

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Board of Directors of İskenderun Demir ve Çelik A.Ş.

Introduction

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

Scope of Review

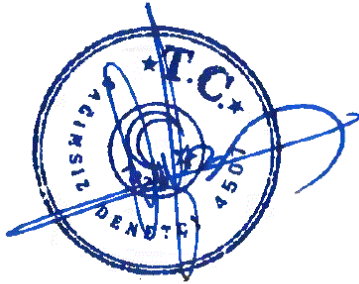
We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for 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 believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Osman Arslan, SMMM

Audit Partner

İstanbul, 9 August 2021

TABLE OF CONTENTS		PAGE
CONDENSED STATEMENT OF FINANCIAL POSITION		1-2
CONDENSED STATEMENT OF PROFIT OR LOSS		3
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME		4
CONDENSED STATEMENT OF CHANGES IN EQUITY		5
CONDENSED STATEMENT OF CASH FLOWS		6
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS		7-42
NOTE 1	COMPANY'S ORGANIZATION AND NATURE OF OPERATIONS.....	7
NOTE 2	BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS	7-13
NOTE 3	RELATED PARTY TRANSACTIONS.....	14-16
NOTE 4	INVENTORIES.....	17
NOTE 5	INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD.....	17-18
NOTE 6	TANGIBLE AND INTANGIBLE ASSETS.....	19-20
NOTE 7	BORROWINGS	21-22
NOTE 8	PROVISIONS	22-24
NOTE 9	EMPLOYEE BENEFITS	24-26
NOTE 10	COMMITMENTS	27
NOTE 11	TAX ASSETS AND LIABILITIES	28-30
NOTE 12	EQUITY	30
NOTE 13	SALES AND COST OF SALES	31-32
NOTE 14	OPERATING EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME/ (EXPENSES).....	33-35
NOTE 15	FINANCE INCOME / EXPENSES	36
NOTE 16	NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	37-42
NOTE 17	SUBSEQUENT EVENTS.....	42
NOTE 18	OTHER ISSUES AFFECTING THE CONDENSED INTERIM FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION	42

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021

(Amounts are expressed as 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		1.926.339	16.721.199	1.764.025	12.948.824
Cash and Cash Equivalents		327.332	2.841.342	5.259	38.603
Trade Receivables		273.617	2.375.077	174.539	1.281.204
<i>Due From Related Parties</i>	3	203.594	1.767.258	135.274	992.977
<i>Other Trade Receivables</i>		70.023	607.819	39.265	288.227
Other Receivables		502.387	4.360.867	942.017	6.914.878
<i>Due From Related Parties</i>	3	498.018	4.322.947	937.255	6.879.919
<i>Other Receivables</i>		4.369	37.920	4.762	34.959
Derivative Financial Instruments		1.640	14.234	-	-
Inventories	4	795.711	6.907.013	625.386	4.590.643
Prepaid Expenses		15.682	136.121	6.833	50.154
Other Current Assets		9.970	86.545	9.991	73.342
Non Current Assets		2.156.212	18.716.571	2.097.214	15.394.599
Financial Investments		27	235	27	199
Other Receivables		1.174	10.193	1.389	10.193
Investments Accounted For Using Equity Method	5	30.266	262.718	31.327	229.956
Property, Plant and Equipment	6	1.955.598	16.975.180	1.897.591	13.929.264
Right of Use Assets		43.907	381.125	40.951	300.598
Intangible Assets	6	40.503	351.579	41.338	303.443
Prepaid Expenses		84.737	735.541	84.591	620.946
<i>Due From Related Parties</i>	3	5.157	44.764	1.753	12.868
<i>Other Prepaid Expenses</i>		79.580	690.777	82.838	608.078
TOTAL ASSETS		4.082.551	35.437.770	3.861.239	28.343.423

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021

(Amounts are expressed as 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		651.135	5.662.262	383.427	2.814.545
Short Term Borrowings	7	58.001	504.371	6.613	48.544
Short Term Portion of Long Term Borrowings	7	56.697	493.034	21.842	160.334
Trade Payables		323.003	2.808.803	252.202	1.851.288
<i>Due to Related Parties</i>	3	93.863	816.227	52.443	384.960
<i>Other Trade Payables</i>		229.140	1.992.576	199.759	1.466.328
Payables for Employee Benefits	9	10.225	88.917	9.154	67.192
Other Payables		5.667	49.280	4.768	35.000
Financial Derivative Instruments		96	836	-	-
Deferred Revenue		50.451	438.721	15.094	110.800
Current Tax Liabilities	11	129.359	1.124.895	48.612	356.834
Short Term Provisions	8	7.932	68.976	8.479	62.243
Other Current Liabilities		9.704	84.429	16.663	122.310
Non Current Liabilities		536.199	4.662.731	483.354	3.548.061
Long Term Borrowings	7	157.943	1.373.454	134.433	986.802
Long Term Provisions	9	56.128	488.082	54.922	403.156
<i>Long Term Provisions for Employee Benefits</i>		56.128	488.082	54.922	403.156
Deferred Tax Liabilities	11	322.128	2.801.195	293.999	2.158.103
EQUITY		2.895.217	25.112.777	2.994.458	21.980.817
Share Capital	12	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital		85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ Loss)		(23.854)	11.627.924	(19.821)	9.020.007
<i>Gain / (Loss) on Remeasurement of Defined Benefit Plans</i>		(23.854)	(89.404)	(19.821)	(54.295)
<i>Foreign Currency Translation Reserves</i>		-	11.717.328	-	9.074.302
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		1.041	9.051	-	-
<i>Cash Flow Hedging Gain (Loss)</i>		1.041	9.051	-	-
Restricted Reserves Assorted from Profit		392.036	1.758.560	344.712	1.401.860
Accumulated Profit or Loss		655.576	5.700.821	849.456	6.235.437
Period Net Income/ Loss		396.228	3.116.257	345.921	2.423.349
TOTAL LIABILITIES AND EQUITY		4.082.551	35.437.770	3.861.239	28.343.423

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

(Amounts are expressed as 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	(Not Reviewed) 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	(Not Reviewed) Previous Period 1 April 30 June 2020 TRY'000
Revenue	13	1.844.579	14.507.242	8.944.617	1.115.910	7.226.745	3.529.516
Cost of Sales	13	(1.173.096)	(9.226.165)	(5.604.101)	(936.424)	(6.064.377)	(2.977.850)
GROSS PROFIT		671.483	5.281.077	3.340.516	179.486	1.162.368	551.666
Marketing, Sales and Distribution Expenses	14	(9.362)	(73.632)	(40.762)	(8.104)	(52.480)	(27.511)
General Administrative Expenses	14	(11.975)	(94.180)	(53.616)	(13.944)	(90.303)	(45.365)
Research and Development Expenses		(30)	(236)	(190)	(10)	(66)	(14)
Other Operating Income	14	4.390	34.524	21.548	27.759	179.770	167.311
Other Operating Expenses	14	(18.340)	(144.243)	(101.794)	(2.078)	(13.455)	(5.756)
OPERATING PROFIT		636.166	5.003.310	3.165.702	183.109	1.185.834	640.331
Expenses from Investing Activities		(225)	(1.750)	(327)	(328)	(2.131)	(436)
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)		635.776	5.000.260	3.168.298	184.136	1.192.480	652.716
Finance Income	15	40.218	316.305	188.643	11.364	100.002	64.113
Finance Expense	15	(68.516)	(387.225)	(121.655)	(8.248)	(53.413)	9.369
PROFIT BEFORE TAX		607.478	4.929.340	3.235.286	187.252	1.239.069	726.198
Tax (Expense) Income	11	(211.250)	(1.813.083)	(1.175.511)	(83.266)	(565.648)	(263.659)
Current Corporate Tax (Expense) Income		(182.460)	(1.586.654)	(1.124.895)	(72.136)	(493.571)	(258.960)
Deferred Tax (Expense) Income		(28.790)	(226.429)	(50.616)	(11.130)	(72.077)	(4.699)
NET PROFIT FOR THE PERIOD		396.228	3.116.257	2.059.775	103.986	673.421	462.539
EARNINGS PER SHARE			1,0746	0,7103		0,2322	0,1595
(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 financial statements.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

(Amounts are expressed as 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	(Not Reviewed) 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	(Not Reviewed) Previous Period 1 April 30 June 2020 TRY'000
PROFIT FOR THE PERIOD	396.228	3.116.257	2.059.775	103.986	673.421	462.539
OTHER COMPREHENSIVE INCOME						
Not to be reclassified subsequently to profit or loss						
Foreign Currency Translation Gain	-	3.753.761	1.053.222	-	2.496.731	912.559
Gain/Loss on Remeasurement of Defined Benefit Plan	9 (5.041)	(43.886)	(43.886)	(5.728)	(39.193)	(39.193)
Tax Effect of Remeasurement of Defined Benefit Plan	11 1.008	8.777	8.777	1.146	7.839	7.839
Kar veya Zarar Olarak Yeniden Sınıflandırılacaklar						
Gain (Loss) in Cash Flow Hedging Reserves	1.388	12.068	12.068	-	-	-
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 (347)	(3.017)	(3.017)	-	-	-
OTHER COMPREHENSIVE INCOME	(2.992)	3.727.703	1.027.164	(4.582)	2.465.377	881.205
TOTAL COMPREHENSIVE INCOME	393.236	6.843.960	3.086.939	99.404	3.138.798	1.343.744

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

(Reviewed)	Note	Share Capital	Inflation Adjustment to Capital	Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)	Retained Earnings		Total Shareholders' Equity	
				Foreign Currency Translation Reserves	Actuarial (Loss) / Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings		Period Net Income/ Loss
1 January 2021 (Previously reported)		2.900.000	164	13.629.734	(54.295)	-	1.401.860	1.680.005	2.423.349	21.980.817
Impact of accounting policy change	2.5	-	-	(4.555.432)	-	-	-	4.555.432	-	-
1 January 2021		2.900.000	164	9.074.302	(54.295)	-	1.401.860	6.235.437	2.423.349	21.980.817
Net profit for the period		-	-	-	-	-	-	-	3.116.257	3.116.257
Other comprehensive income/(loss)		-	-	3.753.761	(35.109)	9.051	-	-	-	3.727.703
Total comprehensive income/(loss)		-	-	3.753.761	(35.109)	9.051	-	-	3.116.257	6.843.960
Increase (decrease) due to other changes	2.5	-	-	(1.110.735)	-	-	-	1.110.735	-	-
Dividends (*)		-	-	-	-	-	-	(3.712.000)	-	(3.712.000)
Transfers		-	-	-	-	-	356.700	2.066.649	(2.423.349)	-
30 June 2021		2.900.000	164	11.717.328	(89.404)	9.051	1.758.560	5.700.821	3.116.257	25.112.777
(Reviewed)										
1 January 2020 (Previously reported)		2.900.000	164	9.736.362	(48.664)	-	1.364.160	84.277	2.155.428	16.191.727
Impact of accounting policy change	2.5	-	-	(3.188.482)	-	-	-	3.188.482	-	-
1 January 2020		2.900.000	164	6.547.880	(48.664)	-	1.364.160	3.272.759	2.155.428	16.191.727
Net profit for the period		-	-	-	-	-	-	-	673.421	673.421
Other comprehensive income/(loss)		-	-	2.496.731	(31.354)	-	-	-	-	2.465.377
Total comprehensive income/(loss)		-	-	2.496.731	(31.354)	-	-	-	673.421	3.138.798
Increase (decrease) due to other changes	2.5	-	-	(942.795)	-	-	-	942.795	-	-
Transfers		-	-	-	-	-	-	2.155.428	(2.155.428)	-
30 June 2020		2.900.000	164	8.101.816	(80.018)	-	1.364.160	6.370.982	673.421	19.330.525

(*) At the Ordinary General Meeting held on March 16, 2021, it has been approved unanimously to distribute net profit of 2020 and accumulated earnings amounting to TRY 3.712.000 thousand (gross dividend per share:TRY 1,28). The dividend payment has started at 24 March 2021.

Retained earnings; in the condensed financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed 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 financial statements.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

	Note	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
		1 January -	1 January -	1 January -	1 January -
		30 June 2021	30 June 2021	30 June 2020	30 June 2020
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (Loss) for The Period		337.195	2.825.009	223.707	1.501.216
Adjustments to Reconcile Profit (Loss)		214.233	2.014.917	113.321	760.296
Adjustments for Depreciation and Amortisation Expenses	13/14	54.649	429.795	52.102	337.411
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(131)	(1.062)	874	5.666
Adjustments for Provision (Reversal of Provision) for Receivables		11	56	461	2.988
Adjustments for Provision (Reversal of Provision) for Inventories	4	(142)	(1.118)	413	2.678
Adjustments for Provisions		7.574	59.548	8.043	52.095
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	6.834	53.740	7.767	50.308
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	740	5.808	276	1.787
Adjustments for Interest (Income) and Expenses		(34.721)	(273.072)	(8.840)	(57.253)
Adjustments for Interest Income	15	(37.709)	(296.570)	(12.922)	(83.687)
Adjustments for Interest Expense	15	4.355	34.251	5.029	32.565
Unearned Financial Income from Credit Sales		(1.367)	(10.753)	(947)	(6.131)
Adjustments for Unrealised Foreign Exchange Differences		(7.038)	(15.200)	(221)	(1.432)
Adjustments for Fair Value (Gains) Losses		(156)	(1.225)	-	-
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(156)	(1.225)	-	-
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	165	1.300	(1.355)	(8.777)
Adjustments for Tax (Income) Expenses	11	211.250	1.813.083	83.266	565.648
Adjustments for non-cash items		-	-	(20.876)	(135.193)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		223	1.750	328	2.131
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		223	1.750	328	2.131
Other Adjustments to Reconcile Profit (Loss)		(17.582)	-	-	-
Changes in Working Capital		(169.641)	(1.472.533)	68.725	470.226
Adjustments for Decrease (Increase) in Trade Receivables		(98.051)	(851.112)	(2.357)	(16.127)
Decrease (Increase) in Trade Receivables from Related Parties		(68.320)	(593.038)	14.621	100.040
Decrease (Increase) in Trade Receivables from Third Parties		(29.731)	(258.074)	(16.978)	(116.167)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		608	5.277	1.642	11.233
Decrease (Increase) in Other Receivables from Operations from Third Parties		608	5.277	1.642	11.233
Decrease (Increase) in Derivative Financial Instruments		(1.640)	(14.234)	-	-
Adjustments for Decrease (Increase) in Inventories		(166.721)	(1.447.188)	99.313	679.520
Decrease (Increase) in Prepaid Expenses		(6.598)	(57.272)	(19.818)	(135.601)
Adjustments for Increase (Decrease) in Trade Payables		70.801	614.574	(40.880)	(279.709)
Increase (Decrease) in Trade Payable to Related Parties		41.420	359.538	(15.762)	(107.847)
Increase (Decrease) in Trade Payable to Third Parties		29.381	255.036	(25.118)	(171.862)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		1.970	17.100	10.614	72.623
Increase (Decrease) in Other Payables to Third Parties Related from Operations		1.970	17.100	10.614	72.623
Increase (Decrease) in Derivative Liabilities		1.571	13.637	(15)	(103)
Adjustments for Other Increase (Decrease) in Working Capital		28.419	246.685	20.226	138.390
Decrease (Increase) in Other Assets Related from Operations		21	182	1.855	12.692
Increase (Decrease) in Other Payables Related from Operations		28.398	246.503	18.371	125.698
Cash Flows Provided by Operating Activities		440.820	3.658.641	286.032	1.903.943
Payments Related to Provisions for Employee Termination Benefits	9	(1.859)	(14.622)	(2.213)	(14.329)
Payments Related to Other Provisions	8	(53)	(417)	(35)	(228)
Income Taxes Refund (Paid)	11	(101.713)	(818.593)	(60.077)	(388.170)
CASH FLOWS FROM INVESTING ACTIVITIES		(121.211)	(1.062.122)	(85.549)	(585.708)
Cash Inflow Due to Share Sales and Capital Deduction of Subsidiaries' or Joint Ventures'		-	-	1.981	13.333
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		-	-	6	32
Cash Inflow from Sales of Property, Plant and Equipment		-	-	6	32
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(115.773)	(910.531)	(61.337)	(397.226)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(115.452)	(908.006)	(61.213)	(396.355)
Cash Outflow from Purchase of Intangible Assets	6	(321)	(2.525)	(134)	(871)
Cash Advances and Debts Given		(6.297)	(157.983)	(26.520)	(204.010)
Cash Advance and Debts Given to Related Parties		(3.400)	(31.896)	-	-
Other Cash Advances and Debts Given		(2.897)	(126.087)	(26.520)	(204.010)
Dividends Received	5	859	6.392	321	2.163
CASH FLOWS FROM FINANCING ACTIVITIES		117.717	45.138	(129.428)	(1.330.446)
Cash Inflow from Borrowings		136.210	1.069.824	220.027	1.429.780
Cash Inflow from Loans		136.210	1.069.824	220.027	1.429.780
Cash Outflow from Repayments of Borrowings		(19.844)	(156.832)	(132.932)	(587.118)
Cash Outflow from Loan Repayments		(19.844)	(156.832)	(132.932)	(587.118)
Decrease in Other Payables to Related Parties		439.273	2.556.972	(219.675)	(2.191.789)
Cash Outflow Related to Debt Payments Arising From Financial Leasing Contracts		(147)	(1.158)	(4.065)	(26.327)
Ödenen Temettüleri		(474.925)	(3.710.624)	-	-
Interest Paid		(760)	(11.084)	(5.017)	(34.222)
Interest Received		37.910	298.040	12.234	79.230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE		333.701	1.808.025	8.730	(414.938)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(11.766)	993.516	(10.338)	412.733
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		321.935	2.801.541	(1.608)	(2.165)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		5.259	38.603	9.797	58.197
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		327.194	2.840.144	8.189	56.032

- As of 30 June 2021, the Company's total amount of time deposit interest accrual is TRY 1.198 thousand (USD 138 thousand) (30 June 2020: None).
- In the statement of financial position, since the functional currency of the Company is USD, exchange differences between the accrued and payment dates of the dividend payables to the shareholders whose original currency is Turkish Lira are reported in Other Adjustments to reconcile Profit (Loss).

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

NOTE 1 – COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

Name Of Company	Country of Operation	Operation	2021 Share %	2020 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sale	50	50

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

The number of the personnel employed by the Company as at 30 June 2021 are as follows:

	30 June 2021 Personnel	31 December 2020 Personnel
Paid Hourly Personnel	3.072	2.988
Paid Monthly Personnel	1.695	1.714
	<u>4.767</u>	<u>4.702</u>

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company and all its 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 financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

NOTE 2 – BASIS OF PRESENTATION OF THE 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 Company has preferred to prepare condensed financial statements in the interim period. Accordingly, these condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

Also, the condensed interim 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.

Functional and Reporting Currency

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

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

Functional currency of the joint venture

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

Presentation currency translation

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

According to TAS 21 (“The Effects of Changes in Foreign Exchange Rates”) financial statements that are prepared in US Dollars for the Company 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 the Republic of Turkey's buying rate of exchange which is TRY 8,6803=US \$ 1 and the liabilities selling rate of exchange which is TRY 8,6959=US \$ 1 on the balance sheet date (31 December 2020: TRY 7,3405= US \$ 1).
- b) For the six months period ended 30 June 2021, condensed profit or loss statements are translated from the 6 months average TRY 7,8648 = US \$ 1 rates of 2021 January - June period (30 July 2020: TRY 6,4761 = US \$ 1).
- c) Retained earnings; In the summary financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed in US Dollars. Retained earnings in the summary statement of financial position dated 30 June 2021 are presented by converting them into TRY using the foreign exchange selling rate effective as of 30 June 2021 announced by the Central Bank of the Republic of Turkey, TRY 8.6959 = US \$ 1 (31 December 2020: TRY 7,3405= US \$ 1)..
- d) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

2.1 Basis of Presentation (cont'd)

Presentation currency translation (cont'd)

- 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 financial statements comprising the statements of financial position as of 30 June 2021 and 31 December 2020, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 30 June 2021 and 31 December 2020 represent the financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

Approval of the financial statements

The condensed interim financial statements have been approved 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 Financial Statements with Prior Periods

The Company's condensed financial statements are presented in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB"). The Company's condensed financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective from the interim periods ended after 30 June 2013. Accordingly, the reclassified summary financial statements of the Company 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 financial statements as at 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 Financial Statements Originally Issued in Turkish – See Note 18)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

The new standards, amendments and interpretations which are 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.

These standards, amendments and improvements have no impact on the financial position and performance of the Company.

New and revised TFRSs in issue but not yet effective

The Company 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 9 Financial Instruments
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

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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

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

Amendments to TFRS 3 Reference to the Conceptual Framework

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

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

Amendments to TAS 16 Proceeds before Intended Use

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

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

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

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

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

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 9 Financial Instruments

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

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

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

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

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 and earlier application is permitted.

These standards, amendments and improvements are evaluated on the condensed financial position and performance of the Company.

2.4 Summary of Significant Accounting Policies

The condensed interim 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 financial statements for the period ended 30 June 2021 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2020. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope as of 30 June 2021, from the interests reported as of 31 December 2020.

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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

2.5 Restatement and errors in the accounting policies and estimates (cont'd)

“Retained Earnings’ Profit or Loss” in the condensed 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”.

The classifications made in the summary statement of financial position as of 31 December 2020 are as follows:

Account	(Previously Reported)	(Restated)	(Difference)
	31 December 2020	31 December 2020	31 December 2020
Accumulated profit or loss	1.680.005	6.235.437	4.555.432
Foreign Currency Conversion Adjustments	13.629.734	9.074.302	(4.555.432)
			<u>-</u>

The classifications made in the summary statement of financial position as of 1 January 2020 are as follows:

Account	(Previously Reported)	(Restated)	(Difference)
	1 January 2020	1 January 2020	1 January 2020
Accumulated profit or loss	84.277	3.272.759	3.188.482
Foreign Currency Conversion Adjustments	9.736.362	6.547.880	(3.188.482)
			<u>-</u>

2.6. Significant changes in current period

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

In the preparations of the interim financial statements as at 30 June 2021, the Company 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 condensed financial statements. Within this scope, the Company evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the interim financial statements as at 30 June 2021 for any possible impairment but no impairment were identified.

2.7 Segment Reporting

The segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

NOTE 3 –RELATED PARTY TRANSACTIONS

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

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

	30 June 2021	31 December 2020
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	1.743.247	967.223
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	19.968	21.844
OYAK İnşaat A.Ş. ⁽³⁾	5	-
OYAK Beton Sanayi ve Tic. A.Ş. ⁽³⁾	-	103
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	4.038	3.807
	<u>1.767.258</u>	<u>992.977</u>

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

	30 June 2021	31 December 2020
<u>Other receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.322.947	6.873.430
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	-	6.489
	<u>4.322.947</u>	<u>6.879.919</u>

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

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

	30 June 2021	31 December 2020
<u>Prepaid expenses (long term)</u>		
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	44.764	12.868
	<u>44.764</u>	<u>12.868</u>

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

<u>Due to related parties (short term)</u>	30 June 2021	31 December 2020
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	452.896	284.920
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	7.060	10.298
Erdemir Asia Pacific PTE LTD ⁽²⁾	315.506	47.480
Omsan Lojistik A.Ş. ⁽³⁾	9.466	7.168
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	4.252	3.113
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	9.033	11.406
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	3.080	865
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	4.349	2.908
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	5.381	-
Omsan Denizcilik A.Ş. ⁽³⁾	-	9.925
Other	5.204	6.877
	<u>816.227</u>	<u>384.960</u>

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

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

<u>Major sales to related parties</u>	1 January – 30 June 2021	1 January – 30 June 2020
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	10.419.687	4.608.504
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	1.073	950
Omsan Lojistik A.Ş. ⁽³⁾	41	80
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	21.791	14.399
OYAK Elektrik Enerjisi Toptan Satış A.Ş.	3.623	-
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	930	842
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	205	622
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	448	587
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	36.272	26.846
Other	149	219
	<u>10.484.219</u>	<u>4.653.049</u>

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

⁽¹⁾ Immediate parent company

⁽²⁾ Subsidiaries of the immediate parent company

⁽³⁾ Subsidiaries of the ultimate company

⁽⁴⁾ Joint venture

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

<u>Major purchases from related parties</u>	<u>1 January – 30 June 2021</u>	<u>1 January – 30 June 2020</u>
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	6.489	826
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	1.335.400	500.413
Erdemir Asia Pacific PTE LTD ⁽²⁾	1.341.781	8.125
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	125.636	29.160
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	40.949	40.399
Omsan Denizcilik A.Ş. ⁽³⁾	31.298	10.564
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	25.094	20.007
Omsan Lojistik A.Ş. ⁽³⁾	36.606	31.044
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	6.896	5.845
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	24.353	16.960
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	64.180	48.950
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	45.747	30.951
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	13.782	-
Other	2.291	1.453
	<u>3.100.502</u>	<u>744.697</u>

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

The Company earned TRY 278.686 thousand of revenue from related party transactions of the six- months period ended 30 June 2021, amounting to TRY 265.641 thousand of interest income and TRY 13.045 thousand of interest accrued on term. (30 June 2020: TRY 95.597 thousand)

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

For the six months period end balances are secured and their collections will be done in cash. Other receivables from related parties balances are non-secured, interest free and their collections will be done in cash. As of 30 June 2021, the Company provides no provision for the receivables from related parties (31 December 2020: None).

Benefits provided to executive managers:

The company's executive management team consists of the Board of Directors, 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 Company is TRY 4.050 thousand (30 June 2020: TRY 3.350 thousand).

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 4 – INVENTORIES

The details of the Company’s inventories for the reporting period are as follows:

	30 June 2021	31 December 2020
Raw materials	2.175.180	1.436.403
Work in progress	1.403.134	825.626
Finished goods	1.082.364	402.557
Spare parts	787.437	631.992
Goods in transit	1.283.582	1.119.449
Other inventories	423.955	385.921
Allowance for impairment on inventories (-)	(248.639)	(211.305)
	<u>6.907.013</u>	<u>4.590.643</u>

The movement of the allowance for impairment on inventories:

	1 January – 30 June 2021	1 January – 30 June 2020
Opening balance	211.305	160.828
Provision for the period	-	5.787
Provision released (-)	(1.118)	(3.109)
Translation difference	38.452	24.572
Closing balance	<u>248.639</u>	<u>188.078</u>

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

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

<i>Joint Venture</i>	Right to vote ratio (%)	30 June 2021	Right to vote ratio (%)	31 December 2020	Business Segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	262.718	50	229.956	Industrial Gas Production and Sale

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont’d)

Company’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
Company'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 in the cash flows of İsdemir is TRY 6.392 thousand) from the net profit of 2020 have been unanimously approved. The dividend payment was completed at 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 TL 175.000 thousand to TL 140.000 thousand by reducing the amount of TL 35.000 thousand.

İsdemir Linde Gaz Ortaklığı A.Ş 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 Company is TRY 4.186 thousand) is included in the financial statements prepared as of reporting date.

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

	1 January – 30 June 2021	1 January – 30 June 2020
Revenue	73.667	57.453
Operating income	17.322	12.852
Net profit (loss) for the period	(2.599)	17.554
Company's share on net profit (loss)	(1.300)	8.777

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the reporting period is as follows:

	30 June 2021	30 June 2020
<u>Opening balance as of 1 January</u>		
Cost	34.530.027	27.088.610
Accumulated depreciation	(20.600.763)	(16.087.374)
Net book value	<u>13.929.264</u>	<u>11.001.236</u>
Net book value at the beginning of the period	13.929.264	11.001.236
Additions (*)	897.656	396.355
Disposals (-)	(1.750)	(2.163)
<i>Cost of disposals</i>	(118.016)	(4.438)
<i>Accumulated depreciation of disposals</i>	116.266	2.275
Transfers to intangible assets	-	(478)
Currency translation difference	2.589.697	1.673.796
<i>Cost currency translation difference</i>	6.383.939	4.135.964
<i>Accumulated depreciation currency translation difference</i>	(3.794.242)	(2.462.168)
Current period depreciation (-)	(439.687)	(335.428)
Net book value at the end of the period	<u>16.975.180</u>	<u>12.733.318</u>
<u>Closing balance as of</u>		
Cost	41.693.606	31.616.013
Accumulated depreciation	(24.718.426)	(18.882.695)
Net book value	<u>16.975.180</u>	<u>12.733.318</u>

(*) The amount of capitalized borrowing cost is TRY (10.350) thousand for the current period.

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

The movement of intangible assets for the reporting period is as follows:

	30 June 2021	30 June 2020
<u>Opening balance as of 1 January</u>		
Cost	578.179	459.313
Accumulated depreciation	(274.736)	(207.865)
Net book value	<u>303.443</u>	<u>251.448</u>
Net book value at the beginning of the period	303.443	251.448
Additions	2.525	871
Transfers to tangible assets	-	478
Currency translation difference	54.704	37.806
<i>Cost currency translation difference</i>	105.792	69.822
<i>Accumulated depreciation currency translation difference</i>	(51.088)	(32.016)
Current period depreciation (-)	(9.093)	(7.985)
Net book value at the end of the period	<u>351.579</u>	<u>282.618</u>
<u>Closing balance as of</u>		
Cost	686.496	530.484
Accumulated depreciation	(334.917)	(247.866)
Net book value	<u>351.579</u>	<u>282.618</u>

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

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 7.848 Thousand (30 June 2020 : TRY 5.861 Thousand) assets are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Associated with cost of production	429.070	331.774
General administrative expenses	3.848	3.085
Marketing, sales and distribution expenses	17.260	9.654
Other operating expenses	6.450	4.761
	<u>456.628</u>	<u>349.274</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	30 June 2021	31 December 2020
Short term bank borrowings	504.371	48.544
Short term portion of long term bank borrowings	460.849	129.998
Long term bank borrowings	1.158.578	785.769
Total bank borrowings	2.123.798	964.311
Current portion of long term lease payables	36.089	31.821
Cost of current portion of long term lease payables (-)	(3.904)	(1.485)
Long term lease payables	939.994	857.949
Cost of long term lease payables (-)	(725.118)	(656.916)
Total leases borrowings	247.061	231.369
Total borrowings	2.370.859	1.195.680

As of 30 June 2021, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	30 June 2021
Fixed	US Dollars	1,24	777.090	-	777.090
Floating	US Dollars	Libor+2,45	2.293	590.999	593.292
No interest	TRY	-	27.603	-	27.603
Floating	EURO	Euribor+1,16	158.234	567.579	725.813
			965.220	1.158.578	2.123.798

As of 31 December 2020, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31December 2020
Fixed	US Dollars	1,76	-	251.229	251.229
Fixed	TRY	7,25	48.544	-	48.544
Floating	EURO	Euribor+1,28	129.998	534.540	664.538
			178.542	785.769	964.311

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	30 June 2021			31 December 2020		
	Financial Liabilities	Lease Liabilities	Total Liabilities	Financial Liabilities	Lease Liabilities	Total Liabilities
Within 1 year	965.220	32.185	997.405	178.542	30.336	208.878
Between 1-2 years	189.239	29.493	218.732	399.421	25.529	424.950
Between 2-3 years	491.918	25.300	517.218	101.188	23.601	124.789
Between 3-4years	64.726	21.628	86.354	39.786	20.436	60.222
Between 4-5years	64.726	18.797	83.523	39.786	17.761	57.547
Five years or more	347.969	119.658	467.627	205.588	113.706	319.294
	<u>2.123.798</u>	<u>247.061</u>	<u>2.370.859</u>	<u>964.311</u>	<u>231.369</u>	<u>1.195.680</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	30 June 2021	31 December 2020
Provision for lawsuits	56.125	49.763
Penalty provision for employment shortage of disabled personnel	10.200	9.938
Provision for land occupation	2.651	2.542
	<u>68.976</u>	<u>62.243</u>

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

	30 June 2021	31 December 2020
Lawsuits filed by the Company	152.225	156.769
Provision for lawsuits filed by the Company	3.718	3.183

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

	30 June 2021	31 December 2020
Lawsuits filed by the Company	34.112	28.707
Provision for lawsuits filed by the Company	56.125	49.763

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 8 – PROVISIONS (cont’d)

The movement of the short term provisions is as follows:

	1 January 2021	Change for the period	Payments	Provision released	Translation difference	30 June 2021
Provision for lawsuits	49.763	11.315	(417)	(5.855)	1.319	56.125
Penalty provision for employment shortage of disabled personnel	9.938	264	-	-	(2)	10.200
Provision for land occupation	2.542	335	-	(251)	25	2.651
	<u>62.243</u>	<u>11.914</u>	<u>(417)</u>	<u>(6.106)</u>	<u>1.342</u>	<u>68.976</u>

	1 January 2020	Change for the period	Payments	Provision released	Translation difference	30 June 2020
Provision for lawsuits	35.558	2.415	(228)	(849)	928	37.824
Penalty provision for employment shortage of disabled personnel	9.635	119	-	-	-	9.754
Provision for land occupation	2.138	312	-	(210)	(11)	2.229
	<u>47.331</u>	<u>2.846</u>	<u>(228)</u>	<u>(1.059)</u>	<u>917</u>	<u>49.807</u>

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 8 – PROVISIONS (cont’d)

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

Similarly, it was decided by the Supreme Court that it was combined within the scope of our individual application and that the Company's right to property was violated in 25 cases that were concluded, and that the trials in the relevant lawsuits were taken to eliminate the consequences of the violation of the right to property.

47 lawsuits, which were decided to retrial by the Constitutional Court, were reappeared in the Hatay Tax Court, and it was decided by the Local Court to accept cases in favor of the Company. In addition, based upon the decisions awarded in 9 cases by Constitutional Court, Hatay 1st Tax Court accepted 56 cases in favor of the Company. Total number of the cases brought by the Company is 80. 56 out of 80 cases have been awarded in favor of the Company, 12 out of 80 cases are still pending before Constitutional Court. Remaining 12 cases which have been rejected by the Court have been appealed before Council of State and they are still pending under Council of State’s examination. Council of State overturned the court decisions to be ruled by District Courts of Appeals, and these decisions are still under review by the Court of Appeals. 47 cases which were ruled in favor of the Company appealed by Payas Municipality, and are still under review.

The cases which are still under review both by the first instance court and the District Courts of Appeal are ruled in favor of the Company.

NOTE 9 – EMPLOYEE BENEFITS

Short term payables of the employee termination benefits of the Company is as follows:

	30 June 2021	31 December 2020
Due to personnel	72.066	52.610
Social security premiums payable	16.851	14.582
	88.917	67.192

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	30 June 2021	31 December 2020
Provisions for employee termination benefits	373.850	313.567
Provisions for seniority incentive premium	60.721	50.568
Provision for unpaid vacations	53.511	39.021
	<u>488.082</u>	<u>403.156</u>

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

As of 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 employee termination benefit has been updated to a maximum of TRY 8.284,51.

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 Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. The obligation as of 30 June 2021 has been calculated by an independent actuary and projected unit credit method is used in the calculation. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	30 June 2021	31 December 2020
Discount rate	%17,90	%12,80
Inflation rate	%14,50	%8,50
Salary increase	reel %1,5	reel %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, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of reporting period, 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.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January – 30 June 2021	1 January – 30 June 2020
Opening balance	313.567	273.104
Service cost	10.301	10.203
Interest cost	18.936	16.115
Actuarial loss/(gain)	43.886	39.193
Termination benefits paid	(13.314)	(13.455)
Translation difference	474	148
Closing balance	373.850	325.308

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

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

	1 January – 30 June 2021	1 January – 30 June 2020
Opening balance	50.568	30.904
Service cost	2.441	1.531
Interest cost	3.119	1.880
Actuarial loss/(gain)	4.467	11.101
Translation difference	126	33
Closing balance	60.721	45.449

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

	1 January – 30 June 2021	1 January – 30 June 2020
Opening balance	39.021	30.749
Provision for the period	26.855	22.556
Vacation paid during the period (-)	(1.308)	(874)
Provisions released (-)	(12.379)	(13.078)
Translation difference	1.322	832
Closing balance	53.511	40.185

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 10 – COMMITMENTS

The guarantees received reporting period by the Company are as follows:

	30 June 2021	31 December 2020
Letters of guarantees received	1.514.311	1.179.636
	<u>1.514.311</u>	<u>1.179.636</u>

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

	30 June 2021	31 December 2020
A. Total CPM given for the Company's own legal entity	61.353	57.538
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>61.353</u>	<u>57.538</u>

As of reporting period, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2020: 0%).

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

	30 June 2021	31 December 2020
TRY	40.703	39.522
EURO	20.650	18.016
	<u>61.353</u>	<u>57.538</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 11 – TAX ASSETS AND LIABILITIES

The period income tax liabilities by the Company are as follows:

	30 June 2021	31 December 2020
<u>Corporate tax payable:</u>		
Current corporate tax provision	1.586.654	1.243.844
Prepaid taxes and funds (-)	(461.759)	(887.010)
	<u>1.124.895</u>	<u>356.834</u>
	1 January - 30 June 2021	1 January - 30 June 2020
<u>Taxation:</u>		
Current corporate tax expense	1.586.654	493.571
Deferred tax expense	226.429	72.077
	<u>1.813.083</u>	<u>565.648</u>

Corporate Tax

The Company is subject to corporation tax applicable in Turkey. The necessary provisions are allocated in the financial statements for the estimated liabilities based on the Company’s results for the current period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other deductions (retained losses if any, used investment allowance if required).

The effective corporate tax rate is 25% as of reporting date (2020: 22%).

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 total amount of corporate tax payments made by the Company in 2021 six months period is TRY 818.593 thousand. (30 June 2020 : TRY 388.170 thousand.)

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Deferred tax

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

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 deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2020: %10).

Deferred tax assets and liabilities by the Company are as follows:

	30 June 2021	31 December 2020
<u>Deferred tax assets:</u>		
Provisions for employee benefits	101.824	80.631
Financial lease payables	49.412	46.274
Provision for lawsuits	12.481	8.690
Adjustment of receivable rediscount	4.945	3.968
Other	29.216	17.615
	<u>197.878</u>	<u>157.178</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(2.752.883)	(2.238.059)
Right use of assets	(77.288)	(60.119)
Amortized cost adjustment on loans	(11.542)	(7.516)
Fair values of the derivative financial instruments	(3.356)	-
Inventories	(154.004)	(9.587)
	<u>(2.999.073)</u>	<u>(2.315.281)</u>
Deferred tax assets/(liabilities):	<u>(2.801.195)</u>	<u>(2.158.103)</u>

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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Deferred tax (cont’d)

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

	1 January - 30 June 2021	1 January - 30 June 2020
Opening balance	(2.158.103)	(1.748.423)
Deferred tax expense	(226.429)	(72.077)
The amount in comprehensive income	5.760	7.839
Translation difference	(422.423)	(269.567)
Closing balance	<u>(2.801.195)</u>	<u>(2.082.228)</u>

Reporting date of the Company reconciliation of tax provision is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Profit before tax	4.929.340	1.239.069
Statutory tax rate	25%	22%
Calculated tax expense acc. to effective tax rate	(1.232.335)	(272.595)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(1.227)	(105)
- Non-taxable income	1.278	-
- Effect of currency translation (*)	(580.799)	(292.948)
Tax expense in reported in the statement of income	<u>(1.813.083)</u>	<u>(565.648)</u>

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

NOTE 12 – EQUITY

The capital structure reporting period by the Company is as follows:

	(%)	30 June 2021	(%)	31 December 2020
<u>Shareholders</u>				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	94,87	2.751.326
Quoted in Stock Exchange	5,13	148.674	5,13	148.674
Historical capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		<u>2.900.164</u>		<u>2.900.164</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 13 – SALES AND COST OF SALES

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. As of reporting date, the amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 434.695 thousand. The Company planning to recognize related revenue amount as a revenue in a year.

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

	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	12.205.418	7.309.655	5.729.669	2.509.906
Export sales	2.014.742	1.488.337	1.226.863	905.292
Other revenues (*)	270.235	136.487	255.540	108.116
Interest income from sales with maturities	17.289	10.308	14.673	6.202
Sales returns (-)	(442)	(170)	-	-
	<u>14.507.242</u>	<u>8.944.617</u>	<u>7.226.745</u>	<u>3.529.516</u>
<u>Cost of sales (-)</u>	<u>(9.226.165)</u>	<u>(5.604.101)</u>	<u>(6.064.377)</u>	<u>(2.977.850)</u>
Gross profit	<u>5.281.077</u>	<u>3.340.516</u>	<u>1.162.368</u>	<u>551.666</u>

(*)The total amount of by product exports in other revenues is TRY 116.529 thousand (30 June 2020: TRY 128.613 thousand).

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

The breakdown of cost of goods sales for the reporting period 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	(7.692.177)	(4.760.212)	(4.668.304)	(2.251.758)
Personnel costs	(357.875)	(208.961)	(309.786)	(165.922)
Energy costs	(281.015)	(162.690)	(283.261)	(152.264)
Depreciation and amortization expenses	(402.237)	(224.720)	(319.911)	(163.520)
Factory overheads	(150.835)	(105.181)	(184.390)	(92.596)
Other cost of goods sold	(208.334)	(55.854)	(197.663)	(92.190)
Non-operating costs	-	-	(15.127)	(15.127)
Freight costs for sales delivered to customers	(94.812)	(65.310)	(49.582)	(26.378)
Inventory write-downs within the period (Note 4)	-	-	(5.787)	(3.322)
Reversal of inventory write-downs (Note 4)	1.118	512	3.109	3.109
Other	(39.998)	(21.685)	(33.675)	(17.882)
	<u>(9.226.165)</u>	<u>(5.604.101)</u>	<u>(6.064.377)</u>	<u>(2.977.850)</u>

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

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

	1 January - 30 June 2021	1 April 30 June 2021	1 January - 30 June 2020	1 April 30 June 2020
Personnel expenses (-)	(16.588)	(9.579)	(13.603)	(7.531)
Depreciation and amortization(-)	(17.260)	(9.373)	(9.654)	(5.070)
Tax, duty and charges (-)	(448)	(244)	(443)	(237)
Service expenses (-)	(39.336)	(21.566)	(28.780)	(14.673)
	<u>(73.632)</u>	<u>(40.762)</u>	<u>(52.480)</u>	<u>(27.511)</u>

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

	1 January - 30 June 2021	1 April 30 June 2021	1 January - 30 June 2020	1 April 30 June 2020
Personnel expenses (-)	(30.852)	(17.947)	(25.668)	(14.186)
Depreciation and amortization expenses(-)	(2.450)	(1.304)	(1.985)	(1.019)
Right of use expenses (-)	(1.398)	(696)	(1.100)	(631)
Provision for doubtful receivables (-) (net)	(56)	(9)	(2.988)	(1.195)
Tax, duty and charges (-)	(5.653)	(2.770)	(8.687)	(4.012)
Service expenses (-)	(53.771)	(30.890)	(49.875)	(24.322)
	<u>(94.180)</u>	<u>(53.616)</u>	<u>(90.303)</u>	<u>(45.365)</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

The breakdown of other operating income for the reporting period 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>				
Foreign exchange gain from trade receivables and payables	-	-	7.169	4.462
Discount income	94	47	95	47
Provisions released	5.855	5.790	849	206
Service income	4.226	2.244	3.460	1.512
Maintenance repair and rent income	7.298	3.641	6.242	2.882
Lawsuit income	19	8	44	15
Indemnity and penalty detention income	3.524	2.039	1.615	861
Insurance indemnity income	8	8	18.346	18.280
Warehouse income	665	367	721	366
Overdue interest income	211	46	547	297
Share transfer agreement receivable income	-	-	135.193	135.193
Other income and gains	12.624	7.358	5.489	3.190
	<u>34.524</u>	<u>21.548</u>	<u>179.770</u>	<u>167.311</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

The breakdown of other operating expenses for the reporting period 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 expenses (-)</u>				
Provision expenses	(11.579)	(2.276)	(2.534)	(334)
Donation expenses	(1.928)	(833)	(1.168)	(598)
Right of use assets amortization	(6.450)	(3.532)	(4.761)	(2.710)
Foreign exchange expenses from trade receivables and payables	(107.633)	(86.083)	-	-
Penalty expenses	(1.396)	(1.294)	(218)	(40)
Service expenses	(1.094)	(550)	(1.162)	(506)
Lawsuit compensation expenses	(3.424)	(1.240)	(579)	(80)
Other expenses and losses	(10.739)	(5.986)	(3.033)	(1.488)
	<u>(144.243)</u>	<u>(101.794)</u>	<u>(13.455)</u>	<u>(5.756)</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 June 2021	1 April 30 June 2021	1 January - 30 June 2020	1 April 30 June 2020
<u>Financial incomes</u>				
Interest income on bank deposits	30.929	29.881	1.075	592
Foreign exchange gains	-	-	16.315	1.063
Interest income from related party	265.641	157.509	82.612	62.458
Fair value differences of derivative financial instruments	1.225	1.225	-	-
Other financial incomes	18.510	28	-	-
	<u>316.305</u>	<u>188.643</u>	<u>100.002</u>	<u>64.113</u>

The breakdown of financial expenses for the reporting period 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 expenses (-)</u>				
Interest expenses on borrowings	(17.837)	(10.118)	(17.301)	(4.137)
Foreign exchange expenses (net)	(330.369)	(91.554)	-	32.696
Interest cost of employee benefits	(22.055)	(11.200)	(17.995)	(9.113)
Interest expenses on leasings	(16.414)	(8.464)	(15.264)	(7.861)
Other financial expenses	(550)	(319)	(2.853)	(2.216)
	<u>(387.225)</u>	<u>(121.655)</u>	<u>(53.413)</u>	<u>9.369</u>

During the period, the borrowing costs of TRY (10.350) thousand have been capitalized as part of the tangibles.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Additional information about financial instruments

Foreign currency risk management

As of reporting period, the foreign currency position of the Company in terms of original currency is calculated as it as follows:

	30 June 2021			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	1.386.000	1.108.027	26.923	-
2a. Monetary financial assets	5.509.918	5.020.879	47.365	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	61.455	48.087	1.295	-
4. Current assets (1+2+3)	6.957.373	6.176.993	75.583	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	10.428	10.428	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	479.550	385.716	9.088	-
8. Non-current assets (5+6+7)	489.978	396.144	9.088	-
9. Total assets (4+8)	7.447.351	6.573.137	84.671	21
10. Trade payables	959.388	801.912	15.251	184
11. Financial liabilities	217.737	59.788	15.298	-
12a. Other monetary financial liabilities	1.636.857	1.579.168	5.587	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	2.813.982	2.440.868	36.136	184
14. Trade payables	-	-	-	-
15. Financial liabilities	781.434	214.876	54.873	-
16a. Other monetary financial liabilities	488.082	488.082	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.269.516	702.958	54.873	-
18. Total liabilities (13+17)	4.083.498	3.143.826	91.009	184
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	3.363.853	3.429.311	(6.338)	(163)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	2.822.848	2.995.508	(16.721)	(163)
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	2.131.271	-	-	-
26. Imports	7.337.624	-	-	-

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

	31 December 2020			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	323.301	323.115	21	-
2a. Monetary financial assets	7.002.001	1.443.354	617.086	21
2b. Non-monetary financial assets	-	-	-	-
3. Other	25.286	11.591	1.520	-
4. Current assets (1+2+3)	7.350.588	1.778.060	618.627	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	10.392	10.392	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	338.387	259.509	8.757	-
8. Non-current assets (5+6+7)	348.779	269.901	8.757	-
9. Total assets (4+8)	7.699.367	2.047.961	627.384	21
10. Trade payables	693.799	536.630	17.448	-
11. Financial liabilities	208.878	78.879	14.432	-
12a. Other monetary financial liabilities	690.874	687.883	332	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.593.551	1.303.392	32.212	-
14. Trade payables	-	-	-	-
15. Financial liabilities	735.572	201.030	59.341	-
16a. Other monetary financial liabilities	403.156	403.156	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.138.728	604.186	59.341	-
18. Total liabilities (13+17)	2.732.279	1.907.578	91.553	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	4.967.088	140.383	535.831	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	4.603.415	(130.717)	525.554	21
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	2.890.332			
26. Imports	8.486.815			

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

The following table shows the Company’s sensitivity to a 10% (+/-) change in the TRY and EURO 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 asset and liabilities balances are translated by using the following exchange rates: TRY 8,6803 = US \$ 1, TRY 10,3249 = EUR 1 (31 December 2020: TRY 7,3405 = US\$ 1, TRY 9,0079 = EUR 1)

	Profit/(loss) after capitalization on tangible assets and before tax	
	Appreciation of foreign currency	Depreciation of foreign currency
30 June 2021		
1- TRY net asset/liability	342.931	(342.931)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	342.931	(342.931)
5- Euro net asset/liability	(6.544)	6.544
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(6.544)	6.544
9- Jap. Yen net asset/liability	(1)	1
10-Hedged portion from Jap. Yen risk (-)	-	-
11-Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(1)	1
TOTAL (4+8+12)	336.386	(336.386)

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

	Profit/(loss) after capitalization on tangible assets and before tax	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2020		
1- TRY net asset/liability	14.038	(14.038)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	14.038	(14.038)
5- Euro net asset/liability	482.671	(482.671)
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	482.671	(482.671)
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	-	-
TOTAL (4+8+12)	496.709	(496.709)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
30 June 2021				
Financial Assets				
Cash and cash equivalents	2.841.342	-	-	2.841.342
Trade receivables	2.375.077	-	-	2.375.077
Financial investments	-	-	235	235
Other financial assets	4.371.060	-	-	4.371.060
Derivative financial instruments	-	12.918	1.316	14.234
Financial Liabilities				
Financial liabilities	2.370.859	-	-	2.370.859
Trade payables	2.808.803	-	-	2.808.803
Other liabilities	522.615	-	-	522.615
Derivative financial instruments	-	836	-	836
31 December 2020				
Financial Assets				
Cash and cash equivalents	38.603	-	-	38.603
Trade receivables	1.281.204	-	-	1.281.204
Financial investments	-	-	199	199
Other financial assets	6.925.071	-	-	6.925.071
Financial Liabilities				
Financial liabilities	1.195.680	-	-	1.195.680
Trade payables	1.851.288	-	-	1.851.288
Other liabilities	176.032	-	-	176.032

The Company Management, considers that the fair values of financial assets and liabilities reflect their carrying values.

30 June 2021

Financial asset and liabilities at fair value	Book Value	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	1.316	-	1.316	-
Derivative financial liabilities	-	-	-	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	12.918	-	12.918	-
Derivative financial liabilities	(836)	-	(836)	-
Total	13.398	-	13.398	-

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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

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

Additional information about financial instruments (cont’d)

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

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

None.

NOTE 18 – OTHER ISSUES AFFECTING THE CONDENSED INTERIM 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.