receivables from related parties	32	-	3.262.404
Less: Cash and cash equivalents	4	18.777.531	11.568.280
Net (credit) debt		14.258.495	9.158.549
Total adjusted equity (*)		117.789.149	86.981.932
Total resources		132.047.644	96.140.481
Net (credit) debt / Total adjusted equity ratio		12%	11%
Distribution net (credit) debt / Total adjusted equity		11/89	10/90

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial (loss)/gain fund.

(b) Significant accounting policies

The Company's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.7.8 Financial Instruments".

(c) Market risk

The Company is exposed primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company utilizes the following financial instruments to manage the risks associated with the foreign exchange rates and interest rates. Also, the Company follows price changes and market conditions regularly and takes action in pricing instantaneously.

The Company prefers floating interest rates for long term borrowings. To hedge against the interest risk the Company uses interest swap agreements for some of its borrowings.

In the current period, there is no significant change in the Company's exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management

Trade receivables include a large number of customers from various industries and regions. There is no risk concentration on a specific customer or a Company 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 Company does not have a significant credit risk arising from any customer.

Credit risk of financial instruments	Receivables				Bank	Derivative
	Trade Receivables		Other Receivables		Deposits	financial instruments
31 December 2024	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	4.258.096	3.148.374	-	158.012	18.777.531	220.288
-Secured part of the maximum credit risk exposure via collateral etc.	4.226.819	2.846.012	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	4.258.096	3.148.374	-	158.012	18.777.531	220.288
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	-	-	-	-	-	-
-secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
-Overdue (gross carrying amount)	-	2.173	-	-	-	-
-Impairment (-)	-	(2.173)	-	-	-	-
-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 factors that increase credibility such as guarantees received are not taken into account in determination of amount.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables				Bank	Derivative
	Trade Receivables		Other Receivables		Deposits	financial instruments
31 December 2023	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	3.823.513	1.388.808	3.262.404	102.171	11.568.280	-
-Secured part of the maximum credit risk exposure via collateral etc.	3.806.883	1.195.595	3.262.404	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	3.823.513	1.388.808	3.262.404	102.171	11.568.280	-
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	-	-	-	-	-	-
-secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
-Overdue (gross carrying amount)	-	2.030	-	-	-	-
-Impairment (-)	-	(2.030)	-	-	-	-
-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 factors that increase credibility such as guarantees received are not taken into account in determination of amount.

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management (cont'd)

Explanation on the credit risk the company is exposed to:

In order to minimize credit risk, the Company has adopted the policy of obtaining collateral when it deems necessary to work with high-credibility parties and to reduce the risk of financial losses in default. The company monitors the credibility of the parties to which it is traded and takes into account the credit rating of the relevant instruments in its financial investments while making the investment choice. Credit ratings are obtained from independent rating agencies, if available. In case the credit ratings are not available or not, the Company makes its own evaluations about the credibility of its important customers by using the information obtained from the market and commercial records. The company updates these evaluations regularly and manages the credit risk by also considering the total transaction costs with the related parties. When accepting a new customer, the credibility of the customer is evaluated by the relevant departments and appropriate credit limits are defined by taking guarantee when necessary.

Credit risk is the Company's risk of financial loss as a result of the other party's failure to fulfill its contractual obligations. In order to minimize credit risk, the Company has made credit ratings considering the default risks of counterparties and categorized the relevant parties.

The current credit risk rating methodology of the Company includes the following categories:

Category	Explanation	Expected credit loss calculation method
Secured receivables	It consists of collateral-related receivables.	Expected credit loss is not created.
Collectable and overdue receivables	The default risk of the other party is low and it is covered.	Expected credit loss is not created.
Doubtful and overdue receivables	There is evidence to show that the related asset has been impaired by credit.	100% provision is reserved over the unsecured part of the receivable.
Deleted from records	There is evidence that the borrower is in serious financial trouble and the Company does not have an expectation to collect the relevant amounts.	It is completely removed from the records.

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management

As of 31 December 2024, stated in Note 2.7.8 the foreign currency position of the Company in terms of original currency is calculated as it as follows:

	31 December 2024			
	TRY (Presentation currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	598.104	102.547	13.490	-
2a. Monetary financial assets	13.531.173	13.213.061	8.659	21
2b. Non- monetary financial assets	205.392	191.465	379	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**14.334.669**	**13.507.073**	**22.528**	**21**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	74.734	74.734	-	-
6b. Non- monetary financial assets	1.723.655	9.918	46.650	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**1.798.389**	**84.652**	**46.650**	**-**
9. Total assets (4+8)	**16.133.058**	**13.591.725**	**69.178**	**21**
10. Trade payables	4.338.807	3.933.883	11.003	-
11. Financial liabilities	1.782.140	1.520.259	7.116	-
12a. Other monetary financial liabilities	4.135.422	4.128.853	178	-
12b. Other non-monetary financial liabilities	11.444	-	311	-
13. Current liabilities (10+11+12)	**10.267.813**	**9.582.995**	**18.608**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	1.498.050	233.567	34.359	-
16a. Other monetary financial liabilities	2.655.639	2.655.639	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**4.153.689**	**2.889.206**	**34.359**	**-**
18. Total liabilities (13+17)	**14.421.502**	**12.472.201**	**52.967**	**-**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(268.506)**	**-**	**(7.296)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	268.506	-	7.296	-
20. Net foreign currency asset/liability position (9-18+19)	**1.443.050**	**1.119.524**	**8.915**	**21**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(206.047)**	**918.141**	**(30.507)**	**21**
22. Fair value of derivative financial instruments used in foreign currency hedge	12.661	-	344	-
23. Hedged foreign currency assets	268.506	-	7.296	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	23.383.535			
26. Imports	61.523.360			

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management (cont'd)

As of 31 December 2023, the foreign currency position of the Company in terms of original currency is as follows:

	31 December 2023			
	TRY Total (Presentation currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	455.071	93.317	11.106	-
2a. Monetary financial assets	9.932.169	9.931.051	34	21
2b. Non- monetary financial assets	74.263	70.279	122	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	**10.461.503**	**10.094.647**	**11.262**	**21**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	71.640	71.640	-	-
6b. Non- monetary financial assets	3.058.278	2.494.163	17.318	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**3.129.918**	**2.565.803**	**17.318**	**-**
9. Total assets (4+8)	**13.591.421**	**12.660.450**	**28.580**	**21**
10. Trade payables	3.770.112	3.447.097	9.899	-
11. Financial liabilities	256.820	24.951	7.105	-
12a. Other monetary financial liabilities	4.817.152	4.809.907	222	-
12b. Other non-monetary financial liabilities	47.079	-	1.443	-
13. Current liabilities (10+11+12)	**8.891.163**	**8.281.955**	**18.669**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	1.403.229	98.989	39.967	-
16a. Other monetary financial liabilities	2.086.239	2.086.239	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**3.489.468**	**2.185.228**	**39.967**	**-**
18. Total liabilities (13+17)	**12.380.631**	**10.467.183**	**58.636**	**-**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(9.953)**	**-**	**(305)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	9.953	-	305	-
20. Net foreign currency asset/liability position (9-18+19)	**1.200.837**	**2.193.267**	**(30.361)**	**21**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.874.672)**	**(371.175)**	**(46.053)**	**21**
22. Fair value of derivative financial instruments used in foreign currency hedge	(58)	-	(2)	-
23. Hedged foreign currency assets	9.953	-	305	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	9.606.500			
26. Imports	45.262.368			

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management (cont'd)

The following table shows the Company'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 2024 asset balances are translated by using the following exchange rates: TRY 35,2803= US $ 1, TRY 36,7362 = EUR 1, TRY 0,2249 = JPY 1, for liabilities balances are translated by using the following exchange rates: TRY 35,3438 = US $ 1, TRY 36,8024 = EUR 1, TRY 0,2264 = JPY 1 (For assets 31 December 2023: TRY 29,4382 = US$ 1, TRY 32,5739 = EUR 1, TRY 0,2075 = JPY 1, For liabilities; TRY 29,4913 = US$ 1, TRY 32,6326 = EUR 1, TRY 0,2088 = JPY 1).

	Profit/(loss) before tax after capitalization on tangible assets	
31 December 2024	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	91.814	(91.814)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	**91.814**	**(91.814)**
5- Euro net asset/liability	(112.420)	112.420
6- Hedged portion from Euro risk (-)	(26.851)	26.851
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	**(139.271)**	**139.271**
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	**-**	**-**
TOTAL (4+8+12)	**(47.457)**	**47.457**

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management (cont'd)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2023	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(37.118)	37.118
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	**(37.118)**	**37.118**
5- Euro net asset/liability	(98.249)	98.249
6- Hedged portion from Euro risk (-)	(995)	995
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	**(99.244)**	**99.244**
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	**-**	**-**
TOTAL (4+8+12)	**(136.362)**	**136.362**

(f) 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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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 Company 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 Company's remaining contractual 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.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Liquidity risk management (cont'd)

Liquidity risk tables (cont'd)

31 December 2024

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 five years (IV)**
Non derivative financial liabilities						
Borrowings from banks	32.727.467	37.298.805	8.221.122	5.353.400	21.899.062	1.825.221
Lease borrowings	308.559	1.079.513	20.025	60.076	140.895	858.517
Trade payables	12.328.734	12.328.734	12.328.734	-	-	-
Other financial liabilities (*)	943.589	943.589	943.589	-	-	-
Total liabilities	**46.308.349**	**51.650.641**	**21.513.470**	**5.413.476**	**22.039.957**	**2.683.738**
Derivative financial liabilities						
Derivative cash inflows	28.785	1.247.363	785.269	462.094	-	-
Derivative cash outflows	-	(1.247.363)	(785.269)	(462.094)	-	-
	28.785	**-**	**-**	**-**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Liquidity risk management (cont'd)

Liquidity risk tables (cont'd)

31 December 2023

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 five years (IV)
Non derivative financial liabilities						
Borrowings from banks	23.865.288	25.820.339	5.650.203	15.742.887	2.702.070	1.725.179
Lease borrowings	123.945	396.954	6.722	20.164	63.460	306.608
Trade payables	12.037.825	12.037.825	12.037.825	-	-	-
Other financial liabilities (*)	666.530	666.530	666.530	-	-	-
Total liabilities	**36.693.588**	**38.921.648**	**18.361.280**	**15.763.051**	**2.765.530**	**2.031.787**
Derivative financial liabilities						
Derivative cash inflows	-	1.137.355	1.137.355	-	-	-
Derivative cash outflows	(34.818)	(1.137.355)	(1.137.355)	-	-	-
	(34.818)	**-**	**-**	**-**	**-**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Additional information about financial instruments (cont’d)

(g) Interest rate risk management

The majority of the Company’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 Company uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of deposits in which the Company has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Company minimizes the interest rate risk by increasing the share of floating rate denominated assets in its the balance sheet.

Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Company 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.

Interest rate sensitivity

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Company’s sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 1,00% 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 Company loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

	31 December 2024	31 December 2023
Floating Interest Rate Financial Instruments		
Financial liabilities	8.782.051	7.440.968

For the year round, if the US Dollars and EURO denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO points in respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 42.611 thousand (31 December 2023: TRY 35.817 thousand).

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Additional information about financial instruments (cont'd)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
31 December 2024				
Financial Assets				
Cash and cash equivalents	18.777.531	-	-	18.777.531
Trade receivables	7.406.470	-	-	7.406.470
Financial investments	191.503	-	69.831	261.334
Other receivables	158.012	-	-	158.012
Derivative financial instruments	-	5.644	23.141	28.785
Financial Liabilities				
Financial liabilities	33.036.026	-	-	33.036.026
Trade payables	12.328.734	-	-	12.328.734
Other liabilities	943.589	-	-	943.589
31 December 2023				
Financial Assets				
Cash and cash equivalents	11.568.280	-	-	11.568.280
Trade receivables	5.212.321	-	-	5.212.321
Financial investments	-	-	66.285	66.285
Other receivables	3.364.575	-	-	3.364.575
Financial Liabilities				
Financial liabilities	23.989.233	-	-	23.989.233
Trade payables	12.037.825	-	-	12.037.825
Other liabilities	666.530	-	-	666.530
Derivative financial instruments	-	34.635	183	34.818

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 Company 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 Company could realise in a current market exchange.

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

Categories of the financial instruments and their fair values (cont'd)

31 December 2024

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	Book Value	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	68.875	-	68.875	-
Derivative financial assets	23.141	-	23.141	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	5.644	-	5.644	-
Total	**97.660**	**-**	**97.660**	**-**

31 December 2023

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	Book Value	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	65.487	-	65.487	-
Derivative financial liabilities	(183)	-	(183)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial liabilities	(34.635)	-	(34.635)	-
Total	**30.669**	**-**	**30.669**	**-**

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 35 – SUBSEQUENT EVENTS

None.

NOTE 36 – OTHER ISSUES AFFECTING THE FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As at 31 December 2024, 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 ("IFRS") 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 IFRS.