

**(CONVENIENCE TRANSLATION OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 19)**

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021 AND INDEPENDENT
AUDITOR'S REVIEW REPORT**

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF CONDENSED
INTERIM CONSOLIDATED FINANCIAL INFORMATION ORIGINALLY ISSUED IN
TURKISH)**

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

**To the General Assembly of
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (“the Company”) and its subsidiaries (together will be referred as “the Group”) as of 30 June 2021, and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows and other explanatory notes for the six-month period then ended (“condensed consolidated interim financial information”). Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

Emphasis of Matter

We would like to draw attention to the matter in Note 9 to the accompanying condensed consolidated financial statements. The court cases related to Capital Market Board's ("CMB") claim that the Company had prepared its 31 December 2005 financial statements in accordance with International Financial Reporting Standards instead of Communiqué Serial XI, No: 25 on "Accounting Standards in Capital Markets" without taking the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions declared to the Company via notifications sent in July 2012. On 1 August 2012, the Company applied to the Administrative Court to remove the conflicting decisions of this court, but the Administrative Court decided to reject the application by the notification made on 17 February 2014. For the lawsuit filed by the Republic of Turkey Prime Ministry Privatization Administration ("PA") decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017. The decision of reversal has been notified to the Company on 2 August 2017. The Company has applied for rectification. With the decision of the 11th Civil Chamber of the Supreme Court dated 27 June 2019 notified to the Company on 28 August 2019, it was reported that the Company's application for rectification of the decision has been rejected. The case is still pending before the 3rd Commercial Court of First Instance of Ankara. Next trial will be held on 14 October 2021. Legal process is ongoing as of the date of audit report and our conclusion is not qualified in respect of this matter.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik, SMMM
Partner

İstanbul, 9 August 2021

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(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2021

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

| | Note | (Reviewed) | (Reviewed) | (Audited) | (Audited) |
|---|------|--|--|---|---|
| | | Current Period 30 June 2021 USD'000 | Current Period 30 June 2021 TRY'000 | Previous Period 31 December 2020 USD'000 | Previous Period 31 December 2020 TRY'000 |
| ASSETS | | | | | |
| CURRENT ASSETS | | 3.847.440 | 33.396.936 | 3.883.556 | 28.507.242 |
| Cash and Cash Equivalents | | 1.185.072 | 10.286.783 | 1.844.858 | 13.542.177 |
| Financial Investments | | 1.118 | 9.706 | 5.320 | 39.048 |
| Trade Receivables | | 623.554 | 5.412.635 | 521.467 | 3.827.829 |
| <i>Due From Related Parties</i> | 3 | 18.730 | 162.580 | 35.282 | 258.985 |
| <i>Other Trade Receivables from Third Parties</i> | | 604.824 | 5.250.055 | 486.185 | 3.568.844 |
| Other Receivables | | 6.045 | 52.473 | 6.338 | 46.520 |
| <i>Due From Related Parties</i> | 3 | 971 | 8.432 | 1.484 | 10.892 |
| <i>Other Receivables from Third Parties</i> | | 5.074 | 44.041 | 4.854 | 35.628 |
| Financial Derivative Instruments | | 16.516 | 143.364 | 5.110 | 37.510 |
| Inventories | 4 | 1.865.087 | 16.189.514 | 1.376.838 | 10.106.678 |
| Prepaid Expenses | | 30.629 | 265.862 | 18.117 | 132.990 |
| <i>Prepaid Expenses to Related Parties</i> | 3 | 28 | 239 | 38 | 280 |
| <i>Other Prepaid Expenses to Third Parties</i> | | 30.601 | 265.623 | 18.079 | 132.710 |
| Other Current Assets | | 119.419 | 1.036.599 | 105.508 | 774.490 |
| NON CURRENT ASSETS | | 4.461.059 | 38.723.329 | 4.016.984 | 29.486.670 |
| Financial Investments | | 29 | 255 | 27 | 199 |
| Other Receivables | | 6.431 | 55.817 | 5.357 | 39.325 |
| <i>Due From Related Parties</i> | 3 | 3.484 | 30.239 | 3.877 | 28.458 |
| <i>Other Receivables from Third Parties</i> | | 2.947 | 25.578 | 1.480 | 10.867 |
| Financial Derivative Instruments | | 3 | 29 | - | - |
| Investments Accounted for Using Equity Method | 5 | 30.266 | 262.718 | 31.327 | 229.956 |
| Investment Properties | | 49.711 | 431.510 | 50.156 | 368.168 |
| Property, Plant and Equipment | 6 | 3.680.718 | 31.949.738 | 3.550.417 | 26.061.836 |
| Right of Use Assets | | 48.250 | 418.827 | 43.273 | 317.644 |
| Intangible Assets | | 296.488 | 2.573.600 | 55.952 | 410.715 |
| <i>Goodwill</i> | 7 | 126.620 | 1.099.098 | - | - |
| <i>Other Intangible Assets</i> | 6 | 169.868 | 1.474.502 | 55.952 | 410.715 |
| Prepaid Expenses | | 306.907 | 2.664.041 | 241.956 | 1.776.075 |
| <i>Prepaid Expenses to Related Parties</i> | 3 | 91.050 | 790.342 | 87.646 | 643.367 |
| <i>Other Prepaid Expenses to Third Parties</i> | | 215.857 | 1.873.699 | 154.310 | 1.132.708 |
| Deferred Tax Assets | 12 | 18.635 | 161.757 | 9.851 | 72.311 |
| Other Non Current Assets | | 23.621 | 205.037 | 28.668 | 210.441 |
| TOTAL ASSETS | | 8.308.499 | 72.120.265 | 7.900.540 | 57.993.912 |

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2021

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

| | Note | (Reviewed) | (Reviewed) | (Audited) | (Audited) |
|---|------|--|--|---|---|
| | | Current Period 30 June 2021 USD'000 | Current Period 30 June 2021 TRY'000 | Previous Period 31 December 2020 USD'000 | Previous Period 31 December 2020 TRY'000 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | 1.603.469 | 13.943.605 | 1.285.214 | 9.434.112 |
| Short Term Borrowings | 8 | 289.247 | 2.515.260 | 162.591 | 1.193.496 |
| Short Term Portion of Long Term Borrowings | 8 | 270.898 | 2.355.705 | 353.114 | 2.592.032 |
| Trade Payables | | 620.424 | 5.395.147 | 513.173 | 3.766.949 |
| <i>Due to Related Parties</i> | 3 | 13.368 | 116.246 | 17.892 | 131.336 |
| <i>Other Trade Payables to Third Parties</i> | | 607.056 | 5.278.901 | 495.281 | 3.635.613 |
| Payables for Employee Benefits | 10 | 23.868 | 207.551 | 26.878 | 197.296 |
| Other Payables | | 18.209 | 158.347 | 17.967 | 131.885 |
| Financial Derivative Instruments | | 3.872 | 33.670 | 8.117 | 59.582 |
| Deferred Revenue | | 117.008 | 1.017.487 | 73.863 | 542.194 |
| Current Tax Liabilities | 12 | 218.517 | 1.900.203 | 73.117 | 536.715 |
| Short Term Provisions | 9 | 29.626 | 257.626 | 34.551 | 253.624 |
| Other Current Liabilities | | 11.800 | 102.609 | 21.843 | 160.339 |
| NON CURRENT LIABILITIES | | 1.243.270 | 10.811.350 | 1.013.313 | 7.438.224 |
| Long Term Borrowings | 8 | 514.855 | 4.477.126 | 383.181 | 2.812.743 |
| Long Term Provisions | | 138.177 | 1.201.575 | 131.890 | 968.136 |
| <i>Long term provisions for employee benefits</i> | 10 | 138.177 | 1.201.575 | 131.890 | 968.136 |
| Deferred Tax Liabilities | 12 | 590.006 | 5.130.629 | 497.989 | 3.655.488 |
| Other Non Current Liabilities | | 232 | 2.020 | 253 | 1.857 |
| EQUITY | | 5.461.760 | 47.365.310 | 5.602.013 | 41.121.576 |
| Equity Attributable to Equity Holders of the Parent | | 5.286.874 | 45.869.169 | 5.421.241 | 39.809.427 |
| Share Capital | 13 | 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) | | (64.974) | 16.642.184 | (55.530) | 13.067.766 |
| <i>Revaluation Reserve of Tangible Assets</i> | | 10.681 | 93.517 | 10.844 | 77.866 |
| <i>Actuarial (Loss) Gain funds</i> | | (59.970) | (196.395) | (50.689) | (115.606) |
| <i>Foreign Currency Translation Reserves</i> | | (15.685) | 16.745.062 | (15.685) | 13.105.506 |
| Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss) | | (130.228) | 615.907 | (103.971) | 241.213 |
| <i>Foreign Currency Translation Reserves</i> | | (134.452) | 579.179 | (101.862) | 256.694 |
| <i>Cash Flow Hedging Gain (Loss)</i> | | 4.224 | 36.728 | (2.109) | (15.481) |
| Restricted Reserves Assorted from Profit | | 1.178.392 | 4.628.583 | 1.041.255 | 3.597.448 |
| Retained Earnings | | 1.671.421 | 14.534.512 | 2.172.478 | 15.947.079 |
| Net Profit for the Period | | 737.610 | 5.801.155 | 472.356 | 3.309.093 |
| Non-Controlling Interests | | 174.886 | 1.496.141 | 180.772 | 1.312.149 |
| TOTAL LIABILITIES AND EQUITY | | 8.308.499 | 72.120.265 | 7.900.540 | 57.993.912 |

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

CONDENSED CONSOLIDATED PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

| | Note | (Reviewed) Current Period 1 January - 30 June 2021 USD'000 | (Reviewed) Current Period 1 January - 30 June 2021 TRY'000 | (Unaudited) Current Period 1 April 30 June 2021 TRY'000 | (Reviewed) Previous Period 1 January - 30 June 2020 USD'000 | (Reviewed) Previous Period 1 January - 30 June 2020 TRY'000 | (Unaudited) Previous Period 1 April 30 June 2020 TRY'000 |
|---|------|--|--|---|---|---|--|
| Revenue | 14 | 3.152.981 | 24.797.566 | 14.333.363 | 2.128.311 | 13.783.158 | 7.404.231 |
| Cost of Sales | 14 | (2.003.933) | (15.760.536) | (8.950.425) | (1.809.262) | (11.716.960) | (6.215.712) |
| GROSS PROFIT | | 1.149.048 | 9.037.030 | 5.382.938 | 319.049 | 2.066.198 | 1.188.519 |
| Marketing Expenses | 15 | (21.128) | (166.165) | (92.451) | (19.500) | (126.287) | (68.750) |
| General Administrative Expenses | 15 | (34.653) | (272.539) | (143.614) | (36.218) | (234.549) | (124.052) |
| Research and Development Expenses | | (2.277) | (17.908) | (9.886) | (2.077) | (13.454) | (7.083) |
| Other Operating Income | 15 | 15.375 | 120.921 | 49.440 | 51.853 | 335.805 | 236.456 |
| Other Operating Expenses | 15 | (10.842) | (85.270) | (39.462) | (10.958) | (70.959) | (32.306) |
| OPERATING PROFIT | | 1.095.523 | 8.616.069 | 5.146.965 | 302.149 | 1.956.754 | 1.192.784 |
| Income from Investing Activities | | 1.113 | 8.754 | 3.894 | 1.083 | 7.014 | 3.623 |
| Expenses from Investing Activities | | (2.010) | (15.811) | (5.689) | (6.032) | (39.066) | (26.703) |
| Share of Investments' Profit Accounted by Using The Equity Method | 5 | (165) | (1.300) | 2.923 | 1.355 | 8.777 | 12.821 |
| OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES) | | 1.094.461 | 8.607.712 | 5.148.093 | 298.555 | 1.933.479 | 1.182.525 |
| Finance Income | 16 | 84.632 | 931.836 | 244.939 | 36.139 | 282.217 | 328 |
| Finance Expense | 16 | (27.384) | (215.370) | (109.728) | (41.187) | (266.734) | (135.888) |
| PROFIT BEFORE TAX | | 1.151.709 | 9.324.178 | 5.283.304 | 293.507 | 1.948.962 | 1.046.965 |
| Tax (Expense) Income | 12 | (382.399) | (3.273.710) | (1.944.598) | (150.388) | (1.022.104) | (442.885) |
| Current Corporate Tax (Expense) Income | | (320.318) | (2.785.457) | (1.907.657) | (131.581) | (900.305) | (498.180) |
| Deferred Tax (Expense) Income | | (62.081) | (488.253) | (36.941) | (18.807) | (121.799) | 55.295 |
| NET PROFIT FOR THE PERIOD | | 769.310 | 6.050.468 | 3.338.706 | 143.119 | 926.858 | 604.080 |
| Non-Controlling Interests | | 31.700 | 249.313 | 155.230 | 9.088 | 58.857 | 36.517 |
| Equity Holders of the Parent | | 737.610 | 5.801.155 | 3.183.476 | 134.031 | 868.001 | 567.563 |
| EARNINGS PER SHARE | | | 1,6575 | 0,9096 | | 0,2480 | 0,1622 |
| (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 19)

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

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

| | | (Reviewed) Current Period 1 January - 30 June 2021 USD'000 | (Reviewed) Current Period 1 January - 30 June 2021 TRY'000 | (Unaudited) Current Period 1 April- 30 June 2021 TRY'000 | (Reviewed) Previous Period 1 January - 30 June 2020 USD'000 | (Reviewed) Previous Period 1 January - 30 June 2020 TRY'000 | (Unaudited) Previous Period 1 April- 30 June 2020 TRY'000 |
|---|------|--|--|--|---|---|---|
| | Note | | | | | | |
| PROFIT FOR THE PERIOD | | 769.310 | 6.050.468 | 3.338.706 | 143.119 | 926.858 | 604.080 |
| OTHER COMPREHENSIVE INCOME | | | | | | | |
| Not to be reclassified subsequently to profit or loss | | | | | | | |
| Increase (Decrease) in Revaluation Reserve of Tangible Assets | | (169) | 15.651 | 4.846 | (47) | 10.889 | 4.249 |
| Actuarial Gain (Loss) of Defined Benefit Plans | 10 | (11.878) | (103.399) | (103.399) | (12.979) | (88.803) | (88.803) |
| Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans | 12 | 2.376 | 20.680 | 20.680 | 2.596 | 17.761 | 17.761 |
| Foreign Currency Translation Gain (Loss) | | - | 4.343.577 | 919.840 | - | 3.127.969 | 1.127.806 |
| To be reclassified subsequently to profit or loss | | | | | | | |
| Gain (Loss) in Cash Flow Hedging Reserves | | 8.339 | 69.655 | (11.797) | 1.494 | 11.480 | (5.887) |
| Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves | 12 | (1.953) | (16.982) | (692) | (329) | (2.526) | 1.294 |
| Foreign Currency Translation Gain (Loss) | | (36.036) | 2.395.886 | 884.198 | (22.448) | 1.502.889 | 558.468 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | (39.321) | 6.725.068 | 1.713.676 | (31.713) | 4.579.659 | 1.614.888 |
| TOTAL COMPREHENSIVE INCOME | | 729.989 | 12.775.536 | 5.052.382 | 111.406 | 5.506.517 | 2.218.968 |
| Distribution of Total Comprehensive Income | | | | | | | |
| Non-controlling Interests | | 28.080 | 440.292 | 207.794 | 6.472 | 184.848 | 81.620 |
| Equity Holders of the Parent | | 701.909 | 12.335.244 | 4.844.588 | 104.934 | 5.321.669 | 2.137.348 |

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 19)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

| (Reviewed) | Note | | | | | 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 | | | |
| 1 January 2021 (Previously reported) | | 3.500.000 | 156.613 | (116.232) | 106.447 | 77.866 | 17.198.251 | (115.606) | (15.481) | 7.628.480 | 3.597.448 | 4.482.548 | 3.309.093 | 39.809.427 | 1.312.149 | 41.121.576 |
| Effect of change in accounting principle | 2.5 | - | - | - | - | - | (4.092.745) | - | - | (7.371.786) | - | 11.464.531 | - | - | - | - |
| 1 January 2021 | | 3.500.000 | 156.613 | (116.232) | 106.447 | 77.866 | 13.105.506 | (115.606) | (15.481) | 256.694 | 3.597.448 | 15.947.079 | 3.309.093 | 39.809.427 | 1.312.149 | 41.121.576 |
| Net profit for the period | | - | - | - | - | - | - | - | - | - | - | 5.801.155 | - | 249.313 | - | 6.050.468 |
| Other comprehensive income (loss) | | - | - | - | - | 15.651 | 4.343.577 | (80.789) | 52.209 | 2.203.441 | - | - | - | 6.534.089 | 190.979 | 6.725.068 |
| Total comprehensive income (loss) | | - | - | - | - | 15.651 | 4.343.577 | (80.789) | 52.209 | 2.203.441 | - | - | 5.801.155 | 12.335.244 | 440.292 | 12.775.536 |
| Dividends (*) | | - | - | - | - | - | - | - | - | - | - | (6.275.502) | - | (6.275.502) | (256.300) | (6.531.802) |
| Transfers | | - | - | - | - | - | - | - | - | 1.031.135 | 2.277.958 | (3.309.093) | - | - | - | - |
| Increase (decrease) due to other changes | 2.1 | - | - | - | - | - | (704.021) | - | - | (1.880.956) | - | 2.584.977 | - | - | - | - |
| 30 June 2021 | | 3.500.000 | 156.613 | (116.232) | 106.447 | 93.517 | 16.745.062 | (196.395) | 36.728 | 579.179 | 4.628.583 | 14.534.512 | 5.801.155 | 45.869.169 | 1.496.141 | 47.365.310 |
| (Reviewed) | | | | | | | | | | | | | | | | |
| 1 January 2020 (Previously reported) | | 3.500.000 | 156.613 | (116.232) | 106.447 | 58.952 | 12.365.096 | (102.008) | 6.474 | 5.463.762 | 3.485.761 | 2.057.906 | 3.316.527 | 30.299.298 | 948.177 | 31.247.475 |
| Effect of change in accounting principle | 2.5 | - | - | - | - | - | (3.018.598) | - | - | (5.127.411) | - | 8.146.009 | - | - | - | - |
| 1 January 2020 | | 3.500.000 | 156.613 | (116.232) | 106.447 | 58.952 | 9.346.498 | (102.008) | 6.474 | 336.351 | 3.485.761 | 10.203.915 | 3.316.527 | 30.299.298 | 948.177 | 31.247.475 |
| Net profit for the period | | - | - | - | - | - | - | - | - | - | - | - | 868.001 | 58.857 | - | 926.858 |
| Other comprehensive income (loss) | | - | - | - | - | 10.889 | 3.127.969 | (69.331) | 8.954 | 1.375.187 | - | - | - | 4.453.668 | 125.991 | 4.579.659 |
| Total comprehensive income (loss) | | - | - | - | - | 10.889 | 3.127.969 | (69.331) | 8.954 | 1.375.187 | - | - | 868.001 | 5.321.669 | 184.848 | 5.506.517 |
| Dividends (*) | | - | - | - | - | - | - | - | - | - | - | - | - | - | (9.000) | (9.000) |
| Transfers | | - | - | - | - | - | - | - | - | - | 12.919 | 3.303.608 | (3.316.527) | - | - | - |
| Increase (decrease) due to other changes | 2.1 | - | - | - | - | - | (1.074.147) | - | - | (1.160.468) | - | 2.234.615 | - | - | - | - |
| 30 June 2020 | | 3.500.000 | 156.613 | (116.232) | 106.447 | 69.841 | 11.400.320 | (171.339) | 15.428 | 551.070 | 3.498.680 | 15.742.138 | 868.001 | 35.620.967 | 1.124.025 | 36.744.992 |

(*) At Annual General Assembly dated 17 March 2021, dividend distribution (gross dividend per share: TRY 1,85) amounting to TRY 6.475.000 thousand from 2020 net profit and retained earnings was approved. As of 17 March 2021, which is the dividend distribution decision date of the Company, dividend pertaining to the shares owned by the Company due to the ownership of 3.08% of its own shares with a nominal value of 1 TRY, is shown by netting off the amount of dividends to be distributed. Dividend distribution started on 24 March 2021. The Group paid TRY 256.300 thousand (2020: TRY 9.000 thousand) dividend to non-controlling shares on Isdemir and Erdemir Maden, which are of subsidiaries of the Group in current year.

Retained earnings; in the condensed consolidated financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed consolidated statement of financial position dated 30 June 2021 by converting to US Dollars at historical rates, are 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 19)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

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

| | (Reviewed) Current Period 1 January - 30 June 2021 | (Reviewed) Current Period 1 January - 30 June 2021 | (Reviewed) Previous Period 1 January - 30 June 2020 | (Reviewed) Previous Period 1 January - 30 June 2020 |
|---|---|---|--|--|
| Note | USD'000 | TRY'000 | USD'000 | TRY'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | 551.840 | 4.634.825 | 469.551 | 3.149.292 |
| Profit (Loss) for The Period | 769.310 | 6.050.468 | 143.119 | 926.858 |
| Adjustments to Reconcile Profit (Loss) | 420.847 | 4.018.421 | 247.767 | 1.652.583 |
| Adjustments for Depreciation and Amortisation Expenses | 6/14/15 113.193 | 890.226 | 100.359 | 649.938 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) | (4.508) | (35.448) | 2.867 | 18.568 |
| Adjustments for Provision (Reversal of Provision) for Receivables | (3.089) | (24.293) | 443 | 2.873 |
| Adjustments for Provision (Reversal of Provision) for Inventories | 4 (1.419) | (11.155) | 2.196 | 14.221 |
| Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment | 14 - | - | 228 | 1.474 |
| Adjustments for Provisions | 22.612 | 177.828 | 21.890 | 144.884 |
| Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits | 10 17.353 | 136.469 | 18.891 | 122.341 |
| Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits | 9 5.259 | 41.359 | 2.999 | 22.543 |
| Adjustments for Interest (Income) and Expenses | (22.911) | (180.184) | 8.338 | 53.994 |
| Adjustments for Interest Income | 16 (36.566) | (287.578) | (23.714) | (153.570) |
| Adjustments for Interest Expense | 16 20.594 | 161.970 | 33.891 | 219.484 |
| Deferred Financial Expense from Credit Purchases | 15 - | - | 1.055 | 6.821 |
| Unearned Financial Income from Credit Sales | (6.939) | (54.576) | (2.894) | (18.741) |
| Adjustments for Unrealised Foreign Exchange Differences | (7.988) | (78.414) | (13.239) | (89.020) |
| Adjustments for Fair Value (Gains) Losses | (5.596) | (44.012) | (6.171) | (39.964) |
| Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments | (5.596) | (44.012) | (6.171) | (39.964) |
| Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method | 5 165 | 1.300 | (1.355) | (8.777) |
| Adjustments for Tax (Income) Expenses | 12 382.399 | 3.273.710 | 150.388 | 1.022.104 |
| Other Adjustments from Non-Cash Items | 15 - | - | (20.876) | (135.193) |
| Adjustments for Losses (Gains) on Disposal of Non-Current Assets | 1.706 | 13.415 | 5.566 | 36.049 |
| Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment | 1.706 | 13.415 | 5.566 | 36.049 |
| Adjustments for Reconciliation of Profit (Loss) | (58.225) | - | - | - |
| Changes in Working Capital | (452.374) | (3.925.398) | 181.991 | 1.242.986 |
| Adjustments for Decrease (Increase) in Trade Receivables | (66.662) | (578.642) | 68.012 | 465.351 |
| Decrease (Increase) in Trade Receivables from Related Parties | 16.552 | 143.677 | 775 | 5.302 |
| Decrease (Increase) in Trade Receivables from Third Parties | (83.214) | (722.319) | 67.237 | 460.049 |
| Adjustments for Decrease (Increase) in Other Receivables Related from Operations | (812) | (7.051) | (1.150) | (7.869) |
| Decrease (Increase) in Other Receivables from Operations from Third Parties | (812) | (7.051) | (1.150) | (7.869) |
| Decrease (Increase) in Derivative Financial Instruments | (11.409) | (99.033) | 87 | 596 |
| Adjustments for Decrease (Increase) in Inventories | (453.229) | (3.934.163) | 150.654 | 1.030.805 |
| Decrease (Increase) in Prepaid Expenses | (2.995) | (26.000) | (29.048) | (198.750) |
| Adjustments for Increase (Decrease) in Trade Payables | 90.657 | 788.345 | (72.637) | (496.997) |
| Increase (Decrease) in Trade Payable to Related Parties | (4.524) | (39.341) | (4.562) | (31.214) |
| Increase (Decrease) in Trade Payable to Third Parties | 95.181 | 827.686 | (68.075) | (465.783) |
| Adjustments for Increase (Decrease) in Other Payables Related from Operations | (39.654) | (344.831) | 35.318 | 241.653 |
| Increase (Decrease) in Other Payables to Third Parties Related from Operations | (39.654) | (344.831) | 35.318 | 241.653 |
| Increase (Decrease) in Derivative Liabilities | 9.637 | 83.803 | 3.322 | 22.731 |
| Adjustments for Other Increase (Decrease) in Working Capital | 22.093 | 192.174 | 27.433 | 185.466 |
| Decrease (Increase) in Other Assets Related from Operations | (5.288) | (45.925) | (4.286) | (31.561) |
| Increase (Decrease) in Other Payables Related from Operations | 27.381 | 238.099 | 31.719 | 217.027 |
| Cash Flows Provided by Operating Activities | 737.783 | 6.143.491 | 572.877 | 3.822.427 |
| Payments Related to Provisions for Employee Termination Benefits | 10 (4.112) | (32.332) | (4.481) | (29.019) |
| Payments Related to Other Provisions | 9 (6.913) | (54.365) | (2.672) | (17.302) |
| Income Taxes Refund (Paid) | 12 (174.918) | (1.421.969) | (96.173) | (626.814) |
| CASH FLOWS FROM INVESTING ACTIVITIES | (530.637) | (4.326.059) | (164.774) | (1.174.727) |
| Cash Outflow Due to Share Purchases of Subsidiaries' not End Up with Losing Control | 2.9 (293.791) | (2.096.850) | - | - |
| Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures' | 12 - | - | 1.981 | 13.333 |
| Cash Inflows Arising From Purchase of Third Parties' Debt Instruments or Funds | 7.861 | 60.000 | 12.500 | 74.700 |
| Cash Outflows Arising From Purchase of Third Parties' Debt Instruments or Funds | (3.742) | (28.864) | (5.302) | (34.237) |
| Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets | 48 | 376 | 30 | 187 |
| Cash Inflow from Sales of Property, Plant and Equipment | 48 | 376 | 30 | 187 |
| Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets | (176.632) | (1.389.177) | (107.207) | (694.284) |
| Cash Outflow from Purchase of Property, Plant and Equipment | 6 (175.950) | (1.383.815) | (107.045) | (693.235) |
| Cash Outflow from Purchase of Intangible Assets | 6 (682) | (5.362) | (162) | (1.049) |
| Cash Advances and Debts Given | (65.240) | (877.936) | (65.116) | (523.256) |
| Other Cash Advances and Debts Given to Related Parties | (3.404) | (29.548) | - | - |
| Other Cash Advances and Debts Given | (61.836) | (848.388) | (65.116) | (523.256) |
| Dividends Received | 5 859 | 6.392 | 321 | 2.163 |
| CASH FLOWS FROM FINANCING ACTIVITIES | (637.883) | (3.561.705) | 64.374 | 1.569.164 |
| Cash Inflow from Borrowings | 460.376 | 3.630.367 | 654.855 | 4.226.265 |
| Cash Inflow from Loans | 460.376 | 3.630.367 | 654.855 | 4.226.265 |
| Cash Outflow from Repayments of Borrowings | (283.080) | (913.202) | (550.012) | (2.381.502) |
| Cash Outflow from Loan Repayments | (217.855) | (363.202) | (550.012) | (2.381.502) |
| Cash Outflows from Repayments of Issued Debt Instruments | (65.225) | (550.000) | - | - |
| Cash Outflow from Debt Payments for Leasing Contracts | (4.954) | (38.963) | (4.519) | (30.921) |
| Dividends Paid | (826.542) | (6.365.547) | (1.381) | (9.000) |
| Interest Paid | (23.678) | (186.226) | (32.867) | (212.853) |
| Interest Received | 39.995 | 311.866 | 15.517 | 98.208 |
| Other Cash Inflow (Outflow) | - | - | (17.219) | (121.033) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGE | (616.680) | (3.252.939) | 369.151 | 3.543.729 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (39.416) | 23.878 | (38.563) | 324.672 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (656.096) | (3.229.061) | 330.588 | 3.868.401 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 1.840.609 | 13.510.993 | 1.780.737 | 10.577.931 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 1.184.513 | 10.281.932 | 2.111.325 | 14.446.332 |

- As of 30 June 2021, the Group's total amount of time deposit interest accrual is TRY 4.851 thousand (USD 559 thousand) (30 June 2020: TRY 23.251 thousand (USD 3.399 thousand)).
- Bank deposits with maturities of more than 3 months in financial investments are reported in condensed consolidated statement of cash flow under "Other Cash Inflow (Outflow)".
- 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 "Other 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(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) 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 | | 2021 | 2020 |
|---|------------|-------------------------------------|--------------------------------|--------------------------------|
| | 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 |
| Kümaş Manyezit Sanayi A.Ş. | Turkey | Magnesite Ore, Refractor | 100 | - |
| Odak Refrakter ve Madencilik San. Tic. A.Ş. | Turkey | Recycling | 100 | - |
| Yenilikçi Yapı Malzemeleri ve Üretim San. Tic. A.Ş. | Turkey | Special Purpose Entity | 100 | - |

The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) was completed on 3 February 2021. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand) (Note 2.9 and Note 7).

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(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 June 2021 Personnel |
|--|--------------------------|---------------------------|---------------------------|
| Ereğli Demir ve Çelik Fab.T.A.Ş. | 3.979 | 1.773 | 5.752 |
| İskenderun Demir ve Çelik A.Ş. | 3.072 | 1.695 | 4.767 |
| Erdemir Madencilik San. ve Tic. A.Ş. | 155 | 160 | 315 |
| Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. | 230 | 79 | 309 |
| Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş. | - | 274 | 274 |
| Erdemir Romania S.R.L. | 206 | 40 | 246 |
| Erdemir Asia Pacific Private Limited | - | 1 | 1 |
| Kümaş Manyezit Sanayi A.Ş. | 550 | 122 | 672 |
| Erdemir Enerji Üretim A.Ş. | - | 5 | 5 |
| | <u>8.192</u> | <u>4.149</u> | <u>12.341</u> |

| | Paid Hourly Personnel | Paid Monthly Personnel | 31 December 2020 Personnel |
|--|--------------------------|---------------------------|-------------------------------|
| Ereğli Demir ve Çelik Fab.T.A.Ş. | 4.001 | 1.739 | 5.740 |
| İskenderun Demir ve Çelik A.Ş. | 2.988 | 1.714 | 4.702 |
| Erdemir Madencilik San. ve Tic. A.Ş. | 156 | 154 | 310 |
| Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. | 231 | 74 | 305 |
| Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş. | - | 249 | 249 |
| Erdemir Romania S.R.L. | 192 | 39 | 231 |
| Erdemir Asia Pacific Private Limited | - | 1 | 1 |
| | <u>7.568</u> | <u>3.970</u> | <u>11.538</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 TFRS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The financial statements are prepared on the basis of historical cost, with the exception of derivative financial instruments carried at fair value and revaluation of iron ore and fixed assets used in the production of silicon flat steel at the fair value determined at the date of purchase. In determining the historical cost, generally the fair value of the amount paid for the assets is taken as basis.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(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 as at 31 December 2020.

Functional and reporting presentation currency

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

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

The accompanying condensed consolidated 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

In accordance with the Public Oversight, Accounting and Auditing Standards Authority’s (“POA”) announcement "On the Next Measurement of Foreign Currency Monetary Items According to Turkish Accounting Standards" dated 15 March 2021, the Group carried out a valuation for the assets and liabilities in the condensed consolidated financial statements based on the current buying and selling rates effective as of the end of the reporting period, and translated them into the presentation currency at the same exchange rates.

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, Kümaş, EAPPL; in EUR for Erdemir Romania, have been translated in TRY as the following method:

- a) The assets on condensed financial position as of 30 June 2021 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 8,6803= US \$ 1 and TRY 10,3249= EUR 1 and the liabilities on condensed financial position as of 30 June 2021 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 8,6959= US \$ 1 and TRY 10,3435= EUR 1 on the balance sheet date (31 December 2020: TRY 7,3405= US \$ 1, TRY 9,0079= EUR 1).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(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)

- b) For the six months period ended 30 June 2021, condensed consolidated statements of profit or loss are translated from the average TRY 7,8648 = US \$ 1 and TRY 9,4819 =EUR 1 rates of 2021 January – June period (30 June 2020: TRY 6,4761 = US \$ 1 TRY 7,1327 = 1 EUR).
- c) Earnings of previous years are carried in US Dollar in the condensed consolidated financial statements after being translated into US Dollar at the historical currency rates as per TAS 21, and retained earnings in the statement of condensed consolidated financial position as of 30 June 2021 are presented by being translated at the TRY 8,6959 = US \$ 1 rate, which is the effective foreign currency selling rate as of 30 June 2021 as announced by the Central Bank of the Republic of Turkey (31 December 2020: TRY 7,3405 = US \$ 1).
- d) Exchange differences arising from translation to TRY presentation currency are shown in other comprehensive income as of foreign currency translation reserve.
- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the 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 June 2021 and 31 December 2020, condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 June 2021 and 2020 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 1 July 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 9 August 2021 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. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period consolidated financial statements. Accordingly, the reclassified condensed consolidated financial statements are detailed in Note 2.5.

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as of 30 June 2021 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 2021 summarized below.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(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 2021

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group assessed that the adoption of this amendment does not have any effect on the Group’s consolidated financial statements.

New and revised TFRSs in issue but not yet effective

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

| | |
|---|---|
| TFRS 17 | :Insurance Contracts |
| Amendments to TAS 1 | :Classification of Liabilities as Current or Non-Current |
| Amendments to TFRS 3 | :Reference to the Conceptual Framework |
| Amendments to TAS 16 | :Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to TAS 37 | :Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements to TFRS Standards 2018-2020 | :Amendments to TFRS 1, TFRS 9 and TAS 41 |
| Amendments to TFRS 4 | :Extension of the Temporary Exemption from Applying TFRS 9 |
| Amendments to TFRS 16 | :COVID-19 Related Rent Concessions beyond 30 June 2021 |

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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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)

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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

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

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

Amendments to TFRS 3 Reference to the Conceptual Framework

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

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

Amendments to TAS 16 Proceeds before Intended Use

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

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

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

The amendments to TAS 37 specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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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)

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 9 Financial Instruments

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

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

The amendment changes the fixed expiry date for the temporary exemption in TFRS 17 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16) that extends, by one year, the 30 June 2021 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Early application is permitted.

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

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the six months period ended 30 June 2021 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the six months period ended 30 June 2021, are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2020. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020.

As explained in Note 1 there has been change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 30 June 2021, from the interests reported as of 31 December 2020.

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

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.

“Retained Earnings’ Profit or Loss” in the condensed consolidated statement of financial position are translated into US Dollars at historical rates and followed as US Dollars in accordance with TAS 21. For a meaningful representation of the translation of prior years’ profit followed in US Dollars into Turkish Lira, the presentation currency, the differences arising from the translation of “Prior Years’ Profit or Loss” into Turkish Lira at the closing rates announced by the Central Bank of the Republic of Turkey as of the relevant reporting period are recognized under the “Foreign Currency Translation Differences”.

As of 31 December 2020, the classifications in the condensed consolidated statement of financial position are as follows:

| Account name | (Previously reported) | (Restated) | (Change) |
|--|--------------------------|-------------------------|-------------------------|
| | <u>31 December 2020</u> | <u>31 December 2020</u> | <u>31 December 2020</u> |
| Retained Earnings | 4.482.548 | 15.947.079 | 11.464.531 |
| <i>Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)</i> | | | |
| Foreign Currency Translation Reserves | 17.198.251 | 13.105.506 | (4.092.745) |
| <i>Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)</i> | | | |
| Foreign Currency Translation Reserves | 7.628.480 | 256.694 | <u>(7.371.786)</u> |
| | | | <u>-</u> |

As of 1 January 2020, the classifications in the condensed consolidated statement of financial position are as follows:

| Account name | (Previously reported) | (Restated) | (Change) |
|--|--------------------------|-----------------------|-----------------------|
| | <u>1 January 2020</u> | <u>1 January 2020</u> | <u>1 January 2020</u> |
| Retained Earnings | 2.057.906 | 10.203.915 | 8.146.009 |
| <i>Other Comprehensive Income (Expenses) Not to be Reclassified to Profit (Loss)</i> | | | |
| Foreign Currency Translation Reserves | 12.365.096 | 9.346.498 | (3.018.598) |
| <i>Other Comprehensive Income (Expense) to be Reclassified to Profit (Loss)</i> | | | |
| Foreign Currency Translation Reserves | 5.463.762 | 336.351 | <u>(5.127.411)</u> |
| | | | <u>-</u> |

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

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

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 June 2021, the Group assessed the possible impacts of COVID-19 pandemic on the financial statements and reviewed the critical estimates and assumptions used in the preparation of the consolidated financial statements. Within this scope, the Group evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated interim financial statements as at 30 June 2021 for any possible impairment but no impairment were identified.

2.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the consolidated profit or loss on disposal.

2.8 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.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

2.9 Business Combinations

The Company has purchased the total shares of Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) on 3 February 2021 from Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand).

The consolidated financial statements of Kümaş Manyezit Sanayi A.Ş., which has been audited as of the date of acquisition, are subject to goodwill calculation as of the reporting period (Note 7).

| | 3 February 2021 USD'000 | 3 February 2021 TRY'000 |
|--|----------------------------|----------------------------|
| Shares of the subsidiary purchase cost | 295.943 | 2.112.206 |
| Assets | 261.533 | 1.866.613 |
| Cash and cash equivalents | 2.152 | 15.356 |
| Trade receivables | 24.095 | 171.974 |
| Inventories | 29.928 | 213.603 |
| Property, plant and equipment | 75.478 | 538.704 |
| Intangible assets | 116.900 | 834.339 |
| Other current and non-current assets | 12.980 | 92.637 |
| Liabilities | (92.210) | (658.118) |
| Short term borrowings | (10.000) | (71.372) |
| Trade payables | (16.594) | (118.433) |
| Other payables | (35.944) | (256.537) |
| Payables for employee benefits | (2.844) | (20.297) |
| Deferred tax liabilities | (18.897) | (134.872) |
| Other current and non-current liabilities | (7.931) | (56.607) |
| Fair value of identifiable assets and liabilities | 169.323 | 1.208.495 |
| Shares aquired (%) | 100% | 100% |
| Fair value of identifiable assets and liabilities | 169.323 | 1.208.495 |
| Goodwill | 126.620 | 903.711 |
| Paid in cash and cash equivalents | 295.943 | 2.112.206 |
| Cash and cash equivalents obtained | (2.152) | (15.356) |
| Net cash outflow from the acquisition | 293.791 | 2.096.850 |

Identifiable assets and liabilities were converted to TRY using the exchange rate of TRY 7,1372 = 1 USD as of 3 February 2021 announced by the Central Bank of the Republic of Turkey.

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NOTE 3 –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 June 2021 | 31 December 2020 |
|--|-----------------|---------------------|
| <u>Due from related parties (short term)</u> | | |
| OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾ | 97.846 | 98.111 |
| Denizli Çimento Sanayi T.A.Ş. ⁽¹⁾ | 5.444 | - |
| OYAK Akaryakıt ve LPG Yatırımları A.Ş. ⁽¹⁾ | 5.492 | - |
| İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾ | 4.038 | 3.807 |
| OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾ | 44.342 | 32.903 |
| Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾ | - | 122.328 |
| OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾ | 4.251 | - |
| Other | 1.167 | 1.836 |
| | <u>162.580</u> | <u>258.985</u> |

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

| | 30 June 2021 | 31 December 2020 |
|--|-----------------|---------------------|
| <u>Other receivables from related parties (short term)</u> | | |
| İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾ | - | 6.488 |
| OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾ | 8.432 | 4.404 |
| | <u>8.432</u> | <u>10.892</u> |

| | 30 June 2021 | 31 December 2020 |
|---|-----------------|---------------------|
| <u>Other receivables from related parties (long term)</u> | | |
| OYAK NYK RO-RO Liman İşletmeleri A.Ş. ⁽¹⁾ | 30.239 | 28.458 |
| | <u>30.239</u> | <u>28.458</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.

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

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NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

| | 30 June 2021 | 31 December 2020 |
|---|-----------------|---------------------|
| <u>Prepaid expenses to related parties(short term)</u> | | |
| OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾ | 204 | 280 |
| Güzel Enerji Akaryakıt A.Ş. ⁽¹⁾ | 35 | - |
| | <u>239</u> | <u>280</u> |

| | 30 June 2021 | 31 December 2020 |
|---|-----------------|---------------------|
| <u>Prepaid expenses to related parties (long term)</u> | | |
| Ordu Yardımlaşma Kurumu ⁽⁴⁾ | 723.368 | 611.717 |
| OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾ | 66.974 | 31.650 |
| | <u>790.342</u> | <u>643.367</u> |

Prepaid expenses generally related with port services and advance transactions of fixed assets. The Group paid an advance payment of TRY 650.728 thousand to its ultimate partner Ordu Yardımlaşma Kurumu for the purchase of fixed assets on 9 December 2020.

| | 30 June 2021 | 31 December 2020 |
|--|-----------------|---------------------|
| <u>Due to related parties (short term)</u> | | |
| Omsan Lojistik A.Ş. ⁽¹⁾ | 39.460 | 39.134 |
| Omsan Denizcilik A.Ş. ⁽¹⁾ | 17.113 | 12.248 |
| OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾ | 16.337 | 19.171 |
| OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾ | 10.117 | 20.228 |
| Omsan Logistica SRL ⁽¹⁾ | 2.692 | 2.093 |
| OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾ | 16.786 | 20.904 |
| Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾ | 2.195 | - |
| Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾ | 1.779 | 1.676 |
| Other | 9.767 | 15.882 |
| | <u>116.246</u> | <u>131.336</u> |

Trade payables to related parties mainly arise from purchase of services and fixed assets.

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

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NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

| <u>Major sales to related parties</u> | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|--|-----------------------------|-----------------------------|
| OYAK Renault Otomobil Fab. A.Ş. ⁽²⁾ | 202.280 | 116.352 |
| OYAK Çimento Fabrikaları A.Ş. ⁽¹⁾ | 46.213 | 18.825 |
| OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾ | 13.111 | - |
| Bolu Çimento Sanayi A.Ş. ⁽¹⁾ | 4.155 | - |
| OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾ | - | 551 |
| İskenderun Enerji Üretim ve Ticaret A.Ş. ⁽¹⁾ | 285.297 | 92.140 |
| Miilux Yüksek Mukavemetli Çelik Üretim A.Ş. ⁽¹⁾ | 33.523 | 7.169 |
| İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾ | 36.272 | 26.846 |
| Other | 2.590 | 2.451 |
| | <u>623.441</u> | <u>264.334</u> |

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

| <u>Major purchases from related parties</u> | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|--|-----------------------------|-----------------------------|
| Miilux OY ⁽¹⁾ | 4.367 | - |
| Omsan Denizcilik A.Ş. ⁽¹⁾ | 129.662 | 42.021 |
| OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽¹⁾ | 90.186 | 80.950 |
| Omsan Lojistik A.Ş. ⁽¹⁾ | 180.698 | 143.180 |
| OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽¹⁾ | 46.427 | 40.307 |
| Omsan Logistica SRL ⁽¹⁾ | 17.840 | 6.775 |
| OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽¹⁾ | 87.331 | 61.926 |
| Doco Petrol ve Danışmanlık A.Ş. ⁽¹⁾ | 15.535 | 826 |
| İsdemir Linde Gaz Ortaklığı A.Ş. ⁽³⁾ | 64.180 | 48.950 |
| OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽¹⁾ | 50.945 | 31.939 |
| Other | 9.063 | 9.108 |
| | <u>696.234</u> | <u>465.982</u> |

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

- (1) Subsidiaries of the parent company
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(4) Ultimate partner

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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 six months period ended 30 June 2021, the Group provides no provision for the receivables from related parties (31 December 2020: 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 six months period ended 30 June 2021, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 22.550 thousand (30 June 2020: TRY 14.573 thousand).

NOTE 4 – INVENTORIES

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

| | 30 June 2021 | 31 December 2020 |
|---|-------------------|---------------------|
| Raw materials | 4.396.011 | 2.400.813 |
| Work in progress | 3.123.147 | 2.017.296 |
| Finished goods | 3.564.778 | 1.861.015 |
| Spare parts | 2.075.262 | 1.668.699 |
| Goods in transit | 2.712.959 | 1.960.470 |
| Other inventories | 1.004.385 | 746.164 |
| Allowance for impairment on inventories (-) | (687.028) | (547.779) |
| | <u>16.189.514</u> | <u>10.106.678</u> |

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

| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|---|-----------------------------|-----------------------------|
| Opening balance | 547.779 | 416.261 |
| Additional in provisions due to acquisition of subsidiaries | 42.732 | - |
| Provision for the period | 1.537 | 17.392 |
| Provision released (-) | (12.692) | (3.171) |
| Translation difference | 107.672 | 64.024 |
| Closing balance | <u>687.028</u> | <u>494.506</u> |

The Group has made a provision for impairment on inventories considered to be not usable within the framework of the aging reports for idle inventory items. The provisions made and released during the period are recognized in the cost of sales (Note 14).

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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 June 2021 | Right to vote ratio % | 31 December 2020 | Business segment |
|----------------------------------|-----------------------------|-----------------|-----------------------------|---------------------|---------------------------------------|
| <i>Joint Venture</i> | | | | | |
| İsdemir Linde Gaz Ortaklığı A.Ş. | 50 | 262.718 | 50 | 229.956 | Industrial Gas Production and Sale |

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

| | 30 June 2021 | 31 December 2020 |
|-----------------------------|-----------------|---------------------|
| Total assets | 544.379 | 492.495 |
| Total liabilities | 18.944 | 32.584 |
| Net assets | 525.435 | 459.911 |
| Group's share on net assets | 262.718 | 229.956 |
| | 30 June 2021 | 31 December 2020 |
| Share capital | 175.000 | 175.000 |

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 25 February 2021, decisions regarding the distribution of cash dividend of TRY 12.784 thousand (its effect on statement of cash flows of Group is TRY 6.392 thousand) from the net profit of 2020 have been approved. The dividend has been completed on 12 March 2021.

At the Extraordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş. dated 9 July 2021, it has been decided to reduce the Company's fully paid-in capital amounting to TRY 175.000 thousand to TRY 140.000 thousand by reducing the amount of TRY 35.000 thousand.

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Group under joint management, has the right of to deduct TRY 105.625 thousand (31 December 2020: TRY 97.254 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 8.371 thousand of additional investment deduction (its effect in the profit or loss statement of Group is TRY 4.186 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 June 2021 | 1 January – 31 December 2020 |
|----------------------------------|-----------------------------|---------------------------------|
| Revenue | 73.667 | 57.453 |
| Operating profit | 17.322 | 12.852 |
| Net profit (loss) for the period | (2.599) | 17.554 |
| Group's share on net profit | (1.300) | 8.777 |

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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

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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 June 2021 | 30 June 2020 |
|--|-------------------|-------------------|
| <u>Opening balance as of 1 January</u> | | |
| Cost | 68.046.557 | 53.620.152 |
| Accumulated depreciation | (41.984.721) | (32.966.171) |
| Net book value | <u>26.061.836</u> | <u>20.653.981</u> |
| Net book value at the beginning of the period | 26.061.836 | 20.653.981 |
| Additional in property, plant and equivalent due to acquisition of subsidiaries (Note 2.9) | 538.704 | - |
| Additions (*) | 1.373.440 | 697.679 |
| Disposals (-) | (13.791) | (36.236) |
| <i>Cost of disposals</i> | (176.421) | (127.777) |
| <i>Accumulated depreciation of disposals</i> | 162.630 | 91.541 |
| Transfers to intangible assets | (225) | (1.850) |
| Currency translation difference | 4.865.004 | 3.110.554 |
| <i>Cost currency translation difference</i> | 12.596.543 | 8.064.671 |
| <i>Accumulated depreciation currency translation difference</i> | (7.731.539) | (4.954.117) |
| Current period depreciation (-) | (875.230) | (644.239) |
| Impairment (-) | - | (1.474) |
| Net book value at the end of the period | <u>31.949.738</u> | <u>23.778.415</u> |
| <u>Closing balance end of period</u> | | |
| Cost | 82.903.902 | 62.252.875 |
| Accumulated depreciation | (50.954.164) | (38.474.460) |
| Net book value | <u>31.949.738</u> | <u>23.778.415</u> |

(*) The amount of capitalized borrowing cost is TRY (10.375) thousand for the current period (30 June 2020: TRY 4.444 thousand).

As of 30 June 2021, the Group has no collaterals or pledges upon its tangible assets (30 June 2020: None).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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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 June 2021 | 30 June 2020 |
|--|------------------|-----------------|
| <u>Opening balance as of 1 January</u> | | |
| Cost | 1.079.279 | 821.867 |
| Accumulated amortisation | (668.564) | (509.333) |
| Net book value | <u>410.715</u> | <u>312.534</u> |
| Net book value at the beginning of the period | 410.715 | 312.534 |
| Additional in intangible assets due to acquisition of subsidiaries (Note 2.9) | 834.339 | - |
| Additions | 5.362 | 1.049 |
| Transfers from tangible assets | 225 | 1.850 |
| Currency translation difference | 252.210 | 46.181 |
| <i>Cost currency translation difference</i> | 383.076 | 123.596 |
| <i>Accumulated depreciation currency translation difference</i> | (130.866) | (77.415) |
| Current period amortisation (-) | (28.349) | (17.682) |
| Net book value at the end of the period | <u>1.474.502</u> | <u>343.932</u> |
| <u>Closing balance end of period</u> | | |
| Cost | 2.336.999 | 948.362 |
| Accumulated amortisation | (862.497) | (604.430) |
| Net book value | <u>1.474.502</u> | <u>343.932</u> |

As of 30 June 2021, the Group has no collaterals or pledges upon its intangible assets (30 June 2020: None).

The distribution of total depreciation and amortization expenses related to tangible, intangible assets, right of use assets amounting to TRY 11.754 thousand (30 June 2020: TRY 9.195 thousand) and investment properties amounting to TRY 3.495 thousand (30 June 2020: TRY 2.878 thousand) are as follows:

| | 1 January – 30 June 2021 | 1 January – 30 June 2020 |
|------------------------------------|-----------------------------|-----------------------------|
| Associated with cost of production | 837.287 | 614.594 |
| General administrative expenses | 32.255 | 28.097 |
| Marketing expenses | 37.991 | 22.500 |
| Research and development expenses | 4.794 | 3.980 |
| Other operating expenses | 6.501 | 4.823 |
| | <u>918.828</u> | <u>673.994</u> |

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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NOTE 7 – GOODWILL

The purchase of the all shares of Kümaş Manyezit Sanayi A.Ş (and its subsidiaries) was completed on 3 February 2021. The share price dated 3 February 2021 has been subject to ultimate adjustment in accordance with the financial statements prepared as of the transfer date, and as a result of the adjustment, the ultimate share price has amounted to USD 295.943 thousand (TRY 2.112.206 thousand).

As a result of the purchase; the part of the fair value of the acquired assets and liabilities amounting to USD 169.323 thousand (TRY 1.208.495 thousand) below the purchase price is recognized as goodwill amounting to USD 126.620 thousand (TRY 903.711 thousand) (Note 2.9).

In the condensed consolidated financial statements of the Group as at 30 June 2021, Kümaş Manyezit Sanayi A.Ş. (and its subsidiaries) is included.

The Group calculated the recoverable value of the goodwill in accordance with the accounting policies stated in Note 2.7, and it did not determine any impairment in the amount of goodwill associated with the Group's activities as of the reporting period.

| | 30 June 2021 | 31 December 2020 |
|----------|------------------|---------------------|
| Goodwill | 1,099.098 | - |
| | <u>1,099.098</u> | <u>-</u> |

The goodwill movement of the Group as of the reporting period is as follows:

| | 1 January - 30 June 2021 |
|---|-----------------------------|
| Opening balance | - |
| Due to acquisition of subsidiaries during the year (Note 2.9) | 903.711 |
| Translation difference | 195.387 |
| Closing balance | <u>1,099.098</u> |

The Group recorded the amount of goodwill arising during the acquisition on a provisional basis as of 30 June 2021.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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NOTE 8 – BORROWINGS

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

| | 30 June 2021 | 31 December 2020 |
|---|------------------|---------------------|
| Short term bank borrowings | 2.515.260 | 1.193.496 |
| Current portion of long term bank borrowings | 2.306.110 | 1.988.924 |
| Long term bank borrowings | 4.213.293 | 2.574.623 |
| Total bank borrowings | <u>9.034.663</u> | <u>5.757.043</u> |
| Current portion of long term corporate bonds issued | - | 562.693 |
| Total corporate bonds issued | <u>-</u> | <u>562.693</u> |
| Current portion of long term lease payables | 54.708 | 42.661 |
| Cost of current portion of long term lease payables (-) | (5.113) | (2.246) |
| Long term lease payables | 1.117.736 | 1.012.559 |
| Cost of long term lease payables (-) | (853.903) | (774.439) |
| Total lease payables | <u>313.428</u> | <u>278.535</u> |
| Total borrowings | <u>9.348.091</u> | <u>6.598.271</u> |

As of 30 June 2021, 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 June 2021 |
|---------------|------------------|---|--------------------|-------------------|------------------|
| No interest | TRY | - | 66.939 | - | 66.939 |
| Fixed | TRY | 18,00 | 16.157 | - | 16.157 |
| Fixed | US Dollars | 1,96 | 2.091.971 | 872.608 | 2.964.579 |
| Fixed | EURO | 2,70 | 16.676 | 15.784 | 32.460 |
| Floating | US Dollars | Libor+1,97 | 2.430.647 | 2.309.781 | 4.740.428 |
| Floating | EURO | Euribor+0,88 | 198.980 | 1.015.120 | 1.214.100 |
| | | | <u>4.821.370</u> | <u>4.213.293</u> | <u>9.034.663</u> |

As of the reporting period, the Group's bond issue payment amounting to TRY 550.000 with a maturity of 28 May 2021, which was realized as of 31 May 2019, has been completed.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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NOTE 8– BORROWINGS (cont’d)

As of 31 December 2020, 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 Effective Interest (%) | 31 December 2020 | |
|---------------|------------------|---|--------------------|-------------------|
| | | | Short Term Portion | Long Term Portion |
| Fixed | TRY | 8,74 | 868.200 | - |
| Fixed | US Dollars | 2,02 | 477.043 | 644.140 |
| Fixed | EURO | 2,70 | 14.714 | 20.613 |
| Floating | TRY | TRLibor+0,5 | 562.693 | - |
| Floating | US Dollars | Libor+1,79 | 1.656.958 | 985.855 |
| Floating | EURO | Euribor+0,5 | 165.505 | 924.015 |
| | | | <u>3.745.113</u> | <u>2.574.623</u> |
| | | | | <u>6.319.736</u> |

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

| | 30 June 2021 | | | 31 December 2020 | | | |
|--------------------|------------------|----------------|------------------|------------------|-----------------|----------------|------------------|
| | Bank Borrowings | Lease Payables | Total Borrowings | Bank Borrowings | Corporate Bonds | Lease Payables | Total Borrowings |
| Within 1 year | 4.821.370 | 49.595 | 4.870.965 | 3.182.420 | 562.693 | 40.415 | 3.785.528 |
| Between 1-2 years | 934.368 | 42.132 | 976.500 | 1.544.579 | - | 31.924 | 1.576.503 |
| Between 2-3 years | 1.628.124 | 34.460 | 1.662.584 | 251.807 | - | 28.534 | 280.341 |
| Between 3-4 years | 377.166 | 25.324 | 402.490 | 133.639 | - | 23.913 | 157.552 |
| Between 4-5 years | 575.594 | 22.011 | 597.605 | 121.253 | - | 20.784 | 142.037 |
| Five years or more | 698.041 | 139.906 | 837.947 | 523.345 | - | 132.965 | 656.310 |
| | <u>9.034.663</u> | <u>313.428</u> | <u>9.348.091</u> | <u>5.757.043</u> | <u>562.693</u> | <u>278.535</u> | <u>6.598.271</u> |

NOTE 9 - PROVISIONS

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

| | 30 June 2021 | 31 December 2020 |
|---|----------------|------------------|
| Provision for lawsuits | 202.476 | 195.355 |
| Penalty provision for employment shortage of disabled personnel | 16.110 | 13.551 |
| Provision for state right on mining activities | 20.344 | 23.023 |
| Provision for land occupation | 18.696 | 21.695 |
| | <u>257.626</u> | <u>253.624</u> |

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 19)

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NOTE 9 – PROVISIONS (cont’d)

The movement of the provisions is as follows:

| | 1 January 2021 | Additional in provisions due to acquisition of subsidiaries | Change for the period | Payments | Provision released | Translation difference | 30 June 2021 |
|---|-------------------|--|--------------------------|-----------------|-----------------------|---------------------------|-----------------|
| Provision for lawsuits | 195.355 | 1.400 | 25.268 | (14.136) | (13.463) | 8.052 | 202.476 |
| Penalty provision for employment shortage of disabled personnel | 13.551 | - | 2.513 | - | - | 46 | 16.110 |
| Provision for state right on mining activities | 23.023 | 6.247 | 13.299 | (21.829) | - | (396) | 20.344 |
| Provision for land occupation | 21.695 | - | 13.993 | (18.400) | (251) | 1.659 | 18.696 |
| | <u>253.624</u> | <u>7.647</u> | <u>55.073</u> | <u>(54.365)</u> | <u>(13.714)</u> | <u>9.361</u> | <u>257.626</u> |

| | 1 January 2020 | Additional in provisions due to acquisition of subsidiaries | Change for the period | Payments | Provision released | Translation difference | 30 June 2020 |
|---|-------------------|--|--------------------------|-----------------|-----------------------|---------------------------|-----------------|
| Provision for lawsuits | 196.700 | - | 21.298 | (5.765) | (18.602) | 18.782 | 212.413 |
| Penalty provision for employment shortage of disabled personnel | 12.836 | - | 2.297 | (2.778) | (873) | (262) | 11.220 |
| Provision for state right on mining activities | 19.158 | - | 6.984 | - | - | - | 26.142 |
| Provision for land occupation | 13.215 | - | 11.649 | (8.759) | (210) | 1.033 | 16.928 |
| | <u>241.909</u> | <u>-</u> | <u>42.228</u> | <u>(17.302)</u> | <u>(19.685)</u> | <u>19.553</u> | <u>266.703</u> |

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NOTE 9 – PROVISIONS (cont’d)

Provision for lawsuits

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

| | 30 June 2021 | 31 December 2020 |
|---|-----------------|---------------------|
| Lawsuits filed by the Group | 1.070.898 | 974.124 |
| Provision for lawsuits filed by the Group | 165.741 | 171.111 |

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

| | 30 June 2021 | 31 December 2020 |
|--|-----------------|---------------------|
| Lawsuits filed against the Group | 183.110 | 175.340 |
| Provision for lawsuits filed against the Group | 202.476 | 195.355 |

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

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

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NOTE 9 – 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 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with TFRS based on “TFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated statement of profit or loss in accordance with “TFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 30 June 2021 and 31 December 2020 will not be affected from the above mentioned disputes.

Company’s Shareholders’ General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to TFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals’ 11th Chamber reversed this rejection judgement on 30 November 2010; this time the Company appealed the Chamber’s decision on 18 February 2011. However, the Chamber rejected the Company’s appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber’s decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. By the decision of the Supreme Court 11th Civil Chamber dated 27 June 2019 and 2017/4580 Docket; 2019/4955 Decision number which was served to Company on 28 August 2019, it was notified that Company’s request for revision of the decision has been rejected. 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 14 October 2021.

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 condensed consolidated financial statements as of 30 June 2021 and 31 December 2020.

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NOTE 9 – 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 74.203 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 18 cases subject to Company’s application, the Constitutional Court has decided for retrial of the cases, on the grounds that the property rights of the Company were violated, and the consequences of the violation of the property rights should be eliminated.

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.

Regarding to ongoing cases, resolutions are made in favor of the Company. 25 lawsuits have been finalized in favor of the Company.

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NOTE 9 – PROVISIONS (cont’d)

Lawsuit against Tax Penalty Notifications of The Municipality of Kdz. Ereğli

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

6 lawsuits were filed against the notifications for penalty in the Zonguldak Tax Court by the Company on 20 January 2020. Zonguldak Tax Court has accepted the cases and decided to cancel such notifications. The Municipality of Kdz. Ereğli has requested for appeal against the decisions of the court.

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

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

The Municipality of Kdz. Ereğli has sealed 15 buildings in Company factory site with cease and desist orders. Subsequently, with Municipal Committee’s decisions, administrative fines amounting to TRY 258.683 thousand have been notified to Company. 15 lawsuits with suspension of execution request have filed against aforementioned cease and desist orders and administrative fines at the Zonguldak Administrative Court. In all lawsuits, the Court has decided to cancel proceedings subject to lawsuits. The Municipality has appealed against these decisions. In 14 cases, the District Administration Court has decided to reject the Municipality’s request for appeal. In the last filed case, the decision has not been notified. In 11 lawsuit, The Municipality has right to appeal under the Council of State.

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

Provision for state right on mining activities

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

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 is recognized on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

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NOTE 10 – EMPLOYEE BENEFITS

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

| | 30 June 2021 | 31 December 2020 |
|----------------------------------|-----------------|---------------------|
| Due to personnel | 139.568 | 139.640 |
| Social security premiums payable | 67.983 | 57.656 |
| | <u>207.551</u> | <u>197.296</u> |

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

| | 30 June 2021 | 31 December 2020 |
|--|------------------|---------------------|
| Provisions for employee termination benefits | 943.642 | 759.907 |
| Provisions for seniority incentive premium | 120.347 | 108.316 |
| Provision for unpaid vacations | 137.586 | 99.913 |
| | <u>1.201.575</u> | <u>968.136</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 June 2021, the employee termination benefit has been updated to a maximum of TRY 7.638,96 (31 December 2020: TRY 7.117,17). As of 1 July 2021, the employment termination benefit has been updated to a maximum of TRY 8.234,51.

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 June 2021 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation.

| | 30 June 2021 | 31 December 2020 |
|----------------------------|--------------|------------------|
| Discount rate | %17,90 | %12,80 |
| Inflation rate | %14,50 | %8,50 |
| Salary increase | real 1,5% | real 1,5% |
| Maximum liability increase | %14,50 | %8,50 |

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 June 2021 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.

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NOTE 10 – EMPLOYEE BENEFITS (cont’d)

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 June 2021 | 1 January - 30 June 2020 |
|---|-----------------------------|-----------------------------|
| Opening balance | 759.907 | 651.998 |
| Additional in provisions due to acquisition of subsidiaries | 17.312 | - |
| Service cost | 35.463 | 30.988 |
| Interest cost | 45.809 | 37.748 |
| Actuarial loss/(gain) | 103.399 | 88.803 |
| Termination benefits paid | (20.761) | (26.587) |
| Translation difference | 2.513 | 687 |
| Closing balance | 943.642 | 783.637 |

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 June 2021 | 1 January - 30 June 2020 |
|---------------------------|-----------------------------|-----------------------------|
| Opening balance | 108.316 | 71.234 |
| Service cost | 5.948 | 3.485 |
| Interest cost | 6.443 | 4.184 |
| Actuarial loss/(gain) | 10.323 | 22.733 |
| Termination benefits paid | (9.324) | - |
| Translation difference | (1.359) | 72 |
| Closing balance | 120.347 | 101.708 |

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

| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|---|-----------------------------|-----------------------------|
| Opening balance | 99.913 | 84.092 |
| Additional in provisions due to acquisition of subsidiaries | 2.985 | - |
| Provision for the period | 53.406 | 53.490 |
| Vacation paid during the period (-) | (2.247) | (2.432) |
| Provisions released (-) | (20.923) | (30.287) |
| Translation difference | 4.452 | 2.443 |
| Closing balance | 137.586 | 107.306 |

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NOTE 11 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

| | 30 June 2021 | 31 December 2020 |
|--------------------------------|------------------|---------------------|
| Letters of guarantees received | 5.731.318 | 4.102.062 |
| | <u>5.731.318</u> | <u>4.102.062</u> |

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

| | 30 June 2021 | 31 December 2020 |
|---|------------------|---------------------|
| A. Total CPM given for the Company's own legal entity | 288.812 | 127.548 |
| B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis | 986.955 | 606.492 |
| C. Total CPM given in favour of other 3rd parties for ordinary trading operations | - | - |
| D. Other CPM given | - | - |
| i. Total CPM given in favour of parent entity | - | - |
| ii. Total CPM given in favour of other Group companies out of the scope of clause B and C | - | - |
| iii. Total CPM given in favour of other 3rd parties out of the scope of clause C | - | - |
| | <u>1.275.767</u> | <u>734.040</u> |

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 986.955 thousand has been given as collateral for financial liabilities explained in Note 8 and for raw material procurements. As of 30 June 2021, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2020: 0%).

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

| | 30 June 2021 | 31 December 2020 |
|--------------|------------------|---------------------|
| US Dollars | 625.822 | 207.236 |
| Turkish Lira | 136.497 | 106.041 |
| EURO | 513.448 | 420.763 |
| | <u>1.275.767</u> | <u>734.040</u> |

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NOTE 12 – TAX ASSETS AND LIABILITIES

The details of the Group's tax expenses as of the reporting period are as follows:

| | 30 June 2021 | 31 December 2020 |
|---------------------------------|-----------------------------|-----------------------------|
| <u>Corporate tax payable:</u> | | |
| Current corporate tax provision | 2.785.457 | 2.151.998 |
| Prepaid taxes and funds (-) | (885.254) | (1.615.283) |
| | <u>1.900.203</u> | <u>536.715</u> |
| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
| <u>Taxation:</u> | | |
| Current corporate tax expense | 2.785.457 | 900.305 |
| Deferred tax (income) / expense | 488.253 | 121.799 |
| | <u>3.273.710</u> | <u>1.022.104</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.

In accordance with the provisional article added to the Corporate Tax Law with the 11th article of the Law No. 7316 published in the Official Gazette No. 31462 dated 22 April 2021, the corporate tax rate has been increased to 25% for corporate income for the 2021 taxation period, and to 23% for corporate income for the 2022 taxation period.

The effective corporate tax rate in Turkey is 25%, 16% in Romania and 17% in Singapore as of 30 June 2021 (31 December 2020: in Turkey 22%, in Romania 16%, in Singapore 17%).

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NOTE 12 – TAX ASSETS AND LIABILITIES (cont’d)

Corporate tax (cont’d)

The total amount of the corporate tax paid by the Group in six months of 2021 is TRY 1.421.969 thousand (30 June 2020: TRY 626.814 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax for the six months period ended 2021 has been calculated over the corporate earnings using the rate 25%, during the temporary taxation period. (31 December 2020: 22%).

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

In accordance with the Provisional article added to the Corporate Tax Law for subsidiaries in Turkey, the tax rate used in the calculation of deferred tax assets and liabilities (other than land) is 25% for corporate earnings for the 2021 taxation period, 23% for corporate earnings for the 2022 taxation period, and 20% for 2023 and the following years. The tax rate is 16% for the subsidiary operating in Romania and 17% for the subsidiary operating in Singapore. (31 December 2020: in Turkey 20%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2020: 10%).

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.

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NOTE 12 – TAX ASSETS AND LIABILITIES (cont’d)

Deferred tax (cont’d)

| | 30 June 2021 | 31 December 2020 |
|---|--------------------|---------------------|
| <u>Deferred tax assets:</u> | | |
| Provisions for employee benefits | 236.330 | 193.588 |
| Investment incentive | 27.421 | - |
| Provision for lawsuits | 50.839 | 36.066 |
| Fair values of the derivative financial instruments | - | 9.139 |
| Inventories | 148.429 | 72.768 |
| Tangible and intangible assets | 32.063 | 21.983 |
| Financial lease payables | 61.745 | 54.991 |
| Other | 79.655 | 57.506 |
| | <u>636.482</u> | <u>446.041</u> |
| <u>Deferred tax liabilities:</u> | | |
| Tangible and intangible assets | (5.021.258) | (3.847.913) |
| Fair values of the derivative financial instruments | (24.421) | - |
| Amortized cost adjustment on loans | (32.798) | (21.515) |
| Right of use assets | (84.554) | (63.529) |
| Inventories | (411.114) | (75.885) |
| Other | (31.209) | (20.376) |
| | <u>(5.605.354)</u> | <u>(4.029.218)</u> |
| | <u>(4.968.872)</u> | <u>(3.583.177)</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 June 2021 | 31 December 2020 |
|----------------------------|--------------------|---------------------|
| Deferred tax assets | 161.757 | 72.311 |
| Deferred tax (liabilities) | (5.130.629) | (3.655.488) |
| | <u>(4.968.872)</u> | <u>(3.583.177)</u> |

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NOTE 12 – TAX ASSETS AND LIABILITIES (cont’d)

Deferred tax (cont’d)

Movements of deferred tax asset/(liability)

| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|---|-----------------------------|-----------------------------|
| Opening balance | (3.583.177) | (2.902.426) |
| Additional in deferred tax assets due to acquisition of | (134.872) | - |
| Deferred tax (expense)/income | (488.253) | (121.799) |
| The amount in comprehensive income | 3.698 | 15.235 |
| Translation difference | (766.268) | (454.268) |
| Closing balance | <u>(4.968.872)</u> | <u>(3.463.258)</u> |

Reconciliation of tax provision is as follows:

| | 1 January - 30 June 2021 | 1 January - 30 June 2020 |
|---|-----------------------------|-----------------------------|
| Profit before tax | 9.324.178 | 1.948.962 |
| Statutory tax rate | 25% | 22% |
| Calculated tax expense according to effective tax rate | (2.331.045) | (428.772) |
| <u>Reconciliation between the tax provision and calculated tax:</u> | | |
| - Non-deductible expenses | (32.229) | (23.262) |
| - Effect of currency translation not subject to tax | (923.872) | (570.310) |
| - Investment incentive | 9.773 | - |
| - Effect of the different tax rates due to foreign subsidiaries | 3.663 | 240 |
| Total tax expense reported in the statement of income | <u>(3.273.710)</u> | <u>(1.022.104)</u> |

NOTE 13 – EQUITY

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

| | | 30 June 2021 | | 31 December 2020 |
|--------------------------|--------|------------------|--------|---------------------|
| <u>Shareholders</u> | (%) | | (%) | |
| 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> |

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NOTE 14 – SALES AND COST OF SALES

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Group will be eligible for recognition in the future is TRY 980.004 thousand. Group plans to recognize related revenue amount as a revenue in a year.

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

| | 1 January - 30 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|
| <u>Sales Revenue</u> | | | | |
| Domestic sales | 20.234.451 | 11.252.490 | 10.875.927 | 5.427.166 |
| Export sales | 4.052.464 | 2.853.157 | 2.527.870 | 1.825.262 |
| Other revenues (*) | 463.109 | 203.751 | 349.688 | 139.144 |
| Interest income from sales with maturities | 98.124 | 53.774 | 53.900 | 25.467 |
| Sales returns (-) | (9.666) | (7.426) | (4.936) | (2.203) |
| Sales discounts (-) | (40.916) | (22.383) | (19.291) | (10.605) |
| | <u>24.797.566</u> | <u>14.333.363</u> | <u>13.783.158</u> | <u>7.404.231</u> |
| <u>Cost of sales (-)</u> | <u>(15.760.536)</u> | <u>(8.950.425)</u> | <u>(11.716.960)</u> | <u>(6.215.712)</u> |
| Gross profit | <u>9.037.030</u> | <u>5.382.938</u> | <u>2.066.198</u> | <u>1.188.519</u> |

(*) The total amount of by product exports in other revenues is TRY 154.039 thousand (30 June 2020: TRY 154.402 thousand). Total interest income from export sales with maturities is TRY 3.645 thousand (30 June 2020: TRY 879 thousand).

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NOTE 14 – 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 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|---|-----------------------------|--------------------------|-----------------------------|--------------------------|
| Raw material usage | (11.928.034) | (6.848.916) | (8.593.696) | (4.551.564) |
| Personnel costs | (1.157.719) | (636.771) | (951.039) | (529.410) |
| Energy costs | (867.394) | (464.579) | (749.401) | (406.299) |
| Depreciation and amortization expenses | (808.685) | (436.465) | (590.538) | (315.082) |
| Manufacturing overheads | (507.815) | (312.523) | (391.875) | (213.721) |
| Other cost of goods sold | (182.300) | (67.948) | (176.117) | (58.736) |
| Non-operating costs (*) | (9.228) | (6.249) | (44.295) | (22.452) |
| Freight costs for sales delivered to customers | (227.483) | (137.172) | (131.617) | (74.624) |
| Allowance expenses for impairment on inventories (Note 4) | (1.537) | (506) | (17.392) | (9.969) |
| Inventory provision released (Note 4) | 12.692 | 2.376 | 3.171 | 3.120 |
| Other | (83.033) | (41.672) | (74.161) | (36.975) |
| | <u>(15.760.536)</u> | <u>(8.950.425)</u> | <u>(11.716.960)</u> | <u>(6.215.712)</u> |

(*) Non-operating part costs amounting to (9.228) thousand TRY incurred due to planned and/or unplanned halt production in the Group's production facilities is not associated with the product cost and is directly recognized in the cost of sales (30 June 2020: TRY (44.295) thousand).

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NOTE 15 –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 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|-----------------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| Personnel expenses (-) | (65.930) | (37.440) | (51.460) | (28.562) |
| Depreciation and amortization (-) | (37.991) | (20.228) | (22.500) | (12.250) |
| Service expenses (-) | (62.244) | (34.783) | (52.327) | (27.938) |
| | <u>(166.165)</u> | <u>(92.451)</u> | <u>(126.287)</u> | <u>(68.750)</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 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|
| Personnel expenses (-) | (135.598) | (77.562) | (106.963) | (59.943) |
| Depreciation and amortization (-) | (27.051) | (14.770) | (23.725) | (12.418) |
| Benefits and services from third parties (-) | (118.154) | (67.237) | (86.183) | (41.064) |
| Tax, duty and charges (-) | (7.548) | (4.030) | (10.404) | (5.025) |
| Provision/ Provision released for doubtful receivables (net) | 21.016 | 22.795 | (2.902) | (3.233) |
| Amortization of right of use assets (-) | (5.204) | (2.810) | (4.372) | (2.369) |
| | <u>(272.539)</u> | <u>(143.614)</u> | <u>(234.549)</u> | <u>(124.052)</u> |

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NOTE 15 –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 June 2021 | 1 April 30 June 2021 | 1 January - 30 June 2020 | 1 April 30 June 2020 |
|---|-----------------------------|-------------------------|-----------------------------|-------------------------|
| <u>Other operating income</u> | | | | |
| Share transfer agreement receivable incomes | - | - | 135.193 | 135.193 |
| Foreign exchange gain from trade receivables and payables (net) | 56.565 | 13.021 | 109.570 | 55.075 |
| Forfeit advances from customers | 42 | 9 | 1.217 | 122 |
| Discount income | 93 | 45 | 95 | 47 |
| Provisions released | 13.463 | 11.724 | 19.475 | 8.825 |
| Service income | 9.325 | 4.852 | 8.632 | 3.879 |
| Maintenance repair and rent income | 9.510 | 4.912 | 8.390 | 4.221 |
| Warehouse income | 891 | 461 | 3.024 | 1.595 |
| Indemnity and penalty detention income | 3.529 | 2.044 | 1.615 | 861 |
| Insurance indemnity income | 1.450 | 373 | 18.412 | 18.323 |
| Lawsuit income | 105 | 58 | 457 | 59 |
| Overdue interest income | 1.753 | 124 | 3.295 | 2.113 |
| Other income and gains | 24.195 | 11.817 | 26.430 | 6.143 |
| | <u>120.921</u> | <u>49.440</u> | <u>335.805</u> | <u>236.456</u> |

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NOTE 15 –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 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|
| <u>Other operating expenses (-)</u> | | | | |
| Provision expenses | (27.781) | (10.621) | (23.595) | (9.098) |
| Interest expenses from purchases with maturities | - | - | (6.821) | (405) |
| Lawsuit compensation expenses | (10.077) | (4.473) | (2.015) | (531) |
| Right of use assets amortization | (6.501) | (3.552) | (4.823) | (2.743) |
| Donation expenses | (7.519) | (2.832) | (12.348) | (9.645) |
| Service expenses | (9.685) | (5.086) | (7.717) | (3.728) |
| Penalty expenses | (2.348) | (1.689) | (569) | (358) |
| Other expenses and losses | (21.359) | (11.209) | (13.071) | (5.798) |
| | <u>(85.270)</u> | <u>(39.462)</u> | <u>(70.959)</u> | <u>(32.306)</u> |

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NOTE 16 – FINANCE INCOME AND EXPENSES

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

| | 1 January - 30 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|
| <u>Finance income</u> | | | | |
| Interest income on bank deposits | 285.773 | 90.971 | 151.998 | 110.242 |
| Foreign exchange gains (net) | 566.122 | 135.710 | 86.438 | (68.096) |
| Interest income from financial investments | 1.805 | 499 | 1.572 | 635 |
| Fair value differences of derivative financial instruments (net) | 44.012 | 11.546 | 39.964 | (44.186) |
| Other financial income | 34.124 | 6.213 | 2.245 | 1.733 |
| | <u>931.836</u> | <u>244.939</u> | <u>282.217</u> | <u>328</u> |

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

| | 1 January - 30 June 2021 | 1 April- 30 June 2021 | 1 January - 30 June 2020 | 1 April- 30 June 2020 |
|------------------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| <u>Finance expenses (-)</u> | | | | |
| Interest expenses on borrowings | (141.781) | (71.450) | (201.511) | (101.840) |
| Interest cost of employee benefits | (52.252) | (27.168) | (41.932) | (21.229) |
| Interest expenses on leasings | (20.189) | (10.254) | (17.973) | (8.924) |
| Other financial expenses | (1.148) | (856) | (5.318) | (3.895) |
| | <u>(215.370)</u> | <u>(109.728)</u> | <u>(266.734)</u> | <u>(135.888)</u> |

During the period, the borrowing costs of TRY (10.375) thousand have been capitalized as part of the Group’s tangibles (30 June 2020: TRY 4.444 thousand).

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NOTE 17 – 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 June 2021, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

| | 30 June 2021 | | | | |
|--|---|-------------------------------|--------------------------------|------------------------------------|-------------------------------|
| | TRY (Total in reporting currency) | TRY (Original currency) | EURO (Original currency) | Jap. Yen (Original currency) | RON (Original currency) |
| 1. Trade Receivables | 1.265.388 | 32.141 | 117.225 | - | 10.996 |
| 2a. Monetary financial assets | 2.432.323 | 1.789.026 | 59.293 | 21 | 14.924 |
| 2b. Non- monetary financial assets | - | - | - | - | - |
| 3. Other | 353.310 | 318.346 | 2.783 | - | 2.990 |
| 4. CURRENT ASSETS (1+2+3) | 4.051.021 | 2.139.513 | 179.301 | 21 | 28.910 |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | 258.398 | 249.969 | 816 | - | - |
| 6b. Non- monetary financial assets | - | - | - | - | - |
| 7. Other | 957.194 | 447.532 | 48.010 | 175.317 | 109 |
| 8. NON-CURRENT ASSETS (5+6+7) | 1.215.592 | 697.501 | 48.826 | 175.317 | 109 |
| 9. TOTAL ASSETS (4+8) | 5.266.613 | 2.837.014 | 228.127 | 175.338 | 29.019 |
| 10. Trade payables | 3.082.116 | 2.382.456 | 63.894 | 379.213 | 4.200 |
| 11. Financial liabilities | 332.189 | 115.313 | 20.967 | - | - |
| 12a. Other monetary financial liabilities | 3.022.312 | 2.919.795 | 9.104 | - | 3.954 |
| 12b. Other non-monetary financial liabilities | - | - | - | - | - |
| 13. CURRENT LIABILITIES (10+11+12) | 6.436.617 | 5.417.564 | 93.965 | 379.213 | 8.154 |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | 1.294.738 | 262.698 | 99.777 | - | - |
| 16a. Other monetary financial liabilities | 1.171.704 | 1.170.794 | - | - | 431 |
| 16b. Other non-monetary financial liabilities | - | - | - | - | - |
| 17. NON-CURRENT LIABILITIES (14+15+16) | 2.466.442 | 1.433.492 | 99.777 | - | 431 |
| 18. TOTAL LIABILITIES (13+17) | 8.903.059 | 6.851.056 | 193.742 | 379.213 | 8.585 |
| 19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b) | (1.663.721) | - | (161.137) | - | - |
| 19a. Off-balance sheet foreign currency derivative financial assets | - | - | - | - | - |
| 19b. Off-balance sheet foreign currency derivative financial liabilities | 1.663.721 | - | 161.137 | - | - |
| 20. Net foreign currency asset/liability position (9-18+19) | (5.300.167) | (4.014.042) | (126.752) | (203.875) | 20.434 |
| 21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a) | (4.946.950) | (4.779.920) | (16.408) | (379.192) | 17.335 |
| 22. Fair value of derivative financial instruments used in foreign currency hedge | 24.181 | - | 2.342 | - | - |
| 23. Hedged foreign currency assets | 1.663.721 | - | 161.137 | - | - |
| 24. Hedged foreign currency liabilities | - | - | - | - | - |
| 25. Exports | 4.210.148 | - | - | - | - |
| 26. Imports | 13.907.602 | - | - | - | - |

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**NOTE 17 – 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 2020, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

| | 31 December 2020 | | | | |
|--|---|-------------------------------|--------------------------------|------------------------------------|-------------------------------|
| | TRY (Total in reporting currency) | TRY (Original currency) | EURO (Original currency) | Jap. Yen (Original currency) | RON (Original currency) |
| 1. Trade Receivables | 644.147 | 48.847 | 64.720 | - | 6.700 |
| 2a. Monetary financial assets | 4.432.914 | 4.290.040 | 13.405 | 21 | 12.039 |
| 2b. Non- monetary financial assets | - | - | - | - | - |
| 3. Other | 50.012 | 22.502 | 3.004 | - | 247 |
| 4. CURRENT ASSETS (1+2+3) | 5.127.073 | 4.361.389 | 81.129 | 21 | 18.986 |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | 249.486 | 249.486 | - | - | - |
| 6b. Non- monetary financial assets | - | - | - | - | - |
| 7. Other | 613.387 | 263.500 | 38.299 | 61.366 | 294 |
| 8. NON-CURRENT ASSETS (5+6+7) | 862.873 | 512.986 | 38.299 | 61.366 | 294 |
| 9. TOTAL ASSETS (4+8) | 5.989.946 | 4.874.375 | 119.428 | 61.387 | 19.280 |
| 10. Trade payables | 1.868.380 | 1.282.535 | 61.515 | 365.841 | 3.142 |
| 11. Financial liabilities | 1.651.528 | 1.470.108 | 20.140 | - | - |
| 12a. Other monetary financial liabilities | 1.448.781 | 1.436.797 | 757 | - | 2.811 |
| 12b. Other non-monetary financial liabilities | - | - | - | - | - |
| 13. CURRENT LIABILITIES (10+11+12) | 4.968.689 | 4.189.440 | 82.412 | 365.841 | 5.953 |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | 1.182.748 | 236.030 | 105.099 | - | - |
| 16a. Other monetary financial liabilities | 945.133 | 944.146 | - | - | 537 |
| 16b. Other non-monetary financial liabilities | - | - | - | - | - |
| 17. Non-current liabilities (14+15+16) | 2.127.881 | 1.180.176 | 105.099 | - | 537 |
| 18. TOTAL LIABILITIES (13+17) | 7.096.570 | 5.369.616 | 187.511 | 365.841 | 6.490 |
| 19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b) | (196.573) | - | (21.822) | - | - |
| 19a. Off-balance sheet foreign currency derivative financial assets | - | - | - | - | - |
| 19b. Off-balance sheet foreign currency derivative financial liabilities | 196.573 | - | 21.822 | - | - |
| 20. Net foreign currency asset/liability position (9-18+19) | (1.303.197) | (495.241) | (89.905) | (304.454) | 12.790 |
| 21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a) | (1.770.023) | (781.243) | (109.386) | (365.820) | 12.249 |
| 22. Fair value of derivative financial instruments used in foreign currency hedge | (11.035) | - | (1.225) | - | - |
| 23. Hedged foreign currency assets | 196.573 | - | 21.822 | - | - |
| 24. Hedged foreign currency liabilities | - | - | - | - | - |
| 25. Exports | 5.508.594 | - | - | - | - |
| 26. Imports | 16.384.474 | - | - | - | - |

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**NOTE 17 – 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 June 2021 on condensed consolidated statement of financial position are translated by using the following exchange rates: TRY 8,6803 = US \$ 1, TRY 10,3249 = EUR 1, TRY 0,0784 = JPY 1 and TRY 2,0836 = RON 1 (31 December 2020: TRY 7,3405 = US \$ 1, TRY 9,0079 = EUR 1, TRY 0,0709 = JPY 1 and TRY 1,8373 = RON 1).

| | Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest | |
|---|--|-------------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency |
| 30 June 2021 | | |
| 1- TRY net asset/liability | (401.404) | 401.404 |
| 2- Hedged portion from TRY risk (-) | - | - |
| 3- Effect of capitalization (-) | - | - |
| 4- TRY net effect (1+2+3) | (401.404) | 401.404 |
| 5- RON net asset/liability | 4.258 | (4.258) |
| 6- Hedged portion from RON risk (-) | - | - |
| 7- Effect of capitalization (-) | - | - |
| 8- RON net effect (5+6+7) | 4.258 | (4.258) |
| 9- Euro net asset/liability | 35.502 | (35.502) |
| 10- Hedged portion from Euro risk (-) | (166.372) | 166.372 |
| 11- Effect of capitalization (-) | - | - |
| 12- Euro net effect (9+10+11) | (130.870) | 130.870 |
| 13- Jap. Yen net asset/liability | (1.597) | 1.597 |
| 14- Hedged portion from Jap. Yen risk (-) | - | - |
| 15- Effect of capitalization (-) | - | - |
| 16- Jap. Yen net effect (13+14+15) | (1.597) | 1.597 |
| TOTAL (4+8+12+16) | (529.613) | 529.613 |

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**NOTE 17 – 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 2020 | 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 | (49.524) | 49.524 |
| 2- Hedged portion from TRY risk (-) | - | - |
| 3- Effect of capitalization (-) | - | - |
| 4- TRY net effect (1+2+3) | (49.524) | 49.524 |
| 5- RON net asset/liability | 2.350 | (2.350) |
| 6- Hedged portion from RON risk (-) | - | - |
| 7- Effect of capitalization (-) | - | - |
| 8- RON Dollars net effect (5+6+7) | 2.350 | (2.350) |
| 9- Euro net asset/liability | (61.328) | 61.328 |
| 10- Hedged portion from Euro risk (-) | (19.657) | 19.657 |
| 11- Effect of capitalization (-) | - | - |
| 12- Euro net effect (9+10+11) | (80.985) | 80.985 |
| 13- Jap. Yen net asset/liability | (2.159) | 2.159 |
| 14- Hedged portion from Jap. Yen risk (-) | - | - |
| 15- Effect of capitalization (-) | - | - |
| 16- Jap. Yen net effect (13+14+15) | (2.159) | 2.159 |
| TOTAL (4+8+12+16) | (130.318) | 130.318 |

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**NOTE 17 – 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 |
|-------------------------------------|---|--|--|-------------------|
| 30 June 2021 | | | | |
| <u>Financial Assets</u> | | | | |
| Cash and cash equivalents | 10.286.783 | - | - | 10.286.783 |
| Trade receivables | 5.412.635 | - | - | 5.412.635 |
| Financial investments | 9.706 | - | 255 | 9.961 |
| Other financial assets | 108.290 | - | - | 108.290 |
| Derivative financial instruments | - | 93.525 | 49.868 | 143.393 |
| <u>Financial Liabilities</u> | | | | |
| Financial liabilities | 9.348.091 | - | - | 9.348.091 |
| Trade payables | 5.395.147 | - | - | 5.395.147 |
| Other liabilities | 1.211.071 | - | - | 1.211.071 |
| Derivative financial instruments | - | 31.607 | 2.063 | 33.670 |
| 31 December 2020 | | | | |
| <u>Financial Assets</u> | | | | |
| Cash and cash equivalents | 13.542.177 | - | - | 13.542.177 |
| Trade receivables | 3.827.829 | - | - | 3.827.829 |
| Financial investments | 39.048 | - | 199 | 39.247 |
| Other financial assets | 85.845 | - | - | 85.845 |
| Derivative financial instruments | - | 37.510 | - | 37.510 |
| <u>Financial Liabilities</u> | | | | |
| Financial liabilities | 6.598.271 | - | - | 6.598.271 |
| Trade payables | 3.766.949 | - | - | 3.766.949 |
| Other liabilities | 739.533 | - | - | 739.533 |
| Derivative financial instruments | - | 33.169 | 26.413 | 59.582 |

Group management, considers that the fair values of financial assets and liabilities approximate book values.

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**NOTE 17 – 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 June 2021 | Fair value level as of reporting date | | |
|--|---------------------|--|----------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets and liabilities at fair value through profit/loss | | | | |
| Derivative financial assets | 49.868 | - | 49.868 | - |
| Derivative financial liabilities | (2.063) | - | (2.063) | - |
| Financial assets and liabilities at fair value through other comprehensive income/expense | | | | |
| Derivative financial assets | 93.525 | - | 93.525 | - |
| Derivative financial liabilities | (31.607) | - | (31.607) | - |
| Total | 109.723 | - | 109.723 | - |

| Financial asset and liabilities at fair value | 31 December 2020 | Fair value level as of reporting date | | |
|--|-------------------------|--|-----------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial assets and liabilities at fair value through profit/loss | | | | |
| Derivative financial assets | - | - | - | - |
| Derivative financial liabilities | (26.413) | - | (26.413) | - |
| Financial assets and liabilities at fair value through other comprehensive income/expense | | | | |
| Derivative financial assets | 37.510 | - | 37.510 | - |
| Derivative financial liabilities | (33.169) | - | (33.169) | - |
| Total | (22.072) | - | (22.072) | - |

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NOTE 17 – 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 18 – SUBSEQUENT EVENTS

None.

NOTE 19 – 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 June 2021, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“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.