

**(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 SEPTEMBER 2020**

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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 SEPTEMBER 2020

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

		(Unaudited) Current Period 30 September 2020 USD'000	(Unaudited) Current Period 30 September 2020 TRY'000	(Audited) Previous Period 31 December 2019 USD'000	(Audited) Previous Period 31 December 2019 TRY'000
	Note				
ASSETS					
Current Assets		1.756.884	13.717.756	1.646.222	9.778.890
Cash and Cash Equivalents		5.892	46.004	9.797	58.197
Trade Receivables		138.666	1.082.707	178.925	1.062.852
<i>Due From Related Parties</i>	3	99.332	775.588	133.954	795.715
<i>Other Trade Receivables</i>		39.334	307.119	44.971	267.137
Other Receivables		1.014.870	7.924.105	761.354	4.522.594
<i>Due From Related Parties</i>	3	1.010.436	7.889.481	761.071	4.520.915
<i>Other Receivables</i>		4.434	34.624	283	1.679
Inventories	4	575.296	4.491.909	677.282	4.023.192
Prepaid Expenses		12.606	98.426	4.556	27.065
<i>Due From Related Parties</i>	3	268	2.091	1.062	6.308
<i>Other Prepaid Expenses</i>		12.338	96.335	3.494	20.757
Other Current Assets		9.554	74.605	14.308	84.990
Non Current Assets		2.040.771	15.934.337	1.993.756	11.843.311
Financial Investments		27	212	27	161
Other Receivables		1.448	11.306	1.903	11.306
Investments Accounted For Using Equity Method	5	30.692	239.643	33.807	200.820
Property, Plant and Equipment	6	1.871.584	14.613.324	1.851.998	11.001.236
Right of Use Assets		41.709	325.663	38.681	229.773
Intangible Assets	6	40.762	318.270	42.330	251.448
Prepaid Expenses		54.549	425.919	25.010	148.567
<i>Due From Related Parties</i>	3	1.753	13.687	1.754	10.421
<i>Other Prepaid Expenses</i>		52.796	412.232	23.256	138.146
TOTAL ASSETS		3.797.655	29.652.093	3.639.978	21.622.201

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 SEPTEMBER 2020

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

		(Unaudited) Current Period 30 September 2020 USD'000	(Unaudited) Current Period 30 September 2020 TRY'000	(Audited) Previous Period 31 December 2019 USD'000	(Audited) Previous Period 31 December 2019 TRY'000
	Note				
LIABILITIES					
Current Liabilities		506.781	3.956.942	495.453	2.943.097
Short Term Borrowings	7	160.822	1.255.698	205.588	1.221.234
Short Term Portion of Long Term Borrowings	7	19.662	153.522	32.693	194.205
Trade Payables		214.062	1.671.396	201.201	1.195.179
<i>Due to Related Parties</i>	3	62.739	489.865	36.277	215.495
<i>Other Trade Payables</i>		151.323	1.181.531	164.924	979.684
Payables for Employee Benefits	9	14.192	110.808	10.218	60.695
Other Payables		8.194	63.977	3.515	20.882
Derivative Financial Instruments		-	-	15	87
Deferred Revenue		17.447	136.225	7.888	46.858
Current Tax Liabilities	11	50.566	394.819	25.375	150.732
Short Term Provisions	8	6.971	54.428	7.968	47.331
Other Current Liabilities		14.865	116.069	992	5.894
Non Current Liabilities		486.675	3.799.967	418.736	2.487.377
Long Term Borrowings	7	114.107	890.949	68.044	404.197
Long Term Provisions	9	54.022	421.807	56.354	334.757
<i>Long Term Provisions for Employee Benefits</i>		54.022	421.807	56.354	334.757
Deferred Tax Liabilities	11	318.546	2.487.211	294.338	1.748.423
EQUITY		2.804.199	21.895.184	2.725.789	16.191.727
Share Capital	12	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital		85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ Loss		(23.325)	14.843.765	(18.743)	9.687.698
<i>Foreign Currency Translation Reserves</i>		(23.325)	(80.018)	(18.743)	(48.664)
<i>Gain / (Loss) on Remeasurement of Defined Benefit Plans</i>		-	14.923.783	-	9.736.362
Restricted Reserves Assorted from Profit		344.712	1.401.860	339.211	1.364.160
Accumulated Profit or Loss		849.456	1.680.005	550.951	84.277
Period Net Income/ Loss		159.166	1.069.390	380.180	2.155.428
TOTAL LIABILITIES AND EQUITY		3.797.655	29.652.093	3.639.978	21.622.201

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

		(Unaudited) Current Period 1 January - 30 September 2020	(Unaudited) Current Period 1 January - 30 September 2020	(Unaudited) Current Period 1 July - 30 September 2020	(Unaudited) Previous Period 1 January - 30 September 2019	(Unaudited) Previous Period 1 January - 30 September 2019	(Unaudited) Previous Period 1 July - 30 September 2019
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	1.719.325	11.551.629	4.324.884	2.235.952	12.590.867	4.032.641
Cost of Sales	13	(1.438.461)	(9.664.591)	(3.600.214)	(1.796.653)	(10.117.131)	(3.324.066)
GROSS PROFIT		280.864	1.887.038	724.670	439.299	2.473.736	708.575
Marketing, Sales and Distribution Expenses	14	(12.268)	(82.427)	(29.947)	(14.457)	(81.411)	(26.437)
General Administrative Expenses	14	(20.088)	(134.966)	(44.663)	(20.511)	(115.502)	(38.300)
Research and Development Expenses		(20)	(134)	(68)	(31)	(177)	(93)
Other Operating Income	14	30.658	205.982	26.212	7.283	41.011	(3.372)
Other Operating Expenses	14	(3.567)	(23.964)	(10.509)	(6.854)	(38.596)	(15.715)
OPERATING PROFIT		275.579	1.851.529	665.695	404.729	2.279.061	624.658
Income from Investing Activities		21.350	143.446	143.446	2	14	1
Expenses from Investing Activities		(341)	(2.290)	(159)	(642)	(3.615)	(49)
Share of Investments' Profit Accounted by Using The Equity Method	5	462	3.104	(5.673)	994	5.598	2.112
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		297.050	1.995.789	803.309	405.083	2.281.058	626.722
Finance Income	15	15.133	225.610	125.608	75.658	429.687	(95.411)
Finance Expense	15	(13.882)	(93.266)	(39.853)	(17.389)	(97.922)	(32.436)
PROFIT BEFORE TAX		298.301	2.128.133	889.064	463.352	2.612.823	498.875
Tax (Expense) Income	11	(139.135)	(1.058.743)	(493.095)	(126.674)	(716.957)	(73.830)
Current Corporate Tax (Expense) Income		(113.780)	(888.391)	(394.820)	(130.081)	(736.140)	(121.155)
Deferred Tax (Expense) Income		(25.355)	(170.352)	(98.275)	3.407	19.183	47.325
NET PROFIT FOR THE PERIOD		159.166	1.069.390	395.969	336.678	1.895.866	425.045
EARNINGS PER SHARE			0,3688	0,1365		0,6537	0,1466
(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 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

	(Unaudited) Current Period 1 January - 30 September 2020	(Unaudited) Current Period 1 January - 30 September 2020	(Unaudited) Current Period 1 July - 30 September 2020	(Unaudited) Previous Period 1 January - 30 September 2019	(Unaudited) Previous Period 1 January - 30 September 2019	(Unaudited) Previous Period 1 July - 30 September 2019
Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
PROFIT FOR THE PERIOD	159.166	1.069.390	395.969	336.678	1.895.866	425.045
OTHER COMPREHENSIVE INCOME						
Not to be reclassified subsequently to profit or loss						
Foreign Currency Translation Gain	-	5.187.421	2.690.690	-	1.078.635	(253.471)
Gain/(Loss) on Remeasurement of Defined Benefit Plans	9 (5.728)	(39.193)	-	(981)	(5.641)	-
Tax Effect of Remeasurement of Defined Benefit Plans	11 1.146	7.839	-	216	1.241	-
OTHER COMPREHENSIVE INCOME	(4.582)	5.156.067	2.690.690	(765)	1.074.235	(253.471)
TOTAL COMPREHENSIVE INCOME	154.584	6.225.457	3.086.659	335.913	2.970.101	171.574

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

	Other Comprehensive Income/Expense that will to be Reclassified to Profit/ (Loss)				Retained Earnings		Total Shareholders' Equity	
	Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Gain / (Loss) on Remeasurement of Defined Benefit Plans	Restricted Reserves Assorted from Profit	Accumulated Profit or Loss		Net Profit for the Period
(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	-	-	-	-	-	-	1.069.390	1.069.390
Other comprehensive income/(loss)	-	-	5.187.421	(31.354)	-	-	-	5.156.067
Total comprehensive income/(loss)	-	-	5.187.421	(31.354)	-	-	1.069.390	6.225.457
Dividends (*)	-	-	-	-	-	(522.000)	-	(522.000)
Transfers	-	-	-	-	37.700	2.117.728	(2.155.428)	-
30 September 2020	2.900.000	164	14.923.783	(80.018)	1.401.860	1.680.005	1.069.390	21.895.184
(Unaudited)								
1 January 2019	2.900.000	164	7.904.416	(34.249)	771.641	76.917	4.108.879	15.727.768
Net profit for the period	-	-	-	-	-	-	1.895.866	1.895.866
Other comprehensive income/(loss)	-	-	1.078.635	(4.400)	-	-	-	1.074.235
Total comprehensive income/(loss)	-	-	1.078.635	(4.400)	-	-	1.895.866	2.970.101
Dividends (*)	-	-	-	-	-	(3.509.000)	-	(3.509.000)
Transfers	-	-	-	-	592.519	3.516.360	(4.108.879)	-
30 September 2019	2.900.000	164	8.983.051	(38.649)	1.364.160	84.277	1.895.866	15.188.869

(*) At the Ordinary General Meeting held on July 14, 2020, it has been approved unanimously to distribute net profit of 2019 amounting to TRY 522.000 thousand (gross dividend per share: TRY 0,18 (2019: TRY 1,21)) (21 March 2019: TRY 3.509.000 thousand). The dividend payment will start at 16 July 2020.

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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		1 January -	1 January -	1 January -	1 January -
		30 September 2020	30 September 2020	30 September 2019	30 September 2019
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		431.552	3.193.872	395.454	2.659.344
Profit (Loss) for The Period		159.166	1.069.390	336.678	1.895.866
Adjustments to Reconcile Profit (Loss)		190.523	1.404.915	138.590	1.182.301
Adjustments for Depreciation and Amortisation Expenses	13/14	80.434	540.415	85.254	480.078
Adjustments for Impairment Loss (Reversal of Impairment Loss)		975	6.560	1.892	10.661
Adjustments for Provision (Reversal of Provision) for Receivables		463	3.119	1.077	6.069
Adjustments for Provision (Reversal of Provision) for Inventories	4	512	3.441	815	4.592
Adjustments for Provisions		10.797	72.533	11.093	62.469
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	10.043	67.477	8.894	50.083
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	754	5.056	2.199	12.386
Adjustments for Interest (Income) and Expenses		(14.610)	(98.169)	(12.315)	(69.344)
Adjustments for Interest Income	15	(22.942)	(154.146)	(20.354)	(114.614)
Adjustments for Interest Expense	15	8.850	59.458	10.725	60.393
Unearned Financial Income from Credit Sales		(518)	(3.481)	(2.686)	(15.123)
Adjustments for Unrealised Foreign Exchange Differences		(4.601)	(30.907)	(2.934)	(16.523)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(462)	(3.104)	(994)	(5.598)
Adjustments for Tax (Income) Expenses	11	139.135	1.058.743	126.674	716.957
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(21.009)	(141.156)	640	3.601
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		(21.009)	(141.156)	640	3.601
Other Adjustments to Reconcile Profit (Loss)		(136)	-	(70.720)	-
Changes in Working Capital		173.569	1.384.818	114.854	649.963
Adjustments for Decrease (Increase) in Trade Receivables		41.893	327.101	69.329	392.339
Decrease (Increase) in Trade Receivables from Related Parties		34.622	270.329	(31.060)	(175.772)
Decrease (Increase) in Trade Receivables from Third Parties		7.271	56.772	100.389	568.111
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(2.321)	(18.123)	46	258
Decrease (Increase) in Other Receivables from Operations from Third Parties		(2.321)	(18.123)	46	258
Adjustments for Decrease (Increase) in Inventories		103.796	810.436	60.802	344.085
Decrease (Increase) in Prepaid Expenses		(19.484)	(122.536)	(753)	(4.263)
Adjustments for Increase (Decrease) in Trade Payables		12.861	100.418	(32.967)	(186.564)
Increase (Decrease) in Trade Payable to Related Parties		26.462	206.615	4.211	23.830
Increase (Decrease) in Trade Payable to Third Parties		(13.601)	(106.197)	(37.178)	(210.394)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		8.653	67.563	1.739	9.841
Increase (Decrease) in Other Payables to Third Parties Related from Operations		8.653	67.563	1.739	9.841
Increase (Decrease) in Derivative Liabilities		(15)	(117)	(21)	(121)
Adjustments for Other Increase (Decrease) in Working Capital		28.186	220.076	16.679	94.388
Decrease (Increase) in Other Assets Related from Operations		4.754	37.119	9.132	51.679
Increase (Decrease) in Other Payables Related from Operations		23.432	182.957	7.547	42.709
Cash Flows Provided by Operating Activities		523.258	3.859.123	590.122	3.728.130
Payments Related to Provisions for Employee Termination Benefits	9	(3.076)	(20.671)	(3.620)	(20.381)
Payments Related to Other Provisions	8	(41)	(276)	(91)	(515)
Income Taxes Refund (Paid)	11	(88.589)	(644.304)	(190.957)	(1.047.890)
CASH FLOWS FROM INVESTING ACTIVITIES		(98.080)	(729.636)	(50.965)	(292.957)
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	5	1.981	13.333	-	-
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		23.337	156.793	467	2.632
Cash Inflow from Sales of Property, Plant and Equipment		23.337	156.793	467	2.632
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(101.705)	(683.326)	(45.133)	(254.148)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(101.506)	(681.991)	(44.936)	(253.037)
Cash Outflow from Purchase of Intangible Assets	6	(199)	(1.335)	(197)	(1.111)
Cash Advances and Debts Given		(22.014)	(218.599)	(6.902)	(44.646)
Cash Advance and Debts Given to Related Parties		-	-	5.609	28.809
Other Cash Advances and Debts Given		(22.014)	(218.599)	(12.511)	(73.455)
Dividends Received	5	321	2.163	603	3.205
CASH FLOWS FROM FINANCING ACTIVITIES		(318.879)	(3.346.814)	(344.054)	(2.466.040)
Cash Inflow from Borrowings		239.234	1.571.697	271.033	1.526.415
Cash Inflow from Loans		239.234	1.571.697	271.033	1.526.415
Cash Outflow from Repayments of Borrowings		(245.408)	(1.109.494)	(359.978)	(1.894.545)
Cash Outflow from Loan Repayments		(245.408)	(1.109.494)	(359.978)	(1.894.545)
Decrease in Other Payables to Related Parties		(248.089)	(3.362.077)	305.619	1.356.701
Cash Outflow Related to Debt Payments Arising From Financial Leasing Contracts		(4.524)	(30.395)	(5.055)	(28.465)
Dividends Paid		(76.115)	(522.000)	(570.316)	(3.507.577)
Interest Paid		(5.802)	(41.187)	(6.251)	(36.222)
Interest Received		21.825	146.642	20.894	117.653
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		14.593	(882.578)	435	(99.653)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(18.498)	870.385	(5.255)	77.104
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3.905)	(12.193)	(4.820)	(22.549)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9.797	58.197	11.874	62.468
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		5.892	46.004	7.054	39.919

(*) 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 INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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	2020 Share (%)	2019 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 for reporting period are as follows:

	30 September 2020 Personnel	31 December 2019 Personnel
Paid Hourly Personnel	2.928	2.886
Paid Monthly Personnel	1.726	1.725
	<u>4.654</u>	<u>4.611</u>

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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 2019.

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 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 30 September 2020 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 7,8080=US \$ 1 on the balance sheet date (31 December 2019: TRY 5,9402= US \$ 1).
- b) For the nine months period ended 30 September 2020, condensed profit or loss statements are translated from the 9 months average TRY 6,7187 = US \$ 1 rates of 2020 January - September period (30 September 2019: TRY 5,6311 = 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 condensed 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 30 September 2020 and 31 December 2019, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 30 September 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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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 22 October 2020 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 30 September 2020 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 2020 summarized below.

Amendments effective from 2020 that are mandatorily

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in TFRSs</i>

Amendments to TFRS 3 Definition of a Business

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the company is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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)

Amendments effective from 2020 that are mandatorily (cont’d)

Amendments to TAS 1 and TAS 8 Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Amendments to TFRS 9, TAS 39 and TFRS 7 Interest Rate Benchmark Reform

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 COVID-19 Related Rent Concessions

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021) and
- There are no substantive changes to other terms and conditions of the lease.

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted. Early implementation is permitted if all other amendments made by amendments to references to Conceptual Framework in TFRS are applied.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>

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.

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 2022 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 IFRS 3 without significantly changing the requirements in the standard.

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

Amendments to TAS 16 Proceeds before Intended Use

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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 (cont’d)

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

The amendments 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.

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

2.4 Summary of Significant Accounting Policies

The condensed interim financial statements for the nine months period ended 30 September 2020 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 September 2020, are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2019. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope as of 30 September 2020, from the interests reported as of 31 December 2019.

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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

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

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 lockdowns.

In the preparations of the interim financial statements as at 30 September 2020, 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 financial statements. Within this scope, the Company evaluated the trade receivables, inventories, property, plant and equipment and investment properties included in the interim financial statements as at 30 September 2020 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.

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 September 2020	31 December 2019
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	749.769	789.183
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	82	-
Adana Çimento Sanayi T.A.Ş. ⁽³⁾	-	5.865
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	21.036	-
OYAK Beton Sanayi ve Tic. A.Ş. ⁽³⁾	226	289
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	4.475	378
	<u>775.588</u>	<u>795.715</u>

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

⁽¹⁾ Immediate parent company

⁽²⁾ Subsidiaries of the immediate parent company

⁽³⁾ Subsidiaries of the ultimate company

⁽⁴⁾ Joint venture

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

	30 September 2020	31 December 2019
<u>Other receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	7.882.993	4.520.915
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	6.488	-
	<u>7.889.481</u>	<u>4.520.915</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.

Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş. net dividend of 2019, TRY 17.302 thousand cash dividend decisions on the distribution of the companies were approved unanimously (Note 5). The payment for the entire capital reduction and 25% of the dividend has been completed on 4 June 2020. Remaining profit share receivable amount is carried in the records as monetary receivable.

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş., Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

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

	30 September 2020	31 December 2019
<u>Prepaid expenses (short term)</u>		
Omsan Lojistik A.Ş. ⁽³⁾	-	44
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	2.091	6.264
	<u>2.091</u>	<u>6.308</u>
	30 September 2020	31 December 2019
<u>Prepaid expenses (long term)</u>		
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	-	8
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	13.687	10.413
	<u>13.687</u>	<u>10.421</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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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:

	30 September 2020	31 December 2019
<u>Due to related parties (short term)</u>		
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	205.058	79.240
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	7.418	7.008
Erdemir Asia Pacific PTE LTD ⁽²⁾	250.251	105.623
Omsan Lojistik A.Ş. ⁽³⁾	6.152	6.497
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	3.543	2.841
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	5.789	5.797
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	-	756
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	3.171	2.954
Omsan Denizcilik A.Ş. ⁽³⁾	7.365	-
Other	1.118	4.779
	<u>489.865</u>	<u>215.495</u>

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

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

	1 January - 30 September 2020	1 January - 30 September 2019
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	7.228.385	7.932.288
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	1.412	1.342
Adana Çimento Sanayi T.A.Ş. ⁽³⁾	-	14.863
Ordu Yardımlaşma Kurumu	156.745	-
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	28.412	-
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	1.588	2.228
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	1.210	905
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	676	1.331
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	44.144	37.431
Other	1.013	1.844
	<u>7.463.585</u>	<u>7.992.232</u>

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

The company has sold TRY 156,745 thousand of fixed assets to OYAK its ultimate company. Net book value of fixed asset sales income amounting to TRY 143.436 thousand was recorded under the item "Income from Investment Activities" in the summary profit or loss statement.

⁽¹⁾ Immediate parent company

⁽²⁾ Subsidiaries of the immediate parent company

⁽³⁾ Subsidiaries of the ultimate company

⁽⁴⁾ Joint venture

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

	1 January - 30 September 2020	1 January - 30 September 2019
<u>Major purchases from related parties</u>		
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	883.383	934.226
Erdemir Asia Pacific PTE LTD ⁽²⁾	245.992	772.258
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	36.311	74.830
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	56.638	38.895
Omsan Denizcilik A.Ş. ⁽³⁾	53.179	52.830
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	27.962	64.819
Omsan Lojistik A.Ş. ⁽³⁾	48.532	44.956
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	8.018	7.934
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	25.979	21.725
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	78.803	64.325
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	51.506	42.887
Other	5.958	10.540
	<u>1.522.261</u>	<u>2.130.225</u>

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

As of 15 May 2020, Adana Çimento Sanayii T.A.Ş., Ünye Çimento Sanayii ve Ticaret A.Ş., Bolu Çimento Sanayii A.Ş., Aslan Çimento A.Ş. and Mardin Çimento Sanayii ve Ticaret A.Ş. of subsidiaries of the parent companies have been merged under OYAK Çimento Fabrikaları A.Ş.

The Company earned TRY 152.510 thousand of interest income from related party transactions of the nine-months period ended 30 September 2020, amounting to TRY 17.329 thousand of interest income from credit sales and TRY 169.839 thousand of interest accrued on term. (30 September 2019: TRY 147.667 thousand)

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

For the nine 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 September 2020, the Company provides no provision for the receivables from related parties (31 December 2019: None).

The benefits of the key management:

The Company's key management team consists of the Board of Directors, General Manager and Assistant General Managers. For the nine months period ended 30 September 2020, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 4.171 thousand (30 September 2019: TRY 3.381 thousand).

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2020**

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

NOTE 4 – INVENTORIES

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

	30 September 2020	31 December 2019
Raw materials	1.136.894	1.368.156
Work in progress	982.141	799.362
Finished goods	763.913	591.802
Spare parts	661.970	472.016
Goods in transit	765.852	667.288
Other inventories	396.535	285.396
Allowance for impairment on inventories (-)	(215.396)	(160.828)
	<u>4.491.909</u>	<u>4.023.192</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	160.828	137.246
Provision for the period	7.054	7.743
Provision released (-)	(3.613)	(3.151)
Translation difference	51.127	10.411
Closing balance	<u>215.396</u>	<u>152.249</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).

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2020**

(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:

	Right to 30 September vote ratio %	2020	Right to 31 December vote ratio %	2019	Business segment
<i>Joint Venture</i>					
İsdemir Linde Gaz Ortaklığı A.Ş.	50	239.643	50	200.820	Industrial Gas Production and Sale

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

	30 September 2020	31 December 2019
Total assets	512.563	408.249
Total liabilities	33.277	6.609
Net assets	479.286	401.640
Company's share on net assets	239.643	200.820

	30 September 2020	31 December 2019
Share capital	175.000	201.667

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., held on 27 February 2020, it has been unanimously approved to reduction of capital by TRY 26.667 thousand and to distribute net profit of 2019 amounting to TRY 17.302 thousand. The payment for the entire capital reduction (its effect in the cash flows of İsdemir is TRY 13.333 thousand) and 25% of the dividend (its effect in the cash flows of İsdemir is TRY 2.163 thousand) has been completed on 4 June 2020.

İsdemir Linde Gaz Ortaklığı A.Ş has the right to deduct TRY 109.237 thousand (31 December 2019 : TRY 82.411 thousand) the investment incentives 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. As a reporting date, the deferred tax asset amounting to TRY 26.826 thousand (its effect in the profit or loss statement of İsdemir is TRY 13.413 thousand) has been recorded in the financial statements.

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

	1 January - 30 September 2020	1 January - 30 September 2019
Revenue	89.555	73.504
Operating profit	20.347	10.658
Net profit (loss) for the period	6.207	11.196
Company's share on net profit (loss)	3.104	5.598

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	30 September 2020	30 September 2019
<u>Opening balance as of 1 January</u>		
Cost	27.088.610	23.958.965
Accumulated depreciation	(16.087.374)	(14.027.040)
Net book value	<u>11.001.236</u>	<u>9.931.925</u>
Net book value at the beginning of the period	11.001.236	9.931.925
Additions (*)	681.991	253.037
Disposals (-)	(15.637)	(6.233)
<i>Cost of disposals</i>	(33.759)	(24.577)
<i>Accumulated depreciation of disposals</i>	18.122	18.344
Transfers to intangible assets	(497)	(2.676)
Currency translation difference	3.480.496	750.645
<i>Cost currency translation difference</i>	8.623.665	1.814.831
<i>Accumulated depreciation currency translation difference</i>	(5.143.169)	(1.064.186)
Current period depreciation (-)	(534.265)	(466.845)
Net book value at the end of the period	<u>14.613.324</u>	<u>10.459.853</u>
<u>Closing balance as of</u>		
Cost	36.360.010	25.999.580
Accumulated depreciation	(21.746.686)	(15.539.727)
Net book value	<u>14.613.324</u>	<u>10.459.853</u>

(*) The amount of capitalized borrowing cost is TRY 1.484 thousand for the current period (30 September 2019: None).

As of reporting period, the Company has no collaterals or pledges upon its tangible assets (30 September 2019: 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:

	30 September 2020	30 September 2019
<u>Opening balance as of 1 January</u>		
Cost	459.313	402.552
Accumulated depreciation	<u>(207.865)</u>	<u>(169.785)</u>
Net book value	<u>251.448</u>	<u>232.767</u>
Net book value at the beginning of the period	251.448	232.767
Additions	1.335	1.111
Transfers from tangible assets	497	2.676
Currency translation difference	77.355	17.578
<i>Cost currency translation difference</i>	144.720	30.487
<i>Accumulated depreciation currency translation difference</i>	(67.365)	(12.909)
Current period depreciation (-)	<u>(12.365)</u>	<u>(11.665)</u>
Net book value at the end of the period	<u>318.270</u>	<u>242.467</u>
<u>Closing balance as of</u>		
Cost	605.865	436.826
Accumulated depreciation	<u>(287.595)</u>	<u>(194.359)</u>
Net book value	<u>318.270</u>	<u>242.467</u>

As of reporting period, the Company has no collaterals or pledges upon its intangible assets (30 September 2019: None).

The breakdown of depreciation and amortisation expenses related to tangible and intangible assets are as follows:

	30 September 2020	30 September 2019
Associated with cost of production	527.988	461.828
General administrative expenses	4.907	3.754
Marketing, sales and distribution expenses	15.502	14.050
Other operating expenses	7.616	5.155
	<u>556.013</u>	<u>484.787</u>

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

NOTE 7 - BORROWINGS

Breakdown of borrowings for the reporting period are as follows:

	30 September 2020	31 December 2019
Short term bank borrowings	1.255.698	1.221.234
Short term portion of long term bank borrowings	123.688	168.689
Long term bank borrowings	696.798	226.396
Total bank borrowings	<u>2.076.184</u>	<u>1.616.319</u>
Current portion of long term lease payables	32.377	30.897
Cost of current portion of long term lease payables (-)	(2.543)	(5.381)
Long term lease payables	856.305	781.231
Cost of long term lease payables (-)	(662.154)	(603.430)
Total leases borrowings	<u>223.985</u>	<u>203.317</u>
Total borrowings	<u><u>2.300.169</u></u>	<u><u>1.819.636</u></u>

As of 30 September 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	30 September 2020
Fixed	US Dollars	1,70	1.208.081	266.004	1.474.085
Fixed	TRY	7,25	47.617	-	47.617
Floating	EURO	Euribor+1,45	123.688	430.794	554.482
			<u>1.379.386</u>	<u>696.798</u>	<u>2.076.184</u>

As of 31 December 2019, 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 2019
No interest	TRY	-	13.437	-	13.437
Fixed	US Dollars	2,94	1.268.930	-	1.268.930
Floating	US Dollars	Libor+1,9	14.070	-	14.070
Floating	EURO	Euribor+2,25	93.486	226.396	319.882
			<u>1.389.923</u>	<u>226.396</u>	<u>1.616.319</u>

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NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	30 September 2020			31 December 2019		
	Bank Loans	Lease Payables	Total Borrowings	Bank Loans	Lease Payables	Total Borrowings
Within 1 year	1.918.131	1.389.923	3.308.054	1.389.923	25.516	1.415.439
Between 1 – 2 years	339.134	90.534	429.668	90.534	21.603	112.137
Between 2 – 3 years	114.871	90.533	205.404	90.533	17.704	108.237
Between 3 – 4 years	9.854	45.329	55.183	45.329	15.315	60.644
Between 4 – 5 years	9.854	-	9.854	-	13.248	13.248
Five years or more	57.892	-	57.892	-	109.931	109.931
	<u>2.449.736</u>	<u>1.616.319</u>	<u>4.066.055</u>	<u>1.616.319</u>	<u>203.317</u>	<u>1.819.636</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions for the reporting period are as follows:

	30 September 2020	31 December 2019
Provision for lawsuits	42.211	35.558
Penalty provision for employment shortage of disabled person	9.832	9.635
Provision for land occupation	2.385	2.138
	<u>54.428</u>	<u>47.331</u>

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

	30 September 2020	31 December 2019
Lawsuits filed by the Company	156.862	210.457
Provision for lawsuits filed by the Company	3.279	83.705

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

	30 September 2020	31 December 2019
Lawsuits filed against the Company	30.097	24.871
Provision for lawsuits filed by the Company	42.211	35.558

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

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

NOTE 8 – PROVISIONS (cont’d)

The movement of the short term provisions for the reporting period are as follows:

	1 January 2020	Change for the period	Payments	Provision released	Translation difference	30 September 2020
Provision for lawsuits	35.558	5.681	(276)	(1.069)	2.317	42.211
Penalty provision for employment shortage of disabled person	9.635	195	-	-	2	9.832
Provision for land occupation	2.138	467	-	(218)	(2)	2.385
	<u>47.331</u>	<u>6.343</u>	<u>(276)</u>	<u>(1.287)</u>	<u>2.317</u>	<u>54.428</u>

	1 January 2019	Change for the period	Payments	Provision released	Translation difference	30 September 2019
Provision for lawsuits	24.051	11.025	(515)	(1.030)	238	33.769
Penalty provision for employment shortage of disabled person	7.301	1.876	-	-	5	9.182
Provision for land occupation	1.450	515	-	-	1	1.966
	<u>32.802</u>	<u>13.416</u>	<u>(515)</u>	<u>(1.030)</u>	<u>244</u>	<u>44.917</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

NOTE 9 – EMPLOYEE BENEFITS

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

	30 September 2020	31 December 2019
Due to personnel	46.167	47.362
Social security premiums payable	64.641	13.333
	<u>110.808</u>	<u>60.695</u>

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

	30 September 2020	31 December 2019
Provisions for employee termination benefits	333.829	273.104
Provisions for seniority incentive premium	47.972	30.904
Provision for unpaid vacations	40.006	30.749
	<u>421.807</u>	<u>334.757</u>

According to the articles of Turkish Labor Law in force, there is an obligation to pay the legal employee termination benefits to each employee whose employment contracts are ended properly entitling them to receive employee termination benefits. Also, in accordance with the effective laws of the Social Insurance Act No: 506 No: 2422 on 6 March 1981 and No: 4447 on 25 August 1999 and with the amended Article 60 of the related Act, it is obliged to pay the employees their legal employee termination benefits, who are entitled to terminate.

As of 30 September 2020, the employee termination benefit has been updated to a maximum of TRY 7.117,17 (31 December 2019: TRY 6.379,86).

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 September 2020 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	30 September 2020	31 December 2019
Discount rate	%12,60	%12,50
Inflation rate	%9,50	%8,20
Salary increase	reel %1,5	reel %1,5
Maximum liability increase	%9,50	%8,20

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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 September 2020, 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 - 30 September 2020	1 January - 30 September 2019
Opening balance	273.104	220.511
Service cost	14.550	13.596
Interest cost	25.746	26.709
Actuarial loss/(gain)	39.193	5.641
Termination benefits paid	(19.217)	(18.790)
Translation difference	453	(10)
Closing balance	333.829	247.657

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 September 2020	1 January - 30 September 2019
Opening balance	30.904	21.228
Service cost	2.608	1.869
Interest cost	3.243	2.817
Actuarial loss/(gain)	11.101	1.355
Translation difference	116	11
Closing balance	47.972	27.280

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	30.749	31.361
Provision for the period	36.901	32.412
Vacation paid during the period (-)	(1.454)	(1.591)
Provisions released (-)	(26.672)	(28.675)
Translation difference	482	364
Closing balance	40.006	33.871

NOTE 10 – COMMITMENTS

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

	30 September 2020	31 December 2019
Letters of guarantees received	837.360	522.628
	837.360	522.628

The Collaterals, pledges and mortgages (CPM) given by the Company for the reporting period are as follows:

	30 September 2020	31 December 2019
A. Total CPM given for the Company's own legal entity	39.079	34.354
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	-	-
	39.079	34.354

As of reporting period, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2019: 0%).

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

NOTE 10 – COMMITMENTS (cont’d)

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

	30 September 2020	31 December 2019
TRY	20.823	21.053
EURO	18.256	13.301
	<u>39.079</u>	<u>34.354</u>

NOTE 11 – TAX ASSETS AND LIABILITIES

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

	30 September 2020	31 December 2019
<u>Corporate tax payable:</u>		
Current corporate tax provision	888.391	887.181
Prepaid taxes and funds (-)	(493.572)	(736.449)
	<u>394.819</u>	<u>150.732</u>
	1 January - 30 September 2020	1 January - 30 September 2019
<u>Taxation:</u>		
Current corporate tax expense	888.391	736.140
Deferred tax expense / (income)	170.352	(19.183)
	<u>1.058.743</u>	<u>716.957</u>

Corporate Tax

The Company is subject to corporation tax applicable in Turkey.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

Pursuant to the Provisional Article 10 of the Law No. 7061 added with the Article 91 of the Law on Corporate Income Tax, published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate for corporate earnings to be obtained during the tax years 2018, 2019 and 2020 has been increased from 20% to 22%. The total amount of corporate tax payments made by the Company in 2020 nine months period is TRY 644.304 thousand. (30 September 2019: TRY 1.047.890 thousand)

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, is required to be taken into consideration as 10% instead of 5%.

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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

The Company recognizes deferred tax assets and liabilities based upon the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of revenue and expenses in different reporting periods for the CMB regulations and tax purposes and are explained below.

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 10 of Corporate Tax Law; corporate tax rate will be 22% for the corporate earnings to be obtained in the taxation periods of 2018, 2019, 2020 and 20% for the following years. The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2019: 10%).

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

	30 September 2020	31 December 2019
<u>Deferred tax assets:</u>		
Provisions for employee benefits	85.540	67.962
Lease borrowings	44.797	40.664
Provision for lawsuits	9.811	8.293
Adjustment of receivable rediscount	4.444	4.476
Provision for other doubtful receivables	-	17.869
Other	28.595	25.080
	<u>173.187</u>	<u>164.344</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(2.445.266)	(1.809.864)
Right of use assets	(65.207)	(46.156)
Amortized cost adjustment on loans	(7.538)	(2.294)
Inventories	(142.387)	(54.453)
	<u>(2.660.398)</u>	<u>(1.912.767)</u>
Deferred tax assets/(liabilities) net:	<u>(2.487.211)</u>	<u>(1.748.423)</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 movement of deferred tax asset / (liability) is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Opening balance	(1.748.423)	(1.539.857)
Deferred tax (expense)/income	(170.352)	19.183
The amount in comprehensive income/(expense)	7.839	1.241
Translation difference	(576.275)	(116.478)
Closing balance	<u>(2.487.211)</u>	<u>(1.635.911)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
<u>Reconciliation of tax provision</u>		
Profit before tax	2.128.133	2.612.823
Statutory tax rate	22%	22%
Calculated tax acc. to effective tax rate	(468.189)	(574.821)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(132)	(406)
- Correction effect of corporate tax rate and deferred tax rates	(9.128)	3.446
- Non-taxable income	1.903	705
- Effect of currency translation (*)	(583.197)	(145.881)
Tax expense in reported in the statement of profit or loss	<u>(1.058.743)</u>	<u>(716.957)</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 September 2020	(%)	31 December 2019
<u>Shareholders</u>				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	94,87	2.751.326
Quoted in Stock Exchange	5,13	148.674	5,13	148.674
Historical capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		<u>2.900.164</u>		<u>2.900.164</u>

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

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

NOTE 13 – SALES AND COST OF SALES

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<u>Sales Revenue</u>				
Domestic sales	9.230.117	3.500.448	9.576.844	3.263.307
Export sales	1.946.893	720.030	2.660.739	667.047
Other revenues (*)	354.906	99.366	324.275	90.648
Interest income from sales with maturities	19.713	5.040	38.385	14.244
Sales returns (-)	-	-	(9.376)	(2.605)
	<u>11.551.629</u>	<u>4.324.884</u>	<u>12.590.867</u>	<u>4.032.641</u>
<u>Cost of sales (-)</u>	<u>(9.664.591)</u>	<u>(3.600.214)</u>	<u>(10.117.131)</u>	<u>(3.324.066)</u>
Gross profit	<u>1.887.038</u>	<u>724.670</u>	<u>2.473.736</u>	<u>708.575</u>

(*)The total amount of by product exports in other revenues is TRY 167.808 thousand (30 September 2019: TRY 176.268 thousand).

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. The amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 133.087 thousand. The Company planning to recognize related revenue amount as a revenue in a year.

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

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

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Raw material usage	(7.481.136)	(2.812.832)	(8.199.663)	(2.710.352)
Personnel costs	(495.795)	(186.009)	(443.713)	(156.317)
Energy costs	(423.683)	(140.422)	(360.693)	(129.912)
Depreciation and amortization expenses	(512.390)	(192.479)	(457.119)	(150.708)
Production overheads	(276.752)	(92.362)	(231.352)	(68.284)
Other cost of goods sold	(324.540)	(126.877)	(273.336)	(75.373)
Non-operating costs (*)	(15.693)	(566)	(9.346)	(32)
Freight costs for sales delivered to customers	(76.971)	(27.389)	(90.483)	(17.184)
Inventory write-downs within the period (Note 4)	(7.054)	(1.267)	(7.743)	(2.221)
Reversal of inventory write-downs (Note 4)	3.613	504	3.151	1.983
Other	(54.190)	(20.515)	(46.834)	(15.666)
	<u>(9.664.591)</u>	<u>(3.600.214)</u>	<u>(10.117.131)</u>	<u>(3.324.066)</u>

(*) Due to the planned/unplanned halt production of plant of the Company’s, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (15.693) thousand, has been accounted directly under cost of goods sold. (30 September 2019 : TRY (9.346) thousand)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

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

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Personnel expenses (-)	(20.710)	(7.107)	(19.182)	(6.637)
Depreciation and amortization(-)	(15.502)	(5.848)	(14.050)	(4.694)
Tax, duty and charges (-)	(689)	(246)	(586)	(197)
Service expenses (-)	(45.526)	(16.746)	(47.593)	(14.909)
	<u>(82.427)</u>	<u>(29.947)</u>	<u>(81.411)</u>	<u>(26.437)</u>

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Personnel expenses (-)	(39.164)	(13.496)	(34.965)	(11.318)
Depreciation and amortization expenses(-)	(3.140)	(1.155)	(2.632)	(904)
Right of use amortization expenses (-)	(1.767)	(667)	(1.122)	(404)
Provision for doubtful receivables (-)	(3.119)	(131)	(6.069)	(1.026)
Tax, duty and charges (-)	(15.565)	(6.878)	(7.651)	(2.243)
Service expenses (-)	(72.211)	(22.336)	(63.063)	(22.405)
	<u>(134.966)</u>	<u>(44.663)</u>	<u>(115.502)</u>	<u>(38.300)</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 INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<u>Other operating income</u>				
Foreign exchange difference from trade receivables and liabilities	16.324	9.155	-	(14.712)
Discount income	141	46	183	59
Provisions released	1.069	220	1.030	149
Service income	4.832	1.372	5.333	1.804
Maintenance repair and rent income	9.720	3.478	9.395	3.211
Lawsuit income	953	909	72	12
Indemnity and penalty detention income	2.745	1.130	3.714	889
Insurance indemnity income	19.258	912	3.869	2.250
Warehouse income	1.101	380	2.113	868
Customer default interest income	732	185	178	82
Share transfer agreement receivable income (*)	140.556	5.363	-	-
Other income and gains	8.551	3.062	15.124	2.016
	<u>205.982</u>	<u>26.212</u>	<u>41.011</u>	<u>(3.372)</u>

(*)The Company filed a lawsuit to the Privatization Administration on 26 January 2012 in order to provide receivables arising from employee rights prior to the share transfer contract made in 2002 under the provisions of the Labor Law, and the provision has been recognized in the financial statements for the amount of TRY 84.147 thousand including the receivable amount of TRY 52.857 thousand determined by the court and the accrued receivables in the following periods due to the fact that the amount of receivables related to the case is considered as a doubtful. With the decision of the 11th Civil Chamber of the Supreme Court dated 11 June 2020, the case was finalized in favor of Company and a total of TRY 111.850 thousand, including principal and interest, was collected on 21 July 2020. As a result of the decision of the Supreme Court, TRY 140.556 thousand including the accrued share transfer contract receivables was recorded in the statement of profit or loss as income with the translation differences arising from the USD, which is the functional currency.

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

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

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

<u>Other operating expenses (-)</u>	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Provision expenses	(5.876)	(3.342)	(12.901)	(5.805)
Donation expenses	(1.764)	(596)	(1.398)	(318)
Amortisation expenses of right of use	(7.616)	(2.855)	(5.155)	(1.881)
Foreign exchange expenses from trade receivables and payables	-	-	(4.387)	(4.387)
Penalty expenses	(334)	(116)	(285)	(28)
Service expenses	(1.637)	(475)	(1.573)	(511)
Lawsuit compensation expenses	(1.618)	(1.039)	(1.303)	(99)
Stock exchange registration expenses	(42)	(2)	(1.079)	(4)
Other expenses and losses	(5.077)	(2.084)	(10.515)	(2.682)
	<u>(23.964)</u>	<u>(10.509)</u>	<u>(38.596)</u>	<u>(15.715)</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 INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
<u>Financial incomes</u>				
Interest income on bank deposits	1.636	561	2.135	917
Foreign exchange gains	71.464	55.149	315.073	(117.193)
Interest income on related party	152.510	69.898	112.479	20.865
	<u>225.610</u>	<u>125.608</u>	<u>429.687</u>	<u>(95.411)</u>

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
-				
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(36.529)	(19.228)	(40.460)	(11.406)
Interest cost of employee benefits	(28.989)	(10.994)	(29.526)	(11.214)
Interest expenses on lease	(22.929)	(7.665)	(19.933)	(7.253)
Other financial expenses	(4.819)	(1.966)	(8.003)	(2.563)
	<u>(93.266)</u>	<u>(39.853)</u>	<u>(97.922)</u>	<u>(32.436)</u>

During the period, the borrowing costs of TRY 1.484 thousand have been capitalized as part of the Company’s tangibles (30 September 2019: None).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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 September 2020			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	466.377	277.079	20.738	-
2a. Monetary financial assets	8.035.020	2.528.831	603.213	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	43.595	26.070	1.920	-
4. Current assets (1+2+3)	8.544.992	2.831.980	625.871	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	11.518	11.518	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	219.576	10.568	22.897	-
8. Non-current assets (5+6+7)	231.094	22.086	22.897	-
9. Total assets (4+8)	8.776.086	2.854.066	648.768	21
10. Trade payables	620.450	443.530	19.382	-
11. Financial liabilities	201.139	77.451	13.550	-
12a. Other monetary financial liabilities	831.249	824.968	688	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	1.652.838	1.345.949	33.620	-
14. Trade payables	-	-	-	-
15. Financial liabilities	624.945	194.151	47.194	-
16a. Other monetary financial liabilities	421.807	421.807	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.046.752	615.958	47.194	-
18. Total liabilities (13+17)	2.699.590	1.961.907	80.814	-
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)	6.076.496	892.159	567.954	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	5.813.325	855.521	543.137	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	2.114.701			
26. Imports	5.885.634			

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

(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 2019			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	313.188	214.529	14.834	-
2a. Monetary financial assets	3.738.569	138.067	541.380	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	9.278	9.235	6	-
4. Current assets (1+2+3)	4.061.035	361.831	556.220	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	11.467	11.467	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	83.365	4.311	11.887	-
8. Non-current assets (5+6+7)	94.832	15.778	11.887	-
9. Total assets (4+8)	4.155.867	377.609	568.107	21
10. Trade payables	349.492	329.483	3.009	-
11. Financial liabilities	132.440	38.954	14.057	-
12a. Other monetary financial liabilities	306.492	304.459	306	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	788.424	672.896	17.372	-
14. Trade payables	-	-	-	-
15. Financial liabilities	404.197	177.802	34.041	-
16a. Other monetary financial liabilities	334.757	334.757	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	738.954	512.559	34.041	-
18. Total liabilities (13+17)	1.527.378	1.185.455	51.413	-
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)	2.628.489	(807.846)	516.694	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	2.535.846	(821.392)	504.801	21
22. Fair value of derivative financial instruments used in	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	3.651.238	-	-	-
26. Imports	8.549.528	-	-	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

As of 30 September 2020 asset and liability balances are translated by using the following exchange rates: TRY 7,8080 = US \$ 1, TRY 9,1281 = EUR 1 (31 December 2019: TRY 5,9402 = US\$ 1, TRY 6,6506 = EUR 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2020		
1- TRY net asset/liability	89.216	(89.216)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	89.216	(89.216)
5- Euro net asset/liability	518.434	(518.434)
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	518.434	(518.434)
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)	607.650	(607.650)

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE
MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

(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 2019		
1- TRY net asset/liability	(80.785)	80.785
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(80.785)	80.785
5- Euro net asset/liability	343.633	(343.633)
6- Hedged portion from Euro risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	343.633	(343.633)
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)	262.848	(262.848)

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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)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through profit/loss	Carrying value
30 September 2020			
Financial Assets			
Cash and cash equivalents	46.004	-	46.004
Trade receivables	1.082.707	-	1.082.707
Financial investments	-	212	212
Other financial assets	7.935.411	-	7.935.411
Financial Liabilities			
Financial liabilities	2.300.169	-	2.300.169
Trade payables	1.671.396	-	1.671.396
Other liabilities	189.758	-	189.758
31 December 2019			
Financial Assets			
Cash and cash equivalents	58.197	-	58.197
Trade receivables	1.062.852	-	1.062.852
Financial investments	-	161	161
Other financial assets	4.533.900	-	4.533.900
Financial Liabilities			
Financial liabilities	1.819.636	-	1.819.636
Trade payables	1.195.179	-	1.195.179
Other liabilities	101.021	-	101.021
Derivative financial instruments	-	87	87

31 December 2019

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(87)	-	(87)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total	(87)	-	(87)	-

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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

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

Additional information about financial instruments (cont’d)

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

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

None.

NOTE 18 – OTHER ISSUES AFFECTING THE CONDENSED INTERIM FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 30 September 2020, 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.