

**(CONVENIENCE TRANSLATION OF CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 18)**

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2020**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....</b>	<b>1-2</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....</b>	<b>3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>6</b>
<b>NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>7-48</b>
NOTE 1      GROUP'S ORGANIZATION AND NATURE OF OPERATIONS .....	7-8
NOTE 2      BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS .....	8-14
NOTE 3      RELATED PARTY TRANSACTIONS .....	15-18
NOTE 4      INVENTORIES .....	18
NOTE 5      INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD .....	19
NOTE 6      TANGIBLE AND INTANGIBLE ASSETS .....	20-21
NOTE 7      BORROWINGS.....	22-23
NOTE 8      PROVISIONS.....	23-28
NOTE 9      EMPLOYEE BENEFITS.....	29-31
NOTE 10     COMMITMENTS AND CONTINGENCIES.....	31-32
NOTE 11     TAX ASSETS AND LIABILITIES.....	32-35
NOTE 12     EQUITY .....	35
NOTE 13     SALES AND COST OF SALES .....	36-37
NOTE 14     EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME/EXPENSES.....	38-40
NOTE 15     FINANCE INCOME AND EXPENSES .....	41
NOTE 16     NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS .....	42-48
NOTE 17     SUBSEQUENT EVENTS .....	48
NOTE 18     OTHER ISSUES AFFECTING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR UNDERSTANDABLE AND INTERPRETABLE PRESENTATION.....	48

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

ASSETS	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2020 USD'000	Current Period 30 September 2020 TRY'000	Previous Period 31 December 2019 USD'000	Previous Period 31 December 2019 TRY'000
<b>CURRENT ASSETS</b>		<b>3.974.867</b>	<b>31.035.758</b>	<b>4.063.282</b>	<b>24.136.704</b>
Cash and Cash Equivalents		1.969.353	15.376.711	1.782.772	10.590.024
Financial Investments		27.393	213.883	17.054	101.304
Trade Receivables		475.596	3.713.455	562.973	3.344.177
<i>Due From Related Parties</i>	3	33.401	260.798	29.173	173.296
<i>Other Trade Receivables from Third Parties</i>		442.195	3.452.657	533.800	3.170.881
Other Receivables		5.904	46.099	990	5.881
<i>Due From Related Parties</i>	3	1.369	10.689	643	3.817
<i>Other Receivables from Third Parties</i>		4.535	35.410	347	2.064
Financial Derivative Instruments		10.935	85.383	8.087	48.040
Inventories	4	1.362.336	10.637.118	1.570.513	9.329.163
Prepaid Expenses		24.665	192.584	16.874	100.233
<i>Prepaid Expenses to Related Parties</i>	3	394	3.078	1.062	6.308
<i>Other Prepaid Expenses to Third Parties</i>		24.271	189.506	15.812	93.925
Other Current Assets		98.685	770.525	104.019	617.882
<b>NON CURRENT ASSETS</b>		<b>3.901.981</b>	<b>30.466.668</b>	<b>3.793.798</b>	<b>22.535.921</b>
Financial Investments		27	212	27	161
Other Receivables		5.065	39.544	6.244	37.087
<i>Due From Related Parties</i>	3	3.534	27.592	4.232	25.136
<i>Other Receivables from Third Parties</i>		1.531	11.952	2.012	11.951
Financial Derivative Instruments		-	-	344	2.044
Investments Accounted for Using Equity Method	5	30.692	239.643	33.807	200.820
Investment Properties		50.378	393.351	51.044	303.214
Property, Plant and Equipment	6	3.526.135	27.532.064	3.476.984	20.653.981
Right of Use Assets		43.503	339.675	41.236	244.950
Intangible Assets	6	49.277	384.756	52.613	312.534
Prepaid Expenses		159.119	1.242.401	86.499	513.820
<i>Prepaid Expenses to Related Parties</i>	3	4.312	33.666	4.313	25.620
<i>Other Prepaid Expenses to Third Parties</i>		154.807	1.208.735	82.186	488.200
Deferred Tax Assets	11	7.799	60.891	7.055	41.911
Other Non Current Assets		29.986	234.131	37.945	225.399
<b>TOTAL ASSETS</b>		<b>7.876.848</b>	<b>61.502.426</b>	<b>7.857.080</b>	<b>46.672.625</b>

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2020 USD'000	Current Period 30 September 2020 TRY'000	Previous Period 31 December 2019 USD'000	Previous Period 31 December 2019 TRY'000
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>		<b>1.516.883</b>	<b>11.843.819</b>	<b>1.590.932</b>	<b>9.450.454</b>
Short Term Borrowings	7	455.966	3.560.185	703.600	4.179.522
Short Term Portion of Long Term Borrowings	7	348.594	2.721.819	232.285	1.379.822
Trade Payables		421.278	3.289.339	494.364	2.936.622
<i>Due to Related Parties</i>	3	11.550	90.184	14.432	85.731
<i>Other Trade Payables to Third Parties</i>		409.728	3.199.155	479.932	2.850.891
Payables for Employee Benefits	9	38.082	297.347	25.817	153.358
Other Payables		29.292	228.713	11.673	69.341
Financial Derivative Instruments		10.334	80.685	3.905	23.199
Deferred Revenue		69.380	541.719	42.227	250.833
Current Tax Liabilities	11	85.336	666.304	34.606	205.569
Short Term Provisions	8	32.686	255.213	40.724	241.909
Other Current Liabilities		25.935	202.495	1.731	10.279
<b>NON CURRENT LIABILITIES</b>		<b>1.045.138</b>	<b>8.160.435</b>	<b>1.005.807</b>	<b>5.974.696</b>
Long Term Borrowings	7	365.744	2.855.730	360.532	2.141.633
Financial Derivative Instruments		-	-	13.387	79.524
Long Term Provisions		128.926	1.006.652	135.909	807.324
<i>Long term provisions for employee benefits</i>	9	128.926	1.006.652	135.909	807.324
Deferred Tax Liabilities	11	550.148	4.295.557	495.663	2.944.337
Other Non Current Liabilities		320	2.496	316	1.878
<b>EQUITY</b>		<b>5.314.827</b>	<b>41.498.172</b>	<b>5.260.341</b>	<b>31.247.475</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>5.149.231</b>	<b>40.222.137</b>	<b>5.099.305</b>	<b>30.299.298</b>
Share Capital	12	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)		(63.307)	18.729.113	(53.206)	12.322.040
<i>Revaluation Reserve of Tangible Assets</i>		10.659	82.308	10.628	58.952
<i>Actuarial (Loss) Gain funds</i>		(58.281)	(171.339)	(48.149)	(102.008)
<i>Foreign Currency Translation Reserves</i>		(15.685)	18.818.144	(15.685)	12.365.096
Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)		(111.605)	8.316.591	(69.727)	5.470.236
<i>Foreign Currency Translation Reserves</i>		(112.066)	8.312.989	(70.817)	5.463.762
<i>Cash Flow Hedging Gain (Loss)</i>		461	3.602	1.090	6.474
Restricted Reserves Assorted from Profit		1.041.255	3.597.448	1.024.835	3.485.761
Retained Earnings		2.172.478	4.482.548	1.717.773	2.057.906
Net Profit for the Period		215.757	1.449.609	584.977	3.316.527
<b>Non-Controlling Interests</b>		<b>165.596</b>	<b>1.276.035</b>	<b>161.036</b>	<b>948.177</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7.876.848</b>	<b>61.502.426</b>	<b>7.857.080</b>	<b>46.672.625</b>

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONDENSED CONSOLIDATED PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

		(Unaudited) Current Period 1 January - 30 September 2020	(Unaudited) Current Period 1 January - 30 September 2020	(Unaudited) Current Period 1 July- 30 September 2020	(Unaudited) Previous Period 1 January - 30 September 2019	(Unaudited) Previous Period 1 January - 30 September 2019	(Unaudited) Previous Period 1 July- 30 September 2019
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	3.264.921	21.936.023	8.152.865	3.731.289	21.011.261	6.416.445
Cost of Sales	13	(2.745.302)	(18.444.861)	(6.727.901)	(2.945.591)	(16.586.915)	(5.240.079)
<b>GROSS PROFIT</b>		<b>519.619</b>	<b>3.491.162</b>	<b>1.424.964</b>	<b>785.698</b>	<b>4.424.346</b>	<b>1.176.366</b>
Marketing Expenses	14	(28.574)	(191.979)	(65.692)	(31.235)	(175.885)	(56.391)
General Administrative Expenses	14	(51.860)	(348.434)	(113.885)	(57.179)	(321.980)	(111.684)
Research and Development Expenses		(3.044)	(20.449)	(6.995)	(3.114)	(17.536)	(5.652)
Other Operating Income	14	88.433	594.158	258.353	27.107	152.645	58.642
Other Operating Expenses	14	(16.194)	(108.802)	(37.843)	(27.176)	(153.037)	(66.248)
<b>OPERATING PROFIT</b>		<b>508.380</b>	<b>3.415.656</b>	<b>1.458.902</b>	<b>694.101</b>	<b>3.908.553</b>	<b>995.033</b>
Income from Investing Activities		23.189	155.798	148.784	3.188	17.954	4.809
Expenses from Investing Activities		(6.079)	(40.844)	(1.778)	(2.026)	(11.411)	(299)
Share of Investments' Profit Accounted by Using The Equity Method	5	462	3.104	(5.673)	994	5.598	2.112
<b>OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)</b>		<b>525.952</b>	<b>3.533.714</b>	<b>1.600.235</b>	<b>696.257</b>	<b>3.920.694</b>	<b>1.001.655</b>
Finance Income	15	17.733	340.965	58.748	175.823	996.399	142.515
Finance Expense	15	(55.070)	(370.002)	(103.268)	(71.643)	(403.431)	(177.143)
<b>PROFIT BEFORE TAX</b>		<b>488.615</b>	<b>3.504.677</b>	<b>1.555.715</b>	<b>800.437</b>	<b>4.513.662</b>	<b>967.027</b>
Tax (Expense) Income	11	(258.032)	(1.955.455)	(933.351)	(225.273)	(1.274.854)	(141.329)
Current Corporate Tax (Expense) Income		(203.627)	(1.589.921)	(689.616)	(225.657)	(1.277.018)	(208.868)
Deferred Tax (Expense) Income		(54.405)	(365.534)	(243.735)	384	2.164	67.539
<b>NET PROFIT FOR THE PERIOD</b>		<b>230.583</b>	<b>1.549.222</b>	<b>622.364</b>	<b>575.164</b>	<b>3.238.808</b>	<b>825.698</b>
Non-Controlling Interests		14.826	99.613	40.756	26.600	149.787	41.299
Equity Holders of the Parent		215.757	1.449.609	581.608	548.564	3.089.021	784.399
<b>EARNINGS PER SHARE</b>			0,4142	0,1662		0,8826	0,2241
(TRY 1 Nominal value per share)							

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	(Unaudited) Current Period 1 January - 30 September 2020 Note	(Unaudited) Current Period 1 January - 30 September 2020 TRY'000	(Unaudited) Current Period 1 July- 30 September 2020 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2019 USD'000	(Unaudited) Previous Period 1 January - 30 September 2019 TRY'000	(Unaudited) Previous Period 1 July- 30 September 2019 TRY'000
<b>PROFIT FOR THE PERIOD</b>		<b>230.583</b>	<b>1.549.222</b>	<b>622.364</b>	<b>575.164</b>	<b>3.238.808</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Not to be reclassified subsequently to profit or loss</b>						
Increase (Decrease) in Revaluation Reserve of Tangible Assets		18	23.356	12.467	(185)	3.933
Actuarial Gain (Loss) of Defined Benefit Plans	9	(12.979)	(88.803)	-	(2.018)	(11.617)
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	11	2.596	17.761	-	444	2.556
Foreign Currency Translation Gain (Loss)		-	6.453.048	3.325.079	-	1.268.144
<b>To be reclassified subsequently to profit or loss</b>						
Gain (Loss) in Cash Flow Hedging Reserves		(806)	(3.682)	(15.162)	1.948	12.296
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11	177	810	3.336	(429)	(2.705)
Foreign Currency Translation Gain (Loss)		(45.948)	3.114.944	1.612.055	(5.277)	740.514
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(56.942)</b>	<b>9.517.434</b>	<b>4.937.775</b>	<b>(5.517)</b>	<b>2.013.121</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>173.641</b>	<b>11.066.656</b>	<b>5.560.139</b>	<b>569.647</b>	<b>5.251.929</b>
<b>Distribution of Total Comprehensive Income</b>						
Non-controlling Interests		9.863	363.619	178.771	26.343	203.448
Equity Holders of the Parent		163.778	10.703.037	5.381.368	543.304	5.048.481

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

(Unaudited)					Other comprehensive income (expense) not to be reclassified subsequently to profit or loss			Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings			Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium (Discounts)	Revaluation Reserve of Tangible Assets	Foreign Currency Translation Reserves	Actuarial Gain (Loss) Funds	Cash Flow Hedging Gain (Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period				
<b>1 January 2020</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>58.952</b>	<b>12.365.096</b>	<b>(102.008)</b>	<b>6.474</b>	<b>5.463.762</b>	<b>3.485.761</b>	<b>2.057.906</b>	<b>3.316.527</b>	<b>30.299.298</b>	<b>948.177</b>	<b>31.247.475</b>	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1.449.609	-	<b>1.449.609</b>	99.613	<b>1.549.222</b>	
Other comprehensive income (loss)	-	-	-	-	23.356	6.453.048	(69.331)	(2.872)	2.849.227	-	-	-	<b>9.253.428</b>	264.006	<b>9.517.434</b>	
Total comprehensive income (loss)	-	-	-	-	23.356	6.453.048	(69.331)	(2.872)	2.849.227	-	-	1.449.609	<b>10.703.037</b>	363.619	<b>11.066.656</b>	
Dividends (*)	-	-	-	-	-	-	-	-	-	-	(780.198)	-	<b>(780.198)</b>	(35.761)	<b>(815.959)</b>	
Transfers	-	-	-	-	-	-	-	-	-	111.687	3.204.840	(3.316.527)	-	-	-	
<b>30 September 2020</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>82.308</b>	<b>18.818.144</b>	<b>(171.339)</b>	<b>3.602</b>	<b>8.312.989</b>	<b>3.597.448</b>	<b>4.482.548</b>	<b>1.449.609</b>	<b>40.222.137</b>	<b>1.276.035</b>	<b>41.498.172</b>	
(Unaudited)																
<b>1 January 2019</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>51.239</b>	<b>10.153.725</b>	<b>(72.105)</b>	<b>13.103</b>	<b>4.349.119</b>	<b>2.287.528</b>	<b>2.339.334</b>	<b>5.597.990</b>	<b>28.366.761</b>	<b>887.864</b>	<b>29.254.625</b>	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	3.089.021	-	<b>3.089.021</b>	149.787	<b>3.238.808</b>	
Other comprehensive income (loss)	-	-	-	-	3.933	1.268.144	(8.815)	9.591	686.607	-	-	-	<b>1.959.460</b>	53.661	<b>2.013.121</b>	
Total comprehensive income (loss)	-	-	-	-	3.933	1.268.144	(8.815)	9.591	686.607	-	-	3.089.021	<b>5.048.481</b>	203.448	<b>5.251.929</b>	
Dividends (*)	-	-	-	-	-	-	-	-	-	-	(4.681.185)	-	<b>(4.681.185)</b>	(209.118)	<b>(4.890.303)</b>	
Transfers	-	-	-	-	-	-	-	-	-	1.198.233	4.399.757	(5.597.990)	-	-	-	
<b>30 September 2019</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>55.172</b>	<b>11.421.869</b>	<b>(80.920)</b>	<b>22.694</b>	<b>5.035.726</b>	<b>3.485.761</b>	<b>2.057.906</b>	<b>3.089.021</b>	<b>28.734.057</b>	<b>882.194</b>	<b>29.616.251</b>	

(\*) Annual General Assembly dated 14 July 2020, dividend distribution (gross dividend per share: TRY 0,23 (2019: TRY 1,38) amounting to TRY 805.000 thousand (21 March 2019: TRY 4.830.000 thousand) from 2019 net profit was approved. As of 14 July 2020, which is the dividend distribution decision date of the company, Dividend pertaining to the shares owned by the Company due to the ownership of 3.08% of its own shares with a nominal value of 1 TL, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 17 July 2020. The Group paid TRY 35.761 thousand (2019: TRY 209.118 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden of subsidiaries of the Group in current year.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period 1 January- 30 September 2020	Current Period 1 January- 30 September 2020	Previous Period 1 January- 30 September 2019	Previous Period 1 January- 30 September 2019
		USD'000	TRY'000	USD'000	TRY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Profit (Loss) for The Period</b>		<b>743.215</b>	<b>5.432.084</b>	<b>856.002</b>	<b>5.423.692</b>
<b>230.583</b>		<b>1.549.222</b>		<b>575.164</b>	<b>3.238.808</b>
<b>Adjustments to Reconcile Profit (Loss)</b>		<b>381.905</b>	<b>2.782.812</b>	<b>269.499</b>	<b>2.081.244</b>
Adjustments for Depreciation and Amortisation Expenses	6/13/14	156.238	1.049.722	150.712	848.681
Adjustments for Impairment Loss (Reversal of Impairment Loss)		3.121	20.973	2.792	15.721
Adjustments for Provision (Reversal of Provision) for Receivables		(260)	(1.742)	611	3.439
Adjustments for Provision (Reversal of Provision) for Inventories	4/13	3.148	21.152	2.181	12.282
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	6	233	1.563	-	-
Adjustments for Provisions		28.582	199.223	24.825	140.385
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	23.682	159.108	20.908	117.739
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	4.900	40.115	13.403	76.065
Adjustments for Other Provisions (Reversals)	15	-	-	(9.486)	(53.419)
Adjustments for Interest (Income) and Expenses		(2.457)	(16.506)	(12.510)	(70.449)
Adjustments for Interest Income	15	(45.042)	(302.622)	(66.136)	(372.419)
Adjustments for Interest Expense	15	43.944	295.248	57.554	324.093
Deferred Financial Expense from Credit Purchases	14	1.053	7.076	2.203	12.404
Unearned Financial Income from Credit Sales		(2.412)	(16.208)	(6.131)	(34.527)
Adjustments for Unrealised Foreign Exchange Differences		(40.606)	(286.779)	1.311	7.387
Adjustments for Fair Value (Gains) Losses		(4.477)	(30.082)	(22.350)	(125.857)
Adjustments for Fair Value (Gains) Losses on Financial Assets		-	-	(994)	(5.598)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	(4.477)	(30.082)	(21.356)	(120.259)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		(462)	(3.104)	(994)	(5.598)
Adjustments for Tax (Income) Expenses	11	258.032	1.955.455	225.273	1.274.854
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(15.791)	(106.090)	(690)	(3.880)
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		(15.791)	(106.090)	(690)	(3.880)
Adjustments for Reconciliation of Profit (Loss)		(275)	-	(98.870)	-
<b>Changes in Working Capital</b>		<b>300.291</b>	<b>2.341.208</b>	<b>318.201</b>	<b>1.801.475</b>
Adjustments for Decrease (Increase) in Trade Receivables		97.307	759.774	264.216	1.495.968
Decrease (Increase) in Trade Receivables from Related Parties		(4.228)	(33.012)	(3.544)	(20.056)
Decrease (Increase) in Trade Receivables from Third Parties		101.535	792.786	267.760	1.516.024
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(3.164)	(24.705)	47	266
Decrease (Increase) in Other Receivables from Operations from Third Parties		(3.164)	(24.705)	47	266
Decrease (Increase) in Derivative Financial Instruments		(2.504)	(19.551)	(14.260)	(80.698)
Adjustments for Decrease (Increase) in Inventories		209.175	1.633.238	53.599	305.360
Decrease (Increase) in Prepaid Expenses		(19.963)	(155.871)	475	2.688
Adjustments for Increase (Decrease) in Trade Payables		(73.086)	(570.655)	29.683	167.979
Increase (Decrease) in Trade Payable to Related Parties		(2.882)	(22.502)	(17.116)	(96.861)
Increase (Decrease) in Trade Payable to Third Parties		(70.204)	(548.153)	46.799	264.840
Adjustments for Increase (Decrease) in Other Payables Related from Operations		29.884	233.335	(2.589)	(14.652)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		29.884	233.335	(2.589)	(14.652)
Increase (Decrease) in Derivative Liabilities		(3.287)	(25.664)	37.142	210.189
Adjustments for Other Increase (Decrease) in Working Capital		65.929	511.307	(50.472)	(285.625)
Decrease (Increase) in Other Assets Related from Operations		14.568	110.280	(43.128)	(244.067)
Increase (Decrease) in Other Payables Related from Operations		51.361	401.027	(7.344)	(41.558)
<b>Cash Flows Provided by Operating Activities</b>		<b>912.779</b>	<b>6.673.242</b>	<b>1.162.864</b>	<b>7.121.527</b>
Payments Related to Provisions for Employee Termination Benefits	9	(7.414)	(49.814)	(11.025)	(62.088)
Payments Related to Other Provisions	8	(9.252)	(62.158)	(7.812)	(43.993)
Income Taxes Refund (Paid)	11	(152.898)	(1.129.186)	(288.025)	(1.591.754)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(247.605)</b>	<b>(1.901.936)</b>	<b>(291.329)</b>	<b>(1.664.795)</b>
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures'	5	1.981	13.333	-	-
Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds		13.350	79.700	-	-
Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds		(6.636)	(42.810)	(103.982)	(585.533)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		23.356	156.916	3.438	19.350
Cash Inflow from Sales of Property, Plant and Equipment		23.356	156.916	3.438	19.350
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(216.424)	(1.454.086)	(124.647)	(701.898)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(215.977)	(1.451.082)	(122.534)	(690.002)
Cash Outflow from Purchase of Intangible Assets	6	(447)	(3.004)	(2.113)	(11.896)
Cash Advances and Debts Given		(63.553)	(657.152)	(66.741)	(399.919)
Other Cash Advances and Debts Given to Related Parties		-	-	(8.664)	(43.866)
Other Cash Advances and Debts Given		(63.553)	(657.152)	(58.077)	(356.053)
Dividends Received	5	321	2.163	603	3.205
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(232.140)</b>	<b>598.692</b>	<b>(742.350)</b>	<b>(4.108.511)</b>
Cash Inflow from Borrowings		860.675	5.737.822	1.022.192	5.831.583
Cash Inflow from Loans		860.675	5.737.822	929.341	5.281.583
Cash Inflow from Issued Debt Instruments		-	-	92.851	550.000
Cash Outflow from Repayments of Borrowings		(948.227)	(4.111.484)	(945.125)	(4.907.225)
Cash Outflow from Loan Repayments		(948.227)	(4.111.484)	(945.125)	(4.907.225)
Cash Outflow from Debt Payments for Leasing Contracts		(5.881)	(45.916)	(6.108)	(34.394)
Dividends Paid		(118.824)	(815.724)	(793.676)	(4.888.590)
Interest Paid		(37.389)	(251.203)	(46.276)	(260.584)
Interest Received		35.509	232.733	61.009	345.180
Other Cash Inflow (Outflow)		(18.003)	(147.536)	(34.366)	(194.481)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>263.470</b>	<b>4.128.840</b>	<b>(177.677)</b>	<b>(349.614)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(78.925)	638.161	(14.925)	(83.131)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>184.545</b>	<b>4.767.001</b>	<b>(192.602)</b>	<b>(432.745)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>1.780.737</b>	<b>10.577.931</b>	<b>1.650.455</b>	<b>8.682.881</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1.965.282</b>	<b>15.344.932</b>	<b>1.457.853</b>	<b>8.250.136</b>

- As of 30 September 2020, the Group's total amount of time deposit interest accrual is TRY 31.779 thousand (USD 4.071 thousand) (30 September 2019: TRY 5.671 thousand (USD 1.002 thousand)).
- Change of bank deposits in financial investments amounting to TRY 169.003 thousand (USD 21.645 thousand) (31 December 2019: TRY 21.194 thousand (USD 3.568 thousand)) with maturities of more than 3 months are reported in condensed consolidated cash flow under "Other Cash Inflow (Outflows)".
- Since the functional currency is US Dollars, the exchange rate differences between the accrual and payment dates of the dividend payables to the shareholders, whose original currency is followed as Turkish Lira in the condensed consolidated statement of financial position, are reported under the "Adjustments for Reconciliation of Profit (Loss)" in the condensed consolidated cash flow statements.

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



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Group (“Group”), is composed of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (“Erdemir” or “the Company”), and its subsidiaries which it owns the majority of their shares or has a significant influence on their management structure.

The immediate parent and ultimate controlling party of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

Ordu Yardımlaşma Kurumu (OYAK/Armed Forces Pension Fund) was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an “aid and retirement fund” for Turkish Armed Forces’ members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel products, alloyed and non-alloyed iron, cast and pressed products, coke and their by-products.

The Company’s shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Name of the Company	Country of		2020	2019
	Operation	Operation	Effective Sharehold Interest %	Effective Sharehold Interest %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	94,87	94,87
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
Erdemir Enerji Üretim A.Ş.	Turkey	Renewable Energy Production	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	47	47

The registered address of the Company is Barbaros Mahallesi Ardiç Sokak No:6 Ataşehir / İstanbul.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (cont’d)

The number of the personnel employed by the Group as of reporting date:

	Paid Hourly Personnel	Paid Monthly Personnel	30 September 2020 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.004	1.727	5.731
İskenderun Demir ve Çelik A.Ş.	2.928	1.726	4.654
Erdemir Madencilik San. ve Tic. A.Ş.	156	143	299
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	225	75	300
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	241	241
Erdemir Romania S.R.L.	188	39	227
Erdemir Asia Pacific Private Limited	-	1	1
	<u>7.501</u>	<u>3.952</u>	<u>11.453</u>
	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2019 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.055	1.699	5.754
İskenderun Demir ve Çelik A.Ş.	2.886	1.725	4.611
Erdemir Madencilik San. ve Tic. A.Ş.	158	138	296
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	217	77	294
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	228	228
Erdemir Romania S.R.L.	205	39	244
Erdemir Asia Pacific Private Limited	-	1	1
	<u>7.521</u>	<u>3.907</u>	<u>11.428</u>

#### NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

The Group’s subsidiaries in Turkey maintain their legal books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles issued by the Turkish Commercial Code (“TCC”) and tax legislation.

The accompanying condensed financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying condensed financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and derivative financial instruments that are measured at revalued amounts or fair values. (Derivative financial instruments and iron ore and silicon steel used in the production of fixed assets). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

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

##### **2.1 Basis of Presentation (cont’d)**

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

##### Functional and reporting currency

Although the currency of the country in which is the Company is domiciled is Turkish Lira (TRY), the Company’s functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the functional currency.

The financial statements of each entity of the Group are presented in the currency (functional currency) valid in the basic economic environment in which they operate. The functional currency of the Company and its subsidiaries’ İskenderun Demir ve Çelik A.Ş. “İsdemir” and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş “Ersem” are US Dollars while the functional currency of Erdemir Madencilik San. ve Tic. A.Ş. “Ermaden” and Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. are Turkish Lira.

The accompanying financial statements are prepared in Turkish Lira (TRY) in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013.

##### *Functional currency for the subsidiaries abroad*

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited “EAPPL” and Erdemir Romania S.R.L is US Dollars and EUR respectively.

##### *Functional currency of the joint venture*

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

##### Presentation currency translation

Presentation currency of the condensed consolidated financial statements is Turkish Lira. According to TMS 21 (“The Effects of Changes in Foreign Exchange Rates”) financial statements, that are prepared in US Dollars for the Company, İsdemir, Ersem, EAPPL; in EUR for Erdemir Romania, have been translated in TRY as the following method:

- a) The assets and liabilities on condensed financial position as of 30 September 2020 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 7,8080= US \$ 1 and TRY 9,1281= EUR 1 on the balance sheet date (31 December 2019: TRY 5,9402= US \$ 1, TRY 6,6506= EUR 1).
- b) For the nine months period ended 30 September 2020, condensed consolidated income statements are translated from the average TRY 6,7187 = US \$ 1 and TRY 7,5615 =EUR 1 rates of 2020 January – September period (30 September 2019: TRY 5,6311 = US \$ 1 TRY 6,3284 = 1 EUR).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.1 Basis of Presentation (cont’d)**

###### Presentation currency translation (cont’d)

- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements.

###### USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the condensed consolidated statements of financial position as of 30 September 2020 and 31 December 2019, condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 September 2020 and 2019 represent the condensed consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

###### Going concern

The Group prepared condensed interim consolidated financial statements in accordance with the going concern assumption.

###### Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 22 October 2020 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

##### **2.2 Comparative Information and Restatement of Consolidated Financial Statements with Prior Periods**

The Group’s condensed consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective.

##### **2.3 Adoption of New and Revised Financial Reporting Standards**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 September 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2020 summarized below.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

**NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS  
(cont’d)**

**2.3 Adoption of New and Revised Financial Reporting Standards (cont’)**

**Amendments that are mandatorily effective from 2020**

Amendments to TFRS 3	: <i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	: <i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	: <i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	: <i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	: <i>Amendments to References to the Conceptual Framework in TFRSs</i>

**Amendments to TFRS 3 Definition of a Business**

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

**Amendments to TAS 1 and TAS 8 Definition of Material**

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

**Amendments to TFRS 9, TAS 39 and TFRS 7 Interest Rate Benchmark Reform**

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

**Amendments to TFRS 16 COVID-19 Related Rent Concessions**

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there are no substantive changes to other terms and conditions of the lease.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.3 Adoption of New and Revised Financial Reporting (cont’d)**

##### **Amendments that are mandatorily effective from 2020 (cont’d)**

##### **Amendments to References to the Conceptual Framework in TFRSs**

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

These standards amendments and improvements are no material effect on the condensed consolidated financial position and performance of the Group.

##### **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 TAS 1	: <i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	: <i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	: <i>Amendments to TFRS 9</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.

##### **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 2022 and earlier application is permitted.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.3 Adoption of New and Revised Financial Reporting (cont’d)**

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

##### **Amendments to TFRS 3 Reference to the Conceptual Framework**

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references published together with the updated Conceptual Framework at the same time or earlier.

##### **Amendments to TAS 16 Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

##### **Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

##### **Annual Improvements to TFRS Standards 2018-2020 Cycle**

##### **Amendments to TFRS 9 Financial Instruments**

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.4 Summary of Significant Accounting Policies**

The condensed interim consolidated financial statements for the nine months period ended 30 September 2020 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the nine months period ended 30 September 2020, are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2019. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

As explained in Note 1 there has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 30 September 2020, from the interests reported as of 31 December 2019.

##### **2.5 Restatement and Errors in the Accounting Policies and Estimates**

Any change in the accounting policies resulted from the first time adoption of a new standards is made either retrospectively or prospectively in accordance with the transition requirements of the standards. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

##### **2.6 Significant changes in current period**

The Group management took the necessary actions to minimize the impacts of COVID-19 pandemic on the Group’s operations and financial position. The manufacturing activities of the Group were not suspended during the lockdowns.

In the preparations of the consolidated interim financial statements as at 30 September 2020, the Group assessed the possible impacts of COVID-19 pandemic on the financial statements and reviewed the critical estimates and assumptions used in the preparation of the consolidated financial statements. Within this scope, the Group evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated interim financial statements as at 30 September 2020 for any possible impairment but no impairment were identified.

##### **2.7 Segment Reporting**

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.



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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 3 –RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parties of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

The transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note.

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

	30 September 2020	31 December 2019
<u>Due from related parties (short term)</u>		
OYAK Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	90.368	69.773
Bolu Çimento Sanayi A.Ş. <sup>(1)</sup>	-	4.756
Adana Çimento Sanayi T.A.Ş. <sup>(1)</sup>	-	6.034
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	4.475	378
OYAK Çimento Fabrikaları A.Ş. <sup>(1)</sup>	30.617	-
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. <sup>(1)</sup>	134.439	92.064
Other	899	291
	<u>260.798</u>	<u>173.296</u>

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

	30 September 2020	31 December 2019
<u>Other receivables from related parties (short term)</u>		
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	6.488	-
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	4.201	3.817
	<u>10.689</u>	<u>3.817</u>
	30 September 2020	31 December 2019
<u>Other receivables from related parties (long term)</u>		
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	27.592	25.136
	<u>27.592</u>	<u>25.136</u>

Short term and long term other receivables from related parties, consists of monetary receivables within the scope of sub-leases in accordance with TFRS 16 and dividends receivable (Note 5) from the joint venture of subsidiary of Isdemir of the Company’s subsidiary.

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş., Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

- (1) Subsidiaries of the parent company  
(2) Joint venture of the parent company  
(3) Joint venture of the subsidiary

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

	30 September 2020	31 December 2019
<u>Prepaid expenses to related parties(short term)</u>		
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	987	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	2.091	6.264
Omsan Lojistik A.Ş. <sup>(1)</sup>	-	44
	<u>3.078</u>	<u>6.308</u>
	30 September 2020	31 December 2019
<u>Prepaid expenses to related parties (long term)</u>		
OYAK Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	-	8
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	33.666	25.612
	<u>33.666</u>	<u>25.620</u>

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

	30 September 2020	31 December 2019
<u>Due to related parties (short term)</u>		
Omsan Lojistik A.Ş. <sup>(1)</sup>	31.081	29.535
Omsan Denizcilik A.Ş. <sup>(1)</sup>	13.951	3.141
OYAK Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	18.603	16.891
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	7.466	10.849
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	12.767	11.404
Other	6.316	13.911
	<u>90.184</u>	<u>85.731</u>

Trade payables to related parties mainly arise from purchased service transactions, tangibles and energy.

- (1) Subsidiaries of the parent company  
(2) Joint venture of the parent company  
(3) Joint venture of the subsidiary

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)**

<u>Major sales to related parties</u>	1 January - 30 September 2020	1 January - 30 September 2019
Ordu Yardımlaşma Kurumu	156.745	-
OYAK Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	289.981	202.458
OYAK NYK RO-RO Liman İşletmeleri A.Ş. <sup>(1)</sup>	-	4.220
Adana Çimento Sanayi T.A.Ş. <sup>(1)</sup>	-	15.031
OYAK Çimento Fabrikaları A.Ş. <sup>(1)</sup>	38.943	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	1.588	2.228
Bolu Çimento Sanayi A.Ş. <sup>(1)</sup>	-	6.233
Miilux OY <sup>(1)</sup>	-	10.843
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	833	1.543
İskenderun Enerji Üretim ve Ticaret A.Ş. <sup>(1)</sup>	205.445	-
Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. <sup>(1)</sup>	17.977	33.695
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	44.144	37.431
Other	2.662	3.105
	<u>758.318</u>	<u>316.787</u>

The major sales to related parties are generally due to the sales transactions of iron, steel, by-products and service transactions. The Group have sold fixed assets amounting to TRY 156.745 thousand to Ordu Yardımlaşma Kurumu of the subsidiaries of the parent company. Fixed asset sales income with a net book value of TRY 143.436 thousand was recorded under the item "Income from Investing Activities" in the condensed consolidated statement of profit or loss.

<u>Major purchases from related parties</u>	1 January - 30 September 2020	1 January - 30 September 2019
Miilux OY <sup>(1)</sup>	-	33.764
Omsan Denizcilik A.Ş. <sup>(1)</sup>	111.574	126.314
OYAK Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	117.553	95.539
Omsan Lojistik A.Ş. <sup>(1)</sup>	223.923	199.209
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	57.575	117.960
Omsan Logistica SRL <sup>(1)</sup>	9.488	11.443
OYAK Denizcilik ve Liman İşletmeleri A.Ş. <sup>(1)</sup>	100.237	85.284
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(3)</sup>	78.803	64.325
Ordu Yardımlaşma Kurumu	169	1.155
OYAK Elektrik Enerjisi Toptan Satış A.Ş. <sup>(1)</sup>	34.948	35.543
Other	14.893	11.769
	<u>749.163</u>	<u>782.305</u>

Purchases from related parties are generally related to services, fixed assets and energy purchases.

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş., Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

<sup>(1)</sup> Subsidiaries of the parent company

<sup>(2)</sup> Joint venture of the parent company

<sup>(3)</sup> Joint venture of the subsidiary

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)**

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

The period end balances are un-secured and their collections will be in cash. For the nine months period ended 30 September 2020, the Group provides no provision for the receivables from related parties (31 December 2019: None).

Benefits of the key management:

The key management of the Group consists of the Board of Directors, the Group President and Vice Presidents the General Manager and Assistant General Managers. For the nine months period ended 30 September 2020, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 18.719 thousand (30 September 2019: TRY 18.825 thousand).

**NOTE 4 – INVENTORIES**

As of the reporting date, the detail of the Group’s inventories is as follows:

	30 September 2020	31 December 2019
Raw materials	2.125.828	2.287.962
Work in progress	2.328.349	1.877.323
Finished goods	2.831.365	2.635.693
Spare parts	1.770.719	1.281.245
Goods in transit	1.358.664	1.106.346
Other inventories	794.039	556.855
Allowance for impairment on inventories (-)	(571.846)	(416.261)
	<u>10.637.118</u>	<u>9.329.163</u>

The movement of the allowance for impairment on inventories is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	416.261	347.745
Provision for the period	24.680	20.845
Provision released (-)	(3.528)	(8.563)
Translation difference	134.433	26.285
Closing balance	<u>571.846</u>	<u>386.312</u>

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 13).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

Group’s detail of the investments accounted for using equity method of the as follows:

	Right to vote ratio %	30 September 2020	Right to vote ratio %	31 December 2019	Business segment
<i>Joint Venture</i>					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	239.643	50	200.820	Industrial Gas Production and Sale

Group’s share on net assets of investments accounted for using equity method is as follows:

	30 September 2020	31 December 2019
Total assets	512.563	408.249
Total liabilities	33.277	6.609
Net assets	479.286	401.640
Group's share on net assets	239.643	200.820

  

	30 September 2020	31 December 2019
Share capital	175.000	201.667

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 27 February 2020, reducing capital by TRY 26.667 thousand and decisions regarding the distribution of cash dividend of TRY 17.302 thousand from the net profit of 2019 have been unanimously approved. The payment for the capital reduction (its effect on statement of cash flows of Group is TRY 13.333 thousand) and 25% of the dividend (its effect on statement of cash flows of Group is TRY 2.163 thousand) has been completed on 4 June 2020.

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 109.237 thousand (31 December 2019: TRY 82.411 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 26.826 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 13.413 thousand) is included in the financial statements prepared as of reporting date.

Group’s share on profit of investments accounted for using equity method is as follows:

	1 January – 30 September 2020	1 January – 30 September 2019
Revenue	89.555	73.504
Operating profit	20.347	10.658
Net profit (loss) for the period	6.207	11.196
Group's share on net profit	3.104	5.598

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

As of reporting the date, the details of Group’s the movement of tangible assets is as follows:

	30 September 2020	30 September 2019
<u>Opening balance as of 1 January</u>		
Cost	53.620.152	46.803.093
Accumulated depreciation	(32.966.171)	(28.742.882)
Net book value	<u>20.653.981</u>	<u>18.060.211</u>
Net book value at the beginning of the period	20.653.981	18.060.211
Additions (*)	1.464.687	702.135
Disposals (-)	(50.826)	(15.470)
<i>Cost of disposals</i>	(162.447)	(82.556)
<i>Accumulated depreciation of disposals</i>	111.621	67.086
Transfers to intangible assets	(2.624)	(10.442)
Currency translation difference	6.500.012	1.354.239
<i>Cost currency translation difference</i>	16.847.384	3.485.690
<i>Accumulated depreciation currency translation difference</i>	(10.347.372)	(2.131.451)
Current period depreciation (-)	(1.031.603)	(825.585)
Impairment (-)	(1.563)	-
Net book value at the end of the period	<u>27.532.064</u>	<u>19.265.088</u>
<u>Closing balance end of period</u>		
Cost	71.767.152	50.897.920
Accumulated depreciation	(44.235.088)	(31.632.832)
Net book value	<u>27.532.064</u>	<u>19.265.088</u>

(\*) The amount of capitalized borrowing cost is TRY 13.605 thousand for the current period (30 September 2019: TRY 12.133 thousand).

As of 30 September 2020, the Group has no collaterals or pledges upon its tangible assets (30 September 2019: None).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS (cont’d)**

As of the reporting date, the details of Group’s the movement of intangible assets is as follows:

	30 September 2020	30 September 2019
<u>Opening balance as of 1 January</u>		
Cost	821.867	702.679
Accumulated amortisation	(509.333)	(419.163)
Net book value	<u>312.534</u>	<u>283.516</u>
Net book value at the beginning of the period	312.534	283.516
Additions	3.004	11.896
Transfers from tangible assets	2.624	10.442
Currency translation difference	93.700	21.243
<i>Cost currency translation difference</i>	256.536	52.416
<i>Accumulated depreciation currency translation difference</i>	(162.836)	(31.173)
Current period amortisation (-)	(27.106)	(26.587)
Net book value at the end of the period	<u>384.756</u>	<u>300.510</u>
<u>Closing balance end of period</u>		
Cost	1.084.031	777.433
Accumulated amortisation	(699.275)	(476.923)
Net book value	<u>384.756</u>	<u>300.510</u>

As of 30 September 2020, the Group has no collaterals or pledges upon its intangible assets (30 September 2019: None).

The distribution of investment properties’ total depreciation and amortization expenses related to tangible, intangible assets and right of use assets amounting to TRY 4.478 thousand (30 September 2019: TRY 3.270 thousand) are as follows:

	1 January – 30 September 2020	1 January – 30 September 2019
Associated with cost of production	984.171	787.027
General administrative expenses	43.537	35.275
Marketing expenses	36.107	31.147
Research and development expenses	6.164	5.492
Other operating expenses	7.701	5.824
	<u>1.077.680</u>	<u>864.765</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 7 – BORROWINGS

The Group’s detail of the borrowings as of reporting date is as follows:

	30 September 2020	31 December 2019
Short term bank borrowings	3.560.185	4.179.522
Current portion of long term bank borrowings	2.118.815	1.332.364
Long term bank borrowings	2.629.969	1.380.494
Total bank borrowings	<u>8.308.969</u>	<u>6.892.380</u>
Current portion of long term corporate bonds issued	562.312	11.947
Long term corporate bonds issued	-	550.000
Total corporate bonds issued	<u>562.312</u>	<u>561.947</u>
Current portion of long term lease payables	44.051	42.656
Cost of current portion of long term lease payables (-)	(3.359)	(7.145)
Long term lease payables	989.303	909.906
Cost of long term lease payables (-)	(763.542)	(698.767)
Total lease payables	<u>266.453</u>	<u>246.650</u>
Total borrowings	<u><u>9.137.734</u></u>	<u><u>7.700.977</u></u>

As of 30 September 2020, the breakdown of the Group’s loans and bonds issued with their original currency and weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Effective Interest (%)	Short Term Portion	Long Term Portion	30 September 2020
Fixed	TRY	8,74	851.751	-	851.751
Fixed	US Dollars	1,80	2.812.029	694.633	3.506.662
Fixed	EURO	2,70	15.210	28.041	43.251
Floating	TRY	TRLibor+0,5	562.312	-	562.312
Floating	US Dollars	Libor+1,8	1.840.809	1.090.705	2.931.514
Floating	EURO	Euribor+1,03	159.201	816.590	975.791
			<u>6.241.312</u>	<u>2.629.969</u>	<u>8.871.281</u>



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 7– BORROWINGS (cont’d)

As of 31 December 2019, the breakdown of the Group’s loans with their original currency and their weighted average interest rates is as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2019
No interest	TRY	-	39.103	-	39.103
Fixed	TRY	13,85	867.556	-	867.556
Fixed	US Dollars	3,02	2.582.283	49.075	2.631.358
Fixed	EURO	2,70	11.145	25.346	36.491
Floating	TRY	TRLibor+0,5	11.947	550.000	561.947
Floating	US Dollars	Libor+1,87	1.904.563	922.264	2.826.827
Floating	EURO	Euribor+1,62	107.236	383.809	491.045
			<u>5.523.833</u>	<u>1.930.494</u>	<u>7.454.327</u>

Breakdown of loan repayments according to their maturities are as follows:

	30 September 2020				31 December 2019			
	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings	Bank Borrowings	Corporate Bonds Issued	Lease Payables	Total Borrowings
Within 1 year	5.679.000	562.312	40.692	6.282.004	5.511.886	11.947	35.511	5.559.344
Between 1-2 years	1.616.233	-	31.157	1.647.390	295.397	550.000	29.986	875.383
Between 2-3 years	283.630	-	26.759	310.389	710.738	-	22.349	733.087
Between 3-4 years	121.929	-	22.734	144.663	143.974	-	18.724	162.698
Between 4-5 years	182.369	-	19.658	202.027	53.637	-	15.575	69.212
Five years or more	425.808	-	125.453	551.261	176.748	-	124.505	301.253
	<u>8.308.969</u>	<u>562.312</u>	<u>266.453</u>	<u>9.137.734</u>	<u>6.892.380</u>	<u>561.947</u>	<u>246.650</u>	<u>7.700.977</u>

#### NOTE 8 - PROVISIONS

As of reporting date the Group’s short term provisions are as follows:

	30 September 2020	31 December 2019
Provision for lawsuits	197.060	196.700
Penalty provision for employment shortage of disabled	12.381	12.836
Provision for state right on mining activities	33.583	19.158
Provision for land occupation	12.189	13.215
	<u>255.213</u>	<u>241.909</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 8 – PROVISIONS (cont’d)**

The movement of the provisions is as follows:

	1 January 2020	Change for the period	Payments	Provision released	Translation difference	30 September 2020
Provision for lawsuits	196.700	37.239	(38.162)	(32.872)	34.155	197.060
Penalty provision for employment shortage of disabled personnel	12.836	3.447	(2.882)	(906)	(114)	12.381
Provision for state right on mining activities	19.158	14.425	-	-	-	33.583
Provision for land occupation	13.215	19.000	(21.114)	(218)	1.306	12.189
	<u>241.909</u>	<u>74.111</u>	<u>(62.158)</u>	<u>(33.996)</u>	<u>35.347</u>	<u>255.213</u>

	1 January 2019	Change for the period	Payments	Provision released	Translation difference	30 September 2019
Provision for lawsuits	165.568	44.711	(13.264)	(5.819)	1.877	193.073
Penalty provision for employment shortage of disabled personnel	10.421	4.452	(2.883)	(514)	14	11.490
Provision for state right on mining activities	7.650	14.350	(10.240)	-	-	11.760
Provision for land occupation	7.013	18.885	(17.606)	-	(149)	8.143
Provision for the tax penalty	10.125	-	-	-	261	10.386
	<u>200.777</u>	<u>82.398</u>	<u>(43.993)</u>	<u>(6.333)</u>	<u>2.003</u>	<u>234.852</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 8 – PROVISIONS (cont’d)**

**Provision for lawsuits**

As of reporting date, lawsuits filed by and against the Group are as follows:

	30 September 2020	31 December 2019
Lawsuits filed by the Group	1.004.000	880.306
Provision for lawsuits filed by the Group	174.194	218.121

The provision for the lawsuits filed by the Group represents the doubtful trade receivables and other receivables.

	30 September 2020	31 December 2019
Lawsuits filed against the Group	183.485	153.052
Provision for lawsuits filed against the Group	197.060	196.700

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB’s Communiqué Serial XI No 25 on “Accounting Standards to be implemented in Capital Markets” which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB’s letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the “Accounting Standards to be implemented in Capital Markets”), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company’s changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (TFRS) caused a decrease amounting to TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 October 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company’s lawyers on 16 July 2012.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 8 – PROVISIONS (cont’d)**

##### **Provision for lawsuits (cont’d)**

CMB, prepared the Company’s consolidated financial statements as of 31 December 2005, which had been prepared according to the TFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that “Article 726 and Temporary Provision 1 of CMB’s Communiqué Serial XI, No. 25 authorize the use of TFRS on consolidated financial statements of 2005, although CMB had given the Company a ‘permission’ No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending”. Company challenged CMB’s aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgement. CMB appealed the Chamber’s decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB’s appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara’s judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company’s lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with TFRS after December 31, 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on “TFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with “TFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 30 September 2020 and 31 December 2019 will not be affected from the above mentioned disputes.

Company’s Shareholders’ General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals’ 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber’s decision on 18 February 2011. However, the Chamber rejected the Company’s appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber’s decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company’s request for revision of the decision has been rejected. The case is still pending in the file No. 2019/418 E. of the 3rd Commercial Court of First Instance of Ankara. Next hearing will be held on 17 December 2020.

The Company, based on the above mentioned reasons, does not expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 30 September 2020 and 31 December 2019.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 8 – PROVISIONS (cont’d)**

##### **Provision for lawsuits (cont’d)**

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notification made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notification made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14. Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgement becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against Company. Company has applied for the appeal against the decision. A provision amounting to TRY 65.007 thousand recognized on condensed consolidated financial statements for the related lawsuit.

##### **Resolution of Constitutional Court on Electric and Coal Gas Tax**

The claims filed every month for refunding of taxes paid and deduction thereof from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. Thereafter, on 16 March 2015, the Company used its right to apply the Constitutional Court individually. In the General Assembly Resolution adopted by the Constitutional Court notified to the Company on 27 December 2018, it is stated that the property rights of the Company were violated, and retrial was decided for the applicable claims to eliminate the consequences of the violation of the property rights regarding to consolidated 15 cases.

Similarly, in the consolidated 4 cases subject to Company’s individual application, the Constitutional Court has decided for retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

The aforementioned 19 cases which the Constitutional Court has sent to Zonguldak Tax Court to be retrialed, have been retrialed by Zonguldak Tax Court and the Court has resolved in favor of the Company. Those 19 resolutions which were appealed against by the Municipality of Kdz. Ereğli have not been finalized yet.

Regarding to ongoing cases, resolutions are made in favor of the Company.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

#### **NOTE 8 – PROVISIONS (cont’d)**

##### **Lawsuit against Tax Penalty Notifications of The Municipality of Kdz. Ereğli’s**

A real estate tax review was carried out by the Municipality of Kdz Ereğli under the name of "Real Estate Tax Determination Field Study" at Company’s Ereğli facilities in August 2019. As a result of this tax inspection, 1.924 tax penalty notifications were notified to the company on 23 December 2019. With the 1.924 tax penalty notices, the building tax and related cultural assets contribution share has been levied for 2014 to 2019, as well as the tax loss penalty for the same periods. The amount of tax and related cultural assets contribution assessment is TRY 25.586 thousand and TRY 23.888 thousand tax loss penalty has been imposed.

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020 and the cases are still pending.

No provision has been made in the condensed consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments for the tax, cultural assets contribution fee and tax penalty charged.

##### **Lawsuits against Cease and Desist Orders and Zoning Administrative Fines of The Municipality of Kdz. Ereğli**

The Municipality of Kdz. Ereğli has sealed 14 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee’s decisions, administrative fines amounting to TRY 258.509 thousand have been notified to Company. 14 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In lawsuits the Court has ordered for suspension of execution. The objections of the Municipality against the suspension of execution decisions were rejected by the Ankara Regional Administrative Court. Lawsuits are still pending.

No provision has been made in the condensed consolidated financial statements due to the fact that no significant cash outflow is expected in line with the Group Management's assessments.

##### **Provision for state right on mining activities**

According to “Mining Law” numbered 3213 and regulation on “Mining Law Enforcement” published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is calculated state right on mining activities based on the sales and recognized provision on condensed financial statements.

##### **Land occupation**

The Group have land property within the Erdemir factory area being within the provision and possession of the state. General Communiqué of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communiqué, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3% of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 9 – EMPLOYEE BENEFITS**

The Group’s short term payables of the employee termination benefits are as follows:

	30 September 2020	31 December 2019
Due to personnel	112.170	109.689
Social security premiums payable	185.177	43.669
	<u>297.347</u>	<u>153.358</u>

The Group’s long term provisions of the employee termination benefits as of the reporting date are as follows:

	30 September 2020	31 December 2019
Provisions for employee termination benefits	809.453	651.998
Provisions for seniority incentive premium	98.578	71.234
Provision for unpaid vacations	98.621	84.092
	<u>1.006.652</u>	<u>807.324</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 by completing at least one year of service, leaving for military services and deceased.

As of 30 September 2020, the employee termination benefit has been updated to a maximum of TRY 7.117,17 (31 December 2019: TRY 6.379,86).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Group’s obligation under defined benefit plans. The obligation as of 30 September 2020 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	30 September 2020	31 December 2019
Discount rate	%12,60	%12,50
Inflation rate	%9,50	%8,20
Salary increase	real 1,5%	real 1,5%
Maximum liability increase	%9,50	%8,20

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 9 – EMPLOYEE BENEFITS (cont’d)**

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 September 2020 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. The anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

The movement of the provision for employee termination benefits is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	651.998	527.970
Service cost	44.854	39.547
Interest cost	60.340	63.114
Actuarial loss/(gain)	88.803	11.617
Termination benefits paid	(37.455)	(49.768)
Translation difference	913	29
Closing balance	<u>809.453</u>	<u>592.509</u>

According to the current labor agreement, employees completing their 5th, 10th, 15th and 20th service years receive seniority incentive premium payments.

The movement of the provision for seniority incentive premium is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	71.234	55.351
Service cost	6.383	4.451
Interest cost	7.044	6.614
Actuarial loss/(gain)	22.733	4.445
Termination benefits paid	(8.674)	(7.858)
Translation difference	(142)	(203)
Closing balance	<u>98.578</u>	<u>62.800</u>



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 9 – EMPLOYEE BENEFITS (cont’d)**

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

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	84.092	86.070
Provision for the period	83.490	75.143
Vacation paid during the period (-)	(3.685)	(4.462)
Provisions released (-)	(65.736)	(75.575)
Translation difference	460	700
Closing balance	<u>98.621</u>	<u>81.876</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The guarantees received by the Group are as follows:

	30 September 2020	31 December 2019
Letters of guarantees received	<u>3.644.929</u>	<u>2.853.670</u>
	<u>3.644.929</u>	<u>2.853.670</u>

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

	30 September 2020	31 December 2019
A. Total CPM given for the Company's own legal entity	111.705	77.498
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	570.759	182.133
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>682.464</u>	<u>259.631</u>

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 570.759 thousand has been given as collateral for financial liabilities explained in Note 7 and for raw material procurements. As of 30 September 2020, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2019: 0%).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 10 – COMMITMENTS AND CONTINGENCIES (cont’d)

The breakdown of the Group’s collaterals according to their original currency is as follows:

	30 September 2020	31 December 2019
US Dollars	291.810	167.519
TRY	89.717	64.844
EURO	300.937	27.268
	<u>682.464</u>	<u>259.631</u>

#### NOTE 11 – TAX ASSETS AND LIABILITIES

Group’s income tax payable as follows:

	30 September 2020	31 December 2019
<u>Corporate tax payable:</u>		
Current corporate tax provision	1.589.921	1.491.142
Prepaid taxes and funds (-)	(923.617)	(1.285.573)
	<u>666.304</u>	<u>205.569</u>
	1 January - 30 September 2020	1 January - 30 September 2019
<u>Taxation:</u>		
Current corporate tax expense	1.589.921	1.277.018
Deferred tax (income) / expense	365.534	(2.164)
	<u>1.955.455</u>	<u>1.274.854</u>

#### Corporate tax

The Group, except its subsidiaries in Romania and Singapore, is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group’s results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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

The effective corporate tax rate in Turkey is 22%, 16% in Romania and 17% in Singapore as of 30 September 2020 (31 December 2019: in Turkey 22%, in Romania 16%, in Singapore 17%).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

**NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)**

Corporate tax (cont’d)

The total amount of the corporate tax paid by the Group in nine months of 2020 is TRY 1.129.186 thousand (30 September 2019: TRY 1.591.754 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax for the nine months period ended 2020 has been calculated over the corporate earnings using the rate 22%, during the temporary taxation period. (31 December 2019: 22%).

Pursuant to the Provisional Article 10 of the Law No. 7061 added with the Article 91 of the Law on Corporate Income Tax, published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate for corporate earnings to be obtained during the tax years 2018, 2019 and 2020 has been increased from 20% to 22%.

Except for the changes in the corporate tax rate, the 75% exemption applied to the earnings generated from the sale of intangibles is reduced to 50% and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets, 10% instead of 5%.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of revenue and expenses in different reporting periods for the TFRS regulations and tax purposes.

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 10 of Corporate Tax Law; corporate tax rate will be 22% for the corporate earnings to be obtained in the taxation periods of 2018, 2019, 2020 and 20% for the following years. The effective corporate tax rate is 17% in Singapore and 16% in Romania (31 December 2019: in Turkey 22%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2019: 10%).

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)**

Deferred tax (cont’d)

	30 September 2020	31 December 2019
<u>Deferred tax assets:</u>		
Provisions for employee benefits	204.181	164.160
Deferred social security withholding	31.589	-
Provision for lawsuits	41.633	36.056
Fair values of the derivative financial instruments	9.274	11.581
Inventories	33.427	21.881
Provision for other doubtful receivables	-	17.869
Tangible and intangible assets	23.492	19.782
Financial lease payables	52.668	42.409
Other	66.144	65.063
	<u>462.408</u>	<u>378.801</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(4.223.405)	(3.059.711)
Amortized cost adjustment on loans	(23.822)	(19.085)
Right of Use Assets	(68.014)	(48.433)
Inventories	(361.813)	(132.676)
Other	(20.020)	(21.322)
	<u>(4.697.074)</u>	<u>(3.281.227)</u>
	<u>(4.234.666)</u>	<u>(2.902.426)</u>

In the financial statements which are prepared according to the TAS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries’ condensed consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

Presentation of deferred tax assets/(liabilities):

	30 September 2020	31 December 2019
Deferred tax assets	60.891	41.911
Deferred tax (liabilities)	(4.295.557)	(2.944.337)
	<u>(4.234.666)</u>	<u>(2.902.426)</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 11 – TAX ASSETS AND LIABILITIES (cont’d)**

Deferred tax (cont’d)

Movements of deferred tax asset/(liability)

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	(2.902.426)	(2.498.644)
Deferred tax (expense)/income	(365.534)	2.164
The amount in comprehensive income	18.571	(149)
Translation difference	(985.277)	(192.739)
Closing balance	<u>(4.234.666)</u>	<u>(2.689.368)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Profit before tax	3.504.677	4.513.662
Statutory tax rate	22%	22%
Calculated tax expense acc. to effective tax rate	(771.029)	(993.006)
<u>Reconciliation between the tax provision and calculated tax:</u>		
- Non-deductible expenses	(31.915)	(18.211)
- Adjustment effect of rates subjected to corporate tax and deferred tax	(44.769)	217
- Effect of currency translation to non taxable assets	(1.109.717)	(264.358)
- Non-taxable income	1.903	705
- Effect of the different tax rates due to foreign subsidiaries	72	(201)
Total tax exp. in reported in the stat. of income	<u>(1.955.455)</u>	<u>(1.274.854)</u>

**NOTE 12 – EQUITY**

As of the reporting date the detail of the capital structure is as follows:

<u>Shareholders</u>	(%)	30 September 2020	(%)	31 December 2019
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares (-)		(116.232)		(116.232)
		<u>3.540.381</u>		<u>3.540.381</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 13 – SALES AND COST OF SALES

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
<u>Sales Revenue</u>				
Domestic sales	17.573.681	6.697.754	16.007.701	5.177.497
Export sales	3.800.245	1.272.375	4.355.389	1.049.712
Other revenues (*)	519.104	169.416	562.355	152.726
Interest income from sales with maturities	82.501	28.601	148.275	47.906
Sales returns (-)	(9.286)	(4.350)	(30.408)	(4.947)
Sales discounts (-)	(30.222)	(10.931)	(32.051)	(6.449)
	<u>21.936.023</u>	<u>8.152.865</u>	<u>21.011.261</u>	<u>6.416.445</u>
<u>Cost of sales (-)</u>	<u>(18.444.861)</u>	<u>(6.727.901)</u>	<u>(16.586.915)</u>	<u>(5.240.079)</u>
Gross profit	<u>3.491.162</u>	<u>1.424.964</u>	<u>4.424.346</u>	<u>1.176.366</u>

(\*) The total amount of by product exports in other revenues is TRY 222.399 thousand (30 September 2019: TRY 249.101 thousand). Total interest income from export sales with maturities is TRY 1.694 thousand (30 September 2019: TRY 3.289 thousand).

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 517.506 thousand. Group plans to recognize related revenue amount as a revenue in a year.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 13 – SALES AND COST OF SALES (cont’d)

As of the reporting date the detail of the cost of sales is as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Raw material usage	(13.520.526)	(4.926.830)	(12.370.557)	(3.841.834)
Personnel costs	(1.517.269)	(566.230)	(1.222.400)	(406.927)
Energy costs	(1.166.753)	(417.352)	(963.509)	(324.454)
Depreciation and amortization expenses	(956.213)	(365.675)	(770.943)	(249.456)
Manufacturing overheads	(594.151)	(202.276)	(476.937)	(150.307)
Other cost of goods sold	(297.732)	(121.615)	(306.360)	(100.309)
Non-operating costs (*)	(45.676)	(1.381)	(134.778)	(69.706)
Freight costs for sales delivered to customers	(204.169)	(72.552)	(221.698)	(51.803)
Allowance expenses for impairment on inventories (Note 4)	(24.680)	(7.288)	(20.845)	(4.059)
Inventory provision released (Note 4)	3.528	357	8.563	6.903
Other	(121.220)	(47.059)	(107.451)	(48.127)
	<u>(18.444.861)</u>	<u>(6.727.901)</u>	<u>(16.586.915)</u>	<u>(5.240.079)</u>

(\*) Due to the planned/ unplanned halt production of plant of the Group’s, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (45.676) thousand, has been accounted directly under cost of sales (30 September 2019: TRY (134.778) thousand).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 14 –EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / (EXPENSES)

The Group’s detail of marketing expenses according to their nature as of the reporting date are as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Personnel expenses (-)	(78.898)	(27.438)	(75.492)	(24.699)
Depreciation and amortization (-)	(36.107)	(13.607)	(31.147)	(10.375)
Service expenses (-)	(76.974)	(24.647)	(69.246)	(21.317)
	<u>(191.979)</u>	<u>(65.692)</u>	<u>(175.885)</u>	<u>(56.391)</u>

The Group’s detail of the general administrative expenses according to their nature as of the reporting date are as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Personnel expenses (-)	(157.742)	(50.779)	(145.748)	(49.833)
Depreciation and amortization (-)	(36.745)	(13.020)	(31.776)	(10.925)
Benefits and services from third parties (-)	(131.267)	(45.084)	(127.062)	(46.452)
Tax, duty and charges (-)	(17.630)	(7.226)	(10.456)	(2.708)
Provision/ Provision released for doubtful receivables (net)	1.742	4.644	(3.439)	(299)
Amortization of right of use assets (-)	(6.792)	(2.420)	(3.499)	(1.467)
	<u>(348.434)</u>	<u>(113.885)</u>	<u>(321.980)</u>	<u>(111.684)</u>



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 14 –EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / EXPENSES (cont’d)

The Group’s detail of the other operating income according to it’s nature as of the reporting date is as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
<u>Other operating income</u>				
Share transfer agreement receivable incomes (*)	140.556	5.363	-	-
Foreign exchange gain from trade receivables and payables (net)	203.024	93.454	-	(24.096)
Forfeit advances from customers	1.386	169	8.553	2.052
Discount income	141	46	183	60
Provisions released	33.778	14.303	6.333	2.188
Service income	13.488	4.856	14.636	4.674
Maintenance repair and rent income	12.887	4.497	12.082	4.226
Warehouse income	4.246	1.222	7.965	2.034
Indemnity and penalty detention income	2.745	1.130	3.714	889
Insurance indemnity income	142.820	124.408	67.764	63.692
Lawsuit income	1.403	946	130	29
Overdue interest income	4.511	1.216	5.292	567
Other income and gains	33.173	6.743	25.993	2.327
	<u>594.158</u>	<u>258.353</u>	<u>152.645</u>	<u>58.642</u>

(\*) The Company filed a lawsuit to the Privatization Administration on 26 January 2012 in order to provide receivables arising from employee rights prior to the share transfer contract made in 2002 under the provisions of the Labor Law, and the provision has been recognized in the financial statements for the amount of TRY 84.147 thousand including the receivable amount of TRY 52.857 thousand determined by the court and the accrued receivables in the following periods due to the fact that the amount of receivables related to the case is considered as a doubtful. With the decision of the 11th Civil Chamber of the Supreme Court dated 11 June 2020, the case was finalized in favor of Company and a total of TRY 111.850 thousand, including principal and interest, was collected on 21 July 2020. As a result of the decision of the Supreme Court, TRY 140.556 thousand with the translation differences arising from the USD which is the functional currency was recorded in the statement of profit or loss as income.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 14 –EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / EXPENSES (cont’d)**

The Group’s detail of the other operating expenses according to it’s nature as of the reporting date are as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
<b>Other operating expenses (-)</b>				
Provision expenses	(40.686)	(17.091)	(49.163)	(19.405)
Interest expenses from purchases with maturities	(7.076)	(255)	(12.404)	(2.843)
Foreign exchange expenses from trade receivables and payables (net)	-	-	(26.506)	(26.506)
Lawsuit compensation expenses	(3.682)	(1.667)	(5.048)	(1.800)
Right of use assets amortization	(7.701)	(2.878)	(5.824)	(2.129)
Donation expenses	(14.350)	(2.002)	(2.907)	(484)
Service expenses	(11.759)	(4.042)	(12.219)	(8.648)
Previous period corporate tax adjustments	-	-	(14.523)	(23)
Stock exchange registration expenses	(1.196)	(43)	(3.240)	(11)
Penalty expenses	(3.247)	(2.678)	(527)	13
Other expenses and losses	(19.105)	(7.187)	(20.676)	(4.412)
	<u>(108.802)</u>	<u>(37.843)</u>	<u>(153.037)</u>	<u>(66.248)</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 15 – FINANCE INCOME AND EXPENSES

The Group’s detail of the financial income as of the reporting date is as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
<u>Finance income</u>				
Interest income on bank deposits	300.005	148.007	372.419	103.163
Foreign exchange gains (net)	5.016	(81.422)	438.279	(67.151)
Interest income from financial investments	2.617	1.045	11.041	3.522
Fair value differences of derivative financial instruments (net)	30.082	(9.882)	120.259	101.816
Financial assets provision released	-	-	53.419	183
Other financial income	3.245	1.000	982	982
	<u>340.965</u>	<u>58.748</u>	<u>996.399</u>	<u>142.515</u>

The Group’s detail of the financial expenses as of the reporting date are as follows:

	1 January - 30 September 2020	1 July- 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(268.011)	(66.500)	(299.819)	(139.136)
Interest cost of employee benefits	(67.384)	(25.452)	(69.728)	(26.322)
Interest expenses on leasings	(27.237)	(9.264)	(24.274)	(8.986)
Other financial expenses	(7.370)	(2.052)	(9.610)	(2.699)
	<u>(370.002)</u>	<u>(103.268)</u>	<u>(403.431)</u>	<u>(177.143)</u>

During the period, the borrowing costs of TRY 13.605 thousand have been capitalized as part of the Group’s tangibles (30 September 2019: TRY 12.133 thousand).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**

**Additional information about financial instruments**

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Foreign currency position table represents foreign currencies other than each entity’s functional currency. As of 30 September 2020, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 September 2020				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	712.584	39.555	72.758	-	4.769
2a. Monetary financial assets	6.292.111	5.469.834	89.576	30	2.479
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	65.469	31.743	3.599	-	472
<b>4. CURRENT ASSETS (1+2+3)</b>	<b>7.070.164</b>	<b>5.541.132</b>	<b>165.933</b>	<b>30</b>	<b>7.720</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	273.436	273.436	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	744.370	28.989	65.677	1.571.257	-
<b>8. NON-CURRENT ASSETS (5+6+7)</b>	<b>1.017.806</b>	<b>302.425</b>	<b>65.677</b>	<b>1.571.257</b>	-
<b>9. TOTAL ASSETS (4+8)</b>	<b>8.087.970</b>	<b>5.843.557</b>	<b>231.610</b>	<b>1.571.287</b>	<b>7.720</b>
10. Trade payables	1.803.670	991.567	72.534	1.944.614	3.541
11. Financial liabilities	1.629.165	1.453.680	19.225	-	-
12a. Other monetary financial liabilities	1.854.180	1.823.767	2.900	-	2.115
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES (10+11+12)</b>	<b>5.287.015</b>	<b>4.269.014</b>	<b>94.659</b>	<b>1.944.614</b>	<b>5.656</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.070.392	224.233	92.698	-	-
16a. Other monetary financial liabilities	981.776	981.102	-	-	362
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. NON-CURRENT LIABILITIES (14+15+16)</b>	<b>2.052.168</b>	<b>1.205.335</b>	<b>92.698</b>	-	<b>362</b>
<b>18. TOTAL LIABILITIES (13+17)</b>	<b>7.339.183</b>	<b>5.474.349</b>	<b>187.357</b>	<b>1.944.614</b>	<b>6.018</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(879.766)</b>	-	<b>(96.380)</b>	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	879.766	-	96.380	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(130.979)</b>	<b>369.208</b>	<b>(52.127)</b>	<b>(373.327)</b>	<b>1.702</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(61.052)</b>	<b>308.476</b>	<b>(25.023)</b>	<b>(1.944.584)</b>	<b>1.230</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	(10.360)	-	(1.135)	-	-
23. Hedged foreign currency assets	879.766	-	96.380	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	4.024.338				
26. Imports	11.599.312				

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS  
(cont’d)**

**Additional information about financial instruments (cont’d)**

Foreign currency risk management (cont’d)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). As of 31 December 2019, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2019				
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Original currency)
1. Trade Receivables	512.431	78.967	61.779	-	16.335
2a. Monetary financial assets	2.193.591	1.323.384	127.107	156	17.971
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	41.233	30.488	1.600	-	76
<b>4. CURRENT ASSETS (1+2+3)</b>	<b>2.747.255</b>	<b>1.432.839</b>	<b>190.486</b>	<b>156</b>	<b>34.382</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	262.197	262.197	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	336.825	16.430	39.212	1.094.943	121
<b>8. NON-CURRENT ASSETS (5+6+7)</b>	<b>599.022</b>	<b>278.627</b>	<b>39.212</b>	<b>1.094.943</b>	<b>121</b>
<b>9. TOTAL ASSETS (4+8)</b>	<b>3.346.277</b>	<b>1.711.466</b>	<b>229.698</b>	<b>1.095.099</b>	<b>34.503</b>
10. Trade payables	1.240.228	882.693	37.845	1.915.314	1.346
11. Financial liabilities	1.072.497	954.116	17.800	-	-
12a. Other monetary financial liabilities	703.990	698.992	314	-	2.103
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. CURRENT LIABILITIES (10+11+12)</b>	<b>3.016.715</b>	<b>2.535.801</b>	<b>55.959</b>	<b>1.915.314</b>	<b>3.449</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.170.295	761.140	61.522	-	-
16a. Other monetary financial liabilities	788.877	787.967	-	-	658
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>1.959.172</b>	<b>1.549.107</b>	<b>61.522</b>	<b>-</b>	<b>658</b>
<b>18. TOTAL LIABILITIES (13+17)</b>	<b>4.975.887</b>	<b>4.084.908</b>	<b>117.481</b>	<b>1.915.314</b>	<b>4.107</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(603.780)</b>	<b>82.101</b>	<b>(103.131)</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	257.101	82.101	26.313	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	860.881	-	129.444	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(2.233.390)</b>	<b>(2.291.341)</b>	<b>9.086</b>	<b>(820.215)</b>	<b>30.396</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(2.007.668)</b>	<b>(2.420.360)</b>	<b>71.405</b>	<b>(1.915.158)</b>	<b>30.199</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	21.078	23.572	(375)	-	-
23. Hedged foreign currency assets	860.881	-	129.444	-	-
24. Hedged foreign currency liabilities	257.101	82.101	26.313	-	-
25. Exports	5.842.476	-	-	-	-
26. Imports	15.103.243	-	-	-	-

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS  
(cont’d)**

**Additional information about financial instruments (cont’d)**

Foreign currency risk management (cont’d)

The following table shows the Group’s sensitivity to a 10% (+/-) change in the TRY, RON, EUR and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates.

As of 30 September 2020 on condensed consolidated financial statement are translated by using the following exchange rates: TRY 7,8080 = US \$ 1, TRY 9,1281 = EUR 1, TRY 0,0737 = JPY 1 and TRY 1,8628 = RON 1 (31 December 2019: TRY 5,9402 = US \$ 1, TRY 6,6506 = EUR 1, TRY 0,0543 = JPY 1 and TRY 1,3832 = RON 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2020		
1- TRY net asset/liability	36.921	(36.921)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	36.921	(36.921)
5- RON net asset/liability	317	(317)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON net effect (5+6+7)	317	(317)
9- Euro net asset/liability	40.395	(40.395)
10- Hedged portion from Euro risk (-)	(87.977)	87.977
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(47.582)	47.582
13- Jap. Yen net asset/liability	(2.753)	2.753
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.753)	2.753
<b>TOTAL (4+8+12+16)</b>	<b>(13.097)</b>	<b>13.097</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS  
(cont’d)**

**Additional information about financial instruments (cont’d)**

Foreign currency risk management (cont’d)

31 December 2019	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(237.344)	237.344
2- Hedged portion from TRY risk (-)	8.210	(8.210)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(229.134)	229.134
5- RON net asset/liability	4.204	(4.204)
6- Hedged portion from RON risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- RON Dollars net effect (5+6+7)	4.204	(4.204)
9- Euro net asset/liability	74.631	(74.631)
10- Hedged portion from Euro risk (-)	(68.588)	68.588
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	6.043	(6.043)
13- Jap. Yen net asset/liability	(4.453)	4.453
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(4.453)	4.453
<b>TOTAL (4+8+12+16)</b>	<b>(223.340)</b>	<b>223.340</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS  
(cont’d)**

**Additional information about financial instruments (cont’d)**

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehen- sive income	Derivative financial instruments through profit/loss	Carrying value
<b>30 September 2020</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	15.376.711	-	-	15.376.711
Trade receivables	3.713.455	-	-	3.713.455
Financial investments	213.883	-	212	214.095
Other financial assets	85.643	-	-	85.643
Derivative financial instruments	-	27.162	58.221	85.383
<b><u>Financial Liabilities</u></b>				
Financial liabilities	9.137.734	-	-	9.137.734
Trade payables	3.289.339	-	-	3.289.339
Other liabilities	708.587	-	-	708.587
Derivative financial instruments	-	22.762	57.923	80.685
<b>31 December 2019</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	10.590.024	-	-	10.590.024
Trade receivables	3.344.177	-	-	3.344.177
Financial investments	101.304	-	161	101.465
Other financial assets	42.968	-	-	42.968
Derivative financial instruments	-	14.584	35.500	50.084
<b><u>Financial Liabilities</u></b>				
Financial liabilities	7.700.977	-	-	7.700.977
Trade payables	2.936.622	-	-	2.936.622
Other liabilities	374.155	-	-	374.155
Derivative financial instruments	-	7.053	95.670	102.723



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

#### NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

##### Additional information about financial instruments (cont’d)

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

Financial asset and liabilities at fair value	30 September 2020	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<b>Financial assets and liabilities at fair value through profit/loss</b>				
Derivative financial assets	58.221	-	58.221	-
Derivative financial liabilities	(57.923)	-	(57.923)	-
<b>Financial assets and liabilities at fair value through other comprehensive income/expense</b>				
Derivative financial assets	27.162	-	27.162	-
Derivative financial liabilities	(22.762)	-	(22.762)	-
Total	4.698	-	4.698	-

Financial asset and liabilities at fair value	31 December 2019	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
<b>Financial assets and liabilities at fair value through profit/loss</b>				
Derivative financial assets	35.500	-	35.500	-
Derivative financial liabilities	(95.670)	-	(95.670)	-
<b>Financial assets and liabilities at fair value through other comprehensive income/expense</b>				
Derivative financial assets	14.584	-	14.584	-
Derivative financial liabilities	(7.053)	-	(7.053)	-
Total	(52.639)	-	(52.639)	-

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated.)

---

**NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS  
(cont’d)**

**Additional information about financial instruments (cont’d)**

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

*First Level:* Quoted (non adjusted) prices in active markets for identical assets or liabilities.

*Second Level:* Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

*Third Level:* Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**NOTE 17 – SUBSEQUENT EVENTS**

None.

**NOTE 18 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS  
MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR,  
UNDERSTANDABLE AND INTERPRETABLE PRESENTATION**

**Convenience translation to English:**

As of 30 September 2020, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.