

**(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 2022 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 General Assembly 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 2022 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**



Koray Öztürk, SMMM
Partner

İstanbul, 9 August 2022

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

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

	Note	(Reviewed)	(Reviewed)	(Audited)	(Audited)
		Current Period 30 June 2022 USD'000	Current Period 30 June 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
ASSETS					
Current Assets		2.018.003	33.622.739	1.950.491	25.998.080
Cash and Cash Equivalents		309.145	5.150.794	662.058	8.824.568
Trade Receivables		209.481	3.490.240	207.529	2.766.145
<i>Due From Related Parties</i>	3	148.606	2.475.984	121.531	1.619.882
<i>Other Trade Receivables</i>		60.875	1.014.256	85.998	1.146.263
Other Receivables		83.725	1.394.979	4.555	60.718
<i>Due From Related Parties</i>	3	81.247	1.353.693	1.592	21.225
<i>Other Receivables</i>		2.478	41.286	2.963	39.493
Financial Derivative Instruments		5.591	93.146	4.110	54.786
Inventories	4	1.379.961	22.992.089	1.044.265	13.919.002
Prepaid Expenses		21.722	361.910	20.362	271.402
Other Current Assets		8.378	139.581	7.612	101.459
Non Current Assets		2.281.468	38.012.459	2.232.514	29.757.191
Financial Investments		27	452	27	361
Other Receivables		354	5.900	443	5.900
Investments Accounted For Using Equity Method	5	28.860	480.843	27.781	370.292
Property, Plant and Equipment	6	2.099.134	34.974.507	2.053.188	27.366.949
Right of Use Assets		48.416	806.675	43.773	583.444
Intangible Assets	6	40.055	667.372	41.231	549.570
Prepaid Expenses		64.622	1.076.710	66.071	880.675
<i>Due From Related Parties</i>	3	4.856	80.915	3.350	44.650
<i>Other Prepaid Expenses</i>		59.766	995.795	62.721	836.025
TOTAL ASSETS		4.299.471	71.635.198	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 Condensed Interim Financial Statements Originally Issued in Turkish – See Note 18)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

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

	Note	(Reviewed)	(Reviewed)	(Audited)	(Audited)
		Current Period 30 June 2022 USD'000	Current Period 30 June 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
LIABILITIES					
Current Liabilities		926.101	15.458.640	643.508	8.592.839
Short Term Borrowings	7	393.371	6.565.919	151.482	2.022.735
Short Term Portion of Long Term Borrowings	7	38.880	648.965	58.350	779.150
Trade Payables		347.622	5.802.992	235.240	3.141.247
<i>Due to Related Parties</i>	3	78.716	1.313.873	32.613	435.475
<i>Other Trade Payables</i>		268.906	4.489.119	202.627	2.705.772
Payables for Employee Benefits	9	5.771	96.329	7.461	99.622
Other Payables		3.221	53.767	5.827	77.807
Derivative Financial Instruments		-	-	232	3.093
Deferred Revenue		25.845	431.386	38.655	516.163
Current Tax Liabilities	11	96.733	1.614.610	139.903	1.868.124
Short Term Provisions	8	6.206	103.588	6.125	81.784
Other Current Liabilities		8.452	141.084	233	3.114
Non Current Liabilities		608.597	10.158.298	599.510	8.005.263
Long Term Borrowings	7	174.914	2.919.556	168.572	2.250.936
Long Term Provisions	9	56.886	949.503	48.513	647.797
<i>Long Term Provisions for Employee Benefits</i>		56.886	949.503	48.513	647.797
Deferred Tax Liabilities	11	376.797	6.289.239	382.425	5.106.530
EQUITY		2.764.773	46.018.260	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)		(39.024)	26.717.030	(29.794)	23.500.964
<i>Actuarial (Loss)/ Gain Funds</i>		(39.024)	(320.336)	(29.794)	(166.482)
<i>Foreign Currency Translation Reserves</i>		-	27.037.366	-	23.667.446
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		1.348	22.495	809	10.809
<i>Cash Flow Hedging Gain (Loss)</i>		1.348	22.495	809	10.809
Restricted Reserves Assorted from Profit		482.127	3.049.060	423.834	2.193.560
Retained Earnings		419.842	7.007.753	305.797	4.083.318
Net Profit for the Period		426.290	6.321.758	765.151	6.468.354
TOTAL LIABILITIES AND EQUITY		4.299.471	71.635.198	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 Condensed Interim 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 2022

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

		(Reviewed) Current Period 1 January - 30 June 2022	(Reviewed) Current Period 1 January - 30 June 2022	(Not Reviewed) Current Period 1 April - 30 June 2022	(Reviewed) Previous Period 1 January - 30 June 2021	(Reviewed) Previous Period 1 January - 30 June 2021	(Not Reviewed) Current Period 1 April - 30 June 2021
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	2.348.309	34.824.712	19.233.508	1.844.579	14.507.242	8.944.617
Cost of Sales	13	(1.699.537)	(25.203.626)	(14.068.459)	(1.173.096)	(9.226.165)	(5.604.101)
GROSS PROFIT		648.772	9.621.086	5.165.049	671.483	5.281.077	3.340.516
Marketing, Sales and Distribution Expenses	14	(9.482)	(140.608)	(75.357)	(9.362)	(73.632)	(40.762)
General Administrative Expenses	14	(12.808)	(189.945)	(103.524)	(11.975)	(94.180)	(53.616)
Research and Development Expenses		(33)	(490)	(133)	(30)	(236)	(190)
Other Operating Income	14	8.651	128.299	104.897	4.390	34.524	21.548
Other Operating Expenses	14	(5.080)	(75.339)	(24.046)	(18.340)	(144.243)	(101.794)
OPERATING PROFIT		630.020	9.343.003	5.066.886	636.166	5.003.310	3.165.702
Income from Investing Activities		19	282	140	-	-	-
Expenses from Investing Activities		(67)	(995)	(750)	(225)	(1.750)	(327)
Share of Investments' Profit Accounted by Using The Equity Method	5	1.079	15.998	18.285	(165)	(1.300)	2.923
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		631.051	9.358.288	5.084.561	635.776	5.000.260	3.168.298
Finance Income	15	32.491	481.838	140.802	40.218	316.305	188.643
Finance Expense	15	(54.349)	(805.980)	(136.309)	(68.516)	(387.225)	(121.655)
PROFIT BEFORE TAX		609.193	9.034.146	5.089.054	607.478	4.929.340	3.235.286
Tax (Expense)/ Income	11	(182.903)	(2.712.388)	(1.428.578)	(211.250)	(1.813.083)	(1.175.511)
Current Corporate Tax (Expense)/ Income		(186.378)	(2.763.917)	(1.345.389)	(182.460)	(1.586.654)	(1.124.895)
Deferred Tax (Expense)/ Income		3.475	51.529	(83.189)	(28.790)	(226.429)	(50.616)
NET PROFIT FOR THE PERIOD		426.290	6.321.758	3.660.476	396.228	3.116.257	2.059.775
EARNINGS PER SHARE			2,1799	1,2622		1,0746	0,7103
(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 Condensed Interim 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 2022

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

	(Reviewed) Current Period 1 January - 30 June 2022	(Reviewed) Current Period 1 January - 30 June 2022	(Not Reviewed) Current Period 1 April - 30 June 2022	(Reviewed) Previous Period 1 January - 30 June 2021	(Reviewed) Previous Period 1 January - 30 June 2021	(Not Reviewed) Previous Period 1 April - 30 June 2021
Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
PROFIT FOR THE PERIOD	426.290	6.321.758	3.660.476	396.228	3.116.257	2.059.775
OTHER COMPREHENSIVE INCOME						
Not to be reclassified subsequently to profit or loss						
Foreign Currency Translation Gain (Loss)	-	9.381.501	5.383.572	-	3.753.761	1.053.222
Actuarial Gain/(Loss) of Defined Benefit Plans	9 (11.538)	(192.318)	(192.318)	(5.041)	(43.886)	(43.886)
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	11 2.308	38.464	38.464	1.008	8.777	8.777
To be reclassified subsequently to profit or loss						
Gain (Loss) in Cash Flow Hedging Reserves	691	14.982	35.747	1.388	12.068	12.068
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 (152)	(3.296)	(7.864)	(347)	(3.017)	(3.017)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	(8.691)	9.239.333	5.257.601	(2.992)	3.727.703	1.027.164
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	417.599	15.561.091	8.918.077	393.236	6.843.960	3.086.939

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 Condensed Interim 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 2022

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

	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 subsequently to profit or 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		Net Profit for the Period
(Reviewed)										
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		-	-	-	-	-	-	-	6.321.758	6.321.758
Other comprehensive income/(loss)		-	-	9.381.501	(153.854)	11.686	-	-	-	9.239.333
Total comprehensive income/(loss)		-	-	9.381.501	(153.854)	11.686	-	-	6.321.758	15.561.091
Increase (decrease) due to other changes	2.1	-	-	(6.011.581)	-	-	-	6.011.581	-	-
Dividends (*)		-	-	-	-	-	-	(8.700.000)	-	(8.700.000)
Transfers		-	-	-	-	-	855.500	5.612.854	(6.468.354)	-
30 June 2022		2.900.000	164	27.037.366	(320.336)	22.495	3.049.060	7.007.753	6.321.758	46.018.260
(Reviewed)										
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		-	-	-	-	-	-	-	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	2.1	-	-	(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

(*) 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; 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 2022 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 Condensed Interim 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 2022

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

		(Reviewed) 1 January - 30 June 2022	(Reviewed) 1 January - 30 June 2022	(Reviewed) 1 January - 30 June 2021	(Reviewed) 1 January - 30 June 2021
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES	Note	164.238	2.110.509	337.195	2.825.009
Profit (Loss) for The Period		426.290	6.321.758	396.228	3.116.257
Adjustments to Reconcile Profit (Loss)		193.858	2.923.038	214.233	2.014.917
Adjustments for Depreciation and Amortisation Expenses	13/14	54.984	815.409	54.649	429.795
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(26)	(390)	(131)	(1.062)
Adjustments for Provision (Reversal of Provision) for Receivables		(3)	(50)	11	56
Adjustments for Provision (Reversal of Provision) for Inventories	4	(23)	(340)	(142)	(1.118)
Adjustments for Provisions		9.363	138.869	7.574	59.548
Adjustments for Provision (Reversal of Provision) for Employee Termination	9	8.142	120.766	6.834	53.740
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or	8	1.221	18.103	740	5.808
Adjustments for Interest (Income) and Expenses		(12.205)	(180.998)	(34.721)	(273.072)
Adjustments for Interest Income	15	(30.600)	(453.794)	(37.709)	(296.570)
Adjustments for Interest Expense	15	21.597	320.287	4.355	34.251
Unearned Financial Income from Credit Sales		(3.202)	(47.491)	(1.367)	(10.753)
Adjustments for Unrealised Foreign Exchange Differences		(38.168)	(518.911)	(7.038)	(15.200)
Adjustments for Fair Value (Gains) Losses		(1.891)	(28.044)	(156)	(1.225)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(1.891)	(28.044)	(156)	(1.225)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity	5	(1.079)	(15.998)	165	1.300
Adjustments for Tax (Income) Expenses	11	182.903	2.712.388	211.250	1.813.083
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		48	713	223	1.750
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		48	713	223	1.750
Other adjustments for Losses (Gains) Reconciliation		(71)	-	(17.582)	-
Changes in Working Capital		(225.466)	(3.756.578)	(169.641)	(1.472.533)
Adjustments for Decrease (Increase) in Trade Receivables		(56)	(933)	(98.051)	(851.112)
Decrease (Increase) in Trade Receivables from Related Parties		(27.075)	(451.107)	(68.320)	(593.038)
Decrease (Increase) in Trade Receivables from Third Parties		27.019	450.174	(29.731)	(258.074)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		574	9.564	608	5.277
Decrease (Increase) in Other Receivables from Operations from Third Parties		574	9.564	608	5.277
Decrease (Increase) in Derivative Financial Instruments		(1.481)	(24.676)	(1.640)	(14.234)
Adjustments for Decrease (Increase) in Inventories		(333.356)	(5.554.171)	(166.721)	(1.447.188)
Decrease (Increase) in Prepaid Expenses		6.559	109.276	(6.598)	(57.272)
Adjustments for Increase (Decrease) in Trade Payables		112.382	1.872.442	70.801	614.574
Increase (Decrease) in Trade Payable to Related Parties		46.103	768.141	41.420	359.538
Increase (Decrease) in Trade Payable to Third Parties		66.279	1.104.301	29.381	255.036
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(4.378)	(72.944)	1.970	17.100
Increase (Decrease) in Other Payables to Third Parties Related from Operations		(4.378)	(72.944)	1.970	17.100
Increase (Decrease) in Derivative Liabilities		2.350	39.154	1.571	13.637
Adjustments for Other Increase (Decrease) in Working Capital		(8.060)	(134.290)	28.419	246.685
Decrease (Increase) in Other Assets Related from Operations		(766)	(12.763)	21	182
Increase (Decrease) in Other Payables Related from Operations		(7.294)	(121.527)	28.398	246.503
Cash Flows Provided by Operating Activities		394.682	5.488.218	440.820	3.658.641
Payments Related to Provisions for Employee Termination Benefits	9	(867)	(12.861)	(1.859)	(14.622)
Payments Related to Other Provisions	8	(30)	(439)	(53)	(417)
Income Taxes Refund (Paid)	11	(229.547)	(3.364.409)	(101.713)	(818.593)
CASH FLOWS FROM INVESTING ACTIVITIES		(111.116)	(1.853.335)	(121.211)	(1.062.122)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		48	707	-	-
Cash Inflow from Sales of Property, Plant and Equipment		48	707	-	-
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(104.606)	(1.551.275)	(115.773)	(910.531)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(104.585)	(1.550.958)	(115.452)	(908.006)
Cash Outflow from Purchase of Intangible Assets	6	(21)	(317)	(321)	(2.525)
Cash Advances and Debts Given		(6.558)	(302.767)	(6.297)	(157.983)
Cash Advance and Debts Given to Related Parties		(1.510)	(36.265)	(3.400)	(31.896)
Other Cash Advances and Debts Given		(5.048)	(266.502)	(2.897)	(126.087)
Dividends Received	5	-	-	859	6.392
CASH FLOWS FROM FINANCING ACTIVITIES		(386.779)	(5.889.701)	117.717	45.138
Cash Inflow from Borrowings		404.160	5.993.568	136.210	1.069.824
Cash Inflow from Loans		404.160	5.993.568	136.210	1.069.824
Cash Outflow from Repayments of Borrowings		(145.292)	(2.201.723)	(19.844)	(156.832)
Cash Outflow from Loan Repayments		(145.292)	(2.201.723)	(19.844)	(156.832)
Decrease in Other Payables to Related Parties		(79.655)	(1.332.468)	439.273	2.556.972
Cash Outflow from Debt Payments for Leasing Contracts		(3.071)	(45.537)	(147)	(1.158)
Dividends Paid		(589.789)	(8.696.852)	(474.925)	(3.710.624)
Interest Paid		(8.396)	(124.517)	(760)	(11.084)
Interest Received		35.264	517.828	37.910	298.040
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(333.657)	(5.632.527)	333.701	1.808.025
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(15.905)	2.003.294	(11.766)	993.516
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(349.562)	(3.629.233)	321.935	2.801.541
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		309.111	5.150.227	327.194	2.840.144

- As of 30 June 2022, the Company's total amount of time deposit interest accrual is TRY 567 thousand (USD 34 thousand) (30 June 2021: TRY 1.198 thousand (USD 138 thousand)).
- 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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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). İskenderun Demir ve Çelik A.Ş. (“the Company”) stocks continue to be traded on Borsa İstanbul since March 26, 2016.

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	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 2022 are as follows:

	30 June 2022 Personnel	31 December 2021 Personnel
Paid Hourly Personnel	3.090	3.124
Paid Monthly Personnel	1.654	1.675
	<u>4.744</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 Condensed Interim Financial Statements Originally Issued in Turkish – See Note 18)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

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.

Inflation accounting

POA, on January 20, 2022, made a statement about applying IAS 29 Financial Reporting in Hyperinflationary Economies (“IAS 29”) in the 2021 financial reporting period. For companies who applying Turkish Financial Reporting Standards (“TFRS”). According to this statement, adjustment is not necessary for companies 2021 financial statements who applying Turkish Financial Reporting Standards (“TFRS”) within the scope of IAS 29. As of the reporting date, has not been making a new statement by the POA regarding the scope and application of IAS 29. By the reason of Company’s functional currency is USD the Company does not need making any adjustments in the financial statements to be prepared in accordance with TFRS within the scope of IAS 29.

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 2022 are translated from US Dollars into TRY using the Central Bank of the Republic of Turkey's buying rate of exchange which is TRY 16,6614 =US \$ 1 and the liabilities selling rate of exchange which is TRY 16,6914 =US \$ 1 on the balance sheet

İSKENDERUN DEMİR VE ÇELİK A.Ş.

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

date (31December2021 foreign exchange buying rate: 13,3290 TRY = 1 US \$, foreign exchange selling rate: 13,3530 TRY = 1 US \$).

- b) For the six months period ended 30 June 2022, condensed profit or loss statements are translated from the 6 months average TRY 14,8297 = US \$ 1 rates of 2022 January - June period (30 June 2021: TRY 7,8648 = 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 2022 are presented by converting them into TRY using the foreign exchange selling rate effective as of 30 June 2022 announced by the Central Bank of the Republic of Turkey, TRY 16,6914 = US \$ 1 (31 December 2021: TRY 13,3530 = US \$ 1).
- d) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim financial statements comprising the statements of financial position as of 30 June 2022 and 31 December 2021, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 30 June 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 9 August 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

In order to enable the determination of financial situation and performance trends, the Company's condensed financial statements are prepared in comparative with the previous period. In order to comply with the presentation of the current period condensed financial statements, comparative informations can be reclassified and significant differences are disclosed. Accordingly, the reclassified summary financial statements of the Company are detailed in Note 2.5

(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 FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 June 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
Annual Improvements to TFRS Standards (2018-2020)	: Amendments to TFRS 1, TFRS 9
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 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

“*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.

(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 FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 2018-2020 Cycle (cont’d)

“*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.

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 has evaluated that these amendments and comments, which are effective since 2022, do not have any impact on the financial statements of the Company.

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

(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 FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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)

IFRS 17 Insurance Contracts

IFRS 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. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

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

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

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

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

By postponing the effective date of IFRS 17 to 1 January 2023, it is provided to insurance companies for the expiration date of the temporary exemption period in IFRS 4 Insurance Contracts regarding the application of the IFRS 9 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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 six months period ended 30 June 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 30 June 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 30 June 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 consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

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

(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 FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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)	(Restated)	(Difference)
	1 January 2021	1 January 2021	1 January 2021
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)
			-

2.6 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).

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

	30 June 2022	31 December 2021
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	2.384.072	1.573.663
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	33.110	33.642
OYAK İnşaat A.Ş. ⁽³⁾	-	5
OYAK Sentetik Karbon Ürünleri San. Ve Tic. A.Ş. ⁽³⁾	16	3
Erdemir Romania SRL ⁽²⁾	48.528	-
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	10.258	12.569
	<u>2.475.984</u>	<u>1.619.882</u>

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

The details of other receivables between the Company and related parties are as follows:

	30 June 2022	31 December 2021
<u>Other receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	1.353.693	21.225
	<u>1.353.693</u>	<u>21.225</u>

⁽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 FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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>	30 June 2022	31 December 2021
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	80.915	44.650
	80.915	44.650

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

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

<u>Due to related parties (short term)</u>	30 June 2022	31 December 2021
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	1.048.112	241.994
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	13.711	10.036
Erdemir Asia Pacific PTE LTD ⁽²⁾	90.373	96.114
Omsan Lojistik A.Ş. ⁽³⁾	17.919	11.401
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	7.068	5.260
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	19.523	14.505
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	2.806	1.777
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	9.341	5.341
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	90.576	25.619
Other	14.444	23.428
	1.313.873	435.475

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

- (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 FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

	1 January - 30 June 2022	1 January - 30 June 2021
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	24.542.149	10.419.687
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	3.084	1.073
Erdemir Romania SRL ⁽²⁾	106.326	-
Omsan Lojistik A.Ş. ⁽³⁾	56	41
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	33.518	21.791
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	52.195	13.111
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	996	930
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	235	205
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	524	448
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	108.914	36.272
Other	333	149
	<u>24.848.330</u>	<u>10.493.707</u>

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

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

	1 January - 30 June 2022	1 January - 30 June 2021
<u>Major purchases from related parties</u>		
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	27.625	6.489
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	48.449	9.488
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	2.631.339	1.335.400
Erdemir Asia Pacific PTE LTD ⁽²⁾	2.789.485	1.341.781
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	330.578	125.636
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	74.206	40.949
Omsan Denizcilik A.Ş. ⁽³⁾	3.660	31.298
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	29.848	25.094
Omsan Lojistik A.Ş. ⁽³⁾	65.926	36.606
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	13.024	6.896
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	57.002	24.353
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	168.877	64.180
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	97.892	45.747
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	183.860	13.782
Other	13.585	2.291
	<u>6.535.356</u>	<u>3.109.990</u>

(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 Condensed Interim Financial Statements Originally Issued in Turkish – See Note 18)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

The Company earned TRY 76.639 thousand of revenue from related party transactions of the six- months period ended 30 June 2022, amounting to TRY 66.906 thousand of interest income and TRY 9.733 thousand of interest accrued on term. (30 June 2021: TRY 278.686 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 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 six months period ended 30 June 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 6.451 thousand (30 June 2021: TRY 4.050 thousand).

NOTE 4 – INVENTORIES

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

	30 June 2022	31 December 2021
Raw materials	7.374.691	4.564.939
Work in progress	3.285.552	3.568.046
Finished goods	4.319.782	1.527.976
Spare parts	1.640.449	1.260.562
Goods in transit	5.742.020	2.681.929
Other inventories	1.100.926	692.917
Allowance for impairment on inventories (-)	(471.331)	(377.367)
	<u>22.992.089</u>	<u>13.919.002</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 June 2022	1 January - 30 June 2021
Opening balance	377.367	211.305
Provision released (-)	(340)	(1.118)
Translation difference	94.304	38.452
Closing balance	<u>471.331</u>	<u>248.639</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).

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

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 2022	Right to vote ratio %	31 December 2021	Business segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	480.843	50	370.292	Industrial Gas Production and Sale

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

	30 June 2022	31 December 2021
Total assets	1.026.591	778.957
Total liabilities	64.906	38.373
Net assets	961.685	740.584
Company's share on net assets	480.843	370.292
	30 June 2022	31 December 2021
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş has the right of to deduct TRY 156.114 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 23.654 thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY 11.827 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 2022	1 January - 30 June 2021
Revenue	201.018	73.667
Operating Profit	48.087	17.322
Net profit (loss) for the period	31.995	(2.599)
Company's share on net profit	15.998	(1.300)

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

(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 2022	30 June 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	<u>27.366.949</u>	<u>13.929.264</u>
Net book value at the beginning of the period	27.366.949	13.929.264
Additions (*)	1.496.815	897.656
Disposals (-)	(1.420)	(1.750)
<i>Cost disposals</i>	(18.330)	(118.016)
<i>Accumulated depreciation disposals</i>	16.910	116.266
Transfers to intangible assets	(703)	-
Currency translation difference	6.926.207	2.589.697
<i>Cost currency translation difference</i>	16.697.027	6.383.939
<i>Accumulated depreciation currency translation difference</i>	(9.770.820)	(3.794.242)
Current period depreciation (-)	(813.341)	(439.687)
Net book value at the end of the period	<u>34.974.507</u>	<u>16.975.180</u>
<u>Closing balance as of</u>		
Cost	84.226.415	41.693.606
Accumulated depreciation	(49.251.908)	(24.718.426)
Net book value	<u>34.974.507</u>	<u>16.975.180</u>

(*) The amount of capitalized borrowing cost is TRY (54.143) thousand for the current period. (30 June 2021: TRY 10.350 thousand).

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

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

	30 June 2022	30 June 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 begin.of the period	549.570	303.443
Additions	317	2.525
Transfers form tangible assets	703	-
Currency translation difference	135.244	54.704
<i>Cost currency translation difference</i>	269.851	105.792
<i>Accumulated depreciation currency translation difference</i>	(134.607)	(51.088)
Current period amortisation (-)	(18.462)	(9.093)
Net book value at the end of the period	<u>667.372</u>	<u>351.579</u>
<u>Closing balance as of</u>		
Cost	1.349.720	686.496
Accumulated amortisation	(682.348)	(334.917)
Net book value	<u>667.372</u>	<u>351.579</u>

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

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 17.208 Thousand (30 June 2021: TRY 7.848 Thousand) assets are as follows:

	30 June 2022	30 June 2021
Associated with cost of production	797.765	429.070
General administrative expenses	8.722	3.848
Marketing, sales and distribution expenses	28.996	17.260
Other Operating Expenses	13.528	6.450
	<u>849.011</u>	<u>456.628</u>

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	30 June 2022	31 December 2021
Short term bank borrowings	6.565.919	2.022.735
Short term portion of long term bank borrowings	600.810	741.499
Long term bank borrowings	2.629.768	2.016.952
Total bank borrowings	<u>9.796.497</u>	<u>4.781.186</u>
Current portion of long term lease payables	51.837	39.542
Cost of current portion of long term lease payables (-)	(3.682)	(1.891)
Long term lease payables	1.212.964	945.836
Cost of long term lease payables (-)	<u>(923.176)</u>	<u>(711.852)</u>
Total leases borrowings	<u>337.943</u>	<u>271.635</u>
Total borrowings	<u><u>10.134.440</u></u>	<u><u>5.052.821</u></u>

As of 30 June 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	30 June 2022
Fixed	US Dollars	2,90	3.918.615	-	3.918.615
Floating	US Dollars	Libor+1,98	6.727	1.824.453	1.831.180
Floating	EURO	Euribor+0,85	342.719	805.315	1.148.034
Fixed	TRY	22,68	2.898.668	-	2.898.668
			<u>7.166.729</u>	<u>2.629.768</u>	<u>9.796.497</u>

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
			<u>2.764.234</u>	<u>2.016.952</u>	<u>4.781.186</u>

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

(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 2022			31 December 2021		
	Financial liabilities	Lease liabilities	Total liabilities	Financial liabilities	Lease liabilities	Total liabilities
Within 1 year	7.166.729	48.155	7.214.884	2.764.234	37.651	2.801.885
Between 1-2 years	971.465	42.230	1.013.695	191.768	34.180	225.948
Between 2-3 years	213.523	34.297	247.820	786.131	28.667	814.798
Between 3-4 years	213.523	28.884	242.407	138.300	23.211	161.511
Between 4-5 years	213.523	25.100	238.623	176.912	20.173	197.085
Five years or more	1.017.734	159.277	1.177.011	723.841	127.753	851.594
	<u>9.796.497</u>	<u>337.943</u>	<u>10.134.440</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:

	30 June 2022	31 December 2021
Provision for lawsuits	91.267	68.859
Penalty provision for employment shortage of disabled personnel	9.183	9.932
Provision for land occupation	3.138	2.993
	<u>103.588</u>	<u>81.784</u>

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

	30 June 2022	31 December 2021
Lawsuits filed by the Company	169.596	165.908
Lawsuits filed against the Company	6.492	5.171

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

	30 June 2022	31 December 2021
Lawsuits filed against the Company	67.024	49.756
Provision for lawsuits filed by the Company	91.267	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	30 June 2022
Provision for lawsuits	68.859	19.574	(439)	(848)	4.121	91.267
Penalty provision for employment shortage of disabled personnel	9.932	-	-	(743)	(6)	9.183
Provision for land occupation	2.993	382	-	(262)	25	3.138
	<u>81.784</u>	<u>19.956</u>	<u>(439)</u>	<u>(1.853)</u>	<u>4.140</u>	<u>103.588</u>

	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>

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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 be retrial by the Constitutional Court, were heard again at the Hatay Tax Court, and the Local Court decided to accept the cases in favor of the Company. In addition, in 9 cases, based on the decision of the Constitutional Court, in favor of the Hatay 1st Tax Court, and in favor of the Adana Regional Court of Justice after the Council of State reversed 12 cases, the cases were decided to be accepted in a total of 68 cases. 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.

Litigation provision amounts is provided by taking legal opinion of Company's lawyers. It is evaluated by the Company Management that it will not cause a more significant loss than the provision amount reserved for lawsuits.

NOTE 9 – EMPLOYEE BENEFITS

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

	30 June 2022	31 December 2021
Due to personnel	70.316	81.359
Social security premiums payable	26.013	18.263
	<u>96.329</u>	<u>99.622</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	30 June 2022	31 December 2021
Provisions for employee termination benefits	750.446	505.562
Provisions for seniority incentive premium	119.278	90.872
Provision for unpaid vacations	79.779	51.363
	<u>949.503</u>	<u>647.797</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 2022, the employee termination benefit has been updated to a maximum of TRY 10.848,59 (31 December 2021: TRY 8.284,51). As of 1 July 2022, the employee termination benefit has been updated to a maximum of TRY 15.371,40.

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 2022 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 2022	31 December 2021
Discount rate	%20,80	% 19,00
Inflation rate	% 16,71	% 15,00
Salary increase	reel % 1,5	reel % 1,5
Maximum liability increase	% 16,71	% 15,00

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 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 - 30 June 2022	1 January - 30 June 2021
Opening balance	505.562	313.567
Service cost	17.635	10.301
Interest cost	45.620	18.936
Actuarial loss / gain	192.318	43.886
Termination benefits paid	(11.316)	(13.314)
Translation difference	627	474
Closing balance	<u>750.446</u>	<u>373.850</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 - 30 June 2022	1 January - 30 June 2021
Opening balance	90.872	50.568
Service cost	4.394	2.441
Interest cost	6.221	3.119
Actuarial loss/(gain)	17.711	4.467
Translation difference	80	126
Closing balance	<u>119.278</u>	<u>60.721</u>

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

	1 January - 30 June 2022	1 January - 30 June 2021
Opening balance	51.363	39.021
Provision for the period	39.881	26.855
Vacation paid during the period (-)	(1.545)	(1.308)
Provisions released (-)	(10.696)	(12.379)
Translation difference	776	1.322
Closing balance	<u>79.779</u>	<u>53.511</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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NOTE 10 – COMMITMENTS

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

	30 June 2022	31 December 2021
Letters of guarantees received	3.507.297	2.503.967
	<u>3.507.297</u>	<u>2.503.967</u>

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

	30 June 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	70.879	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>70.879</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 Company's collaterals according to their original currency is as follows:

	30 June 2022	31 December 2021
TRY	36.139	34.321
EURO	34.740	30.174
	<u>70.879</u>	<u>64.495</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

(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 2022	31 December 2021
<u>Corporate tax payable:</u>		
Current corporate tax provision	3.110.895	4.615.442
Prepaid taxes and funds (-)	(1.496.285)	(2.747.318)
	<u>1.614.610</u>	<u>1.868.124</u>
	1 January - 30 June 2022	1 January - 30 June 2021
<u>Taxation:</u>		
Current corporate tax expense	2.763.917	1.586.654
Deferred tax expense	(51.529)	226.429
	<u>2.712.388</u>	<u>1.813.083</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 22% as of reporting date (2021: 25%).

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 for corporate earnings for the 2022 taxation period has been determined as 23%. With the amendment added to Article 32 of the Corporate Tax Law, these rates will be applied with a discount of 1 point to the earnings from production activities and earnings from exports.

The total amount of corporate tax payments made by the Company in 2022 six months period is TRY 3.364.409 thousand. (30 June 2021: TRY 818.593 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 change in the corporate tax rate, the exemption rate applied to the gains arising from the sale of immovables is 50%, and the tax rate to be applied to the deferred tax to be calculated over the temporary differences that arise in case of revaluation of the relevant assets should be considered as 10% in case the book value of the relevant immovable is recovered through sales.

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2022**

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

Corporate Tax (cont’d)

In accordance with the Tax Procedure Law No. 7352 and the Law on the Amendment of the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the financial statements prepared according to the tax procedure law was postponed to 31 December 2023.

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 22% 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:

	30 June 2022	31 December 2021
<u>Deferred tax assets:</u>		
Provisions for employee benefits	191.892	130.994
Leasing payables	67.814	54.327
Provision for lawsuits	20.129	15.198
Adjustment of receivable rediscount	4.914	4.949
Other	42.892	33.044
	<u>327.641</u>	<u>238.512</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(5.744.078)	(4.504.212)
Right of use assets	(161.867)	(117.305)
Amortized cost adjustment on loans	(17.163)	(12.328)
Fair values of the derivative financial instruments	(20.529)	(11.394)
Inventories	(673.243)	(699.803)
	<u>(6.616.880)</u>	<u>(5.345.042)</u>
Presentation of deferred tax assets/(liabilities):	<u>(6.289.239)</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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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
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(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 2022	1 January - 30 June 2021
Opening balance	(5.106.530)	(2.158.103)
Deferred tax expense	51.529	(226.429)
The amount in comprehensive income/(expense)	35.168	5.760
Translation difference	(1.269.406)	(422.423)
Closing balance	<u>(6.289.239)</u>	<u>(2.801.195)</u>

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

	1 January - 30 June 2022	1 January - 30 June 2021
Profit before tax	9.034.146	4.929.340
Statutory tax rate	22%	25%
Calculated tax acc. to effective tax rate	(1.987.512)	(1.232.335)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(367)	(1.227)
- Non-taxable income	77	1.278
- Effect of currency translation (*)	(724.586)	(580.799)
Tax expense in reported in the statement of income	<u>(2.712.388)</u>	<u>(1.813.083)</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 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>

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

(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 419.420 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 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
<u>Sales Revenue</u>				
Domestic sales	29.888.383	16.849.773	12.205.418	7.309.655
Export sales	3.931.988	1.727.732	2.014.742	1.488.337
Other revenues (*)	928.012	611.385	270.235	136.487
Interest income from sales with maturities	80.561	47.246	17.289	10.308
Sales returns (-)	(4.232)	(2.628)	(442)	(170)
	<u>34.824.712</u>	<u>19.233.508</u>	<u>14.507.242</u>	<u>8.944.617</u>
<u>Cost of sales (-)</u>	<u>(25.203.626)</u>	<u>(14.068.459)</u>	<u>(9.226.165)</u>	<u>(5.604.101)</u>
Gross profit	<u>9.621.086</u>	<u>5.165.049</u>	<u>5.281.077</u>	<u>3.340.516</u>

(*) The total amount of by product exports in other revenues is TRY 447.863 thousand (30 June 2021: TRY 116.529 thousand).

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

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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 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Raw material usage	(21.345.208)	(11.850.768)	(7.692.177)	(4.760.212)
Personnel costs	(618.391)	(331.285)	(357.875)	(208.961)
Energy costs	(1.368.759)	(777.678)	(281.015)	(162.690)
Depreciation and amortization expenses	(764.163)	(407.537)	(402.237)	(224.720)
Factory overheads	(197.349)	(104.263)	(150.835)	(105.181)
Other cost of goods sold	(507.854)	(366.256)	(208.334)	(55.854)
Non-operating costs (*)	(13.614)	(10.020)	-	-
Freight costs for sales delivered to customers	(249.018)	(137.628)	(94.812)	(65.310)
Reversal of inventory write-downs (Note 4)	340	22	1.118	512
Other	(139.610)	(83.046)	(39.998)	(21.685)
	<u>(25.203.626)</u>	<u>(14.068.459)</u>	<u>(9.226.165)</u>	<u>(5.604.101)</u>

(*) (13.614) 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. (30 June 2021: None).

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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 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Personnel expenses (-)	(26.333)	(14.234)	(16.588)	(9.579)
Depreciation and amortization(-)	(28.996)	(14.927)	(17.260)	(9.373)
Tax, duty and charges (-)	(162)	(90)	(448)	(244)
Service expenses (-)	(85.117)	(46.106)	(39.336)	(21.566)
	<u>(140.608)</u>	<u>(75.357)</u>	<u>(73.632)</u>	<u>(40.762)</u>

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

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Personnel expenses (-)	(60.928)	(32.733)	(30.852)	(17.947)
Depreciation and amortization expenses(-)	(5.042)	(2.560)	(2.450)	(1.304)
Amortization expense of right of use (-)	(3.680)	(1.988)	(1.398)	(696)
Provision for doubtful receivables (net)	50	50	(56)	(9)
Tax, duty and charges (-)	(2.661)	(1.777)	(5.653)	(2.770)
Service expenses (-)	(117.684)	(64.516)	(53.771)	(30.890)
	<u>(189.945)</u>	<u>(103.524)</u>	<u>(94.180)</u>	<u>(53.616)</u>

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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) (cont’d)

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

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
<u>Other operating income</u>				
Foreign exchange gains form trade receivables and payables	52.519	52.519	-	-
Discount income	155	77	94	47
Provisions released	1.591	912	5.855	5.790
Service income	7.909	4.166	4.226	2.244
Maintenance repair and rent income	8.602	4.184	7.298	3.641
Lawsuit income	477	435	19	8
Indemnity and penalty detention income	7.437	5.459	3.524	2.039
Warehouse income	6.846	4.464	665	367
Customers delay interest income	206	45	211	46
Other income and gains	42.557	32.636	12.632	7.366
	<u>128.299</u>	<u>104.897</u>	<u>34.524</u>	<u>21.548</u>

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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 - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
<u>Other operating expenses (-)</u>				
Provision expenses	(19.574)	(8.093)	(11.579)	(2.276)
Donation expenses	(11.720)	(2.502)	(1.928)	(833)
Amortisation expenses of right of use	(13.528)	(7.487)	(6.450)	(3.532)
Foreign exchange expenses from trade receivables and payables	-	8.793	(107.633)	(86.083)
Penalty expenses	(226)	(151)	(1.396)	(1.294)
Service expenses	(3.684)	(2.148)	(1.094)	(550)
Lawsuit compensation expenses	(1.494)	(926)	(3.424)	(1.240)
Other expenses and losses	(25.113)	(11.532)	(10.739)	(5.986)
	<u>(75.339)</u>	<u>(24.046)</u>	<u>(144.243)</u>	<u>(101.794)</u>

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

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NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
<u>Finance income</u>				
Interest income on bank deposits	444.061	123.009	30.929	29.881
Interest income on related party	9.733	9.733	265.641	157.509
Fair value differences of derivative financial instruments (net)	28.044	8.060	1.225	1.225
Other financial income	-	-	18.510	28
	<u>481.838</u>	<u>140.802</u>	<u>316.305</u>	<u>188.643</u>

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

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(299.622)	(175.939)	(17.837)	(10.118)
Foreign exchange loss (net)	(424.760)	83.343	(330.369)	(91.554)
Interest cost of employee benefits	(51.841)	(26.076)	(22.055)	(11.200)
Interest expenses on leases	(20.665)	(11.090)	(16.414)	(8.464)
Other financial expenses	(9.092)	(6.547)	(550)	(319)
	<u>(805.980)</u>	<u>(136.309)</u>	<u>(387.225)</u>	<u>(121.655)</u>

During the period, the interest expenses (TRY 54.143 thousand) have been capitalized as part of the Company’s property, plant and equipment (30 June 2021: TRY 10.350 thousand).

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

	30 June 2022			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	388.552	68.593	18.420	-
2a. Monetary financial assets	1.873.433	1.825.642	2.751	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	77.025	68.713	479	-
4. Current assets (1+2+3)	2.339.010	1.962.948	21.650	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	6.352	6.352	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	818.408	533.967	16.131	34.744
8. Non-current assets (5+6+7)	824.760	540.319	16.131	34.744
9. Total assets (4+8)	3.163.770	2.503.267	37.781	34.765
10. Trade payables	2.863.642	1.963.227	51.734	1.464
11. Financial liabilities	3.289.543	2.946.824	19.695	-
12a. Other monetary financial liabilities	2.351.826	2.303.867	2.756	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	8.505.011	7.213.918	74.185	1.464
14. Trade payables	-	-	-	-
15. Financial liabilities	1.095.104	289.788	46.279	-
16a. Other monetary financial liabilities	949.503	949.503	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	2.044.607	1.239.291	46.279	-
18. Total liabilities (13+17)	10.549.618	8.453.209	120.464	1.464
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(1.372.690)	-	(78.884)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.372.690	-	78.884	-
20. Net foreign currency asset/liability position (9-18+19)	(8.758.538)	(5.949.942)	(161.567)	33.301
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(8.281.281)	(6.552.622)	(99.293)	(1.443)
22. Fair value of derivative financial instruments used in foreign currency hedge	64.349	-	3.698	-
23. Hedged foreign currency assets	1.372.690	-	78.884	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	4.379.851	-	-	-
26. Imports	19.003.701	-	-	-

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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)

	31 December 2021			
	TRY (Total in reporting 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	(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 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.

For assets with foreign currency balances in the summary statement of financial position as of 30 June 2022: 16.6614 TRY = US \$ 1, 17.3701 TRY = Euro 1; 0.1220 TRY = JPY 1 for liabilities: 16.6914 TRY = US \$ 1, 17.4014 TRY = Euro 1, 0.1228 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	
	Appreciation of foreign currency	Depreciation of foreign currency
30 June 2022		
1- TRY net asset/liability	(594.994)	594.994
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(594.994)	594.994
5- Euro net asset/liability	(143.998)	143.998
6- Hedged portion from Euro risk (-)	(137.269)	137.269
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(281.267)	281.267
9- Jap. Yen net asset/liability	407	(407)
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	407	(407)
TOTAL (4+8+12)	(875.854)	875.854

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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)

31 December 2021	Profit/(loss) after capitalization on tangible assets and before tax	
	Appreciation of foreign currency	Depreciation of foreign currency
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
30 June 2022				
Financial Assets				
Cash and cash equivalents	5.150.794	-	-	5.150.794
Trade receivables	3.490.240	-	-	3.490.240
Financial investments	-	-	452	452
Other financial assets	1.400.879	-	-	1.400.879
Derivative financial instruments	-	28.797	64.349	93.146
Financial Liabilities				
Financial liabilities	10.134.440	-	-	10.134.440
Trade payables	5.802.992	-	-	5.802.992
Other liabilities	516.409	-	-	516.409
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, considers that the fair values of financial assets and liabilities reflect their carrying values.

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

(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)

<u>30 June 2022</u>		Fair value level as of reporting date		
Financial asset and liabilities at fair value	Book Value	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	64.349	-	64.349	-
Derivative financial liabilities	-	-	-	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	28.797	-	28.797	-
Derivative financial liabilities	-	-	-	-
Total	93.146	-	93.146	-
<hr/>				
<u>31 December 2021</u>		Fair value level as of reporting date		
Financial asset and liabilities at fair value	Book Value	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	-

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.

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

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2022**

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

**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 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.