

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 MARCH 2021**

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2021

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2021 USD'000	Current Period 31 March 2021 TRY'000	Previous Period 31 December 2020 USD'000	Previous Period 31 December 2020 TRY'000
ASSETS					
Current Assets		1.478.854	12.312.939	1.764.025	12.948.824
Cash and Cash Equivalents		78.190	651.014	5.259	38.603
Trade Receivables		158.781	1.322.016	174.539	1.281.204
<i>Due From Related Parties</i>	3	87.074	724.982	135.274	992.977
<i>Other Trade Receivables</i>		71.707	597.034	39.265	288.227
Other Receivables		549.797	4.577.607	942.017	6.914.878
<i>Due From Related Parties</i>	3	545.402	4.541.017	937.255	6.879.919
<i>Other Receivables</i>		4.395	36.590	4.762	34.959
Inventories	4	672.062	5.595.586	625.386	4.590.643
Prepaid Expenses		9.477	78.902	6.833	50.154
Other Current Assets		10.547	87.814	9.991	73.342
Non Current Assets		2.100.545	17.489.134	2.097.214	15.394.599
Financial Investments		27	226	27	199
Other Receivables		1.224	10.193	1.389	10.193
Investments Accounted For Using Equity Method	5	29.858	248.596	31.327	229.956
Property, Plant and Equipment	6	1.922.083	16.003.261	1.897.591	13.929.264
Right of Use Assets		40.489	337.110	40.951	300.598
Intangible Assets	6	41.015	341.495	41.338	303.443
Prepaid Expenses		65.849	548.253	84.591	620.946
<i>Due From Related Parties</i>	3	1.753	14.595	1.753	12.868
<i>Other Prepaid Expenses</i>		64.096	533.658	82.838	608.078
TOTAL ASSETS		3.579.399	29.802.073	3.861.239	28.343.423

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2021

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2021 USD'000	Current Period 31 March 2021 TRY'000	Previous Period 31 December 2020 USD'000	Previous Period 31 December 2020 TRY'000
LIABILITIES					
Current Liabilities		474.475	3.950.476	383.427	2.814.545
Short Term Borrowings	7	57.309	477.151	6.613	48.544
Short Term Portion of Long Term Borrowings	7	49.938	415.787	21.842	160.334
Trade Payables		231.173	1.924.744	252.202	1.851.288
<i>Due to Related Parties</i>	3	79.674	663.367	52.443	384.960
<i>Other Trade Payables</i>		151.499	1.261.377	199.759	1.466.328
Payables for Employee Benefits	9	10.396	86.553	9.154	67.192
Other Payables		8.728	72.672	4.768	35.000
Deferred Revenue		38.852	323.485	15.094	110.800
Current Tax Liabilities	11	55.461	461.770	48.612	356.834
Short Term Provisions	8	8.734	72.716	8.479	62.243
Other Current Liabilities		13.884	115.598	16.663	122.310
Non Current Liabilities		459.495	3.825.759	483.354	3.548.061
Long Term Borrowings	7	92.093	766.767	134.433	986.802
Long Term Provisions	9	49.531	412.397	54.922	403.156
<i>Long Term Provisions for Employee Benefits</i>		49.531	412.397	54.922	403.156
Deferred Tax Liabilities	11	317.871	2.646.595	293.999	2.158.103
EQUITY		2.645.429	22.025.838	2.994.458	21.980.817
Share Capital	12	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital		85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ Loss)		(19.821)	16.275.978	(19.821)	13.575.439
<i>Gain / (Loss) on Remeasurement of Defined Benefit Plans</i>		(19.821)	(54.295)	(19.821)	(54.295)
<i>Foreign Currency Translation Reserves</i>		-	16.330.273	-	13.629.734
Restricted Reserves Assorted from Profit		392.036	1.758.560	344.712	1.401.860
Accumulated Profit or Loss		655.576	34.654	849.456	1.680.005
Period Net Income/ Loss		143.448	1.056.482	345.921	2.423.349
TOTAL LIABILITIES AND EQUITY		3.579.399	29.802.073	3.861.239	28.343.423

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period	Current Period	Previous Period	Previous Period
		1 January -	1 January -	1 January -	1 January -
		31 March 2021	31 March 2021	31 March 2020	31 March 2020
	Note	USD'000	TRY'000	USD'000	TRY'000
Revenue	13	755.289	5.562.625	606.859	3.697.229
Cost of Sales	13	(491.801)	(3.622.064)	(506.619)	(3.086.527)
GROSS PROFIT		263.488	1.940.561	100.240	610.702
Marketing, Sales and Distribution Expenses	14	(4.463)	(32.870)	(4.098)	(24.969)
General Administrative Expenses	14	(5.508)	(40.564)	(7.376)	(44.938)
Research and Development Expenses		(6)	(46)	(9)	(52)
Other Operating Income	14	1.762	12.976	2.045	12.459
Other Operating Expenses	14	(5.764)	(42.449)	(1.264)	(7.699)
OPERATING PROFIT		249.509	1.837.608	89.538	545.503
Expenses from Investing Activities		(194)	(1.423)	(278)	(1.695)
Share of Investments' Profit Accounted by Using The Equity Method	5	(573)	(4.223)	(664)	(4.044)
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		248.742	1.831.962	88.596	539.764
Finance Income	15	17.334	127.662	3.387	35.889
Finance Expense	15	(43.296)	(265.570)	(10.305)	(62.782)
PROFIT BEFORE TAX		222.780	1.694.054	81.678	512.871
Tax (Expense) Income	11	(79.332)	(637.572)	(47.064)	(301.989)
Current Corporate Tax (Expense) Income		(55.460)	(461.759)	(36.005)	(234.611)
Deferred Tax (Expense) Income		(23.872)	(175.813)	(11.059)	(67.378)
NET PROFIT FOR THE PERIOD		143.448	1.056.482	34.614	210.882
EARNINGS PER SHARE			0,3643		0,0727
(TRY 1 Nominal value per share)					

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

	(Unaudited) Current Period 1 January - 31 March 2021 USD'000	(Unaudited) Current Period 1 January - 31 March 2021 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2020 USD'000	(Unaudited) Previous Period 1 January - 31 March 2020 TRY'000
PROFIT FOR THE PERIOD	143.448	1.056.482	34.614	210.882
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss				
Foreign Currency Translation Gain	-	2.700.539	-	1.584.172
OTHER COMPREHENSIVE INCOME	-	2.700.539	-	1.584.172
TOTAL COMPREHENSIVE INCOME	143.448	3.757.021	34.614	1.795.054

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

	Share Capital	Inflation Adjustment to Capital	Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		Restricted Reserves Assorted from Profit	Retained Earnings		Total Shareholders' Equity
			Foreign Currency Translation Reserves	Actuarial (Loss) / Gain Funds		Retained Earnings	Period Net Income/ Loss	
(Unaudited)								
1 January 2021	2.900.000	164	13.629.734	(54.295)	1.401.860	1.680.005	2.423.349	21.980.817
Net profit for the period	-	-	-	-	-	-	1.056.482	1.056.482
Other comprehensive income/(loss)	-	-	2.700.539	-	-	-	-	2.700.539
Total comprehensive income/(loss)	-	-	2.700.539	-	-	-	1.056.482	3.757.021
Dividends (*)	-	-	-	-	-	(3.712.000)	-	(3.712.000)
Transfers	-	-	-	-	356.700	2.066.649	(2.423.349)	-
31 March 2021	2.900.000	164	16.330.273	(54.295)	1.758.560	34.654	1.056.482	22.025.838
(Unaudited)								
1 January 2020	2.900.000	164	9.736.362	(48.664)	1.364.160	84.277	2.155.428	16.191.727
Net profit for the period	-	-	-	-	-	-	210.882	210.882
Other comprehensive income/(loss)	-	-	1.584.172	-	-	-	-	1.584.172
Total comprehensive income/(loss)	-	-	1.584.172	-	-	-	210.882	1.795.054
Dividends (*)	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	2.155.428	(2.155.428)	-
31 March 2020	2.900.000	164	11.320.534	(48.664)	1.364.160	2.239.705	210.882	17.986.781

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

		(Unaudited) 1 January - 31 March 2021	(Unaudited) 1 January - 31 March 2021	(Unaudited) 1 January - 31 March 2020	(Unaudited) 1 January - 31 March 2020
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		139.982	1.219.739	162.722	1.045.061
Profit (Loss) for The Period		143.448	1.056.482	34.614	210.882
Adjustments to Reconcile Profit (Loss)		70.595	730.899	73.337	462.071
Adjustments for Depreciation and Amortisation Expenses	13/14	25.821	190.170	26.995	164.461
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(71)	(559)	697	4.258
Adjustments for Provision (Reversal of Provision) for Receivables		11	47	294	1.793
Adjustments for Provision (Reversal of Provision) for Inventories	4	(82)	(606)	403	2.465
Adjustments for Provisions		3.549	26.156	2.009	12.244
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	2.305	16.988	1.729	10.532
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	1.244	9.168	280	1.712
Adjustments for Interest (Income) and Expenses		(13.607)	(100.212)	(1.363)	(8.309)
Adjustments for Interest Income	15	(14.824)	(109.180)	(3.387)	(20.637)
Adjustments for Interest Expense	15	2.127	15.669	3.376	20.567
Unearned Financial Income from Credit Sales		(910)	(6.701)	(1.352)	(8.239)
Adjustments for Unrealised Foreign Exchange Differences		(7.640)	(27.874)	(3.007)	(18.311)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	573	4.223	664	4.044
Adjustments for Tax (Income) Expenses	11	79.332	637.572	47.064	301.989
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		194	1.423	278	1.695
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		194	1.423	278	1.695
Other Adjustments to Reconcile Profit (Loss)		(17.556)	-	-	-
Changes in Working Capital		(24.309)	(202.404)	81.631	531.906
Adjustments for Decrease (Increase) in Trade Receivables		16.604	138.245	(2.111)	(13.755)
Decrease (Increase) in Trade Receivables from Related Parties		48.200	401.313	(18.586)	(121.106)
Decrease (Increase) in Trade Receivables from Third Parties		(31.596)	(263.068)	16.475	107.351
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		532	4.430	1.114	7.260
Decrease (Increase) in Other Receivables from Operations from Third Parties		532	4.430	1.114	7.260
Adjustments for Decrease (Increase) in Inventories		(43.450)	(361.769)	103.490	674.338
Decrease (Increase) in Prepaid Expenses		(2.591)	(21.575)	(4.404)	(28.696)
Adjustments for Increase (Decrease) in Trade Payables		(21.029)	(175.088)	(43.514)	(283.537)
Increase (Decrease) in Trade Payable to Related Parties		27.231	226.725	(5.099)	(33.225)
Increase (Decrease) in Trade Payable to Third Parties		(48.260)	(401.813)	(38.415)	(250.312)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		5.202	43.312	3.814	24.852
Increase (Decrease) in Other Payables to Third Parties Related from Operations		5.202	43.312	3.814	24.852
Increase (Decrease) in Derivative Liabilities		-	-	(7)	(46)
Adjustments for Other Increase (Decrease) in Working Capital		20.423	170.041	23.249	151.490
Decrease (Increase) in Other Assets Related from Operations		(556)	(4.629)	(451)	(2.939)
Increase (Decrease) in Other Payables Related from Operations		20.979	174.670	23.700	154.429
Cash Flows Provided by Operating Activities		189.734	1.584.977	189.582	1.204.859
Payments Related to Provisions for Employee Termination Benefits	9	(1.102)	(8.119)	(1.399)	(8.520)
Payments Related to Other Provisions	8	(40)	(296)	(27)	(166)
Income Taxes Refund (Paid)	11	(48.610)	(356.823)	(25.434)	(151.112)
CASH FLOWS FROM INVESTING ACTIVITIES		(35.449)	(318.992)	(26.115)	(175.975)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		(1)	2	5	32
Cash Inflow from Sales of Property, Plant and Equipment		(1)	2	5	32
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(55.050)	(405.445)	(20.279)	(123.550)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(54.791)	(403.531)	(20.182)	(122.956)
Cash Outflow from Purchase of Intangible Assets	6	(259)	(1.914)	(97)	(594)
Cash Advances and Debts Given		18.743	80.059	(5.841)	(52.457)
Other Cash Advances and Debts Given		18.743	80.059	(5.841)	(52.457)
Dividends Received		859	6.392	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		(23.180)	(935.274)	(134.534)	(1.159.911)
Cash Inflow from Borrowings		51.854	379.211	110.561	691.759
Cash Inflow from Loans		51.854	379.211	110.561	691.759
Cash Outflow from Repayments of Borrowings		(6.028)	(42.504)	(98.807)	(457.901)
Cash Outflow from Loan Repayments		(6.028)	(42.504)	(98.807)	(457.901)
Decrease in Other Payables to Related Parties		391.889	2.338.902	(147.325)	(1.399.520)
Cash Outflow Related to Debt Payments Arising From Financial Leasing Contracts		(82)	(608)	(169)	(1.033)
Ödenen Temettüpler		(474.990)	(3.710.391)	-	-
Interest Paid		(710)	(9.527)	(2.182)	(13.861)
Interest Received		14.887	109.643	3.388	20.645
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE		81.353	(34.527)	2.073	(290.825)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(8.422)	646.938	(6.861)	265.265
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		72.931	612.411	(4.788)	(25.560)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		5.259	38.603	9.797	58.197
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		78.190	651.014	5.009	32.637

In the statement of financial position, since the functional currency of the Company is USD, exchange differences between the accrued and payment dates of the dividend payables to the shareholders whose original currency is Turkish Lira are reported in Other Adjustments to reconcile Profit (Loss).

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 1 – COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

The number of the personnel employed by the Company as at 31 March 2021 are as follows:

	31 March 2021 Personnel	31 December 2020 Personnel
Paid Hourly Personnel	3.017	2.988
Paid Monthly Personnel	1.706	1.714
	<u>4.723</u>	<u>4.702</u>

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

(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 2020.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 15 April 2019 about the “illustrations of financial statements and application guidance”.

Functional and Reporting Currency

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

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

Functional currency of the joint venture

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

Presentation currency translation

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 and liabilities on condensed financial position as of 31 March 2021 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 8,3260=US \$ 1 on the balance sheet date (31 December 2020: TRY 7,3405= US \$ 1).
- b) For the three months period ended 31 March 2021, condensed profit or loss statements are translated from the 3 months average TRY 7,3649 = US \$ 1 rates of 2021 January - March period (31 March 2020: TRY 6,0924 = US \$ 1).
- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements.

USD amounts presented in the condensed interim financial statements

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

(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)

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 29 April 2021 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 Comparative Information and Restatement of Financial Statements with Prior Periods

The Company’s condensed financial statements are presented in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”). The Company’s condensed financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective from the interim periods ended after 30 June 2013.

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed financial statements as at 31 March 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2021 summarized below

The new standards, amendments and interpretations which are effective from 2021

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

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

(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)

New and revised TFRSs in issue but not yet effective

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

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

TFRS 17 Insurance Contracts

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

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

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

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

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.

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(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)

New and revised TFRSs in issue but not yet effective

Amendments to TAS 16 Proceeds before Intended Use

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

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

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

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

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

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 9 Financial Instruments

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

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

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

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

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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

2.4 Summary of Significant Accounting Policies

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

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

2.5 Restatement and errors in the accounting policies and estimates

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

2.6. Significant changes in current period

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

In the preparations of the interim financial statements as at 31 March 2021, the Company assessed the possible impacts of COVID-19 pandemic on the financial statements and reviewed the critical estimates and assumptions used in the preparation of the condensed financial statements. Within this scope, the Company evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the interim financial statements as at 31 March 2021 for any possible impairment but no impairment were identified.

2.7 Segment Reporting

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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:

	31 March 2021	31 December 2020
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	697.560	967.223
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	22.327	21.844
OYAK Beton A.Ş. ⁽³⁾	-	103
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	5.095	3.807
	<u>724.982</u>	<u>992.977</u>

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

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

	31 March 2021	31 December 2020
<u>Other receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.541.017	6.873.430
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	-	6.489
	<u>4.541.017</u>	<u>6.879.919</u>

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

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

	31 March 2021	31 December 2020
<u>Prepaid expenses (long term)</u>		
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	14.595	12.868
	<u>14.595</u>	<u>12.868</u>

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

<u>Due to related parties (short term)</u>	31 March 2021	31 December 2020
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	344.635	284.920
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	6.924	10.298
Erdemir Asia Pacific PTE LTD ⁽²⁾	277.222	47.480
Omsan Lojistik A.Ş. ⁽³⁾	6.828	7.168
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	3.246	3.113
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	7.925	11.406
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	2.154	865
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	3.272	2.908
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	8.071	-
Omsan Denizcilik A.Ş. ⁽³⁾	-	9.925
Other	3.090	6.877
	<u>663.367</u>	<u>384.960</u>

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

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

<u>Major sales to related parties</u>	1 January – 31 March 2021	1 January – 31 March 2020
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.054.790	2.550.681
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	597	478
Adana Çimento Sanayi T.A.Ş. ⁽³⁾	-	6.587
Omsan Lojistik A.Ş. ⁽³⁾	28	8
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	11.245	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş.	4.836	-
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	449	-
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	64	253
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	225	207
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	16.461	10.623
Other	95	588
	<u>4.088.790</u>	<u>2.569.425</u>

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

⁽¹⁾ Immediate parent company

⁽²⁾ Subsidiaries of the immediate parent company

⁽³⁾ Subsidiaries of the ultimate company

⁽⁴⁾ Joint venture

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

<u>Major purchases from related parties</u>	<u>1 January – 31 March 2021</u>	<u>1 January – 31 March 2020</u>
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	3.119	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş.	4.016	-
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	541.013	234.341
Erdemir Asia Pacific PTE LTD ⁽²⁾	365.320	7.643
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	15.669	24.943
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	21.038	19.089
Omsan Denizcilik A.Ş. ⁽³⁾	10.988	11.351
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	15.830	9.599
Omsan Lojistik A.Ş. ⁽³⁾	15.521	14.641
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	3.011	3.047
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	-	7.079
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	30.041	20.863
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	19.689	15.601
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	6.051	-
Other	1.930	58
	<u>1.053.236</u>	<u>368.255</u>

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

The Company earned TRY 113.871 thousand of revenue from related party transactions of the three- months period ended 31 March 2021, amounting to TRY 108.132 thousand of interest income and TRY 5.739 thousand of interest accrued on term. (31 March 2020: TRY 27.604 thousand)

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

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

Benefits provided to executive managers:

The company's executive management team consists of the Board of Directors, General Manager and Assistant General Managers. For the three months period ended 31 March 2021, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 861 thousand (31 March 2020: TRY 669 thousand).

⁽¹⁾ Immediate parent company

⁽²⁾ Subsidiaries of the immediate parent company

⁽³⁾ Subsidiaries of the ultimate company

⁽⁴⁾ Joint venture

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 4 – INVENTORIES

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

	31 March 2021	31 December 2020
Raw materials	1.379.822	1.436.403
Work in progress	1.395.525	825.626
Finished goods	639.393	402.557
Spare parts	738.482	631.992
Goods in transit	1.266.921	1.119.449
Other inventories	414.432	385.921
Allowance for impairment on inventories (-)	(238.989)	(211.305)
	<u>5.595.586</u>	<u>4.590.643</u>

The movement of the allowance for impairment on inventories:

	1 January – 31 March 2021	1 January – 31 March 2020
Opening balance	211.305	160.828
Provision for the period	-	2.465
Provision released (-)	(606)	-
Translation difference	28.290	15.760
Closing balance	<u>238.989</u>	<u>179.053</u>

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

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

<i>Joint Venture</i>	Right to vote ratio (%)	31 March 2021	Right to vote ratio (%)	31 December 2020	Business Segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	248.596	50	229.956	Industrial Gas Production and Sale

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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

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

	31 March 2021	31 December 2020
Total assets	514.656	492.495
Total liabilities	17.464	32.584
Net assets	497.192	459.911
Company's share on net assets	248.596	229.956

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

İsdemir Linde Gaz Ortaklığı A.Ş has the right of to deduct TRY 98.127 thousand (31 December 2020: TRY 97.254 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 873 thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY 437 thousand) is included in the financial statements prepared as of reporting date.

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

	1 January – 31 March 2021	1 January – 31 March 2020
Revenue	33.535	26.280
Operating income	7.635	4.743
Net profit (loss) for the period	(8.446)	(8.088)
Company's share on net profit (loss)	(4.223)	(4.044)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	31 March 2021	31 March 2020
<u>Opening balance as of 1 January</u>		
Cost	34.530.027	27.088.610
Accumulated depreciation	(20.600.763)	(16.087.374)
Net book value	<u>13.929.264</u>	<u>11.001.236</u>
Net book value at the beginning of the period	13.929.264	11.001.236
Additions (*)	387.225	122.956
Disposals (-)	(1.425)	(1.727)
<i>Cost of disposals</i>	(6.430)	(3.704)
<i>Accumulated depreciation of disposals</i>	5.005	1.977
Currency translation difference	1.893.615	1.063.318
<i>Cost currency translation difference</i>	4.685.984	2.634.398
<i>Accumulated depreciation currency translation difference</i>	(2.792.369)	(1.571.080)
Current period depreciation (-)	(205.418)	(165.267)
Net book value at the end of the period	<u>16.003.261</u>	<u>12.020.516</u>
<u>Closing balance as of</u>		
Cost	39.596.806	29.842.260
Accumulated depreciation	(23.593.545)	(17.821.744)
Net book value	<u>16.003.261</u>	<u>12.020.516</u>

(*) The amount of capitalized borrowing cost is TRY 16.306 thousand for the current period (31 March 2020: None).

As of reporting period, the Company has no collaterals or pledges upon its tangible assets (31 March 2020: None).

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

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

	31 March 2021	31 March 2020
<u>Opening balance as of 1 January</u>		
Cost	578.179	459.313
Accumulated depreciation	(274.736)	(207.865)
Net book value	<u>303.443</u>	<u>251.448</u>
Net book value at the beginning of the period	303.443	251.448
Additions	1.914	594
Currency translation difference	40.428	24.154
<i>Cost currency translation difference</i>	77.873	44.564
<i>Accumulated depreciation currency translation difference</i>	(37.445)	(20.410)
Current period depreciation (-)	(4.290)	(3.755)
Net book value at the end of the period	<u>341.495</u>	<u>272.441</u>
<u>Closing balance as of</u>		
Cost	657.966	504.471
Accumulated depreciation	(316.471)	(232.030)
Net book value	<u>341.495</u>	<u>272.441</u>

As of reporting period, the Company has no collaterals or pledges upon its intangible assets (31 March 2020: None).

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 3.620 Thousand (31 March 2020 : TRY 2.520 Thousand) assets are as follows:

	31 March 2021	31 March 2020
Associated with cost of production	200.675	163.472
General administrative expenses	1.848	1.435
Marketing, sales and distribution expenses	7.887	4.584
Other Operating Expenses	2.918	2.051
	<u>213.328</u>	<u>171.542</u>

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İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	31 March 2021	31 December 2020
Short term bank borrowings	477.151	48.544
Short term portion of long term bank borrowings	384.661	129.998
Long term bank borrowings	558.587	785.769
Total bank borrowings	1.420.399	964.311
Current portion of long term lease payables	31.561	31.821
Cost of current portion of long term lease payables (-)	(435)	(1.485)
Long term lease payables	858.638	857.949
Cost of long term lease payables (-)	(650.458)	(656.916)
Total leases borrowings	239.306	231.369
Total borrowings	1.659.705	1.195.680

As of 31 March 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 March 2021
Fixed	US Dollars	1,26	659.431	40.908	700.339
Fixed	TRY	7,25	49.468	-	49.468
No interest	TRY	-	13.586	-	13.586
Floating	EURO	Euribor+1,18	139.327	517.679	657.006
			861.812	558.587	1.420.399

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

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

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

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NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	31 March 2021			31 December 2020		
	Financial Liabilities	Lease Liabilities	Total Liabilities	Financial Liabilities	Lease Liabilities	Total Liabilities
Within 1 year	861.812	31.126	892.938	178.542	30.336	208.878
Between 1-2 years	217.666	26.438	244.104	399.421	25.529	424.950
Between 2-3 years	43.608	24.411	68.019	101.188	23.601	124.789
Between 3-4years	43.608	21.115	64.723	39.786	20.436	60.222
Between 4-5years	43.608	18.350	61.958	39.786	17.761	57.547
Five years or more	210.097	117.866	327.963	205.588	113.706	319.294
	<u>1.420.399</u>	<u>239.306</u>	<u>1.659.705</u>	<u>964.311</u>	<u>231.369</u>	<u>1.195.680</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	31 March 2021	31 December 2020
Provision for lawsuits	60.085	49.763
Penalty provision for employment shortage of disabled personnel	10.151	9.938
Provision for land occupation	2.480	2.542
	<u>72.716</u>	<u>62.243</u>

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

	31 March 2021	31 December 2020
Lawsuits filed by the Company	154.290	156.769
Provision for lawsuits filed by the Company	3.586	3.183

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

	31 March 2021	31 December 2020
Lawsuits filed by the Company	34.264	28.707
Provision for lawsuits filed by the Company	60.085	49.763

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NOTE 8 – PROVISIONS (cont’d)

The movement of the short term provisions is as follows:

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

	1 January 2020	Change for the period	Payments	Provision released	Translation difference	31 March 2020
Provision for lawsuits	35.558	2.140	(166)	(643)	652	37.541
Penalty provision for employment shortage of disabled personnel	9.635	60	-	-	1	9.696
Provision for land occupation	2.138	155	-	-	1	2.294
	<u>47.331</u>	<u>2.355</u>	<u>(166)</u>	<u>(643)</u>	<u>654</u>	<u>49.531</u>

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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 2 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.

24 lawsuits, which were decided to retrial by the Constitutional Court, were reappeared in the Hatay Tax Court, and it was decided by the Local Court to accept cases in favor of the Company. In addition, based upon the decisions awarded in 9 cases by Constitutional Court, Hatay 1st Tax Court accepted 33 cases in favor of the Company. Total number of the cases brought by the Company is 80. 33 out of 80 cases have been awarded in favor of the Company, 35 out of 80 cases are still pending before Constitutional Court. Remaining 12 cases which have been rejected by the Court have been appealed before Council of State and they are still pending under Council of State's examination. 33 cases, for which awarded in favor of the Company have been appealed by Payas Municipality. These cases have not been finalized yet.

As for the ongoing lawsuits, decisions are taken in favor of the Company.

NOTE 9 – EMPLOYEE BENEFITS

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

	31 March 2021	31 December 2020
Due to personnel	71.899	52.610
Social security premiums payable	14.654	14.582
	<u>86.553</u>	<u>67.192</u>

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

	31 March 2021	31 December 2020
Provisions for employee termination benefits	320.561	313.567
Provisions for seniority incentive premium	53.410	50.568
Provision for unpaid vacations	38.426	39.021
	<u>412.397</u>	<u>403.156</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

As of 31 March 2021, the employee termination benefit has been updated to a maximum of TRY 7.638,96 (31 December 2020: TRY 7.117,17).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. The obligation as of 31 March 2021 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 2021, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of reporting period, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

	1 January – 31 March 2021	1 January – 31 March 2020
Opening balance	313.567	273.104
Service cost	4.960	4.417
Interest cost	9.320	7.954
Termination benefits paid	(7.492)	(8.041)
Translation difference	206	(58)
Closing balance	320.561	277.376

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

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January – 31 March 2021	1 January – 31 March 2020
Opening balance	50.568	30.904
Service cost	1.202	756
Interest cost	1.535	928
Translation difference	105	38
Closing balance	<u>53.410</u>	<u>32.626</u>

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

	1 January – 31 March 2021	1 January – 31 March 2020
Opening balance	39.021	30.749
Provision for the period	3.625	3.035
Vacation paid during the period (-)	(627)	(479)
Provisions released (-)	(3.654)	(6.558)
Translation difference	61	(129)
Closing balance	<u>38.426</u>	<u>26.618</u>

NOTE 10 – COMMITMENTS

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

	31 March 2021	31 December 2020
Letters of guarantees received	<u>1.282.837</u>	<u>1.179.636</u>
	<u>1.282.837</u>	<u>1.179.636</u>

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

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NOTE 10 – COMMITMENTS (cont’d)

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

	31 March 2021	31 December 2020
A. Total CPM given for the Company's own legal entity	69.921	57.538
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>69.921</u>	<u>57.538</u>

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

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

	31 March 2021	31 December 2020
TRY	50.373	39.522
EURO	19.548	18.016
	<u>69.921</u>	<u>57.538</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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NOTE 11 – TAX ASSETS AND LIABILITIES

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

	31 March 2021	31 December 2020
<u>Corporate tax payable:</u>		
Corporation tax for the year of 2020	1.243.844	-
Current corporate tax provision	461.759	1.243.844
Prepaid taxes and funds (-)	(1.243.833)	(887.010)
	<u>461.770</u>	<u>356.834</u>
	1 January - 31 March 2021	1 January - 31 March 2020
<u>Taxation:</u>		
Current corporate tax expense	461.759	234.611
Deferred tax expense	175.813	67.378
	<u>637.572</u>	<u>301.989</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 20% as of reporting date (2020: 22%).

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

The total amount of corporate tax payments made by the Company in 2021 three months period is TRY 356.823 thousand. (31 March 2020 : TRY 151.112 thousand.)

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2021 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period. (31 December 2020: 22%).

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

Deferred tax

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

The tax rate, which is used in calculation of deferred tax assets and liabilities (excluding land), is %20. (31 December 2020: %20) The tax rate is used as 20% in the deferred tax calculation of the financial statements dated 31 March 2021. The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2020: %10).

In accordance with the additional provisional article of Corporate Tax Law, the tax rate, which is to be used in calculation of deferred tax assets and liabilities (excluding land), will be %25.

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

	31 March 2021	31 December 2020
<u>Deferred tax assets:</u>		
Provisions for employee benefits	82.479	80.631
Lease payables	47.861	46.274
Provision for lawsuits	10.742	8.690
Adjustment of receivable rediscount	3.959	3.968
Other	18.961	17.615
	<u>164.002</u>	<u>157.178</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(2.592.316)	(2.238.059)
Right use of assets	(67.422)	(60.119)
Amortized cost adjustment on loans	(7.529)	(7.516)
Inventories	(143.330)	(9.587)
	<u>(2.810.597)</u>	<u>(2.315.281)</u>
Presentation of deferred tax assets/(liabilities):	<u>(2.646.595)</u>	<u>(2.158.103)</u>

The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

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

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

	1 January - 31 March 2021	1 January - 31 March 2020
Opening balance	(2.158.103)	(1.748.423)
Deferred tax expense	(175.813)	(67.378)
Translation difference	(312.679)	(174.163)
Closing balance	<u>(2.646.595)</u>	<u>(1.989.964)</u>

Reconciliation of tax provision is as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Profit before tax	1.694.054	512.871
Statutory tax rate	20%	22%
Calculated tax acc. to effective tax rate	(338.811)	(112.832)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(644)	(52)
- Correction effect of corporate tax rate and deferred tax rates	-	1.700
- Non-taxable income	1.278	-
- Effect of currency translation (*)	(299.395)	(190.805)
Tax expense in reported in the statement of income	<u>(637.572)</u>	<u>(301.989)</u>

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

NOTE 12 – EQUITY

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

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

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NOTE 13 – SALES AND COST OF SALES

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. As of reporting date, the amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 319.643 thousand. The Company planning to recognize related revenue amount as a revenue in a year.

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

	1 January - 31 March 2021	1 January - 31 March 2020
<u>Sales Revenue</u>		
Domestic sales	4.895.763	3.219.763
Export sales	526.405	321.571
Other revenues (*)	133.748	147.424
Interest income from sales with maturities	6.981	8.471
Sales returns (-)	(272)	-
	<u>5.562.625</u>	<u>3.697.229</u>
<u>Cost of sales (-)</u>	<u>(3.622.064)</u>	<u>(3.086.527)</u>
Gross profit	<u>1.940.561</u>	<u>610.702</u>

(*)The total amount of by product exports in other revenues is TRY 61.958 thousand (31 March 2020: TRY 86.311 thousand).

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

	1 January - 31 March 2021	1 January - 31 March 2020
Raw material usage	(2.931.965)	(2.416.546)
Personnel costs	(148.914)	(143.864)
Energy costs	(118.325)	(130.997)
Depreciation and amortization expenses	(177.517)	(156.391)
Factory overheads	(45.654)	(91.794)
Other cost of goods sold	(152.480)	(105.473)
Freight costs for sales delivered to customers	(29.502)	(23.204)
Inventory write-downs within the period (Note 4)	-	(2.465)
Reversal of inventory write-downs (Note 4)	606	-
Other	(18.313)	(15.793)
	<u>(3.622.064)</u>	<u>(3.086.527)</u>

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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 - 31 March 2021	1 January - 31 March 2020
Personnel expenses (-)	(7.009)	(6.072)
Depreciation and amortization(-)	(7.887)	(4.584)
Tax, duty and charges (-)	(204)	(206)
Service expenses (-)	(17.770)	(14.107)
	<u>(32.870)</u>	<u>(24.969)</u>

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

	1 January - 31 March 2021	1 January - 31 March 2020
Personnel expenses (-)	(12.905)	(11.482)
Depreciation and amortization expenses(-)	(1.146)	(966)
Right of use expenses (-)	(702)	(469)
Provision for doubtful receivables (-) (net)	(47)	(1.793)
Tax, duty and charges (-)	(2.883)	(4.675)
Service expenses (-)	(22.881)	(25.553)
	<u>(40.564)</u>	<u>(44.938)</u>

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

	1 January - 31 March 2021	1 January - 31 March 2020
<u>Other operating income</u>		
Foreign exchange gain from trade receivables and payables	-	2.707
Discount income	47	48
Provisions released	65	643
Service income	1.982	1.948
Maintenance repair and rent income	3.657	3.360
Lawsuit income	11	29
Indemnity and penalty detention income	1.485	754
Warehouse income	298	355
Overdue interest income	165	250
Other income and gains	5.266	2.365
	<u>12.976</u>	<u>12.459</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 - 31 March 2021	1 January - 31 March 2020
<u>Other operating expenses (-)</u>		
Provision expenses	(9.303)	(2.200)
Donation expenses	(1.095)	(570)
Right of use assets amortization	(2.918)	(2.051)
Foreign exchange expenses from trade receivables and payables	(21.550)	-
Penalty expenses	(102)	(178)
Service expenses	(544)	(656)
Lawsuit compensation expenses	(2.184)	(499)
Other expenses and losses	(4.753)	(1.545)
	<u>(42.449)</u>	<u>(7.699)</u>

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 31 March 2021	1 January - 31 March 2020
<u>Financial incomes</u>		
Interest income on bank deposits	1.048	483
Foreign exchange gains	-	15.252
Interest income from related party	108.132	20.154
Other financial incomes	18.482	-
	<u>127.662</u>	<u>35.889</u>

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

	1 January - 31 March 2021	1 January - 31 March 2020
<u>Finance expenses (-)</u>		
Interest expenses on borrowings	(7.719)	(13.164)
Foreign exchange expenses (net)	(238.815)	(32.696)
Interest cost of employee benefits	(10.855)	(8.882)
Interest expenses on leasings	(7.950)	(7.403)
Guarantee expenses	(231)	(637)
	<u>(265.570)</u>	<u>(62.782)</u>

During the period, the interest expenses of TRY 16.306 thousand have been capitalized as part of the Company’s property, plant and equipment (31 March 2020: None).

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

Additional information about financial instruments

Foreign currency risk management

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

	31 March 2021			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	396.523	155.307	24.679	-
2a. Monetary financial assets	4.701.781	2.561.651	218.959	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	51.160	35.061	1.647	-
4. Current assets (1+2+3)	5.149.464	2.752.019	245.285	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	10.418	10.418	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	357.986	277.578	8.227	-
8. Non-current assets (5+6+7)	368.404	287.996	8.227	-
9. Total assets (4+8)	5.517.868	3.040.015	253.512	21
10. Trade payables	733.989	578.309	15.928	-
11. Financial liabilities	233.507	94.180	14.255	-
12a. Other monetary financial liabilities	941.400	911.269	3.083	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.908.896	1.583.758	33.266	-
14. Trade payables	-	-	-	-
15. Financial liabilities	725.858	208.179	52.964	-
16a. Other monetary financial liabilities	412.397	412.397	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.138.255	620.576	52.964	-
18. Total liabilities (13+17)	3.047.151	2.204.334	86.230	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	2.470.717	835.681	167.282	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	2.061.571	523.042	157.408	21
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	588.363	-	-	-
26. Imports	2.720.888	-	-	-

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

As of 31 March 2021 asset and liability balances are translated by using the following exchange rates: TRY 8,3260 = US \$ 1, TRY 9,7741 = EUR 1 (31 December 2020: TRY 7,3405 = US\$ 1, TRY 9,0079 = EUR 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2021		
1- TRY net asset/liability	83.568	(83.568)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	83.568	(83.568)
5- Euro net asset/liability	163.503	(163.503)
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	163.503	(163.503)
9- Jap. Yen net asset/liability	-	-
10-Hedged portion from Jap. Yen risk (-)	-	-
11-Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	-	-
TOTAL (4+8+12)	247.071	(247.071)

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through profit/loss	Carrying value
31 March 2021			
Financial Assets			
Cash and cash equivalents	651.014	-	651.014
Trade receivables	1.322.016	-	1.322.016
Financial investments	-	226	226
Other financial assets	4.587.800	-	4.587.800
Financial Liabilities			
Financial liabilities	1.659.705	-	1.659.705
Trade payables	1.924.744	-	1.924.744
Other liabilities	404.368	-	404.368
31 December 2020			
Financial Assets			
Cash and cash equivalents	38.603	-	38.603
Trade receivables	1.281.204	-	1.281.204
Financial investments	-	199	199
Other financial assets	6.925.071	-	6.925.071
Financial Liabilities			
Financial liabilities	1.195.680	-	1.195.680
Trade payables	1.851.288	-	1.851.288
Other liabilities	176.032	-	176.032

NOTE 17 – SUBSEQUENT EVENTS

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

Based on the statement of the "changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities" in TAS 10 "Events After the Reporting Period", which is included in the events that do not require correction after the reporting period, the change in tax rate is considered as an event after the reporting period.

If the tax rate change had occurred before the reporting period, the effect of the Company's condensed statement of profit or loss on total tax expenses would have been TRY (141.357) thousand.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

(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 31 March 2021, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.