

**(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 - 31 MARCH 2022**

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(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 31 MARCH 2022

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

		(Unaudited) Current Period 31 March 2022 USD'000	(Unaudited) Current Period 31 March 2022 TRY'000	(Audited) Previous Period 31 December 2021 USD'000	(Audited) Previous Period 31 December 2021 TRY'000
ASSETS	Note	1.800.247	26.350.400	1.950.491	25.998.080
Current Assets					
Cash and Cash Equivalents		391.740	5.733.934	662.058	8.824.568
Trade Receivables		215.517	3.154.553	207.529	2.766.145
<i>Due From Related Parties</i>	3	159.271	2.331.268	121.531	1.619.882
<i>Other Trade Receivables</i>		56.246	823.285	85.998	1.146.263
Other Receivables		2.775	40.619	4.555	60.718
<i>Due From Related Parties</i>	3	-	-	1.592	21.225
<i>Other Receivables</i>		2.775	40.619	2.963	39.493
Financial Derivative Instruments		251	3.671	4.110	54.786
Inventories	4	1.163.761	17.034.088	1.044.265	13.919.002
Prepaid Expenses		17.261	252.657	20.362	271.402
Other Current Assets		8.942	130.878	7.612	101.459
Non Current Assets		2.263.192	33.126.569	2.232.514	29.757.191
Financial Investments		27	397	27	361
Other Receivables		403	5.900	443	5.900
Investments Accounted For Using Equity Method	5	27.616	404.225	27.781	370.292
Property, Plant and Equipment	6	2.071.255	30.317.161	2.053.188	27.366.949
Right of Use Assets		43.303	633.832	43.773	583.444
Intangible Assets	6	40.667	595.252	41.231	549.570
Prepaid Expenses		79.921	1.169.802	66.071	880.675
<i>Due From Related Parties</i>	3	3.350	49.032	3.350	44.650
<i>Other Prepaid Expenses</i>		76.571	1.120.770	62.721	836.025
TOTAL ASSETS		4.063.439	59.476.969	4.183.005	55.755.271

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 31 MARCH 2022

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2022 USD'000	Current Period 31 March 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
LIABILITIES					
Current Liabilities		938.469	13.761.354	643.508	8.592.839
Short Term Borrowings	7	426.664	6.256.381	151.482	2.022.735
Short Term Portion of Long Term Borrowings	7	30.693	450.060	58.350	779.150
Trade Payables		294.338	4.316.173	235.240	3.141.247
<i>Due to Related Parties</i>	3	51.607	756.745	32.613	435.475
<i>Other Trade Payables</i>		242.731	3.559.428	202.627	2.705.772
Payables for Employee Benefits	9	5.842	85.664	7.461	99.622
Other Payables		8.841	129.633	5.827	77.807
Derivative Financial Instruments		694	10.180	232	3.093
Deferred Revenue		55.582	815.021	38.655	516.163
Current Tax Liabilities	11	102.035	1.496.186	139.903	1.868.124
Short Term Provisions	8	6.432	94.309	6.125	81.784
Other Current Liabilities		7.348	107.747	233	3.114
Non Current Liabilities		587.540	8.615.432	599.510	8.005.263
Long Term Borrowings	7	168.305	2.467.941	168.572	2.250.936
Long Term Provisions	9	46.834	686.755	48.513	647.797
<i>Long Term Provisions for Employee Benefits</i>		46.834	686.755	48.513	647.797
Deferred Tax Liabilities	11	372.401	5.460.736	382.425	5.106.530
EQUITY		2.537.430	37.100.183	2.939.987	39.157.169
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)		(29.794)	22.338.703	(29.794)	23.500.964
<i>Actuarial (Loss)/ Gain Funds</i>		(29.794)	(166.482)	(29.794)	(166.482)
<i>Foreign Currency Translation Reserves</i>		-	22.505.185	-	23.667.446
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(367)	(5.388)	809	10.809
<i>Cash Flow Hedging Gain (Loss)</i>		(367)	(5.388)	809	10.809
Restricted Reserves Assorted from Profit		482.127	3.049.060	423.834	2.193.560
Retained Earnings		419.842	6.156.362	305.797	4.083.318
Net Profit for the Period		191.432	2.661.282	765.151	6.468.354
TOTAL LIABILITIES AND EQUITY		4.063.439	59.476.969	4.183.005	55.755.271

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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

		(Unaudited) Current Period 1 January - 31 March 2022 USD'000	(Unaudited) Current Period 1 January - 31 March 2022 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2021 USD'000	(Unaudited) Previous Period 1 January - 31 March 2021 TRY'000
Revenue	13	1.121.508	15.591.204	755.289	5.562.625
Cost of Sales	13	(800.976)	(11.135.167)	(491.801)	(3.622.064)
GROSS PROFIT		320.532	4.456.037	263.488	1.940.561
Marketing, Sales and Distribution Expenses	14	(4.694)	(65.251)	(4.463)	(32.870)
General Administrative Expenses	14	(6.216)	(86.421)	(5.508)	(40.564)
Research and Development Expenses		(26)	(357)	(6)	(46)
Other Operating Income	14	1.683	23.402	1.762	12.976
Other Operating Expenses	14	(3.687)	(51.293)	(5.764)	(42.449)
OPERATING PROFIT		307.592	4.276.117	249.509	1.837.608
Income from Investing Activities		10	142	-	-
Expenses from Investing Activities		(18)	(245)	(194)	(1.423)
Share of Investments' Profit Accounted by Using The Equity Method	5	(165)	(2.287)	(573)	(4.223)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		307.419	4.273.727	248.742	1.831.962
Finance Income	15	24.531	341.036	17.334	127.662
Finance Expense	15	(48.171)	(669.671)	(43.296)	(265.570)
PROFIT BEFORE TAX		283.779	3.945.092	222.780	1.694.054
Tax (Expense)/ Income	11	(92.347)	(1.283.810)	(79.332)	(637.572)
Current Corporate Tax (Expense)/ Income		(102.038)	(1.418.528)	(55.460)	(461.759)
Deferred Tax (Expense)/ Income		9.691	134.718	(23.872)	(175.813)
NET PROFIT FOR THE PERIOD		191.432	2.661.282	143.448	1.056.482
EARNINGS PER SHARE			0,9177		0,3643
(TRY 1 Nominal value per share)					

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(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

	(Unaudited) Current Period 1 January - 31 March 2022	(Unaudited) Current Period 1 January - 31 March 2022	(Unaudited) Previous Period 1 January - 31 March 2021	(Unaudited) Previous Period 1 January - 31 March 2021
Note	USD'000	TRY'000	USD'000	TRY'000
PROFIT FOR THE PERIOD	191.432	2.661.282	143.448	1.056.482
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss				
Foreign Currency Translation Gain (Loss)	-	3.997.929	-	2.700.539
To be reclassified subsequently to profit or loss				
Gain (Loss) in Cash Flow Hedging Reserves	(1.508)	(20.765)	-	-
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	332	4.568	-	-
	11			
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	(1.176)	3.981.732	-	2.700.539
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	190.256	6.643.014	143.448	3.757.021

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

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(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

(Unaudited)	Note			Other Comprehensive Income (Expense) Not to be Reclassified to Profit/ (Loss)		Other comprehensive income (expense) to be reclassified subsequently to profit or loss	Retained Earnings		Total Shareholders' Equity	
		Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings		Net Profit for the Period
1 January 2022		2.900.000	164	23.667.446	(166.482)	10.809	2.193.560	4.083.318	6.468.354	39.157.169
Net profit for the period		-	-	-	-	-	-	-	2.661.282	2.661.282
Other comprehensive income/(loss)		-	-	3.997.929	-	(16.197)	-	-	-	3.981.732
Total comprehensive income/(loss)		-	-	3.997.929	-	(16.197)	-	-	2.661.282	6.643.014
Increase (decrease) due to other changes	2.1	-	-	(5.160.190)	-	-	-	5.160.190	-	-
Dividends (*)		-	-	-	-	-	-	(8.700.000)	-	(8.700.000)
Transfers		-	-	-	-	-	855.500	5.612.854	(6.468.354)	-
31 March 2022		2.900.000	164	22.505.185	(166.482)	(5.388)	3.049.060	6.156.362	2.661.282	37.100.183
(Unaudited)										
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
Effect of change in accounting principle	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		-	-	-	-	-	-	-	1.056.482	1.056.482
Other comprehensive income/(loss)		-	-	2.700.539	-	-	-	-	-	2.700.539
Total comprehensive income/(loss)		-	-	2.700.539	-	-	-	-	1.056.482	3.757.021
Increase (decrease) due to other changes	2.1	-	-	(868.238)	-	-	-	868.238	-	-
Dividends (*)		-	-	-	-	-	-	(3.712.000)	-	(3.712.000)
Transfers		-	-	-	-	-	356.700	2.066.649	(2.423.349)	-
31 March 2021		2.900.000	164	10.906.603	(54.295)	-	1.758.560	5.458.324	1.056.482	22.025.838

(*) At the Ordinary General Assembly Meeting of the Company held on March 17, 2022, dividend per share: 3,00 TRY (2021: 1,28 TRY) from the profits of 2021 and previous years. The decision to distribute a cash dividend of 8.700.000 thousand TRY (March 16, 2021: 3.712.000 thousand TRY) was unanimously approved. Dividend distribution started on 22 March 2022.

Retained earnings or losses; condensed interim financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed as US \$. The details of the conversion of retained earnings or losses in the condensed interim statement of financial position to the presentation currency, Turkish Lira, 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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

		(Unaudited) 1 January - 31 March 2022	(Unaudited) 1 January - 31 March 2022	(Unaudited) 1 January - 31 March 2021	(Unaudited) 1 January - 31 March 2021
	Note	USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (Loss) for The Period		107.599	1.457.089	139.982	1.219.739
Adjustments to Reconcile Profit (Loss)		93.367	1.209.417	70.595	730.899
Adjustments for Depreciation and Amortisation Expenses	13/14	27.401	380.910	25.821	190.170
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(23)	(318)	(71)	(559)
Adjustments for Provision (Reversal of Provision) for Receivables		-	-	11	47
Adjustments for Provision (Reversal of Provision) for Inventories	4	(23)	(318)	(82)	(606)
Adjustments for Provisions		4.134	57.477	3.549	26.156
Adjustments for Provision (Reversal of Provision) for Employee Termination	9	3.361	46.730	2.305	16.988
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or	8	773	10.747	1.244	9.168
Adjustments for Interest (Income) and Expenses		(15.777)	(219.343)	(13.607)	(100.212)
Adjustments for Interest Income	15	(23.094)	(321.052)	(14.824)	(109.180)
Adjustments for Interest Expense	15	9.586	133.258	2.127	15.669
Unearned Financial Income from Credit Sales		(2.269)	(31.549)	(910)	(6.701)
Adjustments for Unrealised Foreign Exchange Differences		(13.419)	(275.525)	(7.640)	(27.874)
Adjustments for Fair Value (Gains) Losses		(1.437)	(19.984)	-	-
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(1.437)	(19.984)	-	-
Adjustments for Undistributed Profits of Investments Accounted for Using Equity	5	165	2.287	573	4.223
Adjustments for Tax (Income) Expenses	11	92.347	1.283.810	79.332	637.572
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		8	103	194	1.423
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		8	103	194	1.423
Other adjustments for Losses (Gains) Reconciliation		(32)	-	(17.556)	-
Changes in Working Capital		(36.706)	(537.269)	(24.309)	(202.404)
Adjustments for Decrease (Increase) in Trade Receivables		(6.367)	(93.194)	16.604	138.245
Decrease (Increase) in Trade Receivables from Related Parties		(37.740)	(552.404)	48.200	401.313
Decrease (Increase) in Trade Receivables from Third Parties		31.373	459.210	(31.596)	(263.068)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		228	3.337	532	4.430
Decrease (Increase) in Derivative Financial Instruments		3.859	56.485	-	-
Adjustments for Decrease (Increase) in Inventories		(118.207)	(1.730.204)	(43.450)	(361.769)
Decrease (Increase) in Prepaid Expenses		3.070	44.932	(2.591)	(21.575)
Adjustments for Increase (Decrease) in Trade Payables		59.098	865.023	(21.029)	(175.088)
Increase (Decrease) in Trade Payable to Related Parties		18.994	278.017	27.231	226.725
Increase (Decrease) in Trade Payable to Third Parties		40.104	587.006	(48.260)	(401.813)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		1.213	17.755	5.202	43.312
Increase (Decrease) in Other Payables to Third Parties Related from Operations		1.213	17.755	5.202	43.312
Increase (Decrease) in Derivative Liabilities		391	5.723	-	-
Adjustments for Other Increase (Decrease) in Working Capital		20.009	292.874	20.423	170.041
Decrease (Increase) in Other Assets Related from Operations		(1.330)	(19.467)	(556)	(4.629)
Increase (Decrease) in Other Payables Related from Operations		21.339	312.341	20.979	174.670
Cash Flows Provided by Operating Activities		248.093	3.333.430	189.734	1.584.977
Payments Related to Provisions for Employee Termination Benefits	9	(567)	(7.883)	(1.102)	(8.119)
Payments Related to Other Provisions	8	(21)	(290)	(40)	(296)
Income Taxes Refund (Paid)	11	(139.906)	(1.868.168)	(48.610)	(356.823)
CASH FLOWS FROM INVESTING ACTIVITIES		(60.151)	(922.342)	(35.449)	(318.992)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		25	364	(1)	2
Cash Inflow from Sales of Property, Plant and Equipment		25	364	(1)	2
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(46.328)	(644.052)	(55.050)	(405.445)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(46.307)	(643.755)	(54.791)	(403.531)
Cash Outflow from Purchase of Intangible Assets	6	(21)	(297)	(259)	(1.914)
Cash Advances and Debts Given		(13.848)	(278.654)	18.743	80.059
Dividends Received		-	-	859	6.392
CASH FLOWS FROM FINANCING ACTIVITIES		(307.432)	(4.646.992)	(23.180)	(935.274)
Cash Inflow from Borrowings		305.695	4.249.766	51.854	379.211
Cash Inflow from Loans		305.695	4.249.766	51.854	379.211
Cash Outflow from Repayments of Borrowings		(50.244)	(609.527)	(6.028)	(42.504)
Cash Outflow from Loan Repayments		(50.244)	(609.527)	(6.028)	(42.504)
Decrease in Other Payables to Related Parties		1.592	21.225	391.889	2.338.902
Cash Outflow from Debt Payments for Leasing Contracts		(88)	(1.227)	(82)	(608)
Dividends Paid		(589.689)	(8.656.991)	(474.990)	(3.710.391)
Interest Paid		(1.755)	(24.396)	(710)	(9.527)
Interest Received		27.057	374.158	14.887	109.643
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(259.984)	(4.112.245)	81.353	(34.527)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(7.021)	1.065.661	(8.422)	646.938
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(267.005)	(3.046.584)	72.931	612.411
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		658.673	8.779.460	5.259	38.603
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		391.668	5.732.876	78.190	651.014

- As of March 31, 2022, the total accrual of interest on time deposits is TRY 1.058 thousand (USD 72 thousand) (March 31, 2021: 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 INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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	2022 Share %	2021 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Energy	50	50

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

The number of the personnel employed by the Company as of reported period 31 March 2022 are as follows:

	31 March 2022	31 December 2021
	Personnel	Personnel
Paid Hourly Personnel	3.101	3.124
Paid Monthly Personnel	1.666	1.675
	<u>4.767</u>	<u>4.799</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.

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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 2021.

In addition, interim condensed financial statements are prepared in accordance with TFRS Taxonomy Announcement published by the POA on April 15, 2019 and Financial Statement Examples formats specified in the User's Guide published 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 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 31 March 2022 are translated from US Dollars into TRY using the Central Bank of the Republic of Turkey's buying rate of exchange which is 14,6371 TRY = 1 US \$ and the liabilities selling rate of exchange which is 14,6635 TRY = 1 US \$ (31 December 2021 foreign exchange buying rate: 13,3290 TRY = 1 US \$, foreign exchange selling rate: 13,3530 TRY = 1 US \$).
- b) For the three months period ended 31 March 2022, using the quarterly (2022 January – March period) average of 13,9020 TRY = 1 US \$ to TRY translated (31 March 2021: 7,3649 TRY = 1 US \$).
- c) Retained earnings; In the condensed interim financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed in US Dollars. Retained earnings in the statement of financial position dated 31 March 2022 are presented by converting them into TRY using the foreign exchange selling rate effective as of 31 March 2022 announced by the Central Bank of the Republic of Turkey, 14,6635 TRY = 1 US \$ (31 December 2021: 13,3530 TRY= 1 US \$)

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

2.1 Basis of Presentation (cont’d)

Presentation currency translation (cont’d)

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

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim financial statements comprising the statements of financial position as of 31 March 2022 and 31 December 2021, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 31 March 2022 and 31 December 2021 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 27 April 2022 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 Company's reclassified summary financial statements are detailed in Note 2.5.

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed financial statements as at 31 March 2022 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 2022 summarized below

The new standards, amendments and interpretations which are effective from 2022

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

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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 2022 (cont’d)

Annual Improvements to TFRS Standards : Amendments to TFRS 1, TFRS 9
(2018-2020)

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

Amendments to TFRS 3 Reference to the Conceptual Framework

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

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

Amendments to TAS 16 Proceeds before Intended Use

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

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

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

The amendments 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

“*Amendment to the First Implementation of TFRS 1 Turkish Financial Reporting Standards*” the amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

“*Amendment 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.

(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 THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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 2022 (cont’d)

TFRS 16 (Amendments) Date of 30 June 2021 for Rent Payments Related to COVID-19 Continuing Concessions Afterwards

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021 that extends, by one year, the June 2020 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. Earlier application is permitted.

The company management is responsible for these changes and comments, which are effective from 2022. It has been evaluated that it has no effect on the tables.

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

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

TFRS 17	: Insurance Contracts
Amendments to TAS 1	: Classification of Liabilities as Current or Non-Current
Amendments to TFRS 4	: Extension of the Temporary Exemption from Applying TFRS 9
Amendments to TAS 1	: Disclosure of Accounting Policies
Amendments to TAS 8	: Definition of Accounting Estimates
Amendments to TAS 12	: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to TFRS 17	: Initial Application of TFRS 17 and TFRS 9 — Comparative Information

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.

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İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

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

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

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

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

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

By postponing the effective date of TFRS 17 to 1 January 2023, TFRS 9 provided to insurance companies expiration of the temporary exemption period in TFRS 4 Insurance Contracts regarding the application of The date has also been revised to 1 January 2023.

Amendment to TAS 1 Disclosure of Accounting Policies

This amendment requires businesses to take materiality as a basis in the disclosure of accounting policies.

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

Amendments to TAS 8 Definition of Accounting Estimates

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

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

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

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

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

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

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

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

The possible effects of the mentioned standards, amendments and improvements on the financial status and performance of the Company are being evaluated.

2.4 Summary of Significant Accounting Policies

The condensed interim financial statements for the three months period ended 31 March 2022 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 31 March 2022 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2021. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope as of 31 March 2022, from the interests reported as of 31 December 2021.

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 financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

“Retained Earnings or Losses” in the condensed statement of financial position is followed as US Dollar by converting from historical exchange rates to US Dollars in accordance with TAS 21. For a meaningful representation of conversion to Turkish Lira, the presentation currency, announced by the Central Bank of the Republic of Turkey valid as of the relevant reporting periods, is used. The differences, arising from the closing rates announced and their translation into Turkish Lira accounted, are followed under the “ Translation Differences”.

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

The classifications made in the summary statement of financial position dated January 1, 2021 are as follows:

Account	(Previously Reported)	(Revised)	(Change)
	<u>1 January 2021</u>	<u>1 January 2021</u>	<u>1 January 2021</u>
Retained Earnings	1.680.005	6.235.437	4.555.432
Foreign Currency Translation Reserves	13.629.734	9.074.302	(4.555.432)
			<u>-</u>

2.6. Significant changes in current period

In response to the military operation launched by the Armed Forces of the Russian Federation against Ukraine, the expanded sanctions with the participation of the G-7 and EU countries under the leadership of the USA and England were implemented as steps aimed at completely isolating Russia from the global system, transportation and communication networks. The imposed sanctions had significant effects on the global economy and financial markets. The developments regarding the effects of the sanctions are followed closely. The Company, which has economic relations with Russia and Ukraine, so the company analyzes the effects on the supply chains, sales channels, supplier and customer portfolio. Emerging uncertainties and risks are identified through necessary risk management and stress tests, and their effects on the Company's profitability, liquidity and operations are continuously measured.

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.

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).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

<u>Due from related parties (short term)</u>	31 March 2022	31 December 2021
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	2.204.161	1.573.663
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	29.267	33.642
OYAK İnşaat A.Ş. ⁽³⁾	5	5
OYAK Sentetik Karbon Ürünleri San. Ve Tic. A.Ş. ⁽³⁾	12	3
Erdemir Asia Pacific PTE LTD ⁽²⁾	37.650	-
Erdemir Romania SRL ⁽²⁾	41.636	-
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	18.537	12.569
	<u>2.331.268</u>	<u>1.619.882</u>

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

<u>Other receivables from related parties (short term)</u>	31 March 2022	31 December 2021
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	-	21.225
	-	21.225

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:

<u>Prepaid expenses (long term)</u>	31 March 2022	31 December 2021
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	49.032	44.650
	<u>49.032</u>	<u>44.650</u>

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(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:

	31 March 2022	31 December 2021
<u>Due to related parties (short term)</u>		
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	572.326	241.994
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	13.476	10.036
Erdemir Asia Pacific PTE LTD ⁽²⁾	-	96.114
Omsan Lojistik A.Ş. ⁽³⁾	11.401	11.401
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	5.389	5.260
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	17.526	14.505
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	3.333	1.777
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	24.085	5.341
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	100.088	25.619
Other	9.121	23.428
	<u>756.745</u>	<u>435.475</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:

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	10.555.972	4.054.790
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	1.369	597
Erdemir Romania SRL ⁽²⁾	59.306	-
Omsan Lojistik A.Ş. ⁽³⁾	7	28
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	11.915	11.245
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	26.548	4.836
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	599	449
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	93	64
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	258	225
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	45.522	16.461
Other	202	95
	<u>10.701.791</u>	<u>4.088.790</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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(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:

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Major purchases from related parties</u>		
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	14.973	3.119
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	15.968	4.016
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	1.124.123	541.013
Erdemir Asia Pacific PTE LTD ⁽²⁾	1.614.250	365.320
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	127.814	15.669
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	36.510	21.038
Omsan Denizcilik A.Ş. ⁽³⁾	-	10.988
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	13.817	15.830
Omsan Lojistik A.Ş. ⁽³⁾	26.727	15.521
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	4.494	3.011
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	32.904	9.051
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	68.702	30.041
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	42.951	19.689
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	89.296	6.051
Other	5.859	1.930
	<u>3.218.388</u>	<u>1.062.287</u>

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

In the three-month interim period ending on March 31, 2022, the Company has obtained a financing income of TRY 27.423 thousand from related party transactions, all of which are interest income from forward sales. (31 March 2021: TRY 113.871 thousand)

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

For the three 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 31 March 2022, the Company provides no provision for the receivables from related parties (31 December 2021: 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 three months period ended 31 March 2022, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 4.976 thousand (31 March 2021: TRY 861 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)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(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:

	31 March 2022	31 December 2021
Raw materials	5.897.483	4.564.939
Work in progress	3.231.520	3.568.046
Finished goods	2.513.392	1.527.976
Spare parts	1.394.934	1.260.562
Goods in transit	3.539.123	2.681.929
Other inventories	871.702	692.917
Allowance for impairment on inventories (-)	(414.066)	(377.367)
	<u>17.034.088</u>	<u>13.919.002</u>

The movement of the allowance for impairment on inventories:

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	377.367	211.305
Provision released (-)	(318)	(606)
Translation difference	37.017	28.290
Closing balance	<u>414.066</u>	<u>238.989</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 %	31 March 2022	Right to vote ratio %	31 December 2021	Business segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	404.225	50	370.292	Industrial Gas Production and Sale

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

	31 March 2022	31 December 2021
Total assets	854.398	778.957
Total liabilities	45.948	38.373
Net assets	<u>808.450</u>	<u>740.584</u>
Company's share on net assets	<u>404.225</u>	<u>370.292</u>

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

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

	31 March 2022	31 December 2021
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş. has the right of to deduct TRY 142.727 thousand (31 December 2021: TRY 132.460 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 10.267 thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY 5.134 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 - 31 March 2022	1 January - 31 March 2021
Revenue	79.989	33.535
Operating Profit	14.352	7.635
Net profit (loss) for the period	(4.573)	(8.446)
Company's share on net profit	(2.287)	(4.223)

NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	31 March 2022	31 March 2021
<u>Opening balance as of 1 January</u>		
Cost	66.051.606	34.530.027
Accumulated depreciation	(38.684.657)	(20.600.763)
Net book value	27.366.949	13.929.264
Net book value at the beginning of the period	27.366.949	13.929.264
Additions (*)	633.579	387.225
Disposals (-)	(467)	(1.425)
<i>Cost disposals</i>	(4.803)	(6.430)
<i>Accumulated depreciation disposals</i>	4.336	5.005
Transfers	(537)	-
Currency translation difference	2.699.058	1.893.615
<i>Cost currency translation difference</i>	6.515.819	4.685.984
<i>Accumulated depreciation currency translation difference</i>	(3.816.761)	(2.792.369)
Currenct period depreciation (-)	(381.421)	(205.418)
Net book value at the end of the period	30.317.161	16.003.261
<u>Closing balance as of</u>		
Cost	73.195.664	39.596.806
Accumulated depreciation	(42.878.503)	(23.593.545)
Net book value	30.317.161	16.003.261

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

(*) The amount of capitalized borrowing cost is TRY 10.176 thousand for the current period (31 March 2021: TRY 16.306 thousand).

As of reporting period, the Company has no collaterals or pledges upon its tangible assets (31 March 2021: None).

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

	31 March 2022	31 March 2021
<u>Opening balance as of 1 January</u>		
Cost	1.078.849	578.179
Accumulated amortisation	(529.279)	(274.736)
Net book value	<u>549.570</u>	<u>303.443</u>
Net book value at the beginning of the period	549.570	303.443
Additions	297	1.914
Transfers	537	-
Currency translation difference	53.520	40.428
<i>Cost currency translation difference</i>	105.922	77.873
<i>Accumulated depreciation currency translation difference</i>	(52.402)	(37.445)
Current period amortisation (-)	(8.672)	(4.290)
Net book value at the end of the period	<u>595.252</u>	<u>341.495</u>
<u>Closing balance as of</u>		
Cost	1.185.605	657.966
Accumulated amortisation	(590.353)	(316.471)
Net book value	<u>595.252</u>	<u>341.495</u>

As of reporting period, the Company has no collaterals or pledges upon its intangible assets (31 March 2021: None).

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 7.733 Thousand (31 March 2021: TRY 3.620 Thousand) assets are as follows:

	31 March 2022	31 March 2021
Associated with cost of production	373.542	200.675
General administrative expenses	4.174	1.848
Marketing, sales and distribution expenses	14.069	7.887
Other Operating Expenses	6.041	2.918
	<u>397.826</u>	<u>213.328</u>

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NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	31 March 2022	31 December 2021
Short term bank borrowings	6.256.381	2.022.735
Short term portion of long term bank borrowings	410.942	741.499
Long term bank borrowings	2.226.114	2.016.952
Total bank borrowings	8.893.437	4.781.186
Current portion of long term lease payables	39.897	39.542
Cost of current portion of long term lease payables (-)	(779)	(1.891)
Long term lease payables	946.476	945.836
Cost of long term lease payables (-)	(704.649)	(711.852)
Total leases borrowings	280.945	271.635
Total borrowings	9.174.382	5.052.821

As of 31 March 2022, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 March 2022
Fixed	US Dollars	1,47	3.879.487	-	3.879.487
Floating	US Dollars	Libor+2,01	11.230	1.520.650	1.531.880
No interest	TRY	-	23.575	-	23.575
Floating	EURO	Euribor+0,87	326.409	705.464	1.031.873
Fixed	TRY	2,11	2.426.622	-	2.426.622
			6.667.323	2.226.114	8.893.437

As of 31 December 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	31 December 2021
Fixed	US Dollars	1,29	2.469.539	-	2.469.539
Floating	US Dollars	Libor+2,12	3.265	1.253.168	1.256.433
No interest	TRY	-	18.615	-	18.615
Floating	EURO	Euribor+1,01	272.815	763.784	1.036.599
			2.764.234	2.016.952	4.781.186

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

NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	31 March 2022			31 December 2021		
	Financial liabilities	Lease liabilities	Total liabilities	Financial liabilities	Lease liabilities	Total liabilities
Within 1 year	6.667.323	39.118	6.706.441	2.764.234	37.651	2.801.885
Between 1-2 years	119.460	35.411	154.871	191.768	34.180	225.948
Between 2-3 years	911.351	29.104	940.455	786.131	28.667	814.798
Between 3-4 years	177.669	23.995	201.664	138.300	23.211	161.511
Between 4-5 years	155.721	20.853	176.574	176.912	20.173	197.085
Five years or more	861.913	132.464	994.377	723.841	127.753	851.594
	<u>8.893.437</u>	<u>280.945</u>	<u>9.174.382</u>	<u>4.781.186</u>	<u>271.635</u>	<u>5.052.821</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	31 March 2022	31 December 2021
Provision for lawsuits	81.811	68.859
Penalty provision for employment shortage of disabled person	9.552	9.932
Provision for land occupation	2.946	2.993
	<u>94.309</u>	<u>81.784</u>

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

	31 March 2022	31 December 2021
Lawsuits filed by the Company	186.347	165.908
Lawsuits filed against the Company	5.771	5.171

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

	31 March 2022	31 December 2021
Lawsuits filed against the Company	59.075	49.756
Provision for lawsuits filed by the Company	81.811	68.859

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NOTE 8 – PROVISIONS (cont’d)

The movement of the short term provisions is as follows:

	1 January 2022	Change for the period	Payments	Provision released	Translation difference	31 March 2022
Provision for lawsuits	68.859	11.481	(290)	(305)	2.066	81.811
Penalty provision for employment shortage of disabled personnel	9.932	-	-	(374)	(6)	9.552
Provision for land occupation	2.993	190	-	(245)	8	2.946
	<u>81.784</u>	<u>11.671</u>	<u>(290)</u>	<u>(924)</u>	<u>2.068</u>	<u>94.309</u>

	1 January 2021	Change for the period	Payments	Provision released	Translation difference	31 March 2021
Provision for lawsuits	49.763	9.097	(296)	(65)	1.586	60.085
Penalty provision for employment shortage of disabled personnel	9.938	206	-	-	7	10.151
Provision for land occupation	2.542	165	-	(235)	8	2.480
	<u>62.243</u>	<u>9.468</u>	<u>(296)</u>	<u>(300)</u>	<u>1.601</u>	<u>72.716</u>

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(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 and overturned 12 cases after the Council of State, District Courts of Appeals, accepted 68 cases in favor of the Company. Total number of the cases brought by the Company is 80. 68 out of 80 cases have been awarded in favor of the Company, 12 out of 80 cases are still pending before Constitutional Court. 45 of these 68 files have been finalized in favor of the Company. The total number of lawsuits filed by the company in this regard is 80, and the Constitutional Court's review for 12 files is still ongoing.

NOTE 9 – EMPLOYEE BENEFITS

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

	31 March 2022	31 December 2021
Due to personnel	48.140	81.359
Social security premiums payable	37.524	18.263
	85.664	99.622

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

	31 March 2022	31 December 2021
Provisions for employee termination benefits	530.079	505.562
Provisions for seniority incentive premium	96.191	90.872
Provision for unpaid vacations	60.485	51.363
	686.755	647.797

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

As of 31 March 2022, the employee termination benefit has been updated to a maximum of TRY 10.848,59 (31 December 2021: 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 31 March 2022 has been calculated by an independent actuary and projected unit credit method is used in the calculation. Actuarial assumptions, used in calculating the present value of liabilities are compared with the previous period, is the same.

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 2022, 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.

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	505.562	313.567
Service cost	8.657	4.960
Interest cost	22.673	9.320
Termination benefits paid	(7.104)	(7.492)
Translation difference	291	206
Closing balance	<u>530.079</u>	<u>320.561</u>

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

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

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	90.872	50.568
Service cost	2.159	1.202
Interest cost	3.092	1.535
Translation difference	68	105
Closing balance	<u>96.191</u>	<u>53.410</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	51.363	39.021
Provision for the period	10.149	3.625
Vacation paid during the period (-)	(779)	(627)
Provisions released (-)	-	(3.654)
Translation difference	(248)	61
Closing balance	<u>60.485</u>	<u>38.426</u>

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NOTE 10 – COMMITMENTS

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

	31 March 2022	31 December 2021
Letters of guarantees received	3.228.371	2.503.967
	<u>3.228.371</u>	<u>2.503.967</u>

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

	31 March 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	66.992	64.495
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>66.992</u>	<u>64.495</u>

As of reporting period, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2021: 0%).

The breakdown of the collatarel given by the Company in TL equivalent to original currency is as follows:

	31 March 2022	31 December 2021
TRY	34.421	34.321
EURO	32.571	30.174
	<u>66.992</u>	<u>64.495</u>

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NOTE 11 – TAX ASSETS AND LIABILITIES

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

	31 March 2022	31 December 2021
<u>Corporate tax payable:</u>		
Corporation tax for the year of 2021	4.615.442	-
Current corporate tax provision	1.496.230	4.615.442
Prepaid taxes and funds (-)	(4.615.486)	(2.747.318)
	<u>1.496.186</u>	<u>1.868.124</u>
	1 January - 31 March 2022	1 January - 31 March 2021
<u>Taxation:</u>		
Current corporate tax expense	1.418.528	461.759
Deferred tax expense	(134.718)	175.813
	<u>1.283.810</u>	<u>637.572</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 year.

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 22% as of reporting date (2021: 25%).

Pursuant to the Provisional Article of the Law on Corporate Income Tax added with the Article 11 of the Law No. 7316, published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate for corporate earnings to be obtained during the tax years 2022 has been determined as %23. With the amendment added to Article 32 of the Corporate Income Tax Law, this rate will be applied with a discount of 1 point to the earnings from production activities and exports.

The total amount of corporate tax payments made by the Company in 2022 three months period is TRY 1.868.168 thousand. (31 March 2021: TRY 356.823 thousand.)

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2022 has been calculated over the corporate earnings using the rate 22%, during the temporary taxation period. (31 December 2021: 25%).

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%.

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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.

The tax rate used in the calculation of deferred tax assets and liabilities (excluding land) Pursuant to the temporary article added to the Corporate Tax Law; for the taxation period of 2022 23% for corporate earnings, 20% for 2023 and the following years. Originating from land deferred tax on temporary timing differences is calculated with 10% rate (31 December 2021: %10).

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

	31 March 2022	31 December 2021
<u>Deferred tax assets:</u>		
Provisions for employee benefits	138.944	130.994
Leasing payables	56.189	54.327
Provision for lawsuits	18.022	15.198
Adjustment of receivable rediscount	4.931	4.949
Other	29.146	33.044
	<u>247.232</u>	<u>238.512</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(4.973.937)	(4.504.212)
Right of use assets	(127.274)	(117.305)
Amortized cost adjustment on loans	(11.725)	(12.328)
Fair values of the derivative financial instruments	-	(11.394)
Inventories	(595.032)	(699.803)
	<u>(5.707.968)</u>	<u>(5.345.042)</u>
Presentation of deferred tax assets/(liabilities):	<u>(5.460.736)</u>	<u>(5.106.530)</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.

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

Deferred tax (cont’d)

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

	1 January - 31 March 2022	1 January - 31 March 2021
Opening balance	(5.106.530)	(2.158.103)
Deferred tax expense	134.718	(175.813)
The amount in comprehensive income/(expense)	4.568	-
Translation difference	(493.492)	(312.679)
Closing balance	<u>(5.460.736)</u>	<u>(2.646.595)</u>

Reconciliation of tax provision is as follows:

	1 January - 31 March 2022	1 January - 31 March 2021
Profit before tax	3.945.092	1.694.054
Statutory tax rate	22%	20%
Calculated tax acc. to effective tax rate	(867.920)	(338.811)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(135)	(644)
- Non-taxable income	77	1.278
- Effect of currency translation (*)	(415.832)	(299.395)
Tax expense in reported in the statement of income	<u>(1.283.810)</u>	<u>(637.572)</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:

	(%)	31 March 2022	(%)	31 December 2021
<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		<u>2.900.000</u>		<u>2.900.000</u>
Effect of inflation		164		164
Restated capital		<u>2.900.164</u>		<u>2.900.164</u>

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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 801.929 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 - 31 March 2022	1 January - 31 March 2021
<u>Sales Revenue</u>		
Domestic sales	13.038.610	4.895.763
Export sales	2.204.256	526.405
Other revenues (*)	316.627	133.748
Interest income from sales with maturities	33.315	6.981
Sales returns (-)	(1.604)	(272)
	<u>15.591.204</u>	<u>5.562.625</u>
<u>Cost of sales (-)</u>	<u>(11.135.167)</u>	<u>(3.622.064)</u>
Gross profit	<u>4.456.037</u>	<u>1.940.561</u>

(*) The total amount of by product exports in other revenues is TRY 165.870 thousand (31 March 2021: TRY 61.958 thousand).

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

	1 January - 31 March 2022	1 January - 31 March 2021
Raw material usage	(9.494.440)	(2.931.965)
Personnel costs	(287.106)	(148.914)
Energy costs	(591.081)	(118.325)
Depreciation and amortization expenses	(356.626)	(177.517)
Factory overheads	(93.086)	(45.654)
Other cost of goods sold	(141.598)	(152.480)
Non-operating costs (*)	(3.594)	-
Freight costs for sales delivered to customers	(111.390)	(29.502)
Reversal of inventory write-downs (Note 4)	318	606
Other	(56.564)	(18.313)
	<u>(11.135.167)</u>	<u>(3.622.064)</u>

(*) (3,594) thousand TRY non-working part expense, due to planned and/or unexpected stoppages at the Company's production facilities, is not associated with the product cost and is directly included in the cost of sales. (31 March 2021: None).

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(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 - 31 March 2022	1 January - 31 March 2021
Personnel expenses (-)	(12.099)	(7.009)
Depreciation and amortization(-)	(14.069)	(7.887)
Tax, duty and charges (-)	(72)	(204)
Service expenses (-)	(39.011)	(17.770)
	<u>(65.251)</u>	<u>(32.870)</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses (-)	(28.195)	(12.905)
Depreciation and amortization expenses(-)	(2.482)	(1.146)
Amortization expense of right of use (-)	(1.692)	(702)
Provision for doubtful receivables (-) net	-	(47)
Tax, duty and charges (-)	(884)	(2.883)
Service expenses (-)	(53.168)	(22.881)
	<u>(86.421)</u>	<u>(40.564)</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Other operating income</u>		
Discount income	78	47
Provisions released	679	65
Service income	3.743	1.982
Maintenance repair and rent income	4.418	3.657
Lawsuit income	42	11
Indemnity and penalty detention income	1.978	1.485
Warehouse income	2.382	298
Customers delay interest income	161	165
Other income and gains	9.921	5.266
	<u>23.402</u>	<u>12.976</u>

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

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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 - 31 March 2022	1 January - 31 March 2021
<u>Other operating expenses (-)</u>		
Provision expenses	(11.481)	(9.303)
Donation expenses	(9.218)	(1.095)
Amortisation expenses of right of use	(6.041)	(2.918)
Foreign exchange expenses from trade receivables and payables	(8.793)	(21.550)
Penalty expenses	(75)	(102)
Service expenses	(1.536)	(544)
Lawsuit compensation expenses	(568)	(2.184)
Other expenses and losses	(13.581)	(4.753)
	<u>(51.293)</u>	<u>(42.449)</u>

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Finance income</u>		
Interest income on bank deposits	321.052	1.048
Interest income on related party	-	108.132
Fair value differences of derivative financial instruments (net)	19.984	-
Other financial income	-	18.482
	<u>341.036</u>	<u>127.662</u>

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

	1 January - 31 March 2022	1 January - 31 March 2021
<u>Finance expenses (-)</u>		
Interest expenses on borrowings	(123.683)	(7.719)
Foreign exchange loss (net)	(508.103)	(238.815)
Interest cost of employee benefits	(25.765)	(10.855)
Interest expenses on leases	(9.575)	(7.950)
Other financial expenses	(2.545)	(231)
	<u>(669.671)</u>	<u>(265.570)</u>

During the period, the interest expenses of TRY 10.176 thousand have been capitalized as part of the Company’s property, plant and equipment (31 March 2021: TRY 16.306 thousand).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(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:

	31 March 2022			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	86.209	44.570	2.557	-
2a. Monetary financial assets	1.319.258	1.260.444	3.611	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	51.428	38.015	824	-
4. Current assets (1+2+3)	1.456.895	1.343.029	6.992	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	6.297	6.297	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	800.311	504.697	18.152	-
8. Non-current assets (5+6+7)	806.608	510.994	18.152	-
9. Total assets (4+8)	2.263.503	1.854.023	25.144	21
10. Trade payables	1.500.387	1.310.741	11.621	490
11. Financial liabilities	2.815.724	2.489.315	20.007	-
12a. Other monetary financial liabilities	2.396.723	2.342.118	3.347	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	6.712.834	6.142.174	34.975	490
14. Trade payables	-	-	-	-
15. Financial liabilities	947.292	241.827	43.241	-
16a. Other monetary financial liabilities	686.755	686.755	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.634.047	928.582	43.241	-
18. Total liabilities (13+17)	8.346.881	7.070.756	78.216	490
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(148.628)	-	(9.110)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	148.628	-	9.110	-
20. Net foreign currency asset/liability position (9-18+19)	(6.232.006)	(5.216.733)	(62.182)	(469)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(6.935.117)	(5.759.445)	(72.048)	(469)
22. Fair value of derivative financial instruments used in foreign currency hedge	391	-	24	-
23. Hedged foreign currency assets	148.628	-	9.110	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	2.370.126	-	-	-
26. Imports	8.307.287	-	-	-

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(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 2021			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	371.766	36.314	22.235	-
2a. Monetary financial assets	6.007.940	4.756.126	82.975	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	53.405	39.875	897	-
4. Current assets (1+2+3)	6.433.111	4.832.315	106.107	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	6.262	6.262	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	573.035	501.880	4.716	-
8. Non-current assets (5+6+7)	579.297	508.142	4.716	-
9. Total assets (4+8)	7.012.408	5.340.457	110.823	21
10. Trade payables	1.046.855	822.708	14.650	23.514
11. Financial liabilities	329.081	56.267	18.051	-
12a. Other monetary financial liabilities	2.392.331	2.386.297	399	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	3.768.267	3.265.272	33.100	23.514
14. Trade payables	-	-	-	-
15. Financial liabilities	997.768	233.984	50.535	-
16a. Other monetary financial liabilities	647.797	647.797	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.645.565	881.781	50.535	-
18. Total liabilities (13+17)	5.413.832	4.147.053	83.635	23.514
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(739.780)	-	(48.947)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	739.780	-	48.947	-
20. Net foreign currency asset/liability position (9-18+19)	858.796	1.193.404	(21.759)	(23.493)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	972.136	651.649	21.575	(23.493)
22. Fair value of derivative financial instruments used in foreign currency hedge	36.897	-	2.441	-
23. Hedged foreign currency assets	739.780	-	48.947	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	7.338.121	-	-	-
26. Imports	18.852.985	-	-	-

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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, EURO and JPY 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.

For assets with foreign currency balances in the summary statement of financial position as of 31 March 2022: 14.6371 TRY = US \$ 1, 16.2855 TRY = Euro 1; 0.1199 TRY = JPY 1 for liabilities: 14.6635 TRY = US \$ 1, 16.3148 TRY = Euro 1, 0.1207 TRY = JPY 1 converted at rates (31 December 2021: For assets; 13.3290 TRY = US \$ 1, 15.0867 TRY = Euro 1; 0.1155 TRY = JPY, 1 For Liabilities; 13,3530 TRY = US \$ 1, 15,1139 TRY = Euro 1, 0.1163 TRY = JPY 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2022		
1- TRY net asset/liability	(521.673)	521.673
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(521.673)	521.673
5- Euro net asset/liability	(86.660)	86.660
6- Hedged portion from Euro risk (-)	(14.863)	14.863
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(101.523)	101.523
9- Jap. Yen net asset/liability	(5)	5
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(5)	5
TOTAL (4+8+12)	(623.201)	623.201

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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 and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021		
1- TRY net asset/liability	119.340	(119.340)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	119.340	(119.340)
5- Euro net asset/liability	40.790	(40.790)
6- Hedged portion from Euro risk (-)	(73.978)	73.978
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(33.188)	33.188
9- Jap. Yen net asset/liability	(272)	272
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(272)	272
TOTAL (4+8+12)	85.880	(85.880)

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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
31 March 2022				
Financial Assets				
Cash and cash equivalents	5.733.934	-	-	5.733.934
Trade receivables	3.154.553	-	-	3.154.553
Financial investments	-	-	397	397
Other financial assets	46.519	-	-	46.519
Derivative financial instruments	-	3.280	391	3.671
Financial Liabilities				
Financial liabilities	9.174.382	-	-	9.174.382
Trade payables	4.316.173	-	-	4.316.173
Other liabilities	880.285	-	-	880.285
Derivative financial instruments	-	10.180	-	10.180
31 December 2021				
Financial Assets				
Cash and cash equivalents	8.824.568	-	-	8.824.568
Trade receivables	2.766.145	-	-	2.766.145
Financial investments	-	-	361	361
Other financial assets	66.618	-	-	66.618
Derivative financial instruments	-	13.939	40.847	54.786
Financial Liabilities				
Financial liabilities	5.052.821	-	-	5.052.821
Trade payables	3.141.247	-	-	3.141.247
Other liabilities	604.034	-	-	604.034
Derivative financial instruments	-	-	3.093	3.093

The Company Management states that the fair values of financial assets and liabilities reflect their book values. thinks.

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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 (con’t)

31 March 2022

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	391	-	391	-
Derivative financial liabilities	-	-	-	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	3.280	-	3.280	-
Derivative financial liabilities	(10.180)	-	(10.180)	-
Total	(6.509)	-	(6.509)	-

31 December 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	40.847	-	40.847	-
Derivative financial liabilities	(3.093)	-	(3.093)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	13.939	-	13.939	-
Derivative financial liabilities	-	-	-	-
Total	51.693	-	51.693	-

Level one: Active market traded (unadjusted) for identical assets and liabilities valuation techniques using market price.

Second level: Valuation techniques, other than the market price of the relevant asset or liability specified in the first level includes the inputs used in determining the price observable directly or indirectly in the market.

Third level: Valuation techniques that include inputs that are not based on market observable data used to determine the fair value of an asset or liability.

NOTE 17 – SUBSEQUENT EVENTS

Article 8 of the Communiqué on the Decision No. 32 on the Protection of the Value of the Turkish Currency states the transactions that can be determined in foreign currency or indexed to foreign currency. After the amendment published in the Official Gazette dated April 19, 2022, the persons residing in Turkey will agree among themselves; In movable sales contracts other than vehicle sales contracts, it is possible to decide the contract price and other payment obligations arising from these contracts in foreign currency or indexed to foreign currency, but it has become mandatory to fulfill and accept the contractual payment obligations in Turkish currency.

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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 31 March 2022, 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.