

**(CONVENIENCE TRANSLATION OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 17)**

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 30 SEPTEMBER 2018**

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(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 2018

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2018 USD'000	Current Period 30 September 2018 TRY'000	Previous Period 31 December 2017 USD'000	Previous Period 31 December 2017 TRY'000
<b>ASSETS</b>					
<b>Current Assets</b>		<b>1.854.631</b>	<b>11.109.609</b>	<b>1.645.963</b>	<b>6.208.412</b>
Cash and Cash Equivalents		19.356	115.946	3.154	11.895
Trade Receivables		265.293	1.589.160	193.886	731.318
<i>Due From Related Parties</i>	3	152.067	910.911	145.639	549.336
<i>Other Trade Receivables</i>		113.226	678.249	48.247	181.982
Other Receivables		923.629	5.532.722	882.034	3.326.945
<i>Due From Related Parties</i>	3	923.299	5.530.747	881.550	3.325.120
<i>Other Receivables</i>		330	1.975	484	1.825
Inventories	4	638.182	3.822.839	559.052	2.108.689
Prepaid Expenses		6.323	37.879	5.564	20.987
Other Current Assets		1.848	11.063	2.273	8.578
<b>Non Current Assets</b>		<b>1.990.084</b>	<b>11.921.002</b>	<b>2.023.916</b>	<b>7.634.003</b>
Other Receivables		2.102	12.591	3.338	12.591
Financial Investments		27	162	3.562	13.437
Investments Accounted by Using Equity Method	5	27.282	163.423	-	-
Property, Plant and Equipment	6	1.908.809	11.434.149	1.968.696	7.425.726
Intangible Assets	6	43.677	261.633	45.129	170.223
Prepaid Expenses		8.187	49.044	3.191	12.026
<i>Due to Related Parties</i>	3	2.628	15.744	-	-
<i>Other Prepaid Expenses</i>		5.559	33.300	3.191	12.026
<b>TOTAL ASSETS</b>		<b>3.844.715</b>	<b>23.030.611</b>	<b>3.669.879</b>	<b>13.842.415</b>

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 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 2018

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

LIABILITIES	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2018 USD'000	Current Period 30 September 2018 TRY'000	Previous Period 31 December 2017 USD'000	Previous Period 31 December 2017 TRY'000
<b>Current Liabilities</b>		<b>629.084</b>	<b>3.768.341</b>	<b>628.815</b>	<b>2.371.825</b>
Short Term Borrowings	7	272.999	1.635.317	239.789	904.459
Short Term Portion of Long Term Fin. Liab.	7	20.809	124.648	34.918	131.708
Trade Payables		158.171	947.476	116.506	439.446
<i>Due to Related Parties</i>	3	<i>33.519</i>	<i>200.786</i>	<i>12.862</i>	<i>48.513</i>
<i>Other Trade Payables</i>		<i>124.652</i>	<i>746.690</i>	<i>103.644</i>	<i>390.933</i>
Other Payables		4.828	28.923	4.593	17.326
Deferred Revenue		5.034	30.155	7.865	29.667
Current Tax Liabilities	11	147.027	880.719	176.270	664.873
Short Term Provisions	8	5.589	33.482	7.459	28.133
Payables for Employee Benefits	9	8.494	50.883	22.769	85.884
Other Current Liabilities		6.133	36.738	18.646	70.329
<b>Non Current Liabilities</b>		<b>436.187</b>	<b>2.612.843</b>	<b>398.156</b>	<b>1.501.805</b>
Long Term Borrowings	7	58.820	352.343	80.349	303.070
Financial Derivative Instruments		50	301	42	158
Provisions for Employee Benefits	9	47.041	281.783	67.472	254.496
Deferred Tax Liabilities	11	330.276	1.978.416	250.293	944.081
<b>EQUITY</b>		<b>2.779.444</b>	<b>16.649.427</b>	<b>2.642.908</b>	<b>9.968.785</b>
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)		(19.278)	9.938.969	(19.915)	4.190.063
<i>Revaluation Reserve of Tangible Assets</i>		-	9.988.923	-	4.242.923
<i>Actuarial (Loss)/ Gain funds</i>		<i>(19.278)</i>	<i>(49.954)</i>	<i>(19.915)</i>	<i>(52.860)</i>
Restricted Reserves Assorted from Profit		230.889	771.641	149.786	447.790
Retained Earnings		449.367	76.917	385.246	48.457
Net Profit for the Period		644.276	2.961.736	653.601	2.382.311
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.844.715</b>	<b>23.030.611</b>	<b>3.669.879</b>	<b>13.842.415</b>

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 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

		(Unaudited) Current Period 1 January - 30 September 2018 USD'000	(Unaudited) Current Period 1 January - 30 September 2018 TRY'000	Current Period 1 July - 30 September 2018 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2017 USD'000	(Unaudited) Previous Period 1 January - 30 September 2017 TRY'000	Previous Period 1 July - 30 September 2017 TRY'000
	Note						
Revenue	13	2.502.453	11.503.776	4.741.146	2.073.915	7.454.686	2.511.560
Cost of Sales (-)	13	(1.669.790)	(7.676.024)	(3.257.328)	(1.537.989)	(5.528.302)	(1.866.815)
<b>GROSS PROFIT</b>		<b>832.663</b>	<b>3.827.752</b>	<b>1.483.818</b>	<b>535.926</b>	<b>1.926.384</b>	<b>644.745</b>
Marketing, Sales and Distribution Expenses (-)	14	(14.784)	(67.960)	(27.046)	(14.998)	(53.909)	(16.936)
General Administrative Expenses (-)	14	(20.871)	(95.945)	(35.165)	(22.716)	(81.653)	(26.859)
Research and Development Expenses (-)		(31)	(141)	(42)	(23)	(82)	(35)
Other Operating Income	14	35.010	160.939	107.546	15.448	55.531	11.392
Other Operating Expenses (-)	14	(7.262)	(33.384)	(13.734)	(8.561)	(30.774)	(10.624)
<b>OPERATING PROFIT</b>		<b>824.725</b>	<b>3.791.261</b>	<b>1.515.377</b>	<b>505.076</b>	<b>1.815.497</b>	<b>601.683</b>
Income From Investing Activities		5	25	3	36	128	(2)
Expenses From Investing Activities		(1.310)	(6.021)	(885)	(49)	(176)	(46)
Share of Investments' Profit Accounted by Using The Equity Method	5	818	3.759	1.437	-	-	-
<b>OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)</b>		<b>824.238</b>	<b>3.789.024</b>	<b>1.515.932</b>	<b>505.063</b>	<b>1.815.449</b>	<b>601.635</b>
Finance Income	15	123.004	859.968	356.629	34.686	119.920	58.534
Finance Expense (-)	15	(11.767)	(54.091)	(24.030)	(14.257)	(51.245)	(12.787)
<b>PROFIT BEFORE TAX</b>		<b>935.475</b>	<b>4.594.901</b>	<b>1.848.531</b>	<b>525.492</b>	<b>1.884.124</b>	<b>647.382</b>
Tax Expense	11	(291.199)	(1.633.165)	(807.775)	(94.881)	(336.291)	(145.597)
- Current Corporate Tax Expense		(211.397)	(1.266.313)	(641.081)	(112.277)	(398.820)	(131.003)
- Deferred Tax Expense		(79.802)	(366.852)	(166.694)	17.396	62.529	(14.594)
<b>NET PROFIT FOR THE PERIOD</b>		<b>644.276</b>	<b>2.961.736</b>	<b>1.040.756</b>	<b>430.611</b>	<b>1.547.833</b>	<b>501.785</b>
(TRY 1 Nominal value per share)			1,0213	0,3589		0,5337	0,1730

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(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

	(Unaudited) Current Period 1 January - 30 September 2018	(Unaudited) Current Period 1 January - 30 September 2018	Current Period 1 July - 30 September 2018	(Unaudited) Previous Period 1 January - 30 September 2017	(Unaudited) Previous Period 1 January - 30 September 2017	Previous Period 1 July - 30 September 2017
Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
<b>PROFIT FOR THE PERIOD</b>	<b>644.276</b>	<b>2.961.736</b>	<b>1.040.756</b>	<b>430.611</b>	<b>1.547.833</b>	<b>501.785</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Not to be reclassified subsequently to profit or loss</b>						
Increase (Decrease) in Revaluation Reserve of Tangible Assets	-	5.746.000	3.727.650	-	81.012	117.028
Actuarial Gain/(Loss) of Defined Benefit Plans	9	817	3.726	-	(2.309)	-
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	11	(180)	(820)	-	462	-
<b>To be reclassified subsequently to profit or loss</b>						
Change in Cash Flow Hedging Reserves	-	-	-	2.630	9.258	(2)
Tax Effect of Change in Cash Flow Hedging Reserves	-	-	-	(526)	(1.852)	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>637</b>	<b>5.748.906</b>	<b>3.727.650</b>	<b>257</b>	<b>81.940</b>	<b>117.026</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>644.913</b>	<b>8.710.642</b>	<b>4.768.406</b>	<b>430.868</b>	<b>1.629.773</b>	<b>618.811</b>

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(Convenience Translation into English of Condensed İnterim Financial Statements Originally Issued in Turkish – See Note 17)

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

(Unaudited)			Other comprehensive income (expense) not to be reclassified subsequently to profit or loss		Other comprehensive income (expense) to be reclassified subsequently to profit or loss	Retained Earnings			Total Shareholders' Equity
	Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	
<b>1 January 2018</b>	<b>2.900.000</b>	<b>164</b>	<b>4.242.923</b>	<b>(52.860)</b>	-	<b>447.790</b>	<b>48.457</b>	<b>2.382.311</b>	<b>9.968.785</b>
Net profit for the period	-	-	-	-	-	-	-	2.961.736	2.961.736
Other comprehensive income/(loss)	-	-	5.746.000	2.906	-	-	-	-	5.748.906
Total comprehensive income/(loss)	-	-	5.746.000	2.906	-	-	-	2.961.736	8.710.642
Dividends (*)	-	-	-	-	-	-	(2.030.000)	-	(2.030.000)
Transfers	-	-	-	-	-	323.851	2.058.460	(2.382.311)	-
<b>30 September 2018</b>	<b>2.900.000</b>	<b>164</b>	<b>9.988.923</b>	<b>(49.954)</b>	-	<b>771.641</b>	<b>76.917</b>	<b>2.961.736</b>	<b>16.649.427</b>

(Unaudited)			Other comprehensive income (expense) not to be reclassified subsequently to profit or loss		Other comprehensive income (expense) to be reclassified subsequently to profit or loss	Retained Earnings			Total Shareholders' Equity
	Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	
<b>1 January 2017</b>	<b>2.900.000</b>	<b>164</b>	<b>3.550.212</b>	<b>(48.758)</b>	<b>(7.454)</b>	<b>240.817</b>	<b>907.581</b>	<b>942.849</b>	<b>8.485.411</b>
Net profit for the period	-	-	-	-	-	-	-	1.547.833	1.547.833
Other comprehensive income/(loss)	-	-	81.012	(6.478)	7.406	-	-	-	81.940
Total comprehensive income/(loss)	-	-	81.012	(6.478)	7.406	-	-	1.547.833	1.629.773
Dividends (*)	-	-	-	-	-	-	(812.000)	-	(812.000)
Transfers	-	-	-	-	-	128.673	814.176	(942.849)	-
<b>30 September 2017</b>	<b>2.900.000</b>	<b>164</b>	<b>3.631.224</b>	<b>(55.236)</b>	<b>(48)</b>	<b>369.490</b>	<b>909.757</b>	<b>1.547.833</b>	<b>9.303.184</b>

(\*) At the Ordinary General Meeting held on March 29, 2018, it has been approved to distribute net profit of 2017 amounting to TRY 2.030.000 thousand (gross dividend per share: TRY 0,70 (2017: TRY 0,28)) (30 March 2017: TRY 812.000 thousand). The dividend payment will start at 29 May 2018.

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

(Convenience Translation into English of Condensed İnterim Financial Statements Originally Issued in Turkish – See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF CASH FLOW FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

		(Unaudited) Current Period 1 January- 30 September 2018	(Unaudited) Current Period 1 January- 30 September 2018	(Unaudited) Previous Period 1 January- 30 September 2017	(Unaudited) Previous Period 1 January- 30 September 2017
Note		USD'000	TRY'000	USD'000	TRY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
		<b>626.878</b>	<b>3.049.552</b>	<b>562.308</b>	<b>2.001.626</b>
	<b>Profit (Loss) for The Period</b>	<b>644.276</b>	<b>2.961.736</b>	<b>430.611</b>	<b>1.547.833</b>
	<b>Adjustments to Reconcile Profit (Loss)</b>	<b>358.043</b>	<b>1.940.835</b>	<b>193.207</b>	<b>689.727</b>
	Adjustments for Depreciation and Amortisation Expenses	6/13 80.206	368.709	82.481	296.478
	Adjustments for Impairment Loss (Reversal of Impairment Loss)	2.862	13.548	638	2.295
	Adjustments for Provision (Reversal of Provision) for Receivables	355	2.025	(442)	(1.587)
	Adjustments for Provision (Reversal of Provision) for Inventories	4 1.350	6.206	1.080	3.882
	Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	6 1.157	5.317	-	-
	Adjustments for Provisions	11.850	54.474	9.833	35.343
	Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9 10.919	50.194	9.309	33.463
	Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8 931	4.280	524	1.880
	Adjustments for Interest (Income) and Expenses	(27.556)	(126.673)	(7.307)	(26.260)
	Adjustments for Interest Income	15 (31.427)	(144.467)	(14.139)	(50.821)
	Adjustments for Interest Expense	15 6.579	30.243	7.031	25.275
	Unearned Financial Income from Credit Sales	(2.708)	(12.449)	(199)	(714)
	Adjustments for Unrealised Foreign Exchange Differences	153	697	10.365	37.259
	Adjustments for Fair Value (Gains) Losses	-	-	2.303	8.273
	Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15 -	-	2.303	8.273
	Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5 (818)	(3.759)	-	-
	Adjustments for Tax (Income) Expenses	11 291.199	1.633.165	94.881	336.291
	Adjustments for Losses (Gains) on Disposal of Asset	147	674	13	48
	Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	-	-	13	48
	<b>Changes in Working Capital</b>	<b>(131.266)</b>	<b>(786.308)</b>	<b>32.372</b>	<b>94.845</b>
	Adjustments for Decrease (Increase) in Trade Receivables	(69.573)	(416.754)	37.793	128.538
	Decrease (Increase) in Trade Receivables from Related Parties	(6.428)	(38.505)	(7.199)	(28.743)
	Decrease (Increase) in Trade Receivables from Third Parties	(63.145)	(378.249)	44.992	157.281
	Adjustments for Decrease (Increase) in Other Receivables Related from Operations	8.311	49.784	(591)	(2.889)
	Decrease (Increase) in Other Receivables from Operations from Third Parties	8.311	49.784	(591)	(2.889)
	Decrease (Increase) in Derivative Financial Instruments	-	-	4.928	17.207
	Adjustments for Decrease (Increase) in Inventories	(75.261)	(450.828)	19.768	51.756
	Decrease (Increase) in Prepaid Expenses	(7.273)	(43.567)	(4.556)	(16.324)
	Adjustments for Increase (Decrease) in Trade Payables	41.665	249.582	(35.950)	(123.903)
	Increase (Decrease) in Trade Payable to Related Parties	20.657	123.740	5.278	19.338
	Increase (Decrease) in Trade Payable to Third Parties	21.008	125.842	(41.228)	(143.241)
	Adjustments for Increase (Decrease) in Other Payables Related from Operations	(14.224)	(85.205)	5.232	19.241
	Increase (Decrease) in Other Payables to Third Parties Related from Operations	(14.224)	(85.205)	5.232	19.241
	Increase (Decrease) in Derivative Liabilities	8	48	(4.890)	(17.370)
	Adjustments for Other Increase (Decrease) in Working Capital	(14.919)	(89.368)	10.638	38.409
	Decrease (Increase) in Other Assets Related from Operations	425	2.546	732	2.499
	Increase (Decrease) in Other Payables Related from Operations	(15.344)	(91.914)	9.906	35.910
	<b>Cash Flows Provided by Operating Activities</b>	<b>871.053</b>	<b>4.116.263</b>	<b>656.190</b>	<b>2.332.405</b>
	Payments Related to Provisions for Employee Termination Benefits	9 (3.264)	(15.005)	(5.039)	(18.112)
	Payments Related to Other Provisions	8 (270)	(1.239)	(123)	(442)
	Income Taxes Refund (Paid)	11 (240.641)	(1.050.467)	(88.720)	(312.225)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
		<b>(46.802)</b>	<b>(239.437)</b>	<b>(41.133)</b>	<b>(147.805)</b>
	Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	5 (22.929)	(126.034)	(3.527)	(12.532)
	Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets	7	37	43	151
	Cash Inflow from Sales of Property, Plant and Equipment	6/14 7	37	43	151
	Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets	(25.398)	(116.749)	(37.250)	(133.896)
	Cash Outflow from Purchase of Property, Plant and Equipment	6 (25.013)	(114.983)	(37.125)	(133.446)
	Cash Outflow from Purchase of Intangible Assets	6 (385)	(1.766)	(125)	(450)
	Cash Advances and Debts Given	1.518	3.309	(399)	(1.528)
	Other Cash Advances and Debts Given	-	-	(399)	(1.528)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
		<b>(460.523)</b>	<b>(3.343.846)</b>	<b>(521.246)</b>	<b>(1.877.748)</b>
	Cash Inflow from Borrowings	352.058	1.522.752	219.276	780.592
	Cash Inflow from Loans	352.058	1.522.752	219.276	780.592
	Cash Outflow from Repayments of Borrowings	(353.453)	(742.022)	(315.195)	(1.108.687)
	Cash Outflow from Loan Repayments	(353.453)	(742.022)	(315.195)	(1.108.687)
	Decrease in Other Payables to Related Parties	(41.749)	(2.205.627)	(210.046)	(765.293)
	Dividends Paid	(441.929)	(2.028.899)	(222.867)	(811.596)
	Interest Paid	(7.765)	(38.599)	(6.752)	(24.299)
	Interest Received	32.315	148.549	14.338	51.535
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>					
		<b>119.553</b>	<b>(533.731)</b>	<b>(71)</b>	<b>(23.927)</b>
	Effect of Exchange Rate Changes on Cash and Cash Equivalents	(103.351)	637.782	(452)	22.201
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		<b>16.202</b>	<b>104.051</b>	<b>(523)</b>	<b>(1.726)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>					
		<b>3.154</b>	<b>11.895</b>	<b>3.998</b>	<b>14.069</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>					
		<b>19.356</b>	<b>115.946</b>	<b>3.475</b>	<b>12.343</b>

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 2018

(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.

The main operations of the subsidiary of the company and the share percentage of the İsdemir for the company are as follows:

Name of the Company	Country of Operation	Operation	2018 Share %	2017 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sales	50	50

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

The number of the personnel employed by the Company as at 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018 Personnel	31 December 2017 Personnel
Paid Hourly Personnel	2.993	3.107
Paid Monthly Personnel	1.756	1.756
	4.749	4.863

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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#### **NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

##### **2.1 Basis of Presentation**

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

The Company’s condensed financial statements and disclosures have been prepared 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”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. The CMB Accounting Standards contains Turkish Accounting Standards and Turkish Financial Reporting Standards with their notes and interpretations.

In accordance with article 5 th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and its interpretations issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”)

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 2017.

##### Functional and Reporting Currency

TRY is accepted as the Company’s functional and presentation currency until 30 June 2013. Due to changes in sale and collection policies of Company, the functional currency changed from TRY to US Dollars in accordance with TAS 21 (“The Effects of Foreign Exchange Rates”) starting from the 1 July 2013. Therefore the Company’s functional currency is US Dollars as of 30 September 2018 and 31 December 2017.

##### Presentation currency translation

Presentation currency of the condensed financial statements is TRY. 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 financial position as of 30 September 2018 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 5,9902=US \$ 1 on the balance sheet date (31 December 2017: TRY 3,7719= US \$ 1 ).
- b) For the nine months period ended 30 September 2018, income statements are translated from the average TRY 4,5970 = US \$ 1 rates of 2018 January - September period (30 September 2017: TRY 3,5945 = US \$ 1 TRY ).
- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

##### **2.1 Basis of Presentation (cont’d)**

###### Presentation currency translation (cont’d)

- 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 financial statements comprising the statements of financial position as of 30 September 2018 and 31 December 2017, statement of income and other comprehensive income and statement of cash flows for the interim period ended 30 September 2018 represent the condensed financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

###### Going concern

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

###### Approval of the condensed financial statements

The condensed financial statements have been approved and authorized to be published on 25 October 2018 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 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.

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

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

##### 2.2 Comparative Information and Restatement of Financial Statements with Prior Periods (cont’d)

The classification made in the profit or loss table items is as follows:

Account	(Previously reported)	(Restated)	(Difference)
	30 September 2017	30 September 2017	30 September 2017
Revenue <sup>(1)</sup>	7.441.377	7.454.686	13.309
Other Operating Income <sup>(1) (2) (4)</sup>	53.513	55.531	2.018
Other Operating Expense <sup>(3)</sup>	(30.950)	(30.774)	176
Income From Investing Activities <sup>(2)</sup>	-	128	128
Expense From Investing Activities <sup>(3)</sup>	-	(176)	(176)
Finance Income <sup>(4)</sup>	135.375	119.920	(15.455)
			-

- (1) Interest income from sales with maturities amounting to TRY 13.309 thousand reported in “Other Operating Income” was reclassified to “Revenue” on the profit and loss statement for the nine months period ended 30 September 2017.
- (2) Gain on sales of tangible assets amounting to TRY 128 thousand reported as “Other Operating Income” before, was reclassified to “Income from Investing Activities” on the profit and loss statement for the nine months period ended 30 September 2017.
- (3) Losses on sales of tangible assets amounting to TRY (176) thousand reported as “Other Operating Expenses (-)” before, was reclassified to “Expenses from Investing Activities (-)” on the profit and loss statement for the nine months period ended 30 September 2017.
- (4) Foreign exchange gains from trade receivables and payables (net) amounting to TRY 15.455 thousand reported as “Finance Expenses (-)” before, was reclassified to “Other Operating Income” on the profit and loss statement for the nine months period ended 30 September 2017.

##### 2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the condensed financial statements as at 30 September 2018 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 2018 summarized below.

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

###### **i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows**

###### **IFRS 15 Revenue from Contracts with Customers**

In September 2016, POA issued IFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018. The standard did not have a significant impact on the financial position or performance of the Company.

###### **IFRS 9 Financial Instruments**

In January 2017, POA issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The impact of standard on all three aspects of IFRS 9 is as follows:

###### **Classification and Measurement of Financial Assets:**

There is no significant impact on the Company’s balance sheet or equity on applying the classification and measurement requirements of IFRS 9. The Company continues measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

##### **i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows (cont’d)**

###### **Impairment:**

TFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company applied the simplified approach and recorded lifetime expected losses on all financial assets.

###### **Hedge accounting:**

The Company determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under TFRS 9. As TFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of TFRS 9 will not have a significant impact on Company’s financial statements.

###### **TFRS 4 Insurance Contracts (Amendments)**

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

###### **TFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have a significant impact on the financial position or performance of the Company.

###### **TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)**

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

**i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows**

##### **TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments) (cont’d)**

- b. share-based payment transactions with a net settlement feature for withholding tax obligations;
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

##### **TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

##### **Annual Improvements to TFRSs - 2014-2016 Cycle**

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Company and did not have an impact on the financial position or 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 2018**

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

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

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

###### **ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

###### **TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

###### **Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)**

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Overall, the Company expects no significant impact on its statement of financial position and equity.

###### **TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.



## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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#### **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 nine months period ended 30 September 2018 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these interim condensed financial statements for the period ended 30 September 2018 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2017. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

As explained in Note 1 there has been change in total ownership interests and effective interests of the subsidiaries, included in the scope of as of 30 September 2018, from the interests reported as of 31 December 2017.

##### Effects of Changes in Accounting Principles

This note discloses the effects of the implementation of TFRS 9 Financial Instruments over the Company's financial statements and the new accounting policies that the Company has begun to implement as of 1 January 2018, unlike prior periods.

##### TFRS 9 Financial Instruments

###### *Classification and Measurement*

Company classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

“Financial assets measured at amortised cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company’s financial assets measured at amortised cost comprise “cash and cash equivalents”, “trade receivables” and “receivables from finance sector operations”. Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the statement of income.

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 (cont’d)

###### IFRS 9 Financial Instruments (cont’d)

###### *Classification and Measurement (cont’d)*

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earning.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

Changes regarding the classification of financial assets and liabilities in terms of IFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

<u>Financial Assets</u>	<u>Previous Classification According to TMS 39</u>	<u>New Classification According to IFRS 9</u>
Cash and cash equivalents	Borrowings and receivables	Amortised cost
Trade Receivables	Borrowings and receivables	Amortised cost
Other financial assets	Borrowings and receivables	Amortised cost
Financial investments	Financial assets held for sale	Fair value differences reflected in income statement
Financial derivative instruments	Fair value differences reflected in income statement or other comprehensive income	Fair value differences reflected in income statement or other comprehensive income

  

<u>Financial Liabilities</u>	<u>Previous Classification According to TMS 39</u>	<u>New Classification According to IFRS 9</u>
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Other liabilities	Amortised cost	Amortised cost
Financial derivative instruments	Fair value differences reflected in profit or loss or other comprehensive income	Fair value differences reflected in income statement or other comprehensive income

###### *Impairment*

“Expected credit loss model” defined in IFRS 9 “Financial Instruments” superseded the “incurred credit loss model” in TAS 39 “Financial Instruments: Recognition and Measurement” which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Company.

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

##### **2.4 Summary of Significant Accounting Policies (cont’d)**

###### IFRS 9 Financial Instruments (cont’d)

###### *Trade Receivables*

Company has preferred to apply “simplified approach” defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Company measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

Company uses a provision matrix for the calculation of the expected credit losses on trade receivables. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under “other operating income/expenses” account of the statement of income

###### IFRS 15 - Revenue from Contracts with Customers Standard

###### *Revenue Recognition*

Company recognises revenue based on the following five principles in accordance with the IFRS 15 - “Revenue from Contracts with Customers” standard effective from 1 January 2018.

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Company evaluates each contracted obligation separately and respective obligations, which are committed to deliver the goods or perform services, are determined as separate performance obligations. Company determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Company transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Company recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

##### **2.4 Summary of Significant Accounting Policies (cont’d)**

###### **IFRS 15 - Revenue from Contracts with Customers Standard (cont’d)**

###### *Revenue Recognition (cont’d)*

Following indicators are considered while evaluating the transfer of control of the goods and services:

- Presence of Company’s collection right of the consideration for the goods or services,
- Customer’s ownership of the legal title on goods or services,
- Physical transfer of the goods or services,
- Customer’s ownership of significant risks and return,
- Customer’s acceptance of goods or services.

If Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

##### **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 Segment Reporting**

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 transactions between the Company and other related parties are disclosed below:

	30 September 2018	31 December 2017
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	895.278	530.485
Erdemir Romania S.R.L. <sup>(2)</sup>	-	3.192
Adana Çimento Sanayi T.A.Ş. <sup>(3)</sup>	13.100	10.194
Aslan Çimento A.Ş. <sup>(3)</sup>	1.668	1.368
OYAK Beton A.Ş. <sup>(3)</sup>	96	-
Mardin Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	293	277
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(4)</sup>	476	3.820
	<u>910.911</u>	<u>549.336</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 related parties are disclosed below:

	30 September 2018	31 December 2017
<u>Due to related parties (short term)</u>		
Erdemir Madencilik San. ve Tic. A.Ş. <sup>(2)</sup>	143.034	11.696
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(3)</sup>	3.612	2.791
Erdemir Asia Pacific PTE LTD <sup>(2)</sup>	34.030	14.062
Omsan Lojistik A.Ş. <sup>(3)</sup>	4.250	4.268
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	1.789	2.515
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(3)</sup>	6.064	4.538
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. <sup>(2)</sup>	3.020	-
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. <sup>(2)</sup>	1.817	1.141
Omsan Denizcilik A.Ş. <sup>(3)</sup>	3.050	7.187
Other	120	315
	<u>200.786</u>	<u>48.513</u>

Trade payables to related parties mainly arise from purchased service transactions.

<sup>(1)</sup> Immediate parent company

<sup>(2)</sup> Subsidiaries of the immediate parent company

<sup>(3)</sup> Subsidiaries of the ultimate company

<sup>(4)</sup> Joint Managing Company

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

The details of non-trade transactions between the Company and other related parties are disclosed below:

	30 September 2018	31 December 2017
<u>Due to Related Parties (long term)</u>		
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	15.744	-
	15.744	-

Prepaid expenses to related parties are due to fixed asset advances.

The details of non-trade receivables between the Company and its related parties are explained below.

	30 September 2018	31 December 2017
<u>Due From Related Parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	5.530.747	3.325.120
	5.530.747	3.325.120

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 sales between the Company and related parties are disclosed below:

	1 January – 30 September 2018	1 January – 30 September 2017
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	7.666.623	4.706.880
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. <sup>(2)</sup>	5.348	2.304
Adana Çimento Sanayi T.A.Ş. <sup>(3)</sup>	21.083	14.442
Mardin Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	997	833
Erdemir Asia Pacific PTE LTD <sup>(2)</sup>	-	73.264
Omsan Lojistik A.Ş. <sup>(3)</sup>	388	358
Erdemir Romania S.R.L. <sup>(2)</sup>	28	29.205
Aslan Çimento A.Ş. <sup>(3)</sup>	2.450	1.450
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(3)</sup>	3.862	460
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	508	486
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(4)</sup>	33.485	-
Other	887	1.193
	7.735.659	4.830.875

<sup>(1)</sup> Immediate parent company

<sup>(2)</sup> Subsidiaries of the immediate parent company

<sup>(3)</sup> Subsidiaries of the ultimate company

<sup>(4)</sup> Joint Managing Company

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 3 –RELATED PARTY DISCLOSURES (cont’d)

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

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

	1 January – 30 September 2018	1 January – 30 September 2017
<u>Major purchases from related parties</u>		
Erdemir Madencilik San. ve Tic. A.Ş. <sup>(2)</sup>	551.002	384.205
Erdemir Asia Pacific PTE LTD <sup>(2)</sup>	207.465	131.729
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	84.433	38.926
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(3)</sup>	31.112	20.001
Omsan Denizcilik A.Ş. <sup>(3)</sup>	47.522	20.457
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	16.544	13.993
Omsan Lojistik A.Ş. <sup>(3)</sup>	29.861	26.035
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. <sup>(2)</sup>	10.108	9.195
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. <sup>(2)</sup>	15.832	15.256
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(4)</sup>	52.386	-
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(3)</sup>	44.701	26.905
Other	16.354	1.582
	<u>1.107.320</u>	<u>688.284</u>

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

- <sup>(1)</sup> Immediate parent company
- <sup>(2)</sup> Subsidiaries of the immediate parent company
- <sup>(3)</sup> Subsidiaries of the ultimate company
- <sup>(4)</sup> Joint Managing Company

The Company's total finance income from related party transactions for the nine-month interim period of 2018 is TRY 144.146 thousand. ( 30 September 2017 : TRY 50.685 thousand)

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

The period end balances are un-secured and their collections will be in cash. For the nine months period ended 30 September 2018, the Company provides no provision for the receivables from related parties (31 December 2017: None).

#### Salaries, bonuses and other benefits of the key management:

For the nine months period ended 30 September 2018, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 2.190 thousand (30 September 2017: TRY 3.847 thousand).

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

**NOTE 4 – INVENTORIES**

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

	30 September 2018	31 December 2017
Raw materials	961.423	646.014
Work in progress	838.569	352.359
Finished goods	746.241	264.781
Spare parts	454.046	274.453
Goods in transit	692.038	505.755
Other inventories	285.700	157.947
Allowance for impairment on inventories (-)	(155.178)	(92.620)
	<u>3.822.839</u>	<u>2.108.689</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 September 2018	1 January - 30 September 2017
Opening balance	92.620	62.463
Provision for the period	6.907	4.605
Provision released (-)	(701)	(723)
Translation difference	56.352	539
Closing balance	<u>155.178</u>	<u>66.884</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**

İsdemir Linde Gas Partnership A.Ş. has been established through 50%-50% partnership with the German Linde Group in order to supply the additional industrial gases required for our subsidiary İsdemir's production and to reduce the costs with an effective and efficient management. İsdemir Linde Gaz Ortaklığı A.Ş., recognized by using the equity pick-up method is not included in the as of the reporting period.

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

	Right to vote ratio (%)	30 September 2018	Business segment
<i>Joint Venture</i>			Industrial Gas Production and Sales
İsdemir Linde Gaz Ortaklığı A.Ş.	50	163.423	



(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 as follows:

	30 September 2018	31 December 2017
Total assets	375.214	278.444
Total liabilities	48.368	246.568
Net assets	326.846	31.876
Company's share on net assets	163.423	15.938

By reason of Isdemir Linde Gaz Ortaklığı A.Ş. not functioning, and that the financial statements weren’t affected significantly, recognized in financial investments on financial statements of 2017.

	30 September 2018	31 December 2017
Share capital	201.667	27.000

In General Assembly dated 8 March 2018 of Isdemir linde Gaz A.Ş. it was decided that the Company’s share capital increased by TRY 174.666.600 (USD 45.857.492 equivalent) from TRY 27.000.000 to TRY 201.666.600. Increased capital amount paid by shareholders on 9 March 2018.

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

	1 January 30 September 2018	1 January 30 September 2017
Revenue	57.025	-
Net profit (loss) for the period	7.518	(1.864)
Company's share on net profit	3.759	(932)

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Company under joint management, has the right of to deduct 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. Since İsdemir Linde Gaz Ortaklığı A.Ş. was established recently and it is not yet possible for İsdemir Linde Gaz Ortaklığı A.Ş. to make a reasonable forecast for full or partial recovery of the investment deduction amount for the upcoming periods under the current conditions, the deferred tax asset of TRY 67.230 thousand (its effect in the profit or loss statement of Isdemir is TRY 33.615 thousand) is not included in the financial statements prepared as of 30 September 2018.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the periods 1 January – 30 September 2018 and 1 January – 30 September 2017 is as follows:

	30 September 2018	30 September 2017
<u>Opening balance as of 1 January</u>		
Cost	17.062.931	15.747.677
Accumulated depreciation	(9.637.205)	(8.617.794)
Net book value	<u>7.425.726</u>	<u>7.129.883</u>
Net book value at the begin.of the period	7.425.726	7.129.883
Additions	114.983	133.446
Disposals (-)	(711)	(199)
Cost of disposals	(5.729)	(5.588)
Accumulated depreciation of disposals	5.018	5.389
Transfers to intangible assets	(1.211)	(145)
Currency translation difference	4.283.725	68.495
Cost currency translation difference	10.069.539	145.743
Accumulated depreciation currency translation difference	(5.785.814)	(77.248)
Current period depreciation (-)	(383.046)	(289.050)
Impairment (-)	(5.317)	-
Net book value at the end of the period	<u>11.434.149</u>	<u>7.042.430</u>
<u>Closing balance as of</u>		
Cost	27.240.513	16.021.133
Accumulated depreciation	(15.806.364)	(8.978.703)
Net book value	<u>11.434.149</u>	<u>7.042.430</u>

As of 30 September 2018, the Company has no collaterals or pledges upon its tangible assets (30 September 2017: None).

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

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

The movement of intangible assets for the periods 1 January – 30 September 2018 and 1 January – 30 September 2017 is as follows:

	30 September 2018	30 September 2017
<u>Opening balance as of 1 January</u>		
Cost	281.361	259.641
Accumulated amortisation	(111.138)	(94.530)
Net book value	<u>170.223</u>	<u>165.111</u>
Net book value at the begin.of the period	170.223	165.111
Additions	1.766	450
Transfers	1.211	145
Currency translation difference	98.086	1.620
<i>Cost currency translation difference</i>	<i>166.374</i>	<i>2.421</i>
<i>Accumulated depreciation currency translation difference</i>	<i>(68.288)</i>	<i>(801)</i>
Current period amortisation (-)	(9.653)	(6.978)
Net book value at the end of the period	<u>261.633</u>	<u>160.348</u>
<u>Closing balance as of</u>		
Cost	450.712	262.657
Accumulated amortisation	(189.079)	(102.309)
Net book value	<u>261.633</u>	<u>160.348</u>

As of 30 September 2018, the Company has no collaterals or pledges upon its intangible assets (30 September 2017: None).

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

	30 September 2018	30 September 2017
Associated with cost of production	379.523	286.065
General administrative expenses	2.233	1.703
Marketing expenses	10.943	8.260
	<u>392.699</u>	<u>296.028</u>

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	30 September 2018	31 December 2017
Short term financial liabilities	1.635.317	904.459
Current portion of long term financial liabilities	124.648	131.708
Total short term financial liabilities	1.759.965	1.036.167
Total long term financial liabilities	352.343	303.070
	2.112.308	1.339.237

As of 30 September 2018, 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 2017
No interest	TRY	-	402	-	402
Fixed	US Dollars	2,99	1.634.915	-	1.634.915
Floating	US Dollars	Libor+1,9	28.538	21.142	49.680
Floating	EURO	Euribor+2,25	96.110	331.201	427.311
			1.759.965	352.343	2.112.308

As of 31 December 2017, 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 2017
No interest	TRY	-	3.386	-	3.386
Fixed	US Dollars	2,18	901.072	-	901.072
Floating	US Dollars	Libor+1,36	43.570	26.625	70.195
Floating	EURO	Euribor+2,12	88.139	276.445	364.584
			1.036.167	303.070	1.339.237

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 7 – BORROWINGS (cont’d)

Breakdown of loan repayment is as follows:

	30 September 2018	31 December 2017
Within 1 year	1.759.965	1.036.167
Between 1 – 2 years	115.763	79.170
Between 2 – 3 years	94.623	70.293
Between 3 – 4 years	94.623	61.418
Between 4 – 5 years	47.334	61.418
Five years or more	-	30.771
	<u>2.112.308</u>	<u>1.339.237</u>

#### NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	30 September 2018	31 December 2017
Provision for lawsuits	25.335	21.441
Penalty prov. for employment shortage of disabled pers.	6.851	5.480
Provision for land occupation	1.296	1.212
	<u>33.482</u>	<u>28.133</u>

As of 30 September 2018 and 31 December 2017, lawsuits filed by the Company and against the Company are as follows:

	30 September 2018	31 December 2017
Lawsuits filed by the Company	184.061	171.184
Provision for lawsuits filed by the Company	4.778	4.045

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

	30 September 2018	31 December 2017
Lawsuits filed against the Company	20.132	16.825
Provision for lawsuits filed against the Company	25.335	21.441

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

**NOTE 8 – PROVISIONS (cont’d)**

The movement of the short term provisions is as follows:

	1 January 2018	Change for the period	Payments	Provision released	Translation difference	30 September 2018
Provision for lawsuits	21.441	5.254	(781)	(2.842)	2.263	25.335
Penalty prov. for employment shortage of disabled pers.	5.480	1.397	-	-	(26)	6.851
Provision for land occupation	1.212	471	(458)	-	71	1.296
	<u>28.133</u>	<u>7.122</u>	<u>(1.239)</u>	<u>(2.842)</u>	<u>2.308</u>	<u>33.482</u>

	1 January 2017	Change for the period	Payments	Provision released	Translation difference	30 September 2017
Provision for lawsuits	20.910	6.520	(442)	(6.191)	(32)	20.765
Penalty prov. for employment shortage of disabled pers.	3.993	1.121	-	-	(6)	5.108
Provision for land occupation	696	430	-	-	(10)	1.116
	<u>25.599</u>	<u>8.071</u>	<u>(442)</u>	<u>(6.191)</u>	<u>(48)</u>	<u>26.989</u>

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 is as follows:

	30 September 2018	31 December 2017
Due to personnel	25.320	65.249
Social security premiums payable	25.563	20.635
	<u>50.883</u>	<u>85.884</u>

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

	30 September 2018	31 December 2017
Provisions for employee termination benefits	229.200	212.842
Provisions for seniority incentive premium	20.873	16.385
Provision for unpaid vacations	31.710	25.269
	<u>281.783</u>	<u>254.496</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 2018, the employee termination benefit has been updated to a maximum of TRY 5.434,42 (31 December 2017: TRY 4.732,48).

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 2018 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 2018	31 December 2017
Discount rate	% 15,90	% 11,50
Inflation rate	% 12,30	% 8,30
Salary increase	reel % 1,5	reel % 1,5
Maximum liability increase	% 12,30	% 8,30

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

(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 2018, 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. 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 2018	1 January - 30 September 2017
Opening balance	212.842	188.399
Service cost	13.063	12.721
Interest cost	19.895	14.742
Actuarial (Loss)/ Gain	(3.726)	8.098
Termination benefits paid	(13.563)	(16.085)
Translation difference	689	(121)
Closing balance	229.200	207.754

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 2018	1 January - 30 September 2017
Opening balance	16.385	17.305
Service cost	1.480	1.335
Interest cost	1.601	1.214
Actuarial (Loss)/ Gain	1.395	(410)
Translation difference	12	2
Closing balance	20.873	19.446



## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 30 September 2018	1 January - 30 September 2017
Opening balance	25.269	27.261
Provision for the period	28.950	15.139
Vacation paid during the period (-)	(1.442)	(2.027)
Provisions released (-)	(16.190)	(11.283)
Translation difference	(4.877)	89
Closing balance	<u>31.710</u>	<u>29.179</u>

#### NOTE 10 – COMMITMENTS

The guarantees received by the Company are as follows:

	30 September 2018	31 December 2017
Letters of guarantees received	304.715	224.067
	<u>304.715</u>	<u>224.067</u>

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

	30 September 2018	31 December 2017
A. Total CPM given for the Company's own legal entity	37.145	64.349
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis		82.500
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>37.145</u>	<u>146.849</u>

As of 30 September 2018, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2017: 0%).

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

#### NOTE 10 – COMMITMENTS (cont’d)

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

	30 September 2018	31 December 2017
TRY	23.244	137.818
EURO	13.901	9.031
	<u>37.145</u>	<u>146.849</u>

#### NOTE 11 – TAX ASSETS AND LIABILITIES

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

	30 September 2018	31 December 2017
<u>Corporate tax payable:</u>		
Current corporate tax provision	1.266.313	664.873
Prepaid taxes and funds (-)	(385.594)	-
	<u>880.719</u>	<u>664.873</u>
	1 January - 30 September 2018	1 January 30 September 2017
<u>Taxation:</u>		
Current corporate tax expense	1.266.313	398.820
Deferred tax expense/(income)	366.852	(62.529)
	<u>1.633.165</u>	<u>336.291</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 investment withholding tax and corporate tax payments made by the Company in 2018 is TRY 1.050.467 thousand. (30 September 2017: TRY 312.225 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, 10% instead of 5%.

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 CMB’s Communiqué on Accounting Standards. 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 2017: 10%).

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

	30 September 2018	31 December 2017
<u>Deferred tax assets:</u>		
Provisions for employee benefits	58.056	50.899
Investment incentive	-	52.771
Provision for lawsuits	5.859	4.531
Fair value adjustment of the derrivative financial ins	4.760	6.449
Provision for other doubtful receivables	16.452	14.639
Other	3.121	13.575
	<u>88.248</u>	<u>142.864</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(1.935.476)	(1.078.590)
Amortized cost adjustment on loans	(2.797)	(1.026)
Inventories	(127.965)	(6.380)
Other	(426)	(949)
	<u>(2.066.664)</u>	<u>(1.086.945)</u>
<u>Presentation of deferred tax assets/(liabilities):</u>	<u>(1.978.416)</u>	<u>(944.081)</u>

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

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

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

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

	1 January - 30 September 2018	1 January - 30 September 2017
Opening balance	(944.081)	(910.331)
Deferred tax expense	(366.852)	62.529
The amount in comprehensive income/(expense)	(820)	(232)
Translation difference	(666.663)	(9.245)
Closing balance	<u>(1.978.416)</u>	<u>(857.279)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 September 2018	1 January - 30 September 2017
Profit before tax	4.594.901	1.884.124
Statutory tax rate	22%	20%
Calculated tax acc. to effective tax rate	(1.010.878)	(376.825)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(94)	(1.921)
- Effect of currency translation to non taxable assets (*)	(622.193)	(2.592)
- Investment incentives	-	45.047
Tax expense in reported in the consolidate statement of income	<u>(1.633.165)</u>	<u>(336.291)</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 by the Company is as follows:

	30 September (%)	2018	31 December (%)	2017
<u>Shareholders</u>				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	95,07	2.756.978
Quoted in Stock Exchange	5,13	<u>148.674</u>	4,93	<u>143.022</u>
Historical capital		2.900.000		2.900.000
Effect of inflation		<u>164</u>		<u>164</u>
Restated capital		<u>2.900.164</u>		<u>2.900.164</u>

The share held in the Company’s capital has become 94.87% after realization of the sales of shares of ISDEMİR with the value of 42,390,615 TL in aggregate at 7.5 TL par value per share (total par value of 5,652,082 TL) on 13 April 2018, formerly traded on Pre-Market Trading Platform, with ISDEMİR’s 95.07% share in the capital of the Company. With the change of such share ratio, since the requirements in the BISAS Listing Regulations have met, the shares of ISDEMİR have been started to be traded at Star Market as of 19 April 2018.

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

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

**NOTE 13 – SALES AND COST OF SALES**

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
<u>Sales Revenue</u>				
Domestic sales	9.050.443	3.559.205	6.113.646	2.255.080
Export sales	2.090.258	1.062.260	1.162.084	194.481
Other revenues (*)	340.642	108.487	166.430	57.353
Interest income related to forward sales contracts	24.020	11.801	13.309	4.708
Sales returns (-)	(1.587)	(607)	(783)	(62)
	<u>11.503.776</u>	<u>4.741.146</u>	<u>7.454.686</u>	<u>2.511.560</u>
<u>Cost of sales (-)</u>	<u>(7.676.024)</u>	<u>(3.257.328)</u>	<u>(5.528.302)</u>	<u>(1.866.815)</u>
Gross profit	<u>3.827.752</u>	<u>1.483.818</u>	<u>1.926.384</u>	<u>644.745</u>

(\*)The total amount of by product exports in other revenues is TRY 132.894 thousand (30 September 2017: TRY 74.043 thousand).

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

(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 of the Company is as follows:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Raw material usage	(6.225.392)	(2.673.991)	(4.397.073)	(1.457.694)
Personnel costs	(408.906)	(160.075)	(384.321)	(137.462)
Energy costs	(195.831)	(83.418)	(156.978)	(54.300)
Depreciation and amortization expenses	(355.533)	(146.884)	(286.515)	(94.828)
Factory overheads	(146.754)	(67.373)	(114.772)	(65.290)
Other cost of goods sold	(205.378)	(63.952)	(117.567)	(37.092)
Non-operating costs (*)	(7.801)	(863)	(8.886)	(8.886)
Freight costs for sales delivered to customers	(97.427)	(46.233)	(57.231)	(10.762)
Inventory write-downs within the period (Note 4)	(6.907)	(2.706)	(4.605)	(359)
Provision for decrease in value of inventories (Note 4)	701	78	723	327
Other	(26.796)	(11.911)	(1.077)	(469)
	<u>(7.676.024)</u>	<u>(3.257.328)</u>	<u>(5.528.302)</u>	<u>(1.866.815)</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 (7.801) thousand, has been accounted directly under cost of goods sold.

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

(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 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Personnel expenses (-)	(17.258)	(6.639)	(16.647)	(5.053)
Depreciation and amortization(-)	(10.943)	(4.540)	(8.260)	(2.548)
Tax, duty and charges (-)	(636)	(259)	(397)	(132)
Service expenses (-)	(39.123)	(15.608)	(28.605)	(9.203)
	<u>(67.960)</u>	<u>(27.046)</u>	<u>(53.909)</u>	<u>(16.936)</u>

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

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Personnel expenses (-)	(32.912)	(11.546)	(32.129)	(10.084)
Depreciation and amortization expenses(-)	(2.233)	(898)	(1.703)	(568)
Provision for doubtful receivables (-)	(2.025)	(843)	1.587	(683)
Tax, duty and charges (-)	(7.777)	(2.967)	(4.528)	(1.471)
Service expenses (-)	(50.998)	(18.911)	(44.880)	(14.053)
	<u>(95.945)</u>	<u>(35.165)</u>	<u>(81.653)</u>	<u>(26.859)</u>

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

(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 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
<u>Other operating income</u>				
foreign exchange difference from trade receivables and liabilities	107.613	88.947	15.455	3.173
Discount income	12.750	1.412	8.145	(251)
Provisions released	2.842	1.275	6.191	1.277
Service income	4.099	1.383	3.151	1.069
Maintenance repair and rent income	9.760	3.032	6.329	1.565
Lawsuit income	156	68	7.080	40
Indemnity and penalty detention income	9.166	7.341	1.791	606
Insurance indemnity income	3.027	335	247	45
Warehouse income	1.509	772	1.969	876
Customer default interest income	56	8	-	-
Other income and gains	9.961	2.973	5.173	2.992
	<u>160.939</u>	<u>107.546</u>	<u>55.531</u>	<u>11.392</u>



(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

(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>	<u>1 January - 30 September 2018</u>	<u>1 July - 30 September 2018</u>	<u>1 January - 30 September 2017</u>	<u>1 July - 30 September 2017</u>
Provision expenses	(6.651)	(2.346)	(7.642)	(2.937)
Donation expenses	(1.541)	(445)	(998)	(199)
Discount expenses	(2.476)	(239)	(10.921)	(4.401)
Port facility pre-licence expenses	(13.249)	(7.112)	(4.789)	(1.529)
Lawsuit compensation expenses	(2.348)	(1.023)	(1.604)	(675)
Penalty expenses	(311)	(111)	(239)	(88)
Stock Exchange expense	(651)	(72)	(475)	5
Other expenses and losses	(6.157)	(2.386)	(4.106)	(800)
	<u>(33.384)</u>	<u>(13.734)</u>	<u>(30.774)</u>	<u>(10.624)</u>

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish – See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
<u>Financial incomes</u>				
İnterest income on bank deposits	321	183	136	77
Foreign exchange gains (net)	715.395	294.070	68.968	35.924
İnterest income on related party	144.146	62.364	50.685	22.448
Other financial incomes	106	12	131	85
	<u>859.968</u>	<u>356.629</u>	<u>119.920</u>	<u>58.534</u>

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

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
<u>Finance expenses (-)</u>				
İnterest expenses on bank credit	(30.243)	(13.751)	(23.811)	(8.102)
İnterest cost of employee benefits	(21.496)	(8.908)	(15.956)	(5.199)
İnterest expenses on related party	-	-	(1.464)	(562)
Guarantee expenses	(2.352)	(1.371)	(1.741)	(191)
Fair value differences of derivative financial instruments (net)	-	-	(8.273)	1.267
	<u>(54.091)</u>	<u>(24.030)</u>	<u>(51.245)</u>	<u>(12.787)</u>

(Convenience Translation into English of Condensed Interim Financial Statements Originally Issued in Turkish  
– See Note 17)

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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 30 September 2018, the foreign currency position of the Company in terms of original currency is calculated as it as follows:

	30 September 2018			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	475.050	25.751	64.643	-
2a. Monetary financial assets	3.558.018	293.270	469.714	22
2b. Non- monetary financial assets	-	-	-	-
3. Other	23.129	23.125	1	-
<b>4. Current assets (1+2+3)</b>	<b>4.056.197</b>	<b>342.146</b>	<b>534.358</b>	<b>22</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	12.754	12.754	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	42.346	22.300	2.884	-
<b>8. Non-current assets (5+6+7)</b>	<b>55.100</b>	<b>35.054</b>	<b>2.884</b>	-
<b>9. Total assets (4+8)</b>	<b>4.111.297</b>	<b>377.200</b>	<b>537.242</b>	<b>22</b>
10. Trade payables	395.455	375.943	2.807	-
11. Financial liabilities	96.511	402	13.828	-
12a. Other monetary financial liabilities	1.031.803	1.030.778	148	-
12b. Other non-monetary financial liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.523.769</b>	<b>1.407.123</b>	<b>16.783</b>	-
14. Trade payables	-	-	-	-
15. Financial liabilities	331.201	-	47.651	-
16a. Other monetary financial liabilities	281.783	281.783	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>612.984</b>	<b>281.783</b>	<b>47.651</b>	-
<b>18. Total liabilities (13+17)</b>	<b>2.136.753</b>	<b>1.688.906</b>	<b>64.434</b>	-
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>1.974.544</b>	<b>(1.311.706)</b>	<b>472.808</b>	<b>22</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>1.909.069</b>	<b>(1.357.131)</b>	<b>469.923</b>	<b>22</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	2.223.152			
26. Imports	5.360.647			

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

(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)

As of 31 December 2017, the foreign currency position of the Company in terms of original currency is calculated as it as follows:

	31 December 2017			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	146.950	26.574	26.659	-
2a. Monetary financial assets	1.371.322	5.601	302.450	22
2b. Non- monetary financial assets	-	-	-	-
3. Other	12.285	12.087	44	-
<b>4. Current assets (1+2+3)</b>	<b>1.530.557</b>	<b>44.262</b>	<b>329.153</b>	<b>22</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	21.648	21.163	108	-
<b>8. Non-current assets (5+6+7)</b>	<b>21.648</b>	<b>21.163</b>	<b>108</b>	-
<b>9. Total assets (4+8)</b>	<b>1.552.205</b>	<b>65.425</b>	<b>329.261</b>	<b>22</b>
10. Trade payables	168.907	156.004	2.857	-
11. Financial liabilities	88.301	-	19.555	-
12a. Other monetary financial liabilities	885.292	884.007	284	-
12b. Other non-monetary financial liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.142.500</b>	<b>1.040.011</b>	<b>22.696</b>	-
14. Trade payables	-	-	-	-
15. Financial liabilities	277.087	-	61.364	-
16a. Other monetary financial liabilities	254.496	254.496	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>531.583</b>	<b>254.496</b>	<b>61.364</b>	-
<b>18. Total liabilities (13+17)</b>	<b>1.674.083</b>	<b>1.294.507</b>	<b>84.060</b>	-
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	-	-	-	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(121.878)</b>	<b>(1.229.082)</b>	<b>245.201</b>	<b>22</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(155.811)</b>	<b>(1.262.332)</b>	<b>245.049</b>	<b>22</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	1.615.383	-	-	-
26. Imports	5.189.950	-	-	-

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018**

(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, EURO and Japanese Yen. 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 2018 asset and liability balances are translated by using the following exchange rates: TRY 5,9902 = US \$ 1, TRY 6,9505 = EUR 1 and TRY 0,0527 = JPY 1 (31 December 2017 : TRY 3,7719 =US\$ 1, TRY 4,5155 = EUR 1 and TRY 0,0334= JPY 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 2018		
1- TRY net asset/liability	(131.171)	131.171
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(131.171)	131.171
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	-	-
9- Euro net asset/liability	328.625	(328.625)
10- Hedged portion from Euro risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	328.625	(328.625)
13- Jap. Yen net asset/liability	-	-
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	-	-
<b>TOTAL (4+8+12+16)</b>	<b>197.454</b>	<b>(197.454)</b>

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS  
PERIOD ENDED 30 SEPTEMBER 2018**

(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 2017		
1- TRY net asset/liability	(122.908)	122.908
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(122.908)	122.908
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	-	-
9- Euro net asset/liability	110.721	(110.721)
10- Hedged portion from Euro risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	110.721	(110.721)
13- Jap. Yen net asset/liability	-	-
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	-	-
<b>TOTAL (4+8+12+16)</b>	<b>(12.187)</b>	<b>12.187</b>

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS  
PERIOD ENDED 30 SEPTEMBER 2018**

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

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

**Categories of the financial instruments and their fair values**

	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Derivative financial instruments through profit/loss	Carrying value
<b>30 September 2018</b>					
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	-	-	115.946	-	115.946
Trade receivables	-	-	1.589.160	-	1.589.160
Financial investments	-	-	-	162	162
Other financial assets	-	-	5.545.313	-	5.545.313
Derivative financial instruments	-	-	-	-	-
<b><u>Financial Liabilities</u></b>					
Financial liabilities	-	-	2.112.308	-	2.112.308
Trade payables	-	-	947.476	-	947.476
Other liabilities	-	-	64.209	-	64.209
Derivative financial instruments	-	-	-	301	301
<b>31 December 2017</b>					
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	11.895	-	-	-	11.895
Trade receivables	731.318	-	-	-	731.318
Financial investments	-	13.437	-	-	13.437
Other financial assets	3.339.536	-	-	-	3.339.536
Derivative financial instruments	-	-	-	-	-
<b><u>Financial Liabilities</u></b>					
Financial liabilities	-	-	1.339.237	-	1.339.237
Trade payables	-	-	439.446	-	439.446
Other liabilities	-	-	100.561	-	100.561
Derivative financial instruments	-	-	-	158	158

Management of company considered that net book value of financial assets reflects their fair values.

**NOTE 17 – SUBSEQUENT EVENTS**

None