

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

**KARDEMİR KARABÜK DEMİR
ÇELİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2023

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**KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 30 SEPTEMBER 2023**

(Amounts expressed in Turkish Lira (“TL”).)

		Current Period (Not Audited)	Prior Period (Audited)
		30 September 2023	31 December 2022
	Notes		
ASSETS			
Current Assets		19.686.467.011	16.421.002.090
Cash and cash equivalents	23	1.159.234.980	1.891.331.159
Financial investments		79.305.488	2.263.690
Trade receivables	4	5.122.737.533	4.191.875.205
- <i>Trade receivables from related parties</i>	3,4	309.925.779	71.475.590
- <i>Trade receivables from third parties</i>	4	4.812.811.754	4.120.399.615
Current tax assets	20	41.286.507	6.975.660
Other receivables		546.896.957	650.113.184
- <i>Other receivables from third parties</i>		546.896.957	650.113.184
Inventories	5	9.833.215.844	7.944.742.575
Prepaid expenses	6	2.835.746.781	1.552.724.624
Other current assets		68.042.921	180.975.993
Non-Current Assets		11.215.728.616	10.218.926.707
Financial investments		485.969	485.969
Investments in associates, joint ventures and subsidiaries		7.817.019	7.817.019
Other receivables		456.312	413.395
- <i>Other receivables from third parties</i>		456.312	413.395
Investments accounted under equity method		70.578.725	41.690.903
Investment properties		548.971	559.416
Property, plant and equipment	7	10.605.390.889	9.995.785.542
Intangible assets	8	79.818.908	41.187.667
- <i>Other intangible assets</i>		79.818.908	41.187.667
Prepaid expenses	6	97.930.743	34.768.968
Deferred tax assets	20	336.462.797	83.141.322
Other non-current assets		16.238.283	13.076.506
TOTAL ASSETS		30.902.195.627	26.639.928.797

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

**KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 30 SEPTEMBER 2023**

(Amounts expressed in Turkish Lira ("TL").)

	Notes	Current Period	Prior Period
		(Not Audited) 30 September 2023	(Audited) 31 December 2022
LIABILITIES AND EQUITY			
Current Liabilities		16.756.833.366	12.632.234.140
Short-term borrowings	21	1.442.856.379	380.849.316
Short-term portion of long-term borrowings	21	982.854.924	764.967.668
Trade payables	4	8.397.955.635	7.657.192.720
-Trade payables to related parties	3,4	5.010.329	5.002.353
-Trade payables to third parties	4	8.392.945.306	7.652.190.367
Other payables	3	126.970.815	21.235.402
- Other payables to related parties	3	112.500.000	-
- Other payables to third parties		14.470.815	21.235.402
Deferred income (excluding contractual obligations)	6	5.376.992.950	3.560.375.751
-Deferred income from related parties	3,6	184.312.050	49.669.558
-Deferred income from third parties	6	5.192.680.900	3.510.706.193
Derivative financial instruments		-	825.359
Current profit tax liability	20	-	59.184.610
Payables for employee benefits	12	280.381.156	135.441.366
Other short-term provisions	10	19.018.391	13.597.594
Other current liabilities		129.803.116	38.564.354
Non-Current Liabilities		2.447.827.600	2.546.450.466
Long-term borrowings	21	1.073.973.836	1.339.553.829
Trade payables	4	255.468.400	175.427.120
-Long-term trade payables to third parties	4	255.468.400	175.427.120
Other payables		-	12.644.733
-Other payables to third parties		-	12.644.733
Provisions for employee benefits	12	1.111.282.560	1.011.679.622
Non-current deferred income	6	7.102.804	7.145.162
- Deferred income from third parties	6	7.102.804	7.145.162
EQUITY		11.697.534.661	11.461.244.191
Equity Attributable to Equity Holders of the Parent		11.697.537.682	11.461.246.044
Share capital	13	1.140.000.000	1.140.000.000
Capital adjustment differences	13	4.613.596	4.613.596
Treasury shares (-)	13	(169.679.779)	(72.294.560)
Share issue premiums/discounts		637.798.066	637.798.066
Other comprehensive income and expense not to be reclassified to profit or loss		3.606.758.838	3.808.002.938
- Remeasurement gains/(losses) defined benefit plans		(567.917.490)	(474.100.171)
- Shares not to be reclassified to profit or loss on investments accounted by using equity method		(182.123)	(182.123)
- Revaluation fund of property, plant and equipment	13	4.182.955.961	4.282.384.174
- Foreign exchange translation differences		(8.097.510)	(98.942)
Accumulated other comprehensive expenses and income to be reclassified to profit or loss		(1.338.443.471)	(765.744.232)
- Gains/(losses) on cash flow hedge reserves		(1.338.443.471)	(765.744.232)
Restricted reserves appropriated from profit	13	380.469.192	334.517.312
Retained earnings		6.185.281.833	4.200.016.132
Net profit for the period		1.250.739.407	2.174.336.792
Non-Controlling Interest		(3.021)	(1.853)
TOTAL LIABILITIES AND EQUITY		30.902.195.627	26.639.928.797

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

**KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(Amounts expressed in Turkish Lira ("TL").)

Notes	Current Period (Not Audited)		Prior Period (Not Audited)		
	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022	
PROFIT OR LOSS					
Revenue	14	27.320.008.051	10.579.214.191	19.681.793.642	6.827.803.247
Cost of Sales (-)	14	(22.865.904.999)	(8.739.448.545)	(16.107.477.404)	(6.391.291.159)
GROSS PROFIT		4.454.103.052	1.839.765.646	3.574.316.238	436.512.088
General Administration Expenses (-)	15	(231.566.404)	(97.637.276)	(138.655.197)	(60.318.610)
Marketing, Sales and Distribution Expenses (-)	15	(76.955.682)	(32.998.129)	(52.472.834)	(18.352.160)
Other Operating Income	16	1.947.348.324	769.735.839	3.111.983.684	780.228.090
Other Operating Expense (-)	16	(4.155.379.417)	(2.251.730.317)	(3.584.146.422)	(995.710.091)
OPERATING PROFIT		1.937.549.873	227.135.763	2.911.025.469	142.359.317
Income and Expenses from Investment Activities	17	25.631.987	(73.350.923)	192.468.699	(42.050.251)
Share of Profit / (Loss) from Investments Accounted under Equity Method		28.887.821	27.190.613	17.674.097	8.328.958
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		1.992.069.681	180.975.453	3.121.168.265	108.638.024
Finance Income	18	578.083.461	235.639.697	320.609.575	122.009.210
Finance Expenses (-)	19	(1.103.940.778)	(233.392.761)	(724.218.048)	(203.966.695)
PROFIT BEFORE TAX		1.466.212.364	183.222.389	2.717.559.792	26.680.539
TAX INCOME/(EXPENSE)	20	(215.472.994)	(131.821.284)	(325.191.145)	75.956.814
Current Tax Income/(Expense)	20	(182.810.265)	(76.958.707)	(370.980.298)	27.163.181
Deferred Tax Income/(Expense)	20	(32.662.729)	(54.862.577)	45.789.153	48.793.633
NET PROFIT FOR THE PERIOD		1.250.739.370	51.401.105	2.392.368.647	102.637.353
DISTRIBUTION OF NET PROFIT / (LOSS) FOR THE PERIOD					
Equity holders of the parent		1.250.739.407	51.401.029	2.392.368.837	102.637.352
Non-controlling interest		(37)	76	(190)	1
EARNINGS PER SHARE		1,0971	0,0438	2,0986	0,09
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
OTHER COMPREHENSIVE INCOME / (EXPENSE) Other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods		(674.515.126)	976.577.383	(576.825.841)	(131.986.405)
- Actuarial gain/(loss) fund on defined benefit plans		(125.089.758)	-	(149.752.333)	-
- Foreign currency translation differences		(7.998.568)	(2.249.209)	(80.150)	(1.261)
Accumulated other comprehensive income/(expenses) to be reclassified to profit or loss		(827.411.004)	1.104.178.176	(569.076.708)	(166.217.281)
- Other comprehensive expense from cash flow hedge		(827.411.004)	1.104.178.176	(569.076.708)	(166.217.281)
Taxes related to other comprehensive income not to be reclassified to profit or loss in subsequent periods		31.272.439	6.254.487	28.418.935	-
- Gain/(loss) on remeasurement of defined benefit plans, tax effect		31.272.439	6.254.487	28.418.935	-
Taxes related to other comprehensive income to be reclassified to profit or loss in subsequent periods		254.711.765	(131.606.071)	113.664.415	34.232.137
- Other comprehensive income from cash flow hedge, tax effect		254.711.765	(131.606.071)	113.664.415	34.232.137
TOTAL COMPREHENSIVE INCOME		576.224.244	1.027.978.488	1.815.542.806	(29.349.052)
DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME / (EXPENSE)					
Equity Holders of the Parent		576.225.412	1.027.978.412	1.815.542.996	(29.349.053)
Non-Controlling Interest		(1.168)	76	(190)	1

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KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(Amounts expressed in Turkish Lira (“TL”))

	Accumulated Other Comprehensive Income/(Expenses) Not to be Reclassified to Profit or Loss							Other Comprehensive Expense to be Reclassified to Profit or Loss	Retained Earnings						
Notes	Paid-in capital	Capital adjustment differences	Treasury shares (-)	Share issue premium	Actuarial gain/(loss) fund on defined benefit plans	Shares of other comprehensive income of investments accounted for using the equity method that will not be classified in profit or loss	Revaluation and measurement gains (losses) of property, plant and equipment	Foreign currency translation differences	Hedging Gains	Restricted reserves assorted from profit	Prior years' profit	Net profit / (loss) for the period	Equity attributable to the parent	Non-Controlling Interest	Total equity
Balances as of 1 January 2022	1.140.000.000	4.613.596	(82.359.797)	11.803.953	(126.688.240)	(182.123)	4.514.231.556	38.956	(704.204.936)	123.107.868	1.228.500.874	3.852.707.238	9.961.568.945	(275)	9.961.568.670
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	2.392.368.837	2.392.368.837	(190)	2.392.368.647
Other comprehensive income / (expense)	-	-	-	-	(121.333.398)	-	-	(80.150)	(455.412.293)	-	-	-	(576.825.841)	-	(576.825.841)
Total comprehensive income / (expense)	-	-	-	-	(121.333.398)	-	-	(80.150)	(455.412.293)	-	-	2.392.368.837	1.815.542.996	(190)	1.815.542.806
Dividends paid	-	-	-	-	-	-	-	-	-	-	(950.814.959)	-	(950.814.959)	-	(950.814.959)
Transfer to legal reserves	-	-	-	-	-	-	-	-	-	211.409.444	(211.409.444)	-	-	-	-
Transfers	13	-	-	-	-	-	(100.777.880)	-	-	-	3.953.485.118	(3.852.707.238)	-	-	-
Balances as of 30 September 2022	1.140.000.000	4.613.596	(82.359.797)	11.803.953	(248.021.638)	(182.123)	4.413.453.676	(41.194)	(1.159.617.229)	334.517.312	4.019.761.589	2.392.368.837	10.826.296.982	(465)	10.826.296.517
Balances as of 1 January 2023	1.140.000.000	4.613.596	(72.294.560)	637.798.066	(474.100.171)	(182.123)	4.282.384.174	(98.942)	(765.744.232)	334.517.312	4.200.016.132	2.174.336.792	11.461.246.044	(1.853)	11.461.244.191
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	1.250.739.407	1.250.739.407	(37)	1.250.739.370
Other comprehensive income/(expense)	-	-	-	-	(93.817.319)	-	-	(7.998.568)	(572.699.239)	-	-	-	(674.515.126)	-	(674.515.126)
Total comprehensive income/(expense)	-	-	-	-	(93.817.319)	-	-	(7.998.568)	(572.699.239)	-	-	1.250.739.407	576.224.281	(37)	576.224.244
Dividends paid	13	-	-	-	-	-	-	-	-	-	(242.547.424)	-	(242.547.424)	(1.131)	(242.548.555)
Transfer to legal reserves	-	-	-	-	-	-	-	-	-	45.951.880	(45.951.880)	-	-	-	-
Increases related to repurchased shares	-	-	(97.385.219)	-	-	-	-	-	-	-	-	-	(97.385.219)	-	(97.385.219)
Transfers	13	-	-	-	-	-	(99.428.213)	-	-	-	2.273.765.005	(2.174.336.792)	-	-	-
Balances as of 30 September 2023	1.140.000.000	4.613.596	(169.679.779)	637.798.066	(567.917.490)	(182.123)	4.182.955.961	(8.097.510)	(1.338.443.471)	380.469.192	6.185.281.833	1.250.739.407	11.697.537.682	(3.021)	11.697.534.661

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

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AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE- MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(Amounts expressed in Turkish Lira (“TL”).)

		Current Period (Not Audited)	Prior Period (Not Audited)
		1 January – 30 September 2023	1 January – 30 September 2022
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		182.923.208	625.570.436
Net profit (loss) for the period from continuing operations (A)		1.250.739.370	2.392.368.647
Adjustments to reconcile net profit (loss) for the period (B)		1.131.910.658	779.958.571
Adjustments related to depreciation and amortization expenses		302.029.085	255.184.841
Adjustments related to impairment (reversal)			
Adjustments related to impairment (reversal) on receivables		(53.408)	47.691
Adjustments related to provisions			
Adjustments related to provision (reversal) for employee benefits	12	177.463.863	106.274.784
Adjustments related to provision (reversal) for litigation and /or penalty	10	5.431.855	(1.345.318)
Adjustments related to tax (income) expense	20	215.472.994	325.191.145
Adjustments related to interest (income) and expenses			
Adjustments related to interest expenses	19	161.464.756	64.865.931
Adjustments related to interest income	18	(290.186.050)	(199.711.970)
Other adjustments related to profit (loss) reconciliation	16	34.693.529	30.288.028
Adjustments related to fair value loss (gain)	18,19		
Fair value loss (gain) from derivative financial instruments		(825.359)	-
Fair value loss (gain) from financial investments	17	(5.910.943)	(6.815.460)
Adjustments related to retained earnings of investments accounted under equity method			
Adjustments related to retained earnings of joint ventures		(28.887.821)	(17.674.097)
Adjustment related to other items causing cash flow arising from investment or financial activities	17	(16.378.340)	(183.788.156)
Adjustments related to derivative swap contracts losses (gain)	19	(54.189.500)	-
Adjustments related to unrealized foreign currency translation differences		631.785.997	407.441.152
Changes in working capital (C)		(1.718.701.887)	(1.776.790.169)
Adjustments related to decrease (increase) in trade receivables		(1.073.235.460)	(1.253.559.396)
Adjustments related to decrease (increase) in other operating receivables		103.170.065	(252.550.376)
Adjustments related to increase (decrease) in other operating liabilities		206.026.703	62.889.476
Adjustments related to decreases (increases) in inventories		(1.881.114.089)	(4.520.645.772)
Decrease (increase) in prepaid expenses		(1.346.183.932)	562.212.491
Adjustments related to increase (decrease) in trade payables		346.288.689	3.462.115.315
Adjustments related to other increase (decrease) in working capital		109.771.296	(286.447.968)
Increase (decrease) in deferred income		1.816.574.841	449.196.061
Net cash provided from the operating activities (A+B+C)		663.948.141	1.395.537.049
Payments related to provisions for employee benefits	12	(202.950.683)	(20.245.272)
Payments related to other provisions	10	(11.058)	(888.645)
Tax returns (payments)	20	(278.063.192)	(748.832.696)
CASH FLOWS FROM INVESTING ACTIVITIES		(1.109.752.144)	(468.584.435)
Cash inflow from sale of property, plant and equipment and intangible assets			
Sale of property, plant and equipment	7	7.032.642	474.307
Sale of intangible	8	15.531.227	-
Cash outflow from purchase of property, plant and equipment and intangible assets			
Purchase of property, plant and equipment	7	(944.058.994)	(553.111.759)
Purchase of intangible assets	8	(36.119.283)	(8.893.698)
Dividends received	17	16.378.340	183.788.156
Other cash outflows from financial instruments (*)		(71.130.857)	(90.841.441)
Other cash outflows related to repurchased shares	13	(97.385.219)	-
CASH FLOWS FROM FINANCING ACTIVITIES		194.732.758	(1.388.274.093)
Cash inflows from borrowings			
Cash inflows from loans		3.132.996.504	698.133.127
Repayment of borrowings			
Cash outflow for loan payments		(3.013.025.079)	(1.775.056.106)
Cash outflows related to debt payments arising from financial lease contracts		(2.725.628)	(1.906.689)
Cash outflows related to lease liabilities		-	-
Cash inflow from derivative financial instruments	18	55.316.300	-
Cash outflow for derivative financial instruments	19	(1.126.800)	-
Dividend paid		(117.548.552)	(450.814.959)
Interest received	18	290.186.050	199.711.970
Interest paid		(149.340.037)	(58.341.436)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(732.096.178)	(1.231.288.092)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	23	1.891.331.159	5.356.754.067
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	23	1.159.234.980	4.125.465.975

(*) Bank deposits with a maturity of more than 3 months with currency protection shown in the condensed consolidated statement of financial position for financial investments are reported in the “Cash outflows from other financial instruments” in the condensed consolidated statements of cash flows. Changes in fair value are accounted for under income from investing activities in the condensed consolidated statement of profit or loss.

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

**KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2023**

(Amounts expressed in Turkish Lira (“TL”).)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş. (“the Company” or “Kardemir”) was incorporated in Karabük, Turkey. The address and the main operating head office of the Company is No: 78170 Karabük.

The main operations of the Company is to manufacture and sell all kinds of raw iron and steel goods, coke and coke by-products.

The Company is registered in the Capital Market Board (CMB) and has started to be traded on 8 June 1998 at Borsa İstanbul (“BIST”). All of its shares are publicly traded in the Borsa Istanbul as of 30 September 2023 and 31 December 2022.

The main operations of the subsidiaries included in the consolidation together with the Company and the share rates of the Company are as follows:

Name of the entity	Main operations	Shareholding ratio (%)	
		30 September 2023	31 December 2022
Kardemir Çelik Yapı İmalat Sanayi ve Ticaret A.Ş. (“Karçel”)	Steel construction and installation	99,99	99,99
Kardemir Döküm Makina San. ve Ticaret A.Ş. (“Kardökmak”)	Steel casting and machining	99,99	99,99
Enbatı Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Enbatı”)	Energy	100,00	100,00
Kardemir Sigorta Aracılık Hizmetleri Ltd. Şti (Kardemir Sigorta) (*)	Insurance brokerage	95,00	95,00

(*) Since it does not affect the consolidated financial statements materially and its revenue is insignificant, it is not included in the consolidation and is carried over at cost.

The average number of personnel of the Group as of 30 September 2023 and 31 December 2022 are as below:

	30 September 2023		
	Blue-collar	White-collar	Total
Kardemir	3.151	979	4.130
Karçel	186	110	296
Kardökmak	142	52	194
Enbatı	-	14	14
Total	3.479	1.155	4.634

	31 December 2022		
	Blue-collar	White-collar	Total
Kardemir	3.154	994	4.148
Karçel	201	145	346
Kardökmak	148	51	199
Enbatı	-	14	14
Total	3.503	1.204	4.707

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1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont’d)

Approval of the consolidated financial statements

The condensed consolidated financial statements for the period ended 30 September 2023, have been approved and authorized to be published on 6 November 2023 by the Board of Directors. General Assembly has the authorization to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of preparation of financial statements and accounting policies

The Company and its subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation.

The accompanying condensed consolidated financial statements are prepared in accordance with the Turkish Accounting Standards put into effect by the POA, with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” (“Communiqué”), which was published in the Official Gazette No:28676 on 13 June 2013.

The condensed consolidated financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 15 April 2019 by POA, and the format and mandatory information recommended by CMB.

The financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and Interpretations (“TAS/TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority under Article 5 of the Communiqué.

The accompanying consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments at fair value, land and buildings in property, plant and equipment at revalued amount value.

POA made an announcement on 20 January 2022 regarding the application of TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements as of 30 September 2023 in accordance with TAS 29.

Functional and reporting currency

The financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company and its subsidiaries are determined as Turkish Lira (“TL”). The financial position and the financial results of each entity are expressed in TL, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

2.1 Basis of Presentation (cont’d)

Going concern

The consolidated financial statements of the Group are prepared on a going concern basis.

Subsidiaries

Subsidiaries are the entities controlled by the Company when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries that have control over activities are taken into the scope of consolidation as of the date it is transferred to the Group and on the date of transferring back the control are also excluded from the scope of consolidation. If necessary, the subsidiaries in order to comply with the Group's accounting policy adjustments are made to the financial statements in accounting policies.

Subsidiaries have been consolidated statement of financial position and income statements using the full consolidation method and the book values and equity of the subsidiaries owned by Kardemir are mutually offset. Intercompany transactions and balances between the Company and its subsidiaries have been eliminated on consolidation level. The cost of the shares owned by the Company's value and dividends arising from these are eliminated from the related equity and income statement.

As of 30 September 2023 and 31 December 2022, the Company's ownership interests in subsidiaries and voting rights have been presented below:

Subsidiaries	Place of incorporation and activity	Field of operation	Shareholding rate (%)	Voting right (%)
Karçel	Turkey	Steel construction manufacture and assembly	99,99	100,00
Kardökmak	Turkey	Casting and machining	99,99	100,00
Enbatı	Turkey	Energy	100,00	100,00
Kardemir Sigorta Aracılık Hizmetleri Ltd. Şti (*)	Turkey	Insurance brokerage	95,00	100,00
Kardemir Döküm Makina San. ve Ticaret A.Ş. Bulgaria Branch	Bulgaria	Engineering and sales - marketing	100,00	100,00
Kardemir Çelik Yapı İmalat Sanayi ve Ticaret A.Ş. Hungary Branch	Hungary	Steel construction manufacture and assembly	100,00	100,00

(*) Since it does not affect the consolidated financial statements materially and its revenue is insignificant, it is not included in the consolidation and is carried over at cost.

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

2.1 Basis of Presentation (cont’d)

Investments valued under equity method

Businesses over which the Group has significant influence but not control. Significant influence implies having the power of participation without several or joint control authority in decisions of an entity related with its financial and operational policies.

The details of investments in associates accounted for under equity method of the Group as of 30 September 2023 and 31 December 2022 are as follows:

Associates	Place of incorporation and activity	Main operation	Shareholding rate (%)	
			30 September 2023	31 December 2022
Karçimsa Çimento Sanayi ve Ticaret A.Ş. (“Karçimsa”)	Turkey	Cement	49,00	49,00
Voestalpine - Kardemir Demiryolu Sistemleri Sanayi ve Ticaret A.Ş. (“Vademsaş”)	Turkey	Railway systems	25,06	25,06
Karabük Üniversitesi Teknoloji Geliştirme Bölgesi Yönetici A.Ş.	Turkey	Technology development zone management	20,00	20,00

An associate is an entity over which the Group 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 venture in which parties with joint control in an arrangement have rights to net assets in the joint arrangement. Joint control is the sharing of control over an economic activity on a contractual basis. This control is deemed to exist where decisions regarding the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated 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 consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture. When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

2.2 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2023

Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</i>

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 *Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information*

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

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

2.2 New and Amended Turkish Financial Reporting Standards (cont’d)

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2024 for insurance and reinsurance and pension companies.

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

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that insurance and reinsurance and pension companies would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2024 with the deferral of the effective date of TFRS 17.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

2.2 New and Amended Turkish Financial Reporting Standards (cont’d)

b) New and revised TFRSs in issue but not yet effective (cont’d)

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.3 Summary of Significant Accounting Policies

Interim condensed consolidated financial statements for the period ended at 30 September 2023 has been prepared in accordance with TAS 34 which for the preparation of interim financial statements. In addition, significant account policies adopted period ended 30 September 2023 interim condensed consolidated financial statements are consistent with significant accounting policies used in the preparation of financial statements as of 31 December 2022. Accordingly, these interim consolidated financial statements should be considered together with the financial statements as of 31 December 2022.

As of 30 September 2023, the voting rights and effective shareholding ratios of the fully consolidated subsidiaries did not change from the ratios reported as of 31 December 2022, as explained in Note 2.1.

2.4 Critical Judgments in Applying The Group’s Accounting Policies

Income Taxes

Deferred tax assets can only be recognized if it is probable that sufficient taxable profit will be generated in future periods. When tax advantage is probable, deferred tax asset is calculated over prior years' losses.

As of 30 September 2023, the Group has recognized deferred tax assets because it is apparent that taxable profit will be available sufficient to recognize deferred tax assets.

Provision for Doubtful Receivables

Provision for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions.

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

2.4 Critical Judgments in Applying The Group’s Accounting Policies (cont’d)

Hedge Accounting

The Group hedges currency risk on the balance sheet by borrowing in the same currency against currency risks arising from foreign currency sales amounts that are highly probable to be realized in the future within the scope of the corporate budget. In this place, high probability foreign currency sales amounts consist of corporate budgets based on management estimation. Changes and realizations in estimates may cause a change in the rate of hedging effectiveness in Note 22. In this case, if the hedging relationship does not meet the hedging effectiveness ratios for the hedging ratio, but the risk management objectives for that defined hedging relationship remain the same, the Group may change the hedging ratio of the hedging relationship to meet the required criteria.

Provision for Legal Claims

The provision for legal claims are evaluated by the Group’s legal advisors on the basis of probability of losing a lawsuit and outcome of these legal claims. The Group’s management provides necessary provisions according to best estimates by using current data.

Useful Lives of Property, Plant and Equipment, Intangible Assets and Investment Properties

The Group management has made important assumptions to determine useful lives of buildings and machinery equipment particularly in accordance with the experience of the technical staff. In addition, tangible fixed assets, whose production capacity amounts have been determined by the independent valuation expert company and the technical experts of the Group, are depreciated on a cash-generating unit basis, taking into account their useful lives.

Deferred Tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The subsidiaries of Group’s have deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative 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; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

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

2.5 Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

The financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

3. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation, and are not disclosed in this note.

The trade receivables from related parties usually arise from sales activities and are due approximately 1 month after the date of sales. The receivables bear no interest. The trade payables to related parties usually arise from purchase activities and are due approximately 1 month after the date of purchases. Payables bear no interest.

From the related parties indicated in the "Other" group in the following statements, Kardemir Sigorta Aracılık Hizmetleri Ltd. Şti. is a subsidiary of the Company and not included in the consolidation since it does not significantly affect the consolidated financial statements. Other related parties are composed of the entities on which the primary key managers of the Company have a controlling or collective controlling authority.

	30 September 2023	31 December 2022
<u>Short-term trade receivables from related parties</u>		
<u>Associates</u>		
Karçimsa	4.324.830	3.915.590
<u>Other</u>		
Çağ Çelik Demir ve Çelik A.Ş.	305.600.949	67.560.000
	<u>309.925.779</u>	<u>71.475.590</u>
	30 September 2023	31 December 2022
<u>Short-term trade payables to related parties</u>		
<u>Associates</u>		
Kardemir Sigorta	22.467	142.880
Karçimsa	4.105.115	3.398.607
Vademsaş	-	136.680
<u>Other</u>		
Şeyhoğlu Petrol Sanayi ve Ticaret Ltd.Şti.	-	2.080
Çağ Çelik Demir ve Çelik A.Ş.	881.679	633.426
Güleç Petrol Taş. Servis Hizm. San. ve Tic. Ltd. Şti.	-	688.680
Other	1.068	-
	<u>5.010.329</u>	<u>5.002.353</u>

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3. RELATED PARTY DISCLOSURES (cont’d)

	30 September 2023	31 December 2022
<u>Order advances received from related parties</u>		
<u>Associates</u>		
Vademsaş	8	748.397
<u>Other</u>		
Çağ Çelik Demir ve Çelik A.Ş.	167.679.901	37.513.234
Dez Madencilik A.Ş.	16.628.056	11.407.927
Other	4.085	-
	<u>184.312.050</u>	<u>49.669.558</u>
	30 September 2023	31 December 2022
<u>Other payables to related parties</u>		
Payables to shareholders (*)	112.500.000	-
	<u>112.500.000</u>	<u>-</u>

(*) Payables to shareholders is the accrual amount regarding the second installment of the dividend distribution approved by the decision of the board of directors dated 3 April 2023 (Note 13).

	1 January - 30 September 2023		1 July - 30 September 2023	
	Sales (*)	Purchases (**)	Sales (*)	Purchases (**)
<u>Transactions with related parties</u>				
<u>Associates</u>				
Karçimsa	29.278.072	18.038.568	16.425.371	6.609.018
Vademsaş	17.567.108	-	9.235.242	-
Kardemir Sigorta	7.817	4.897.969	2.657	1.347.957
<u>Other</u>				
Çağ Çelik Demir Ve Çelik A.Ş.	678.727.894	46.259.456	261.846.360	15.529.610
Güleç Petrol Taş.Servis Hizmetl.San.Ve Tic.Ltd.Şti	495.873	16.790.491	495.873	-
Dez Madencilik Ve Lojistik İthalat İhracat Ticaret A.Ş.	152.951	-	77.182	12.689.441
Şeyhoğlu Petrol Taşımacılık Servis Hizm.San.Tic.Ltd. Şti	419.562	12.690.888	419.562	1.203.755
Other	2.884	971	1.197	969
	<u>726.652.161</u>	<u>98.678.343</u>	<u>288.503.444</u>	<u>37.380.750</u>

(*) Significant portion of sales to related parties are consists of iron, steel and steel by products.

(**) Purchases from related parties are consists of transportation and services.

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3. RELATED PARTY DISCLOSURES (cont’d)

	1 January - 30 September 2022		1 July - 30 September 2022	
	Sales (*)	Purchases (**)	Sales (*)	Purchases (**)
Transactions with related parties				
<u>Associates</u>				
Karçimsa	10.136.768	5.270.761	3.845.808	1.512.787
Vademsaş	33.648.729	2.175.283	18.269.281	1.310.049
Kardemir Sigorta	2.544	924.928	-	139.466
<u>Other</u>				
Çağ Çelik Demir ve Çelik A.Ş.	936.747.017	101.069.335	250.203.936	15.932.348
Güleç Petrol Taşımacılık Servis Hizmetleri San. ve Tic. Ltd. Şti.	-	11.213.212	-	9.756.077
Dez Madencilik ve Lojistik A.Ş.	91.900	1.348.028	1.260	-
Şeyhoğlu Petrol Taşımacılık Servis Hizmetleri Sanayi ve Ticaret Ltd. Şti.	-	14.240.752	-	32.111
Other	3.295	-	830	-
	<u>980.630.253</u>	<u>136.242.299</u>	<u>272.321.115</u>	<u>28.682.838</u>

(*) Significant portion of sales to related parties are consists of iron, steel and steel by products.

(**) Purchases from related parties are consists of transportation and services.

Compensation of key management personnel:

The Group’s key management personnel comprises of the Board Members, general managers, assistant general managers of the Company and its subsidiaries. Total payments made to key management are as follows:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Salaries and other short-term benefits (*)	34.247.422	18.768.284	17.991.484	6.686.615
	<u>34.247.422</u>	<u>18.768.284</u>	<u>17.991.484</u>	<u>6.686.615</u>

(*) It comprises of the key management personnel benefits provided to the Board Members, General Managers, and Assistant General Managers of the Company and its subsidiaries.

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4. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

The details of trade receivables of the Group are as follows as of the balance sheet date:

	30 September 2023	31 December 2022
Short-term trade receivables		
Trade receivables	2.350.578.726	2.214.843.984
Time checks and notes receivable (*)	2.594.974.974	1.989.698.691
Trade receivables from related parties (Note 3)	309.925.779	71.475.590
Discount of trade receivables (-)	(116.567.446)	(67.911.907)
Expected credit loss (-)	(16.174.500)	(16.231.153)
	<u>5.122.737.533</u>	<u>4.191.875.205</u>

(*) The balance consists of post dated cheques from customers regarding sales. Some of these cheques are blocked and under the guarantee of the bank. However, a letter of guarantee is received up to the amount of the cheques that are not blocked.

The average collection term of the trade receivables is 46 days (31 December 2022: 37 days).

According to the market conditions and product types, a certain interest charge is applied for on credit trade receivables and overdue interest is applied for overdue trade receivables.

As the Group provides services and products to a large number of customers, collection risk is widely distributed amongst these customers and there is no significant credit risk exposure. Therefore, the Group does not provide for any further provision beyond the doubtful receivables provisions that the Group has already provided for in the consolidated financial statements.

The Group measures impairment for trade receivables based on expected lifelong credit losses. The expected credit losses on trade receivables are estimated using a provision matrix based on the past default status of customers, by analyzing the current financial situation and considering the general economic conditions of the industry in which the customer operates and the conditions at the reporting date.

There has been no significant change in management's estimates and assumptions in the current period.

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4. TRADE RECEIVABLES AND PAYABLES (cont’d)

b) Short-term trade payables

The details of trade payables of the Group are as follows as of the balance sheet date:

	30 September 2023	31 December 2022
<u>Short-term trade payables</u>		
Trade payables (*)	8.412.301.824	7.656.887.462
Trade payables to related parties (Note 3)	5.010.329	5.002.353
Notes payables	-	2.163.075
Discount on trade payables (-)	(19.356.518)	(6.860.170)
	<u>8.397.955.635</u>	<u>7.657.192.720</u>

(*) Amounting to TL 5.718.373.887 of short-term trade payables consists of letters of credit to banks originating from raw material purchases. The average maturity of the letter of credit transactions is 350 days. As of the reporting date, the commission expense accrued in accordance with the effective interest method for the related letter of credit is TL 120.232.655 (31 December 2022: Letter of Credit: TL 4.941.122.105, accrued commission expense: TL 76.107.633 and average term: 350 days).

The average payment term of the trade payables is 94 days (31 December 2022: 102 days).

c) Long-term trade payables

	30 September 2023	31 December 2022
<u>Long-term trade payables</u>		
Long-term trade payables to third parties (*)	255.468.400	175.427.120
	<u>255.468.400</u>	<u>175.427.120</u>

(*) Consist of long-term trade payables related with the ongoing investments which will be paid based on the completion.

5. INVENTORIES

	30 September 2023	31 December 2022
Raw materials	2.133.812.416	1.986.786.898
Work in process	3.080.962.595	2.282.418.079
Finished goods	2.776.010.062	2.231.247.261
Other inventories (*)	1.842.430.771	1.444.290.337
	<u>9.833.215.844</u>	<u>7.944.742.575</u>

(*) Other inventories consists of spare parts, investment goods, repair and maintenance materials and other operating materials.

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6. PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

	30 September 2023	31 December 2022
Order advances given	2.694.756.988	1.525.101.537
Prepaid expenses	140.989.793	27.623.087
	<u>2.835.746.781</u>	<u>1.552.724.624</u>

Long-term prepaid expenses

	30 September 2023	31 December 2022
Advances given	97.184.151	34.300.318
Prepaid expenses	746.592	468.650
	<u>97.930.743</u>	<u>34.768.968</u>

Deferred income

	30 September 2023	31 December 2022
Order advances received (*)	5.192.680.900	3.510.706.193
Advances received from related parties (Note 3) (*)	184.312.050	49.669.558
	<u>5.376.992.950</u>	<u>3.560.375.751</u>

(*) Order advances received from related and third parties consist of post-dated checks.

Long-term deferred income

	30 September 2023	31 December 2022
Long-term deferred income (*)	7.102.804	7.145.162
	<u>7.102.804</u>	<u>7.145.162</u>

(*) Long-term deferred income consists of incentives from TÜBİTAK regarding R&D activities.

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7. PROPERTY, PLANT AND EQUIPMENT

	<u>Lands</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Plant, machinery and equipment</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Furniture and fixtures</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost value</u>									
Opening balance as of 1 January 2023	2.461.965.055	134.391.233	3.495.001.137	4.649.027.921	435.803.021	1.243.710	64.452.302	810.044.951	12.051.929.330
Additions	8.883	612.832	630.000	112.687.995	76.606.512	-	23.327.324	730.185.448	944.058.994
Disposals	-	-	(5.822.429)	(30.969.465)	(940.887)	-	(458.501)	(1.774.256)	(39.965.538)
Transfers from construction in progress	-	530.576	6.106.880	319.194.742	5.928.249	-	3.782.703	(367.193.632)	(31.650.482)
Closing balance as of 30 September 2023	<u>2.461.973.938</u>	<u>135.534.641</u>	<u>3.495.915.588</u>	<u>5.049.941.193</u>	<u>517.396.895</u>	<u>1.243.710</u>	<u>91.103.828</u>	<u>1.171.262.511</u>	<u>12.924.372.304</u>
<u>Accumulated depreciation</u>									
Opening balance as of 1 January 2023	-	(34.607.963)	(381.072.618)	(1.510.213.144)	(105.202.520)	(815.586)	(24.231.957)	-	(2.056.143.788)
Charge for the period	-	(3.752.612)	(134.354.407)	(130.448.227)	(19.251.384)	(17.438)	(7.946.455)	-	(295.770.523)
Disposals	-	-	3.181.988	28.494.273	940.089	-	316.546	-	32.932.896
Closing balance as of 30 September 2023	<u>-</u>	<u>(38.360.575)</u>	<u>(512.245.037)</u>	<u>(1.612.167.098)</u>	<u>(123.513.815)</u>	<u>(833.024)</u>	<u>(31.861.866)</u>	<u>-</u>	<u>(2.318.981.415)</u>
Net book value as of 30 September 2023	<u>2.461.973.938</u>	<u>97.174.066</u>	<u>2.983.670.551</u>	<u>3.437.774.095</u>	<u>393.883.080</u>	<u>410.686</u>	<u>59.241.962</u>	<u>1.171.262.511</u>	<u>10.605.390.889</u>

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7. PROPERTY, PLANT AND EQUIPMENT (cont’d)

	Lands	Land improvements	Buildings	Plant, machinery and equipment	Vehicles	Leasehold improvements	Furniture and fixtures	Construction in progress	Total
Cost value									
Opening balance as of 1 January 2022	2.447.262.669	133.117.069	3.493.575.981	4.391.040.605	341.647.725	1.243.710	37.832.550	251.728.032	11.097.448.341
Additions	-	-	-	99.833.851	44.844.739	-	20.143.202	388.289.967	553.111.759
Disposals	-	-	-	(5.858.787)	-	-	(116.173)	-	(5.974.960)
Transfers from construction in progress	-	82.366	227.294	11.588.425	329.880	-	-	(13.147.387)	(919.422)
Closing balance as of 30 September 2022	<u>2.447.262.669</u>	<u>133.199.435</u>	<u>3.493.803.275</u>	<u>4.496.604.094</u>	<u>386.822.344</u>	<u>1.243.710</u>	<u>57.859.579</u>	<u>626.870.612</u>	<u>11.643.665.718</u>
Accumulated depreciation									
Opening balance as of 1 January 2022	-	(29.712.992)	(194.727.076)	(1.368.481.078)	(88.204.333)	(792.335)	(17.775.302)	-	(1.699.693.116)
Charge for the period	-	(3.665.701)	(140.717.358)	(105.618.773)	(12.028.387)	(23.251)	(4.927.319)	-	(266.980.789)
Disposals	-	-	-	5.387.185	-	-	113.468	-	5.500.653
Closing balance as of 30 September 2022	<u>-</u>	<u>(33.378.693)</u>	<u>(335.444.434)</u>	<u>(1.468.712.666)</u>	<u>(100.232.720)</u>	<u>(815.586)</u>	<u>(22.589.153)</u>	<u>-</u>	<u>(1.961.173.252)</u>
Net book value as of 30 September 2022	<u>2.447.262.669</u>	<u>99.820.742</u>	<u>3.158.358.841</u>	<u>3.027.891.428</u>	<u>286.589.624</u>	<u>428.124</u>	<u>35.270.426</u>	<u>626.870.612</u>	<u>9.682.492.466</u>

The distribution of depreciation expenses of property, plant and equipment is as follows:

	1 January – 30 September 2023	1 January – 30 September 2022
Related to production	(286.024.359)	(258.183.299)
Related to general administrative expenses	(8.490.577)	(7.664.120)
Related to marketing, sales and distribution expenses	(1.255.587)	(1.133.370)
	<u>(295.770.523)</u>	<u>(266.980.789)</u>

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8. INTANGIBLE ASSETS

a) Other intangible assets

As of 30 September 2023 and 30 September 2022, intangible assets consist of computer software and computer program licenses.

Cost value	Rights	Continuing capitalized development costs	Software	Other	Total
Opening balance as of 1 January 2023	35.681.293	8.357.590	25.189.118	452.645	69.680.646
Additions	281.559	25.927.454	9.904.697	5.573	36.119.283
Disposals	-	(15.531.227)	-	-	(15.531.227)
Transfers from construction in progress	-	-	31.650.482	-	31.650.482
Closing balance as of 30 September 2023	35.962.852	18.753.817	66.744.297	458.218	121.919.184
Accumulated amortization					
Opening balance as of 1 January 2023	(13.299.223)	-	(14.756.769)	(436.987)	(28.492.979)
Charge for the period	(7.241.321)	-	(6.356.166)	(9.810)	(13.607.297)
Disposals	-	-	-	-	-
Closing balance as of 30 September 2023	(20.540.544)	-	(21.112.935)	(446.797)	(42.100.276)
Net book value as of 30 September 2023	15.422.308	18.753.817	45.631.362	11.421	79.818.908

Cost value	Rights	Continuing capitalized development costs	Software	Other	Total
Opening balance as of 1 January 2022	29.705.258	5.118.522	17.694.655	448.012	52.966.447
Additions	1.807.601	4.928.849	2.157.248	-	8.893.698
Transfers from construction in progress	3.341.132	(3.341.132)	919.422	-	919.422
Closing balance as of 30 September 2022	34.853.991	6.706.239	20.771.325	448.012	62.779.567
Accumulated amortization					
Opening balance as of 1 January 2022	(9.898.268)	-	(12.669.988)	(424.662)	(22.992.918)
Charge for the period	(2.877.327)	-	(2.087.016)	(10.142)	(4.974.485)
Closing balance as of 30 September 2022	(12.775.595)	-	(14.757.004)	(434.804)	(27.967.403)
Net book value as of 30 September 2022	22.078.396	6.706.239	6.014.321	13.208	34.812.164

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8. INTANGIBLE ASSETS (cont’d)

b) Other intangible assets (cont’d)

The distribution of amortization expenses of intangible assets is as follows:

	1 January – 30 September 2023	1 January – 30 September 2022
Related to production	(13.158.481)	(4.810.409)
Related to general administrative expenses	(390.995)	(142.938)
Related to marketing, sales and distribution expenses	(57.821)	(21.138)
	<u>(13.607.297)</u>	<u>(4.974.485)</u>

9. LEASES

Financial Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Within one year	881.666	2.958.068	653.033	2.644.601
In the second to fifth years inclusive	1.092.406	1.496.378	871.170	1.110.913
Less: prepaid expenses	(449.869)	(698.932)	-	-
Present value of lease payments	<u>1.524.203</u>	<u>3.755.514</u>	<u>1.524.203</u>	<u>3.755.514</u>
Less: Amounts due to settlement within twelve months (shown under current liabilities)			<u>-</u>	<u>-</u>
			<u>653.033</u>	<u>2.644.601</u>
Amounts due for settlement after 12 months			<u>871.170</u>	<u>1.110.913</u>

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10. PROVISIONS

Other short-term provisions

	30 September 2023	31 December 2022
Provision for litigations	19.018.391	13.597.594
	<u>19.018.391</u>	<u>13.597.594</u>

Litigation provisions represent the provisions provided for some legal cases opened against the Group. According to the best estimate of the Group management, it is not expected to incur any significant cash outflows except for the litigation provision accounted in the consolidated financial statements.

The movement schedule of the provision regarding ongoing litigations is as follows:

	1 January – 30 September 2023	1 January – 30 September 2022
Opening balance	13.597.594	18.390.116
Charge for the period	7.619.030	1.305.770
Payments in current period	(11.058)	(888.645)
Provisions released	(2.187.175)	(2.651.088)
Closing balance	<u>19.018.391</u>	<u>16.156.153</u>

In accordance with the Capital Markets Board's (“CMB” or “the Board”) letter dated 25 December 2019 and numbered 44649743-663.02-E.16067, the Company's loss of at least TL 43,993,296 as of 30 April 2019, within the framework of the determination made by the Board was decided by the Board of Directors on 30 January 2020 to be requested from Demsan Geri Üretim A.Ş. with its legal interest within 3 months from the Board Decision, and to initiate the necessary legal proceedings in case of a negative response. The decision was announced on the Public Disclosure Platform on 30 January 2020. The collection of the determined amount was requested from the firm with a warning letter, and upon receiving a negative answer, compulsory mediation was applied. Despite this, the collection could not be achieved. Thereupon, a lawsuit was filed against the firm with the file no. 2020/100 of the 1st Civil Court of First Instance in Karabük and it continues as of the date of the report.

11. COMMITMENTS

Guarantee-Pledge-Mortgage (“GPM”)

The schedules of the guarantee/pledge/mortgage position of the Group as of 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023			
	TL Equivalent	TL	USD	EUR
A. Total amount of GPM's given in the name of legal entity				
Guarantee	2.059.915.834	1.250.911.395	3.958.132	24.134.750
Pledge	5.380.995.313	899.483.000	-	154.372.550
Mortgage	1.419.578.049	-	32.925.211	17.850.000
Total guarantee, pledge and mortgage	<u>8.860.489.196</u>	<u>2.150.394.395</u>	<u>36.883.343</u>	<u>196.357.300</u>

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11. COMMITMENTS (cont’d)

Guarantee-Pledge-Mortgage (“GPM”) (cont’d)

	31 December 2022			
	TL Equivalent	TL	USD	EUR
A. Total amount of GPM's given in the name of legal entity				
Guarantee	1.015.375.906	347.790.152	3.572.453	30.137.446
Pledge	3.976.884.347	899.483.000	-	154.372.550
Mortgage	971.483.438	-	32.925.211	17.850.000
Total guarantee, pledge and mortgage	<u>5.963.743.691</u>	<u>1.247.273.152</u>	<u>36.497.664</u>	<u>202.359.996</u>

The ratio of other GPM's given by the Group to the equities of the Group is 0% as of 30 September 2023 (31 December 2022: 0%).

12. EMPLOYEE BENEFITS

Payables related to employee benefits

	30 September 2023	31 December 2022
Payables to personnel	140.823.224	68.650.909
Social security premiums payable	139.557.932	66.790.457
	<u>280.381.156</u>	<u>135.441.366</u>

Long-term provisions for employee benefits

	30 September 2023	31 December 2022
Provision for employment termination benefits	1.062.935.356	985.693.921
Provision for unused vacation	48.347.204	25.985.701
	<u>1.111.282.560</u>	<u>1.011.679.622</u>

The movement of the provision for unused vacation for the years ended 30 September 2023 and 30 September 2022 are as follows:

	1 January- 30 September 2023	1 January- 30 September 2022
Opening balance (1 January)	25.985.701	12.452.963
Charge for the period/(provision released),net	22.361.503	16.010.257
Closing balance (30 September)	<u>48.347.204</u>	<u>28.463.220</u>

According to the articles of Turkish Labor Law in force, the Group have obligation to pay the legal employee termination benefits to each employee whose are 25 years of working life (58 for women and 60 for men) by completing at least one year of service, leaving for military services and deceased.

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12. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

As of 30 September 2023, the amount payable consists of one month's salary limited to a maximum of TL 23.489,83 (31 December 2022: TL 15.371,40).

Retirement pay liability is not subject to any kind of funding legally. The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows.

	30 September 2023	31 December 2022
Interest rate	12,50%	14,90%
Inflation rate / Salary increase rate	6% - 9%	6,00%-11,60%
Net discount rate	3,21%	3,50%

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as at 30 September 2023, 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 30 September 2023, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 1,95%-5,23% for the employees with past experience between 0-15 years or over. In the calculation of the employment termination benefit of the Group, the ceiling amount of TL 23.489.83 effective as of 1 July 2023 was taken into consideration (1 July 2022: TL 15.371.40).

The movement of the provision for employment termination benefit is as follows:

	1 January – 30 September 2023	1 January – 30 September 2022
Opening balance	985.693.921	443.243.287
Service cost	65.831.951	28.378.110
Interest cost	89.270.409	61.886.417
Actuarial loss/(gain)	125.089.758	149.752.332
Employment termination benefits paid (-) (*)	(202.950.683)	(20.245.272)
Closing balance	1.062.935.356	663.014.874

(*) TL 145.620.521 of employment termination benefit amounting to TL 202.950.683 paid during the period consists of indemnity payments made under EYT.

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13. SHARE CAPITAL AND LEGAL RESERVES

The capital structure as of 30 September 2023 and 31 December 2022 are as follows:

		30 September 2023		31 December 2022
	%		%	
Group A Shares	21,1	240.303.646	21,1	240.303.646
Group B Shares	10,5	119.470.352	10,5	119.470.352
Group D Shares	68,4	780.226.002	68,4	780.226.002
Nominal capital	100	1.140.000.000	100	1.140.000.000
Inflation adjustment effect		4.613.596		4.613.596
Adjusted capital		1.144.613.596		1.144.613.596
(-) Karçel (Nominal amount)		(39.684.946)		(39.684.946)
(-) Kardökmak (Nominal amount)		(20.967.905)		(20.967.905)
Exceeding portion for the nominal amount of subsidiaries' treasury shares		(8.564.174)		(8.564.174)
(-) Treasury shares premium		(7.314.295)		(1.196.050)
(-) Exceeding portion for the nominal amount of associates' treasury shares		(93.148.459)		(1.881.485)
Treasury shares adjustment		(169.679.779)		(72.294.560)
Share issue premium		583.610.604		583.610.604
		<u>1.558.544.421</u>		<u>1.655.929.640</u>

Group A and B shareholders of the Company which has continued to operate as private sector enterprise since 1995 on this date are respectively "Kardemir A.Ş. Employees" and "Karabük and Safranbolu Chamber of Industry and Commerce and Craftsmen". Remaining Group D shares are composed of the "Local Community, Kardemir A.Ş. Retired Staff and Public Shares". As of 30 September 2023, the capital of the Company consists of 114.000.000.000 shares (31 December 2022: 114.000.000.000 shares). Estimated value of the shares is equal to TL 0,01 per share (TL 0.01 per share). The Company is registered in the Capital Market Board ("CMB") and all its shares are traded in Borsa Istanbul. All shares issued have been paid in cash.

Karçel, a subsidiary of the Company, purchased 7.000.000 KRDMA, 7.000.000 KRDMB and 13.450.000 KRDMD stocks from ISE and paid TL 38.363.618 in 2007 and 2008. Kardökmak, also one of the subsidiaries of the Company, purchased 6.753.000 KRDMA, 6.747.000 KRDMB and 13.950.000 KRDMD stocks from ISE and paid TL 39.839.639 in the same years. The negative difference amounting to TL 23.303.257 in total between nominal amount and purchase cost of stocks acquired is presented as "Exceeding Portion for The Nominal Amount of Associates' Treasury Shares" under equity accounts.

After the paid capital of the Company was increased from TL 550.000.000 to TL 878.755.482 pursuant to the decision of the Company's Board of Directors on 20 May 2009 and No, 21/113, the above stated KRDMA, KRDMB and KRDMD stocks amounting to TL 54.900.000 nominal value increased in a rate of 59,77% that is the rate of capital increase by bonus issue and reached to TL 87.715.769 nominal value. TL 32.815.769 nominal value of bonus shares which hits the repurchased stocks was added as the positive value in the account of the portion over the capital adjustments due to treasury shares.

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13. SHARE CAPITAL AND LEGAL RESERVES (cont'd)

Kardökmak sold 9,065.000 lots of stocks in return for TL 7.738.950 and 5.723.533 lots of stocks in return for TL 4.739.215 among the KRDM Group stocks in the ISE in 2011. Moreover, it purchased 6.940.000 lots of stocks by paying TL 7.732.497 and 4.025.000 lots of stocks by paying TL 4.733.600 among the KRDMA Group stocks in the ISE. A decline amounting to TL 4.902.437 occurred in the portion over the nominal amount of the mutual associate capital adjustment as a result of these purchase and sale transactions.

It was also decided to increase the capital shares of which to be issued were distributed among the partners in a rate of 20.056% as bonus share from TL 878.755.482 to TL 1.055.000.000 by transferring TL 176.244.518 from 2012 period profit in the capital with the decision of our Company's Board of Directors on 23 May 2013 and No. 2013/127 and it was approved in the Ordinary General Meeting held on 6 June 2013. The nominal amount of KRDMA, KRDMB and KRDMD stocks held by Our Affiliates Karçel A.Ş and Kardökmak A.Ş reached to TL 100.717.910 after the increase in capital.

With the decision of the Board of Directors of the Company dated 8 May 2023 and numbered 2023/74, it was decided to initiate a buy-back program in line with the relevant provisions of the Turkish Commercial Code and the Capital Markets Law and Principle Decision No. i-CMB.227 (dated 14.02.2023 and p. 9/177) of the Board Decision Body published in the Capital Markets Board's Communiqué on Repurchased Shares No. II-22.1 and CMB Bulletin dated 14/2/2023 and numbered 2023/10. In line with this decision, KRDMA shares with a nominal value of TL 2.818.245 and KRDMD shares with a nominal value of TL 3.300.000 were purchased. The portion exceeding the nominal value of the aforementioned shares is TL 91.266.974 in total.

With the resolution no 2014/195 dated 15 July 2014 of the Company's Board of Directors, it is resolved on increasing our issued capital from TL 1.055.000.000 to TL 1.140.000.000 by distributing the shares to partners at a rate of 8.05687% free-of-charge through adding TL 85.000.000 in capital. The nominal value of KRDMA, KRDMB and KRDMD stocks held by Karçel and Kardökmak as treasury shares reached to TL 108,832,621 after the capital increase by bonus issue. As of 24 July 2017, 28.493.780 KRDMB group shares held by Karçel and Kardökmak have been replaced with 7.563.353 KRDMA and 23.045.000 KRDMD shares with a related party (*). Profit obtained in the separate financial statements of Karçel and Kardökmak in the related transaction has been eliminated within the scope of consolidation.

(*) In the hearing dated 01.10.2021 of the lawsuit no. 2020/33 E. filed before the Karabük 1st Civil Court of First Instance for the cancellation of Kardökmak's Board of Directors decision dated 18.03.2011 and numbered 7 and the restitution of the share swap transactions carried out within the scope of this decision, the case has been dismissed. The Company has waived the application for legal remedy of appeal, and the decision of the local court is expected to be finalized with the decision to be made over the file numbered 2022/1647 E. of the 21st Civil Chamber of the Ankara Regional Court of Justice.

For the cancellation of the Board of Directors decision dated 12.07.2017 and numbered 9 of Karçel A.Ş. and the restitution of the share swap transactions carried out within the scope of this decision, in the hearing dated 04.07.2022 of the case no. 2020/31 E. filed before the Karabük 2nd Civil Court of First Instance, the case was dismissed, and a reasoned decision was finalized.

On 6 December 2022, Kardökmak sold 31.999.560 lots of KRDMA Group shares to Türkiye Varlık Fonu Yönetim A.Ş. on the BIST for TL 417.594.251. Karçel sold 18.294.787 lots of KRDMA Group shares, which it held on 6 December 2022, to Türkiye Varlık Fonu Yönetim A.Ş. on the BIST for TL 238.746.973. The differences that were accounted for during the purchase of the related shares in the previous periods were netted off from the " Exceeding Portion for The Nominal Amount of Associates' Treasury Shares" and were accounted for in "Premiums/Discounts on Shares" as TL 583.610.604 together with the tax effect. After the sales transactions. the nominal value of Karçel and Kardökmak shares amounted TL 60.652.851.

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13. SHARE CAPITAL AND LEGAL RESERVES (cont’d)

Restricted Reserves Appropriated from Profit

	30 September 2023	31 December 2022
Legal reserves	380.184.741	329.641.863
Status reserves	284.451	4.875.449
	<u>380.469.192</u>	<u>334.517.312</u>

Legal reserves comprise the primary and secondary legal reserves according to Turkish Commercial Code. Primary legal reserves are assigned in the annual rate of 5% of the previous period commercial profit until all reserves (not indexed according to inflation) reach to 20% of the paid capital. Secondary legal reserves are assigned in an annual rate of 10% over all cash dividend allocations after the primary legal reserves and dividends.

Earnings Per Share

	30 September 2023	30 September 2022
Average number of shares available during the period (1 kr)	113.701.301.825	114.000.000.000
Net profit for the period	1.250.739.407	2.386.208.793
Earnings per share for 100 (TL 1)	<u>1,100</u>	<u>2,0932</u>

Dividend Distribution

In accordance with the Capital Markets Board (Board), decree issued as of 27 January 2010, in relation to dividend payment on earnings derived from the operations in 2009, minimum dividend distribution is not required for listed companies, and accordingly, dividend distribution should be made based on the requirements set out in the Boards’ Communiqué Serial: IV, No:27 “Principles of Dividend Advance Distribution of Companies that are subject to the Capital Markets Board Regulations”, terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the aforementioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial II No: 19.1.

At the General Assembly meeting dated 3 April 2023, the shareholders approved it to pay a dividend of TL 0,2193 per share and a total of TL 250.000.000 in 2 installments, on 30 June 2023 and 30 November 2023. On 30 June 2023, dividends of TL 0.1096 per share (TL 125,000,000 total dividend) were paid to the shareholders (2022: TL 0,4386, TL 500.000.000). On 30 November 2023, a dividend of TL 0,1096 per share and a total of 125.000.000 TL will be paid and TL 112,500,000 of the related amount has been accounted for under 'Other payables to related parties' and TL 12.500.000 withholding tax has been accounted for under 'Other current liabilities'. TL 6.650.544 of the dividend paid on 30 September 2023 was paid to the subsidiaries included in the scope of consolidation and eliminated within the scope of consolidation.

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13. SHARE CAPITAL AND LEGAL RESERVES (cont’d)

Revaluation Fund of Property, Plant and Equipment

The Group has adopted revaluation model for land and buildings starting from year end 2015 and applied in accordance with TAS 16. Accordingly, based on valuation of land and buildings, the Group recognized the valuation difference between net book value as of valuation date and the fair value of land and buildings as revaluation fund under equity accounts. At the disposal of revalued land or building, the amount that had been previously recognized in revaluation fund is directly recognized in retained earnings.

The details of the revaluation funds related to property, plant and equipment acquired in equity and the movements for the years ended 30 September 2023 and 2022 are as follows:

	2023			2022		
	Lands	Buildings	Total	Lands	Buildings	Total
Opening, 1 January	2.152.767.620	2.129.616.554	4.282.384.174	2.251.213.459	2.263.018.097	4.514.231.556
Current year valuation fund depreciation effect, (net of tax)	-	(99.428.213)	(99.428.213)	-	(100.777.880)	(100.777.880)
Disposal effect	-	-	-	-	-	-
Closing, 30 September	2.152.767.620	2.030.188.341	4.182.955.961	2.251.213.459	2.162.240.217	4.413.453.676

Actuarial Gain / (Loss) Arising from Employee Benefits

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 in the statement of profit or loss. The gain and loss arising from the changes in the actuarial assumption are accounted for by “Actuarial Gain / (Loss) Regarding the Defined Benefit Plans” under the equity accounts. The funds for actuarial (loss)/gain arising from employee termination benefits is other comprehensive income/loss not to be reclassified under profit or loss in subsequent periods.

Cash Flow Hedging Reserve

The details of the hedge reserve recorded in equity and the movement tables for the years ended 30 September 2023 and 2022 are as follows:

	1 January – 30 September 2023	1 January – 30 September 2022
Opening balance, 1 January	(765.744.232)	(704.204.936)
Current period cash flow hedge fund effect, after tax	(572.699.239)	(455.412.293)
Closing balance, 30 September	(1.338.443.471)	(1.159.617.229)

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14. REVENUE AND COST OF SALES

a) Sales, net	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Domestic sales	26.480.430.587	10.296.961.463	18.980.618.798	6.539.483.143
Export sales	1.009.059.426	402.856.810	732.712.689	299.300.594
Sales returns (-)	(37.015.777)	(30.933.215)	(8.612.621)	(1.784.075)
Sales discounts (-)	(112.448.448)	(71.415.360)	(19.653.790)	(7.799.554)
Other discounts (-)	(20.017.737)	(18.255.507)	(3.271.434)	(1.396.861)
	<u>27.320.008.051</u>	<u>10.579.214.191</u>	<u>19.681.793.642</u>	<u>6.827.803.247</u>
b) Cost of sales	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Raw material costs	(18.230.959.127)	(7.001.576.099)	(13.508.397.337)	(5.355.134.558)
Labor costs	(1.905.274.815)	(747.695.698)	(945.717.786)	(412.070.206)
Production overhead costs	(2.424.798.073)	(880.211.192)	(1.381.769.986)	(534.758.156)
Depreciation and amortization	(299.182.840)	(108.543.561)	(262.993.708)	(86.759.930)
Cost of merchandise sold	(5.690.144)	(1.421.995)	(8.598.587)	(2.568.309)
	<u>(22.865.904.999)</u>	<u>(8.739.448.545)</u>	<u>(16.107.477.404)</u>	<u>(6.391.291.159)</u>

The Group's sales consist of a single performance obligation and are recognized at a certain point in time.

The amount that the Group will be entitled to recognize in the future from the remaining performance obligations related to the ongoing non-cancellable contracts does not have a significant effect on the consolidated financial statements.

15. OPERATING EXPENSES

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
General administrative expenses (-)	(231.566.404)	(97.637.276)	(138.655.197)	(60.318.610)
Marketing, sales and distribution expenses (-)	(76.955.682)	(32.998.129)	(52.472.834)	(18.352.160)
	<u>(308.522.086)</u>	<u>(130.635.405)</u>	<u>(191.128.031)</u>	<u>(78.670.770)</u>

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15. OPERATING EXPENSES (cont’d)

a) General administrative expenses:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Personnel expenses	(111.363.299)	(45.798.049)	(63.492.136)	(27.490.104)
Outsourced benefits and services	(54.427.562)	(23.545.872)	(34.289.744)	(18.057.011)
Repair and maintenance expenses	(28.666.968)	(11.879.795)	(14.733.828)	(6.603.919)
Material and energy expenses	(5.055.892)	(1.572.477)	(5.345.356)	(1.260.704)
Board of directors wages	(5.254.438)	(1.751.484)	(5.137.647)	(1.942.900)
Amortization and depreciation expenses	(8.905.305)	(3.239.265)	(7.817.229)	(2.578.841)
Taxes, dues and fees expenses	(1.376.036)	(284.388)	(3.247.716)	(642.558)
Other	(16.516.904)	(9.565.946)	(4.591.541)	(1.742.573)
	(231.566.404)	(97.637.276)	(138.655.197)	(60.318.610)

b) Marketing, sales and distribution expenses:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Personnel expenses	(36.442.654)	(17.293.491)	(14.902.833)	(5.656.474)
Transportation expenses	(10.218.973)	(3.504.975)	(13.798.429)	(3.780.409)
Taxes, dues and fees expenses	(6.143.091)	(1.612.661)	(2.293.136)	(1.014.302)
Advertisement and marketing expenses	(6.617.616)	(3.337.731)	(10.656.747)	(4.295.064)
Material and energy expenses	(1.690.524)	(513.254)	(1.511.715)	(552.252)
Amortization and depreciation expenses	(1.313.409)	(476.517)	(1.154.508)	(380.857)
Repair and maintenance expenses	(8.666.138)	(3.674.530)	(5.959.392)	(1.834.401)
Other	(5.863.277)	(2.584.970)	(2.196.074)	(838.401)
	(76.955.682)	(32.998.129)	(52.472.834)	(18.352.160)

16. OTHER OPERATING INCOME AND EXPENSES

The details of other operating income are as follows:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Foreign exchange gain on trade receivables/payables	1.575.054.757	655.706.194	2.992.936.941	713.919.975
Penalties and compensation income	96.681.100	38.692.251	9.086.046	3.194.958
Discount interest income	107.736.256	11.364.380	20.353.785	(415.730)
Provisions released	2.265.944	1.087.580	3.539.733	146.295
Other (*)	165.610.267	62.885.434	86.067.179	63.382.592
	1.947.348.324	769.735.839	3.111.983.684	780.228.090

(*) Group and Noble Resources International Pte. Ltd. (“NOBLE”) have entered into an agreement in relation to the arbitration proceeding commenced on 5 September 2017 under the arbitration rules of HKIAC. As per the agreement; NOBLE shall pay total amount of USD 13.900.000 to Group, in 14 monthly installments as the final settlement amount regarding the dispute subject to arbitration. In this context, today, USD 6.210.000 (TL 131.426.064), as the first installment under the settlement agreement, has been paid by NOBLE in 2023.

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16. OTHER OPERATING INCOME AND EXPENSES (cont'd)

The details of other operating expenses are as follows:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Foreign exchange loss on trade receivables/payables	(3.504.871.364)	(2.011.334.200)	(3.276.769.689)	(885.173.647)
Letter of credit commission expenses	(349.105.050)	(147.052.675)	(183.895.277)	(73.156.127)
Discount interest expenses	(142.429.785)	(85.676.939)	(50.641.813)	(440.214)
Penalties and compensation expenses	(2.053.554)	(938.536)	(3.643.999)	(525.526)
Donations and grants	(134.720.578)	(2.857.334)	(52.809.623)	(26.586.567)
Other	(22.199.086)	(3.870.633)	(16.386.021)	(9.828.010)
	<u>(4.155.379.417)</u>	<u>(2.251.730.317)</u>	<u>(3.584.146.422)</u>	<u>(995.710.091)</u>

17. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Dividend income from financial investments	16.378.340	1.503.333	183.788.156	-
Fair value difference of financial investments	5.910.943	(76.118.821)	6.815.460	(42.802.115)
Rent income	3.342.704	1.264.565	1.865.083	751.864
	<u>25.631.987</u>	<u>(73.350.923)</u>	<u>192.468.699</u>	<u>(42.050.251)</u>

18. FINANCE INCOME

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Interest income	290.186.050	79.333.547	199.711.970	94.724.154
Foreign exchange gains arising from financial borrowings and assets	232.581.111	100.989.850	120.897.605	27.285.056
Income related to derivative financial instruments	55.316.300	55.316.300	-	-
	<u>578.083.461</u>	<u>235.639.697</u>	<u>320.609.575</u>	<u>122.009.210</u>

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19. FINANCE EXPENSES

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Foreign exchange loss on financial borrowings and assets	(701.811.140)	(94.862.976)	(507.960.365)	(114.656.969)
Bank loan interest expenses	(161.464.756)	(64.824.647)	(64.865.931)	(23.034.134)
Interest cost related to employee benefits	(89.270.409)	(31.533.364)	(61.886.417)	(34.077.130)
Loss on derivative financials instruments	(1.126.800)	-	-	-
Commission expense	(150.267.673)	(42.171.774)	(89.505.335)	(32.198.462)
	<u>(1.103.940.778)</u>	<u>(233.392.761)</u>	<u>(724.218.048)</u>	<u>(203.966.695)</u>

20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	30 September 2023	31 December 2022
Current corporate tax expense	(101.279.499)	(483.109.250)
Less: Prepaid taxes and funds	101.279.499	423.924.640
Less: Current period prepaid taxes and funds	41.286.507	6.975.660
Current year corporate tax liability	-	(59.184.610)
Current tax assets	41.286.507	6.975.660
<u>Tax income / (expense):</u>		
Current corporate tax expense	(182.810.265)	(370.980.298)
Deferred tax income / (expense)	(32.662.729)	45.789.153
Total tax income / (expense)	<u>(215.472.994)</u>	<u>(325.191.145)</u>

Corporate tax

The Turkish entities within the Group are subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in Turkey in 2023 is 25% (2022: 23%).

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20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Corporate tax (cont'd)

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Dividend payments made to resident companies in Turkey, those who are not liable and exempt from corporate tax and income tax, and dividend payments made to real persons and non-resident legal entities in Turkey are subject to 10% income tax.

Dividend payments made from companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, income tax is not calculated if the profit is not distributed or added to the capital.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of 30 September 2023 and 31 December 2022, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Income withholding tax

In addition to corporate tax, income tax withholding should also be calculated except for those distributed to branches in Turkey of the resident corporations and foreign companies that earns dividend when distributed and declare this dividend by incorporating into the corporate tax. Income tax withholding was applied as 10% in all companies between 24 July 2003 and 22 July 2006. This rate has been applied as 15% as of 22 July 2006, by the Council of Ministers Decision No. 2006/10731.

Investment incentives

On State Aid for investment in the investment incentive system organizes cabinet decision was published in the Official Gazette and entered into force 19 June 2012. The Company has received a strategic investment incentive certificates in accordance with the law "Production of railway and tramway locomotives and" approved on 27 October 2014, and effective from 29 April 2014 in the amount of TL 342.475.123 for three years.

Sixth Region incentives are utilized related to Railway Wheel Production Plant investment that was assessed as "Strategic" by related commissions of Ministry of Industry and Technology, in line with new legislation. Within this framework; expenditures made until 31 December 2017 were subjected to 50% to incentive contribution rate and 90% to deduced corporate tax. Based on decision No. 2017/9917 "Change in Decision Related to Government Incentives" commencing after being published in Official Gazette on 22 February 2017; expenditures made between 31 December 2017 and expiration date of the certificate: 29 October 2018 were subjected 65% incentive contribution rate and 100% deduced corporate tax advantage.

As of 30 June 2022, the Group management has completed all of the expenditures made until 29 October 2018 within the scope of the investment incentive certificate, including the portion exceeding the amount of investment amounting to TL 342.475.123 registered in the incentive document with the code "A" took into account the deferred tax asset calculation, assuming that it will be added to the incentive certificate at the closure.

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20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Investment incentives (cont'd)

As part of this investment, an investment expenditure of TL 691.894.644 as of 30 September 2023 (31 December 2022: TL 691.894.644) which is included in the incentive certificate was made. As of 30 September 2023, a total of TL 341.534.714 deferred tax asset was recognized. (31 December 2022: TL 255.399.835).

In the calculation of deferred tax related to the tax advantage corresponding to the expenditures made within the scope of the investment incentive certificate, the calculations were limited to the periods determined by the relevant legislation and in proportion to the investment contribution rates announced.

While the upper limit amount for the contribution to the investment accepted to be benefited from the Group's railway investment incentive is TL 386.516.979, the investment incentive has been revalued at the rate of revaluation within the scope of the General Communiqué of Tax Law No. 533, and; the total amount reached TL 673.646.856, including the indexed amounts and TL 287.129.877, which is the contribution amount to the vested investment. As of the reporting period, there is a contribution amount of TL 332.112.142 to the benefited investment, and deferred tax asset is recognized for the amount of TL 287.129.877, which is earned by indexation.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 25% on temporary timing differences expected to reverse in 2024 and beyond (2022 : 20%).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Deferred tax (cont’d)

The movement of deferred tax (asset) / liabilities for periods 30 September 2023 and 30 September 2022 are as follows:

	1 January- 30 September 2023	1 January- 30 September 2022
Opening balance as of 1 January	83.141.322	(87.895.353)
Recognized under profit or loss statement	(32.662.729)	45.789.153
Recognized under other comprehensive income	285.984.204	142.083.350
Closing balance as of 30 September	<u>336.462.797</u>	<u>99.977.150</u>
	30 September 2023	31 December 2022
Deferred tax assets/(liabilities)		
Provision for employment termination benefits	265.733.839	197.138.784
Other debt expense provisions	23.133.769	16.633.362
Adjustments on inventories	34.253.958	44.854.946
Provision for unused vacation	12.086.801	5.197.140
Property, plant and equipment and intangible assets	(788.066.733)	(636.084.153)
Adjustments related to investment incentives	341.534.714	255.399.835
Cash flow hedge reserve	446.147.822	191.436.057
Deductible financial losses	-	8.717.472
Construction contracts	-	11.331
Other	1.638.627	(163.452)
Deferred tax assets/(liabilities), net	<u>336.462.797</u>	<u>83.141.322</u>

As of 31 December 2022, the Group has recognized deferred tax assets amounting to TL 8.717.472 over the deductible tax losses of Enbatı amounting to TL 43.587.360. As of 30 September 2023, Enbatı has used all of its deductible tax losses.

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20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont’d)

Deferred tax (cont’d)

The reconciliation of the period tax expense with the profit for the period is as follows:

	1 January - 30 September 2023	1 January - 30 September 2022
Profit / (loss) before tax	1.466.212.364	2.717.559.792
Tax calculated according to legal tax rate (23%) (2023: 25%)	(366.553.089)	(625.038.752)
Tax effects of:		
Non-deductible expenses	(227.555.244)	(140.509.209)
Tax exemptions and non-taxable income	202.190.795	82.902.090
Effect of the change in tax rate	5.868.959	34.166.798
Tax advantage due to investment incentive	3.438.900	22.718.967
Indexation advantage due to investment incentive	88.879.143	161.326.017
Temporary differences not subject to deferred tax for the current period (*)	(104.737.975)	(2.458.982)
Additional tax calculated on discounts and exemptions (***)	(83.288.236)	-
Tax advantage from production activity profits (**)	2.592.511	17.648.082
Effect of profit/(loss) shares of investments accounted under equity method	7.221.955	4.065.042
Cash flow hedge reserve	254.711.765	113.664.415
Other	1.757.522	6.324.387
Income tax income/(expense) recognized in profit or loss	<u>(215.472.994)</u>	<u>(325.191.145)</u>

(*) It arises from Karçel, Kardökmak and Enbatı companies, which are subsidiaries of the Group.

(**) The corporate tax rate is applied at a discount of 1 percentage point to the earnings obtained exclusively from the production activities of the institutions that have an industrial registration certificate and are actually engaged in production activities. In this case, as of 2023, the rate of 24% will be applied to the earnings of these institutions from production and 25% to other earnings.

(***) In accordance with “the Law on Restructuring of Certain Receivables and Amending Certain Laws” published in the Official Gazette dated 12 March 2023 and numbered 32130, a one-time additional tax at the rate of 10% is levied on the exemption and discount amounts deducted from the corporate income and the bases subject to discounted corporate tax, without being associated with the period income.

Tax effects on other comprehensive income are as follows:

	1 January- 30 September 2023		
	Amount before tax	Tax expense/ income	Amount after tax
Actuarial gains and losses on defined benefit plans	(125.089.758)	31.272.439	(93.817.319)
Change in cash flow hedge reserve	(827.411.004)	254.711.765	(572.699.239)
Total tax expense in other comprehensive income statement	<u>(952.500.762)</u>	<u>285.984.204</u>	<u>(666.516.558)</u>

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20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

	1 January- 30 September 2022		
	Amount before tax	Tax expense/ income	Amount after tax
Actuarial gains and losses on defined benefit plans	(149.752.333)	28.418.935	(121.333.398)
Change in cash flow hedge reserve	(569.076.708)	113.664.415	(455.412.293)
Total tax expense in other comprehensive income statement	<u>(718.829.041)</u>	<u>142.083.350</u>	<u>(576.745.691)</u>

21. FINANCIAL INSTRUMENTS

Financial Borrowings

	30 September 2023	31 December 2022
<u>Financial borrowings</u>		
Short-term financial borrowings	1.442.856.379	380.849.316
Short-term portion of long-term financial liabilities	982.201.891	762.323.067
Short-term financial lease liabilities	653.033	2.644.601
Total short-term financial borrowings	<u>2.425.711.303</u>	<u>1.145.816.984</u>
Long-term bank loans	1.073.102.666	1.338.442.916
Long-term finance lease liabilities	871.170	1.110.913
Total long-term financial liabilities	<u>1.073.973.836</u>	<u>1.339.553.829</u>
Total financial borrowings	<u>3.499.685.139</u>	<u>2.485.370.813</u>

Bank loans

The details of financial borrowings as at 30 September 2023 and 31 December 2022 are as follows:

Currency	Effective interest rate	30 September 2023	
		Short-term	Long-term
TL	9,18% - 10,00%	61.803.945	-
USD	7,47% - 10,80%	1.705.204.378	451.085.446
EUR	2,53% - 6,13%	658.049.947	622.017.220
		<u>2.425.058.270</u>	<u>1.073.102.666</u>

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21. FINANCIAL INSTRUMENTS (cont’d)

Financial Borrowings (cont’d)

Bank loans (cont’d)

Currency	Effective interest rate	31 December 2022	
		Short-term	Long-term
TL	7,50% - 10,00%	51.968.593	5.974.588
USD	2,15% - 12,95%	611.538.072	462.441.266
EUR	1,49% - 4,69%	479.665.718	870.027.062
		<u>1.143.172.383</u>	<u>1.338.442.916</u>

As at 30 September 2023 and 31 December 2022, the repayment terms of the borrowings are as follows:

	30 September 2023	31 December 2022
Within 1 year	2.425.058.270	1.143.172.383
Within 1 - 2 years	572.970.210	613.592.350
Within 2 - 3 years	358.083.158	403.405.286
Within 3 - 4 years	142.049.298	259.328.714
Within 4 - 5 years	-	62.116.566
	<u>3.498.160.936,0</u>	<u>2.481.615.299</u>

22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Market risk management

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates as given below in detail. No change occurred in the current year in the methods of management and measurement of market risk exposed by the Group and the risks exposed compared to the previous year.

Foreign currency risk management

Foreign currency denominated transactions cause foreign currency risk. Foreign exchange risk is managed with currency purchase/sale contracts which are based on approved policy.

The distribution of carrying amount of the Group’s foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the balance sheet date is as follows:

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22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

	30 September 2023			
	TL (Functional currency)	USD	EURO	Other
1. Trade Receivables	349.610.750	6.205.953	6.190.463	-
2a. Monetary Financial Assets	1.046.966.366	24.953.245	12.532.642	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Others	-	-	-	-
4. CURRENT ASSETS	1.396.577.116	31.159.198	18.723.105	-
5. Trade Receivables	32.058.236	-	1.104.295	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	32.058.236	-	1.104.295	-
9. TOTAL ASSETS	1.428.635.352	31.159.198	19.827.400	-
10. Trade Payables	6.894.618.874	225.459.844	24.457.155	(125.355)
11. Financial Liabilities	2.363.907.360	62.174.739	22.649.228	-
12a. Other Monetary Liabilities	3.874.421.381	132.489.933	8.278.174	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. CURRENT LIABILITIES	13.132.947.615	420.124.516	55.384.557	(125.355)
14. Trade Payables	-	-	-	-
15. Financial Liabilities	1.073.973.834	16.447.365	21.417.759	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	1.073.973.834	16.447.365	21.417.759	-
18. TOTAL LIABILITIES	14.206.921.449	436.571.881	76.802.316	(125.355)
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19.a Amount of derivative assets foreign currency position of off-balance sheet derivative instruments	-	-	-	-
19.b. Amount of derivative liabilities foreign currency position of off-balance sheet derivative instruments	-	-	-	-
20. Net foreign currency asset / liability position (9-18+19)	(12.778.286.097)	(405.412.683)	(56.974.916)	125.355
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(12.778.286.097)	(405.412.683)	(56.974.916)	125.355
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. The hedged part amount of foreign currency assets	-	-	-	-
24. The hedged part amount of foreign currency liabilities	-	-	-	-
25. Export	1.009.059.426	11.544.682	23.871.588	-
26. Import	11.725.735.786	426.693.391	1.525.252	-

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22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

	31 December 2022			
	TL (Functional currency)	USD	EURO	Other
1. Trade Receivables	118.322.865	3.738.321	2.352.133	1.533.081
2a. Monetary Financial Assets	807.812.704	31.310.882	11.153.928	-
2b. Non-Monetary Financial Assets	148.961.183	2.032.861	5.565.623	-
3. Others	-	-	-	-
4. CURRENT ASSETS	1.075.096.752	37.082.064	19.071.684	1.533.081
5. Trade Receivables	34.782.912	-	1.744.825	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	34.782.912	-	1.744.825	-
9. TOTAL ASSETS	1.109.879.664	37.082.064	20.816.509	1.533.081
10. Trade Payables	6.518.273.541	319.386.191	26.813.723	39.912
11. Financial Liabilities	1.093.848.395	32.646.705	24.150.776	-
12a. Other Monetary Liabilities	2.577.769.998	125.322.747	11.528.046	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. CURRENT LIABILITIES	10.189.891.934	477.355.643	62.492.545	39.912
14. Trade Payables	-	-	-	-
15. Financial Liabilities	1.333.579.246	24.687.234	43.620.585	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	1.333.579.246	24.687.234	43.620.585	-
18. TOTAL LIABILITIES	11.523.471.180	502.042.877	106.113.130	39.912
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19.a Amount of derivative assets foreign currency position of off-balance sheet derivative instruments	261.776.200	14.000.000	-	-
19b. Amount of derivative liabilities foreign currency position of off-balance sheet derivative instruments	-	-	-	-
20. Net foreign currency asset / liability position (9-18+19)	(10.151.815.316)	(450.960.813)	(85.296.621)	1.493.169
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(10.562.552.699)	(466.993.674)	(90.862.244)	1.493.169
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. The hedged part amount of foreign currency assets	-	-	-	-
24. The hedged part amount of foreign currency liabilities	-	-	-	-
25. Export	964.732.332	41.092.678	9.850.519	-
26. Import	15.759.515.574	842.615.115	202.929	-

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22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Foreign currency risk management (cont’d)

Foreign currency sensitivity

The Group primarily exposes to foreign currency risk in USD and EUR.

The following table details the Group’s sensitivity to a 20% (2022: 20%) increase and decrease in the USD and EUR. 20% (2022: 20%) 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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% (2022: 20%) change in foreign currency rates. A positive number indicates an increase in profit/loss.

	30 September 2023	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of appreciation of USD/EUR against TL by 20%		
1 - USD denominated net assets/liabilities	(2.224.076.878)	2.224.076.878
2- Hedged amount against USD risk (-)	-	-
3- Net effect of USD (1 +2)	(2.224.076.878)	2.224.076.878
4 - EUR denominated net assets/liabilities	(331.605.412)	331.605.412
5 - Hedged amount against EUR risk (-)	-	-
6- Net effect of EUR (4+5)	(331.605.412)	331.605.412
TOTAL (3 + 6)	(2.555.682.290)	2.555.682.290
	30 September 2022	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of appreciation of USD/EUR against TL by 20%		
1 - USD denominated net assets/liabilities	(1.470.643.712)	1.470.643.712
2- Hedged amount against USD risk (-)	-	-
3- Net effect of USD (1 +2)	(1.470.643.712)	1.470.643.712
In case of appreciation of EUR against TL by 20%		
4 - EUR denominated net assets/liabilities	(325.351.662)	325.351.662
5 - Hedged amount against EUR risk (-)	-	-
6- Net effect of EUR (4+5)	(325.351.662)	325.351.662
TOTAL (3 + 6)	(1.795.995.374)	1.795.995.374

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22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

Cash flow hedge accounting for high-probability forecast transaction currency risk

The Group hedges the foreign currency risk on the balance sheet by borrowing in the same currency against the foreign currency risks arising from the foreign currency sales amounts that are highly probable to be realized in the future, considering the agreements made and the corporate budget.

Repayments of foreign currency borrowings, that are subject to hedge accounting and determined as hedging instrument, are made with foreign currency sales cash flows that will be realized on close dates and determined as hedged item.

As a part of determined foreign currency risk management strategy the Group applies hedging accounting against the foreign currency risk of the highly probable forecast transaction cash flow currency risk. The unrecognized exchange rate fluctuations on the hedging instrument are accounted under equity.

The Group is determined to maintain a hedging ratio of around 100% and hedging efficiency between 80% and 120%. As of 30 September 2023, hedging ratio is calculated as 109% and hedging efficiency as 93%.

	30 September 2023
EUR	
Present value of the hedged item (current portion)	22.554.341
Present value of the hedged item (non-current portion)	25.708.924
Present value of hedging instrument (current portion)	23.083.765
Present value of hedging instrument (non-current portion)	21.388.761
	30 September 2023
USD	
Present value of the hedged item (current portion)	157.718.585
Present value of the hedged item (non-current portion)	18.248.485
Present value of hedging instrument (current portion)	146.927.812
Present value of hedging instrument (non-current portion)	15.653.511

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22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Foreign currency risk management (cont’d)

Cash flow hedge accounting for high-probability forecast transaction currency risk (cont’d)

TL	30 September 2023
Cumulative exchange difference on the hedged item (current portion)	1.295.322.622
Cumulative exchange difference on the hedged item (non-current portion)	560.070.198
Cumulative exchange difference on the hedging instrument (current part)	(1.280.122.743)
Cumulative exchange difference on the hedging instrument (non-current portion)	(447.026.207)
Hedging effectiveness rate	93%
Inactive amount in unsaved activity band	-
TL	30 September 2023
The total amount of future cash flows of the hedged item	6.630.406.874
The total amount of future cash flows of the instrument used for hedging purposes	6.078.141.766
Hedge Ratio	<u>109%</u>

23. DISCLOSURES RELATED TO THE STATEMENT OF CASH FLOWS

	30 September 2023	31 December 2022
Cash on hand	326.200	-
Cash at banks	1.158.908.780	1.891.331.159
- Demand deposits	6.545.713	4.641.893
- Time deposits with maturity less than 3 months	1.152.363.067	1.886.689.266
	<u>1.159.234.980</u>	<u>1.891.331.159</u>

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23. DISCLOSURES RELATED TO THE STATEMENT OF CASH FLOWS (cont’d)

As at 30 September 2023 and 31 December 2022, time deposits of the Group are as follows:

Currency type	30 September 2023	31 December 2022
TL	233.010.494	1.230.595.412
USD	676.421.318	544.878.019
EUR	242.931.255	111.215.835
	<u>1.152.363.067</u>	<u>1.886.689.266</u>

The Group’s bank deposits consist of deposits with maturity from 1 day to 3 months depending on immediate cash needs and interest is received based on current short-term rates on the market.

24. FINANCIAL INVESTMENTS

Fair value through profit / (loss):

	30 September 2023	31 December 2022
Currency hedged deposit accounts with maturity more than 3 months	75.435.854	-
Funds	3.869.634	2.263.690
	<u>79.305.488</u>	<u>2.263.690</u>

As at 30 September 2023, the Group has 3 currency hedged time deposits with maturities in October and November 2023 and interest rates between 32% and 39% amounting to TL 75.435.854 (31 December 2022: None).

25. EVENTS AFTER THE REPORTING PERIOD

None.