

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN
1 JANUARY - 30 JUNE 2023 AND AUDITOR'S REVIEW REPORT**

(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH)

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the General Assembly of İskenderun Demir ve Çelik A.Ş.

Introduction

We have reviewed the accompanying condensed statement of financial position of İskenderun Demir ve Çelik A.Ş. (“the Company”) as at 30 June 2023 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Company management is responsible for the preparation and presentation of this interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Koray Öztürk, SMMM
Audit Partner

İstanbul, 8 August 2023

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023

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

	Note	(Reviewed)	(Reviewed)	(Audited)	(Audited)
		Current Period	Current Period	Previous Period	Previous Period
		30 June	30 June	31 December	31 December
		2023	2023	2022	2022
		USD'000	TRY'000	USD'000	TRY'000
ASSETS					
Current Assets		1.496.989	38.656.874	1.673.711	31.295.559
Cash and Cash Equivalents		116.973	3.020.603	347.126	6.490.670
Financial Investments		-	-	1.003	18.760
Trade Receivables		192.676	4.975.474	213.372	3.989.685
<i>Due From Related Parties</i>	3	<i>168.651</i>	<i>4.355.086</i>	<i>148.990</i>	<i>2.785.853</i>
<i>Other Trade Receivables</i>		<i>24.025</i>	<i>620.388</i>	<i>64.382</i>	<i>1.203.832</i>
Other Receivables		2.861	73.883	2.433	45.489
Financial Derivative Instruments		153	3.959	-	-
Inventories	4	1.064.389	27.485.812	1.039.582	19.438.419
Prepaid Expenses		28.793	743.525	8.919	166.762
Other Current Assets		91.144	2.353.618	61.276	1.145.774
Non Current Assets		2.516.683	64.988.582	2.320.728	43.393.657
Financial Investments		2.051	52.956	2.844	53.174
Other Receivables		236	6.107	327	6.107
Investments Accounted For Using Equity Method	5	27.540	711.167	32.412	606.053
Property, Plant and Equipment	6	2.287.864	59.079.736	2.176.160	40.690.492
Right of Use Assets		7.861	202.986	6.223	116.352
Intangible Assets	6	40.227	1.038.785	41.604	777.927
Prepaid Expenses		150.904	3.896.845	61.158	1.143.552
<i>Due From Related Parties</i>	3	<i>1.987</i>	<i>51.313</i>	<i>1.938</i>	<i>36.241</i>
<i>Other Prepaid Expenses</i>		<i>148.917</i>	<i>3.845.532</i>	<i>59.220</i>	<i>1.107.311</i>
TOTAL ASSETS		4.013.672	103.645.456	3.994.439	74.689.216

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023

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

	Note	(Reviewed)	(Reviewed)	(Audited)	(Audited)
		Current Period 30 June 2023 USD'000	Current Period 30 June 2023 TRY'000	Previous Period 31 December 2022 USD'000	Previous Period 31 December 2022 TRY'000
LIABILITIES					
Current Liabilities		836.945	21.652.009	719.447	13.476.851
Short Term Borrowings	7	406.836	10.524.685	432.312	8.098.064
Short Term Portion of Long Term Borrowings	7	76.415	1.976.836	31.986	599.168
Trade Payables		249.673	6.459.458	209.038	3.915.903
<i>Due to Related Parties</i>	3	57.769	1.494.468	45.852	858.902
<i>Other Trade Payables</i>		191.904	4.964.990	163.186	3.057.001
Payables for Employee Benefits	9	21.066	544.974	16.083	301.263
Other Payables		43.752	1.131.868	3.166	59.310
<i>Due to Related Parties</i>	3	37.370	966.757	-	-
<i>Other Trade Payables</i>		6.382	165.111	3.166	59.310
Derivative Financial Instruments		8	205	520	9.740
Deferred Revenue		14.587	377.370	13.133	246.003
Current Tax Liabilities	11	4.598	118.959	6.351	118.959
Short Term Provisions	8	5.508	142.501	6.492	121.604
Other Current Liabilities		14.502	375.153	366	6.837
Non Current Liabilities		530.014	13.711.226	502.473	9.412.341
Long Term Borrowings	7	127.640	3.301.990	166.537	3.119.579
Long Term Provisions		63.726	1.648.556	72.456	1.357.255
<i>Long Term Provisions for Employee Benefits</i>	9	63.726	1.648.556	72.456	1.357.255
Deferred Tax Liabilities	11	338.648	8.760.680	263.480	4.935.507
EQUITY		2.646.713	68.282.221	2.772.519	51.800.024
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)		(58.193)	42.283.913	(53.764)	31.266.658
<i>Actuarial (Loss)/ Gain Funds</i>		(58.193)	(710.327)	(53.764)	(595.956)
<i>Foreign Currency Translation Reserves</i>		-	42.994.240	-	31.862.614
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(7)	(180)	(349)	(6.538)
<i>Cash Flow Hedging Gain (Loss)</i>		(7)	(180)	(349)	(6.538)
Restricted Reserves Assorted from Profit		482.127	3.049.060	482.127	3.049.060
Retained Earnings		870.315	22.514.699	419.842	7.864.483
Net (Loss)/Profit for the Period		(121.719)	(2.465.435)	450.473	6.726.197
TOTAL LIABILITIES AND EQUITY		4.013.672	103.645.456	3.994.439	74.689.216

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

		(Reviewed) Current Period 1 January - 30 June 2023	(Reviewed) Current Period 1 January - 30 June 2023	(Not Reviewed) Current Period 1 April - 30 June 2023	(Reviewed) Previous Period 1 January - 30 June 2022	(Reviewed) Previous Period 1 January - 30 June 2022	(Not Reviewed) Current Period 1 April - 30 June 2022
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	1.342.106	27.184.356	17.022.336	2.348.309	34.824.712	19.233.508
Cost of Sales	13	(1.322.726)	(26.791.823)	(15.780.602)	(1.699.537)	(25.203.626)	(14.068.459)
GROSS PROFIT		19.380	392.533	1.241.734	648.772	9.621.086	5.165.049
Marketing, Sales and Distribution Expenses	14	(11.537)	(233.689)	(147.866)	(9.482)	(140.608)	(75.357)
General Administrative Expenses	14	(19.729)	(399.620)	(210.463)	(12.808)	(189.945)	(103.524)
Research and Development Expenses		(21)	(429)	(40)	(33)	(490)	(133)
Other Operating Income	14	17.818	360.896	198.055	8.651	128.299	104.897
Other Operating Expenses	14	(2.638)	(53.397)	(33.565)	(5.080)	(75.339)	(24.046)
OPERATING PROFIT		3.273	66.294	1.047.855	630.020	9.343.003	5.066.886
Income from Investing Activities		33	662	166	19	282	140
Expenses from Investing Activities	14	(28.198)	(571.145)	(546.405)	(67)	(995)	(750)
Share of Investments' Profit Accounted by Using The Equity Method	5	806	16.325	16.716	1.079	15.998	18.285
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		(24.086)	(487.864)	518.332	631.051	9.358.288	5.084.561
Finance Income	15	20.881	422.935	148.235	32.491	481.838	140.802
Finance Expense	15	(42.325)	(857.289)	(460.727)	(54.349)	(805.980)	(136.309)
PROFIT BEFORE TAX		(45.530)	(922.218)	205.840	609.193	9.034.146	5.089.054
Tax (Expense)/ Income	11	(76.189)	(1.543.217)	(1.825.942)	(182.903)	(2.712.388)	(1.428.578)
Current Corporate Tax (Expense)/ Income		-	-	-	(186.378)	(2.763.917)	(1.345.389)
Deferred Tax (Expense)/ Income		(76.189)	(1.543.217)	(1.825.942)	3.475	51.529	(83.189)
NET (LOSS)/ PROFIT FOR THE PERIOD		(121.719)	(2.465.435)	(1.620.102)	426.290	6.321.758	3.660.476
EARNINGS/ (LOSS) PER SHARE			(0,8502)	(0,5587)		2,1799	1,2622
(TRY 1 Nominal value per share)							

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

	(Reviewed) Current Period 1 January - 30 June 2023 USD'000	(Reviewed) Current Period 1 January - 30 June 2023 TRY'000	(Not Reviewed) Current Period 1 April - 30 June 2023 TRY'000	(Reviewed) Previous Period 1 January - 30 June 2022 USD'000	(Reviewed) Previous Period 1 January - 30 June 2022 TRY'000	(Not Reviewed) Previous Period 1 April - 30 June 2022 TRY'000
(LOSS) / PROFIT FOR THE PERIOD	(121.719)	(2.465.435)	(1.620.102)	426.290	6.321.758	3.660.476
OTHER COMPREHENSIVE INCOME						
Not to be reclassified subsequently to profit or loss						
Foreign Currency Translation Gain (Loss)	-	19.055.645	17.806.401	-	9.381.501	5.383.572
Actuarial Gain/(Loss) of Defined Benefit Plans	9 (5.536)	(142.964)	(142.964)	(11.538)	(192.318)	(192.318)
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	11 1.107	28.593	28.593	2.308	38.464	38.464
To be reclassified subsequently to profit or loss						
Gain (Loss) in Cash Flow Hedging Reserves	428	7.948	(225)	691	14.982	35.747
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 (86)	(1.590)	45	(152)	(3.296)	(7.864)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	(4.087)	18.947.632	17.691.850	(8.691)	9.239.333	5.257.601
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(125.806)	16.482.197	16.071.748	417.599	15.561.091	8.918.077

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

	Note	Other Comprehensive Income (Expense) Not to be Reclassified to Profit/ (Loss)			Other comprehensive income (expense) to be reclassified subsequently to profit or loss		Retained Earnings			Total Shareholders' Equity
		Share Capital	Inflation Adjustment to Capital	Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings	Net (Loss) / Profit for the Period	
(Reviewed)										
1 January 2023		2.900.000	164	31.862.614	(595.956)	(6.538)	3.049.060	7.864.483	6.726.197	51.800.024
Net profit for the period		-	-	-	-	-	-	-	(2.465.435)	(2.465.435)
Other comprehensive income/(loss)		-	-	19.055.645	(114.371)	6.358	-	-	-	18.947.632
Total comprehensive income/(loss)		-	-	19.055.645	(114.371)	6.358	-	-	(2.465.435)	16.482.197
Increase (decrease) due to other changes (*)	2.1	-	-	(7.924.019)	-	-	-	7.924.019	-	-
Transfers		-	-	-	-	-	-	6.726.197	(6.726.197)	-
30 June 2023		2.900.000	164	42.994.240	(710.327)	(180)	3.049.060	22.514.699	(2.465.435)	68.282.221
(Reviewed)										
1 January 2022		2.900.000	164	23.667.446	(166.482)	10.809	2.193.560	4.083.318	6.468.354	39.157.169
Net profit for the period		-	-	-	-	-	-	-	6.321.758	6.321.758
Other comprehensive income/(loss)		-	-	9.381.501	(153.854)	11.686	-	-	-	9.239.333
Total comprehensive income/(loss)		-	-	9.381.501	(153.854)	11.686	-	-	6.321.758	15.561.091
Increase (decrease) due to other changes (*)	2.1	-	-	(6.011.581)	-	-	-	6.011.581	-	-
Dividends		-	-	-	-	-	-	(8.700.000)	-	(8.700.000)
Transfers		-	-	-	-	-	855.500	5.612.854	(6.468.354)	-
30 June 2022		2.900.000	164	27.037.366	(320.336)	22.495	3.049.060	7.007.753	6.321.758	46.018.260

At the Ordinary General Assembly Meeting of the Company held on March 31, 2023, the decision not to distribute cash dividends was majority of votes approved (March 17, 2022 : TRY 8.700.000).

(*)Retained earnings or losses; condensed interim financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed as US \$. The details of the conversion of retained earnings or losses in the condensed interim statement of 30 June 2023 financial position to the presentation currency, Turkish Lira, are explained in Note 2.1.

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

		(Reviewed) 1 January - 30 June 2023	(Reviewed) 1 January - 30 June 2023	(Reviewed) 1 January - 30 June 2022	(Reviewed) 1 January - 30 June 2022
	Note	USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		41.527	950.061	164.238	2.110.509
Profit (Loss) for The Period		(121.719)	(2.465.435)	426.290	6.321.758
Adjustments to Reconcile Profit (Loss)		153.410	3.108.302	193.858	2.923.038
Adjustments for Depreciation and Amortisation Expenses	13/14	47.073	953.451	54.984	815.409
Adjustments for Impairment Loss (Reversal of Impairment Loss)		9.803	198.541	(26)	(390)
Adjustments for Provision (Reversal of Provision) for Receivables		-	(2)	(3)	(50)
Adjustments for Provision (Reversal of Provision) for Inventories	4	(17.026)	(344.873)	(23)	(340)
Adjustments for Provision (Reversal of Provision) for Property, Plant and	6	26.829	543.416	-	-
Adjustments for Provisions		16.367	331.517	9.363	138.869
Adjustments for Provision (Reversal of Provision) for Employee Termination	9	15.683	317.656	8.142	120.766
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or	8	684	13.861	1.221	18.103
Adjustments for Interest (Income) and Expenses		15.614	316.294	(12.205)	(180.998)
Adjustments for Interest Income	15	(20.881)	(422.935)	(30.600)	(453.794)
Adjustments for Interest Expense	15	36.408	737.462	21.597	320.287
Unearned Financial Income from Credit Sales		87	1.767	(3.202)	(47.491)
Adjustments for Unrealised Foreign Exchange Differences		(12.261)	(247.378)	(38.168)	(518.911)
Adjustments for Fair Value (Gains) Losses		125	2.530	(1.891)	(28.044)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		125	2.530	(1.891)	(28.044)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity	5	(806)	(16.325)	(1.079)	(15.998)
Adjustments for Tax (Income) Expenses	11	76.189	1.543.217	182.903	2.712.388
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		1.306	26.455	48	713
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		1.306	26.455	48	713
Other adjustments for Losses (Gains) Reconciliation		-	-	(71)	-
Changes in Working Capital		19.390	500.715	(225.466)	(3.756.578)
Adjustments for Decrease (Increase) in Trade Receivables		24.736	638.763	(56)	(933)
Decrease (Increase) in Trade Receivables from Related Parties		(19.661)	(507.708)	(27.075)	(451.107)
Decrease (Increase) in Trade Receivables from Third Parties		44.397	1.146.471	27.019	450.174
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(337)	(8.702)	574	9.564
Decrease (Increase) in Other Receivables from Operations from Third Parties		(337)	(8.702)	574	9.564
Decrease (Increase) in Derivative Financial Instruments		(153)	(3.951)	(1.481)	(24.676)
Adjustments for Decrease (Increase) in Inventories		(6.059)	(156.457)	(333.356)	(5.554.171)
Decrease (Increase) in Prepaid Expenses		(33.144)	(855.885)	6.559	109.276
Adjustments for Increase (Decrease) in Trade Payables		40.635	1.049.322	112.382	1.872.442
Increase (Decrease) in Trade Payable to Related Parties		11.917	307.734	46.103	768.141
Increase (Decrease) in Trade Payable to Third Parties		28.718	741.588	66.279	1.104.301
Adjustments for Increase (Decrease) in Other Payables Related from Operations		8.199	211.724	(4.378)	(72.944)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		8.199	211.724	(4.378)	(72.944)
Increase (Decrease) in Derivative Liabilities		(209)	(5.397)	2.350	39.154
Adjustments for Other Increase (Decrease) in Working Capital		(14.278)	(368.702)	(8.060)	(134.290)
Decrease (Increase) in Other Assets Related from Operations		(29.868)	(771.284)	(766)	(12.763)
Increase (Decrease) in Other Payables Related from Operations		15.590	402.582	(7.294)	(121.527)
Cash Flows Provided by Operating Activities		51.081	1.143.582	394.682	5.488.218
Payments Related to Provisions for Employee Termination Benefits	9	(9.509)	(192.618)	(867)	(12.861)
Payments Related to Other Provisions	8	(45)	(903)	(30)	(439)
Income Taxes Refund (Paid)	11	-	-	(229.547)	(3.364.409)
CASH FLOWS FROM INVESTING ACTIVITIES		(254.737)	(5.573.704)	(111.116)	(1.853.335)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		82	1.651	48	707
Cash Inflow from Sales of Property, Plant and Equipment		82	1.651	48	707
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(184.220)	(3.731.391)	(104.606)	(1.551.275)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(184.140)	(3.729.766)	(104.585)	(1.550.958)
Cash Outflow from Purchase of Intangible Assets	6	(80)	(1.625)	(21)	(317)
Cash Advances and Debts Given		(76.501)	(1.975.493)	(6.558)	(302.767)
Cash Advance and Debts Given to Related Parties		(50)	(1.291)	(1.510)	(36.265)
Other Cash Advances and Debts Given		(76.451)	(1.974.202)	(5.048)	(266.502)
Dividends Received	5	4.899	112.769	-	-
Other Cash Inflow (Outflow)		1.003	18.760	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		8.419	346.794	(386.779)	(5.889.701)
Cash Inflow from Borrowings		277.802	5.626.883	404.160	5.993.568
Cash Inflow from Loans		277.802	5.626.883	404.160	5.993.568
Cash Outflow from Repayments of Borrowings		(278.737)	(5.678.236)	(145.292)	(2.201.723)
Cash Outflow from Loan Repayments		(278.737)	(5.678.236)	(145.292)	(2.201.723)
Decrease in Other Payables to Related Parties		36.607	951.297	(79.655)	(1.332.468)
Cash Outflow from Debt Payments for Leasing Contracts		(641)	(12.986)	(3.071)	(45.537)
Dividends Paid		-	-	(589.789)	(8.696.852)
Interest Paid		(43.561)	(882.319)	(8.396)	(124.517)
Interest Received		16.949	342.155	35.264	517.828
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(204.791)	(4.276.849)	(333.657)	(5.632.527)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(25.180)	809.336	(15.905)	2.003.294
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(229.971)	(3.467.513)	(349.562)	(3.629.233)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		346.824	6.485.015	658.673	8.779.460
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		116.853	3.017.502	309.111	5.150.227

- As of 30 June 2023, the Company's total amount of time deposit interest accrual is TRY 3.101 thousand (USD 120 thousand) (30 June 2022: TRY 567 thousand (USD 34 thousand)).
- In the statement of financial position, since the functional currency of the Company is USD, exchange differences between the accrued and payment dates of the dividend payables to the shareholders whose original currency is Turkish Lira are reported in Other Adjustments to reconcile Profit (Loss).

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 1 – COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS

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

The Company had become an affiliated company of the Turkish Iron and Steel Administration with the decision no 93/T-85 dated 10 September 1993 of Supreme Planning Committee. Then with the decision no 98/20 of Privatization Committee dated 2 March 1998, the Company was transferred to Turkish Privatization Administration. Ultimately, shares of the Company were transferred to Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (“Erdemir”) in 31 January 2002 by the Turkish Privatization Administration with the decision no 2001/08 which dated 8 February 2001. The immediate parent of Ereğli Demir ve Çelik Fabrikaları T.A.Ş is Ataer Holding A.Ş. The ultimate controlling party is Ordu Yardımlaşma Kurumu (OYAK). İskenderun Demir ve Çelik A.Ş. (“the Company”) stocks continue to be traded on Borsa İstanbul since March 26, 2016.

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

Name Of Company	Country of Operation	Operation	2023 Share %	2022 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sale	50	50

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

The number of the personnel employed by the Company as at 30 June 2023 are as follows:

	30 June 2023 Personnel	31 December 2022 Personnel
Paid Hourly Personnel	2.826	3.017
Paid Monthly Personnel	1.591	1.650
	<u>4.417</u>	<u>4.667</u>

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

2.1 Basis of Presentation (cont’d)

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim period. Accordingly, these condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

Also, the condensed interim financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB.

Functional and Reporting Currency

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

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

Functional currency of the joint venture

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

Inflation accounting

The Public Oversight, Accounting and Auditing Standards Authority (“POA”) adopted TAS 29 Financial Reporting in Hyperinflationary Economies (“TAS 29”) in the 2021 financial reporting period of the companies that implemented the Turkish Financial Reporting Standards (“TFRS”) on 20 January 2022, made a statement about whether they will implement it or not. According to this statement, it is stated that companies applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29.

As of the reporting date, no new statement has been made by the POA regarding the scope and application of TAS 29. Since the functional currency of the Company is USD, there is no need to make any adjustments within the scope of TAS 29 in the financial statements to be prepared in accordance with TFRS.

Presentation currency translation

Company; Pursuant to the Public Oversight, Accounting and Auditing Standards Authority's "POA" announcement dated March 15, 2021, "On the Next Measurement of Foreign Currency Monetary Items According to Turkish Accounting Standards", the assets and liabilities in the summary financial statements are used by using the buying and selling rates valid as of the end of the reporting period. It has been valued and translated into the presentation currency at the same exchange rates.

According to TAS 21 (“The Effects of Changes in Foreign Exchange Rates”) financial statements that are prepared in US Dollars for the Company have been translated in TRY as the following method:

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

2.1 Basis of Presentation (cont’d)

Presentation currency translation (cont’d)

- a) The assets on condensed financial position as of 30 June 2023 are translated from US Dollars into TRY using the Central Bank of the Republic of Turkey's buying rate of exchange which is TRY 25,8231 =US \$ 1 and the liabilities selling rate of exchange which is TRY 25,8696 =US \$ 1 on the balance sheet date (31 December 2022 foreign exchange buying rate: 18,6983 TRY = 1 US \$, foreign exchange selling rate: 18,7320 TRY = 1 US \$).
- b) Profit or loss statements for the year ended 30 June 2023 due to the significant fluctuation in the exchange rate in 2023; 20,2550 TRY = US \$ 1, which is the result of the conversion of the monthly net profits calculated on a monthly basis with the average exchange rates of the relevant month announced by the Central Bank of the Republic of Turkey. (30 June 2022: TRY 14,8297= US \$ 1).
- c) Retained earnings; In the summary financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed in US Dollars. Retained earnings in the summary statement of financial position dated 30 June 2023 are presented by converting them into TRY using the foreign exchange selling rate effective as of 30 June 2023 announced by the Central Bank of the Republic of Turkey, TRY 25,8696 = US \$ 1 (31 December 2022: TRY 18,7320 = US \$ 1).
- d) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim financial statements comprising the statements of financial position as of 30 June 2023 and 31 December 2022, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 30 June 2023 and 2022, represent the financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

Approval of the financial statements

The condensed interim financial statements have been approved on 8 August 2023 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 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. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period financial statements.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 June 2023 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 2023 summarized below.

The new standards, amendments and interpretations which are effective from 2023

Amendments to TAS 1	: Disclosure of Accounting Policies
Amendments to TAS 8	: Definition of Accounting Estimates
Amendments to TAS 12	: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to TFRS 17	: Initial Application of TFRS 17 and TFRS 9 — Comparative Information

The effects of these standards and comments on the financial statements and performance of the company are explained in the relevant paragraphs.

Amendments to TAS 1 Disclosure of Accounting Policies

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

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

Amendments to TAS 8 Definition of Accounting Estimates

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

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

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

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

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

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

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application. The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before. Amendments are effective with the first application of TFRS 17.

The Company Management has evaluated that these amendments and comments, which are effective since 2023, have no effect on the summary financial statements of the Company.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

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

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 has been deferred for 1 year for insurance, reinsurance and pension companies and will replace TFRS 4 Insurance Contracts as of 1 January 2024.

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

With the postponement of the effective date of TFRS 17 to 1 January 2024 for insurance and reinsurance and pension companies, the expiry date of the temporary exemption period for the application of TFRS 9 provided to these companies has been revised to 1 January 2024.

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

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

Amendments to TAS 1 are delay for a one year effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments to TFRS 16 are delay for a one year effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

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

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

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

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

2.4 Summary of Significant Accounting Policies

The condensed interim financial statements for the six months period ended 30 June 2023 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim financial statements for the period ended 30 June 2023 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2022. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope as of 30 June 2023, from the interests reported as of 31 December 2022.

2.5 Restatement and errors in the accounting policies and estimates

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

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.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 3 –RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling parent of the Company are Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

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

	30 June 2023	31 December 2022
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.298.642	2.585.187
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	41.686	45.535
OYAK Sentetik Karbon Ürünleri San. Ve Tic. A.Ş. ⁽³⁾	63	36
Erdemir Asia Pacific PTE LTD ⁽²⁾	817	57
Erdemir Romania SRL ⁽²⁾	-	128.448
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	13.878	26.590
	<u>4.355.086</u>	<u>2.785.853</u>

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

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

	30 June 2023	31 December 2022
<u>Prepaid expenses (long term)</u>		
OYAK İnşaat A.Ş. ⁽³⁾	10.000	-
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	41.313	36.241
	<u>51.313</u>	<u>36.241</u>

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

	30 June 2023	31 December 2022
<u>Due to related parties (short term)</u>		
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	1.116.204	612.241
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	40.607	25.945
Omsan Lojistik A.Ş. ⁽³⁾	87.763	36.552
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	13.228	10.947
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	29.216	14.959
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	3.914	4.047
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	18.789	16.478
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	85.858	55.810
Other	98.889	81.923
	<u>1.494.468</u>	<u>858.902</u>

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

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

	30 June 2023	31 December 2022
<u>Other receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	966.757	-
	<u>966.757</u>	<u>-</u>

⁽¹⁾ Immediate parent company

⁽²⁾ Subsidiaries of the immediate parent company

⁽³⁾ Subsidiaries of the ultimate company

⁽⁴⁾ Joint venture

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

	1 January - 30 June 2023	1 January - 30 June 2022
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	22.499.102	24.542.149
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	2.940	3.084
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	151.487	108.914
Erdemir Romania SRL ⁽²⁾	7.890	106.326
Omsan Lojistik A.Ş. ⁽³⁾	193	56
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	41.038	33.518
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	83.315	52.195
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	1.616	996
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	235	235
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	172	524
Other	1.007	333
	<u>22.788.995</u>	<u>24.848.330</u>

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

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

	1 January - 30 June 2023	1 January - 30 June 2022
<u>Major purchases from related parties</u>		
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	17.073	27.625
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	66.830	48.449
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	2.233.626	2.631.339
Erdemir Asia Pacific PTE LTD ⁽²⁾	897.739	2.789.485
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	181.394	330.578
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	188.370	74.206
Omsan Denizcilik A.Ş. ⁽³⁾	8.155	3.660
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	78.821	29.848
Omsan Lojistik A.Ş. ⁽³⁾	317.941	65.926
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	18.525	13.024
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	113.985	57.002
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	231.115	168.877
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	77.429	97.892
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	64.021	183.860
Other	183.776	13.585
	<u>4.678.800</u>	<u>6.535.356</u>

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

(1) Immediate parent company

(2) Subsidiaries of the immediate parent company

(3) Subsidiaries of the ultimate company

(4) Joint venture

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

In the six-month interim period ending on June 30, 2023, the Company has obtained a financing income of TRY 75.819 thousand from related party transactions, all of which are interest income from forward sales. (30 June 2022: TRY 76.639 thousand). As of the reporting period, interest expenses amounted to TRY (15.460) thousand TRY from related party payables.

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

For the six months period end balances are secured and their collections will be done in cash. Other receivables from related parties balances are non-secured, interest free and their collections will be done in cash. As of 30 June 2023, the Company provides no provision for the receivables from related parties (31 December 2022: None).

Benefits provided to executive managers:

The company's executive management team consists of the Board of Directors, General Manager and Assistant General Managers. For the six months period ended 30 June 2023, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 12.104 thousand (30 June 2022: TRY 6.451 thousand).

NOTE 4 – INVENTORIES

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

	30 June 2023	31 December 2022
Raw materials	5.611.827	7.188.423
Work in progress	6.822.423	5.151.216
Finished goods	3.551.509	2.090.850
Spare parts	3.164.382	1.992.963
Goods in transit	6.886.030	2.359.235
Other inventories	2.239.848	1.546.282
Allowance for impairment on inventories (-)	(790.207)	(890.550)
	<u>27.485.812</u>	<u>19.438.419</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 June 2023	1 January - 30 June 2022
Opening balance	890.550	377.367
Provision for the period	75.440	-
Provision released (-)	(420.313)	(340)
Translation difference	244.530	94.304
Closing balance	<u>790.207</u>	<u>471.331</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).

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

<i>Joint Venture</i>	Right to vote ratio %	30 June 2023	Right to vote ratio %	31 December 2022	Business segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	711.167	50	606.053	Industrial Gas Production and Sale

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

	30 June 2023	31 December 2022
Total assets	1.517.649	1.299.886
Total liabilities	95.315	87.781
Net assets	1.422.334	1.212.105
Company's share on net assets	711.167	606.053

	30 June 2023	31 December 2022
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş has the right of to deduct TRY 194.886 thousand (31 December 2022: TRY 196.398 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY (1.512) thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY (756) thousand) is included in the financial statements prepared as of reporting date.

At the Ordinary General Assembly Meeting of İsdemir Linde Gaz Ortaklığı A.Ş., dated 25 May 2023, decisions regarding the distribution of cash dividend of TRY 225.538 thousand (its effect in the cash flows of Isdemir is TRY 112.769 thousand) from the net profit of 2022 have been unanimously approved. The dividend payment was completed at 8 June 2023.

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

	1 January - 30 June 2023	1 January - 30 June 2022
Revenue	231.458	201.018
Operating Profit	60.402	48.087
Net profit (loss) for the period	32.650	31.995
Company's share on net profit	16.325	15.998

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	30 June 2023	30 June 2022
<u>Opening balance as of 1 January</u>		
Cost	96.839.451	66.051.606
Accumulated depreciation	(56.148.959)	(38.684.657)
Net book value	<u>40.690.492</u>	<u>27.366.949</u>
Net book value at the beginning of the period	40.690.492	27.366.949
Additions (*)	3.784.183	1.496.815
Disposals (-)	(28.106)	(1.420)
<i>Cost disposals</i>	(47.050)	(18.330)
<i>Accumulated depreciation disposals</i>	18.944	16.910
Transfers to intangible assets	-	(703)
Currency translation difference	16.126.684	6.926.207
<i>Cost currency translation difference</i>	37.849.896	16.697.027
<i>Accumulated depreciation currency translation difference</i>	(21.723.212)	(9.770.820)
Current period depreciation (-)	(950.101)	(813.341)
Impairment (-)	(543.416)	-
Net book value at the end of the period	<u>59.079.736</u>	<u>34.974.507</u>
<u>Closing balance as of</u>		
Cost	138.426.480	84.226.415
Accumulated depreciation	(79.346.744)	(49.251.908)
Net book value	<u>59.079.736</u>	<u>34.974.507</u>

(*) The amount of capitalized borrowing cost is TRY 54.417 thousand for the current period. (30 June 2022: TRY (54.143) thousand).

Due to the earthquake on 6 February 2023; The Company's production activities have been suspended until the due diligence studies are completed. As a result of the due diligence studies carried out by the Company as of the reporting period, an impairment of TRY (543.416) thousand has been calculated for the assets that will be out of use. The calculated provision for impairment is recorded in the “Expenses from Investing Activities” account of the summary profit or loss statement.

As of reporting period, the Company has no collaterals or pledges upon its tangible assets (30 June 2022: None).

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

	30 June 2023	30 June 2022
<u>Opening balance as of 1 January</u>		
Cost	1.567.846	1.078.849
Accumulated amortisation	(789.919)	(529.279)
Net book value	<u>777.927</u>	<u>549.570</u>
Net book value at the begin of the period	777.927	549.570
Additions	1.625	317
Transfers form tangible assets	-	703
Currency translation difference	288.753	135.244
<i>Cost currency translation difference</i>	597.860	269.851
<i>Accumulated depreciation currency translation difference</i>	(309.107)	(134.607)
Current period amortisation (-)	(29.520)	(18.462)
Net book value at the end of the period	<u>1.038.785</u>	<u>667.372</u>
<u>Closing balance as of</u>		
Cost	2.167.331	1.349.720
Accumulated amortisation	(1.128.546)	(682.348)
Net book value	<u>1.038.785</u>	<u>667.372</u>

As of reporting period, the Company has no collaterals or pledges upon its intangible assets (30 June 2022: None).

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 8.734 Thousand (30 June 2022: TRY 17.208 Thousand) assets are as follows:

	30 June 2023	30 June 2022
Associated with cost of production	942.977	797.765
General administrative expenses	9.472	8.722
Marketing, sales and distribution expenses	29.107	28.996
Other Operating Expenses	6.799	13.528
	<u>988.355</u>	<u>849.011</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	30 June 2023	31 December 2022
Short term bank borrowings	10.524.685	8.098.064
Short term portion of long term bank borrowings	1.959.194	590.387
Long term bank borrowings	3.220.987	3.062.306
Total bank borrowings	<u>15.704.866</u>	<u>11.750.757</u>
Current portion of long term lease payables	19.152	9.392
Cost of current portion of long term lease payables (-)	(1.510)	(611)
Long term lease payables	310.126	196.386
Cost of long term lease payables (-)	(229.123)	(139.113)
Total leases borrowings	<u>98.645</u>	<u>66.054</u>
Total borrowings	<u>15.803.511</u>	<u>11.816.811</u>

As of 30 June 2023, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	30 June 2023
Fixed	US Dollars	9,96	9.590.586	-	9.590.586
Floating	US Dollars	TERM SOFR+2,62	1.762.357	2.017.879	3.780.236
Floating	EURO	Euribor+0,5	196.837	1.203.108	1.399.945
Fixed	TRY	13,48	934.099	-	934.099
			<u>12.483.879</u>	<u>3.220.987</u>	<u>15.704.866</u>

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

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2022
Fixed	US Dollars	8,48	4.061.589	-	4.061.589
Floating	US Dollars	Libor+1,94	31.014	2.161.995	2.193.009
Floating	EURO	Euribor+0,7	269.041	900.311	1.169.352
Fixed	TRY	21,53	4.326.807	-	4.326.807
			<u>8.688.451</u>	<u>3.062.306</u>	<u>11.750.757</u>

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	30 June 2023			31 December 2022		
	Financial liabilities	Lease liabilities	Total liabilities	Financial liabilities	Lease liabilities	Total liabilities
Within 1 year	12.483.879	17.642	12.501.521	8.688.451	8.781	8.697.232
Between 1-2 years	718.895	9.122	728.017	1.154.909	9.314	1.164.223
Between 2-3 years	369.661	5.721	375.382	261.745	5.862	267.607
Between 3-4 years	369.661	4.889	374.550	261.603	4.371	265.974
Between 4-5 years	369.722	4.370	374.092	243.757	3.908	247.665
Five years or more	1.393.048	56.901	1.449.949	1.140.292	33.818	1.174.110
	<u>15.704.866</u>	<u>98.645</u>	<u>15.803.511</u>	<u>11.750.757</u>	<u>66.054</u>	<u>11.816.811</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	30 June 2023	31 December 2022
Provision for lawsuits	132.566	111.276
Penalty provision for employment shortage of disabled personnel	7.533	8.443
Provision for land occupation	2.402	1.885
	<u>142.501</u>	<u>121.604</u>

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

	30 June 2023	31 December 2022
Lawsuits filed by the Company	163.584	166.282
Lawsuits filed against the Company	9.759	7.187

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

	30 June 2023	31 December 2022
Lawsuits filed against the Company	93.539	75.531
Provision for lawsuits filed by the Company	132.566	111.276

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

NOTE 8 – PROVISIONS (cont’d)

The movement of the short term provisions is as follows:

	1 January 2023	Change for the period	Payments	Provision released	Translation difference	30 June 2023
Provision for lawsuits	111.276	14.428	(903)	(165)	7.930	132.566
Penalty provision for employment shortage of disabled personnel	8.443	-	-	(914)	4	7.533
Provision for land occupation	1.885	587	-	(75)	5	2.402
	<u>121.604</u>	<u>15.015</u>	<u>(903)</u>	<u>(1.154)</u>	<u>7.939</u>	<u>142.501</u>

	1 January 2022	Change for the period	Payments	Provision released	Translation difference	30 June 2022
Provision for lawsuits	68.859	19.574	(439)	(848)	4.121	91.267
Penalty provision for employment shortage of disabled personnel	9.932	-	-	(743)	(6)	9.183
Provision for land occupation	2.993	382	-	(262)	25	3.138
	<u>81.784</u>	<u>19.956</u>	<u>(439)</u>	<u>(1.853)</u>	<u>4.140</u>	<u>103.588</u>

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

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NOTE 8 – PROVISIONS (cont’d)

The Decision of the Constitutional Court for Electricity and Air Gas Consumption Tax

The claims filed every month since May 2012 for refunding of taxes paid and deduction there of from Electric and Coal Gas Tax collected by the Municipality on the Electric and Coal Gas consumption quantity produced by the Company in the facilities and used for industrial production of the Company were concluded in the court of first instance and the Council of State against the company. There after, the Company used its right on 15 January 2015 to apply the Constitutional Court individually. As a result of the General Assembly Resolution of the Supreme Court the Company, which was issued on 25 October 2018 and published in the Official Gazette on 25 December 2018, was notified and stated that the property rights of the Company were violated, and retrial was decided 22 trials for the applicable claims to eliminate the consequences of the violation of the property rights.

Similarly, it was decided by the Supreme Court that it was combined within the scope of our individual application and that the Company's right to property was violated in 34 cases that were concluded, and that the trials in the relevant lawsuits were taken to eliminate the consequences of the violation of the right to property.

56 lawsuits, which were decided to be retrial by the Constitutional Court, were heard again at the Hatay Tax Court, and the Local Court decided to accept the cases in favor of the Company. In addition, in 9 cases, based on the decision of the Constitutional Court, in favor of the Hatay 1st Tax Court, and in favor of the Adana Regional Court of Justice after the Council of State reversed 12 cases, the cases were decided to be accepted in a total of 77 cases.all of these 77 files have been finalized in favor of the Company. The total number of lawsuits filed by the company in this regard is 80, and the Constitutional Court's review for 3 files is still ongoing.

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

NOTE 9 – EMPLOYEE BENEFITS

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

	30 June 2023	31 December 2022
Due to personnel	156.744	219.267
Social security premiums payable	388.230	81.996
	<u>544.974</u>	<u>301.263</u>

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	30 June 2023	31 December 2022
Provisions for employee termination benefits	1.382.610	1.171.313
Provisions for seniority incentive premium	115.848	85.832
Provision for unpaid vacations	150.098	100.110
	<u>1.648.556</u>	<u>1.357.255</u>

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

As of 30 June 2023, the employee termination benefit has been updated to a maximum of TRY 19.982,83 (31 December 2022: TRY 15.371,40). As of 1 July 2023, the employee termination benefit has been updated to a maximum of TRY 23.489,83.

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. The obligation as of 30 June 2023 has been calculated by an independent actuary and projected unit credit method is used in the calculation.

The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	30 June 2023	31 December 2022
Discount rate	% 18,12	% 16,19
Inflation rate	% 16,30	% 14,23

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 June 2023, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 30 June 2023	1 January - 30 June 2022
Opening balance	1.171.313	505.562
Service cost	126.623	17.635
Interest cost	91.615	45.620
Actuarial loss /(gain)	142.964	192.318
Termination benefits paid	(176.627)	(11.316)
Translation difference	26.722	627
Closing balance	<u>1.382.610</u>	<u>750.446</u>

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

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

	1 January - 30 June 2023	1 January - 30 June 2022
Opening balance	85.832	90.872
Service cost	5.385	4.394
Interest cost	6.214	6.221
Actuarial loss/(gain)	18.483	17.711
Translation difference	(66)	80
Closing balance	<u>115.848</u>	<u>119.278</u>

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

	1 January - 30 June 2023	1 January - 30 June 2022
Opening balance	100.110	51.363
Provision for the period	79.094	39.881
Vacation paid during the period (-)	(15.991)	(1.545)
Provisions released (-)	(9.758)	(10.696)
Translation difference	(3.357)	776
Closing balance	<u>150.098</u>	<u>79.779</u>

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NOTE 10 – COMMITMENTS

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

	30 June 2023	31 December 2022
Letters of guarantees received	7.050.642	3.694.662
	<u>7.050.642</u>	<u>3.694.662</u>

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

	30 June 2023	31 December 2022
A. Total CPM given for the Company's own legal entity	871.614	78.776
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>871.614</u>	<u>78.776</u>

As of reporting period, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2022: 0%).

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

	30 June 2023	31 December 2022
US Dollars	771.465	-
TRY	43.841	38.906
EURO	56.308	39.870
	<u>871.614</u>	<u>78.776</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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NOTE 11 – TAX ASSETS AND LIABILITIES

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

	30 June 2023	31 December 2022
<u>Corporate tax payable:</u>		
Corporation tax for the year of 2022	3.954.588	-
Current corporate tax provision	-	3.954.588
Prepaid taxes and funds (-)	(3.835.629)	(3.835.629)
	<u>118.959</u>	<u>118.959</u>
	1 January - 30 June 2023	1 January - 30 June 2022
<u>Taxation:</u>		
Current corporate tax expense	-	2.763.917
Deferred tax expense	1.543.217	(51.529)
	<u>1.543.217</u>	<u>2.712.388</u>

Corporate Tax

The Company is subject to corporation tax applicable in Turkey. The necessary provisions are allocated in the financial statements for the estimated liabilities based on the Company’s results for the current period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other deductions (retained losses if any, used investment allowance if required).

The effective corporate tax rate is 20% as of reporting date (2022: 22%). With the Law No. 7456 published in the Official Gazette dated 15 July 2023, the first paragraph of Article 32 of the Corporate Tax Law was amended, and the corporate tax rate was increased to 25% for the corporate earnings of 2023 and the following taxation periods.

By the Ministry of Treasury and Finance; taxpayers in the provinces affected by the earthquake, it has been accepted as force majeure between 6 February 2023 and 30 November 2023. In this context, the deadlines for submitting tax returns and notifications during force majeure have been extended until December 15, 2023. Corporate tax payment hasn’t been made by the Company in the six-month interim period of 2023 (30 June 2022: TRY 3.364.409 thousand).

The exemption rate applied to the gains arising from the sale of immovables is 50%, and the tax rate to be applied to the deferred tax to be calculated over the temporary differences that arise in case of revaluation of the relevant assets should be considered as 10% in case the book value of the relevant immovable is recovered through sales. 7456 published in the Official Gazette dated 15 July 2023 With the law, the exemption rate to be applied to the gains arising from the sale of immovables has been determined as 25%.

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

Corporate Tax (cont’d)

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

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon the temporary differences arising between its statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of some income and expenses statutory in different reporting periods in the financial statements prepared according to TFRS. The tax rate used in the calculation of deferred tax assets and liabilities (excluding land and land) is based on 20% (31 December 2022: 20%). Deferred tax on temporary timing differences arising from land and land is calculated with 10% (31 December 2022: 10%).

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

	30 June 2023	31 December 2022
Deferred tax assets:		
Provisions for employee benefits	329.711	271.451
Leasing payables	19.729	13.211
Provision for lawsuits	26.383	22.021
Adjustment of receivable rediscount	3.958	3.990
Fair values of the derivative financial instruments	-	1.948
Unused tax losses	97.404	-
Other	45.936	57.057
	<u>523.121</u>	<u>369.678</u>
Deferred tax liabilities:		
Tangible and intangible fixed assets including revaluation adjustment (net)	(7.837.969)	(5.072.274)
Right of use assets	(40.670)	(23.312)
Amortized cost adjustment on loans	(13.458)	(21.501)
Fair values of the derivative financial instruments	(752)	-
Inventories	(1.390.952)	(188.098)
	<u>(9.283.801)</u>	<u>(5.305.185)</u>
Presentation of deferred tax assets/(liabilities):	<u>(8.760.680)</u>	<u>(4.935.507)</u>

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

Deferred tax

The partially or fully recoverable amount of the deferred tax assets of the Company that can be deducted from the future profits is estimated under the current conditions. During the evaluation, future profit projections, financial losses in current periods, expiry dates of unused financial losses carried and other tax assets are taken into consideration.

Company Management it has been evaluated that tax losses subject to deferred tax will be subject to deduction within 1 year, according to future profit projections.

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.

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

	1 January - 30 June 2023	1 January - 30 June 2022
Opening balance	(4.935.507)	(5.106.530)
Deferred tax income/(expense)	(1.543.217)	51.529
The amount in comprehensive income/(expense)	27.003	35.168
Translation difference	(2.308.959)	(1.269.406)
Closing balance	<u>(8.760.680)</u>	<u>(6.289.239)</u>

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

	1 January - 30 June 2023	1 January - 30 June 2022
Profit before tax	(922.218)	9.034.146
Statutory tax rate	20%	22%
Calculated tax acc. to effective tax rate	184.444	(1.987.512)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(1.252)	(367)
- Tangible and intangible assets revaluation tax effect	(395.824)	-
- Unused tax losses	97.404	-
- Non-taxable income	23.127	77
- Effect of currency translation (*)	(1.451.116)	(724.586)
Tax expense in reported in the statement of income	<u>(1.543.217)</u>	<u>(2.712.388)</u>

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

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

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD
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NOTE 12 – EQUITY

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

		30 June		31 December
	(%)	2023	(%)	2022
<u>Shareholders</u>				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	94,87	2.751.326
Quoted in Stock Exchange	5,13	148.674	5,13	148.674
Historical capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		2.900.164		2.900.164

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 13 – SALES AND COST OF SALES

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. As of reporting date, the amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 361.822 thousand. The Company planning to recognize related revenue amount as a revenue in a year.

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
<u>Sales Revenue</u>				
Domestic sales	23.965.843	15.053.786	29.888.383	16.849.773
Export sales	1.500.350	983.466	3.931.988	1.727.732
Other revenues (*)	1.634.129	928.299	928.012	611.385
Interest income from sales with maturities	84.783	56.837	80.561	47.246
Sales returns (-)	(749)	(52)	(4.232)	(2.628)
	<u>27.184.356</u>	<u>17.022.336</u>	<u>34.824.712</u>	<u>19.233.508</u>
<u>Cost of sales (-)</u>	<u>(26.791.823)</u>	<u>(15.780.602)</u>	<u>(25.203.626)</u>	<u>(14.068.459)</u>
Gross profit	<u>392.533</u>	<u>1.241.734</u>	<u>9.621.086</u>	<u>5.165.049</u>

(*) The total amount of by product exports in other revenues is TRY 579.277 thousand (30 June 2022: TRY 447.863 thousand).

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Raw material usage	(18.293.619)	(11.913.532)	(21.345.208)	(11.850.768)
Personnel costs	(1.033.140)	(711.609)	(618.391)	(331.285)
Energy costs	(1.688.919)	(914.091)	(1.368.759)	(777.678)
Depreciation and amortization expenses	(908.073)	(489.306)	(764.163)	(407.537)
Factory overheads	(394.633)	(155.881)	(197.349)	(104.263)
Other cost of goods sold	(3.300.255)	(1.285.318)	(507.854)	(366.256)
Non-operating costs (*)	(1.259.430)	(125.066)	(13.614)	(10.020)
Freight costs for sales delivered to customers	(101.001)	(68.635)	(249.018)	(137.628)
Inventory write-downs within the period (Note 4)	(75.440)	(75.440)	-	-
Reversal of inventory write-downs (Note 4)	420.313	51.224	340	22
Other	(157.626)	(92.948)	(139.610)	(83.046)
	<u>(26.791.823)</u>	<u>(15.780.602)</u>	<u>(25.203.626)</u>	<u>(14.068.459)</u>

(*) Due to the earthquake on 6 February 2023; until due diligence studies are completed, the company's production activities were suspended. TRY (1.259.430) thousand non-working part expense due to unexpected stoppage at the Company's production facilities, is not associated with the product cost and is directly included in the cost of sales.

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

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

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

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Personnel expenses (-)	(57.529)	(29.979)	(26.333)	(14.234)
Depreciation and amortization(-)	(29.107)	(17.708)	(28.996)	(14.927)
Tax, duty and charges (-)	(275)	(147)	(162)	(90)
Service expenses (-)	(146.778)	(100.032)	(85.117)	(46.106)
	<u>(233.689)</u>	<u>(147.866)</u>	<u>(140.608)</u>	<u>(75.357)</u>

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Personnel expenses (-)	(118.372)	(66.354)	(60.928)	(32.733)
Depreciation and amortization expenses(-)	(7.537)	(4.051)	(5.042)	(2.560)
Amortization expense of right of use (-)	(1.935)	752	(3.680)	(1.988)
Provision for doubtful receivables (net)	2	2	50	50
Tax, duty and charges (-)	(6.183)	(3.124)	(2.661)	(1.777)
Service expenses (-)	(265.595)	(137.688)	(117.684)	(64.516)
	<u>(399.620)</u>	<u>(210.463)</u>	<u>(189.945)</u>	<u>(103.524)</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
<u>Other operating income</u>				
Foreign exchange gains from trade receivables and payables	169.675	159.863	52.519	52.519
Discount income	161	80	155	77
Provisions released	1.079	642	1.591	912
Service income	9.927	5.964	7.909	4.166
Maintenance repair and rent income	6.082	2.382	8.602	4.184
Lawsuit income	32	23	477	435
Indemnity and penalty detention income	7.375	4.349	7.437	5.459
Insurance indemnity income	135.911	16.988	-	-
Warehouse income	8.210	1.873	6.846	4.464
Customers delay interest income	1.776	151	206	45
Other income and gains	20.668	5.740	42.557	32.636
	<u>360.896</u>	<u>198.055</u>	<u>128.299</u>	<u>104.897</u>

The Company's production facilities are covered by insurance; as of the reporting period past compensated insurance claims are accounted as other operating income.

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

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
<u>Other operating expenses (-)</u>				
Provision expenses	(14.428)	(12.994)	(19.574)	(8.093)
Donation expenses	(4.040)	(3.302)	(11.720)	(2.502)
Amortisation expenses of right of use	(6.799)	(5.158)	(13.528)	(7.487)
Foreign exchange expenses from trade receivables and payables	-	-	-	8.793
Penalty expenses	(1.915)	(1.766)	(226)	(151)
Service expenses	(7.719)	(4.669)	(3.684)	(2.148)
Lawsuit compensation expenses	(1.044)	(624)	(1.494)	(926)
Stock exchange registration expenses	(2.243)	(1.199)	-	-
Other expenses and losses	(15.209)	(3.853)	(25.113)	(11.532)
	<u>(53.397)</u>	<u>(33.565)</u>	<u>(75.339)</u>	<u>(24.046)</u>

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
<u>Expenses from investing activities (-)</u>				
Loss on disposal of tangible assets	(26.721)	(2.413)	(995)	(750)
Venture capital at fair value through profit or loss net gain/(loss) from mutual fund	(1.008)	(576)	-	-
Impairment provision for tangible assets (Note 6)	(543.416)	(543.416)	-	-
	<u>(571.145)</u>	<u>(546.405)</u>	<u>(995)</u>	<u>(750)</u>

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NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
<u>Finance income</u>				
Interest income on bank deposits	422.935	150.502	444.061	123.009
Interest income on related party	-	-	9.733	9.733
Fair value differences of derivative financial instruments (net)	-	(2.267)	28.044	8.060
	<u>422.935</u>	<u>148.235</u>	<u>481.838</u>	<u>140.802</u>

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(717.259)	(401.688)	(299.622)	(175.939)
Foreign exchange loss (net)	(13.987)	15.196	(424.760)	83.343
Interest cost of employee benefits	(97.829)	(49.399)	(51.841)	(26.076)
Related party interest expense	(15.460)	(15.460)	-	-
Interest expenses on leases	(4.743)	(2.742)	(20.665)	(11.090)
Other financial expenses	(5.481)	(4.104)	(9.092)	(6.547)
Fair value differences of derivative financial instruments (net)	(2.530)	(2.530)	-	-
	<u>(857.289)</u>	<u>(460.727)</u>	<u>(805.980)</u>	<u>(136.309)</u>

During the period, the interest expenses TRY 54.417 thousand have been capitalized as part of the Company’s property, plant and equipment (30 June 2022: TRY (54.143) thousand).

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

Additional information about financial instruments

Foreign currency risk management

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

	30 June 2023			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	40.533	40.295	8	-
2a. Monetary financial assets	3.077.974	3.076.329	58	21
2b. Non- monetary financial assets	94.521	93.328	42	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	3.213.028	3.209.952	108	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	59.062	59.062	-	-
6b. Non- monetary financial assets	3.101.044	2.663.413	15.544	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	3.160.106	2.722.475	15.544	-
9. Total assets (4+8)	6.373.134	5.932.427	15.652	21
10. Trade payables	2.448.808	2.218.803	8.155	-
11. Financial liabilities	1.148.578	951.740	6.979	-
12a. Other monetary financial liabilities	2.271.811	2.266.929	173	-
12b. Other non-monetary financial liabilities	68	-	2	-
13. Current liabilities (10+11+12)	5.869.265	5.437.472	15.309	-
14. Trade payables	-	-	-	-
15. Financial liabilities	1.284.104	80.997	42.656	-
16a. Other monetary financial liabilities	1.648.556	1.648.556	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	2.932.660	1.729.553	42.656	-
18. Total liabilities (13+17)	8.801.925	7.167.025	57.965	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(286.451)	-	(10.156)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	286.451	-	10.156	-
20. Net foreign currency asset/liability position (9-18+19)	(2.715.242)	(1.234.598)	(52.469)	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(5.624.288)	(3.991.339)	(57.897)	21
22. Fair value of derivative financial instruments used in foreign currency hedge	3.959	-	140	-
23. Hedged foreign currency assets	286.451	-	10.156	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	2.079.627	-	-	-
26. Imports	13.350.641	-	-	-

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

	31 December 2022			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	870.165	338.548	29.307	-
2a. Monetary financial assets	3.885.733	3.885.622	6	23
2b. Non- monetary financial assets	-	-	-	-
3. Other	36.390	30.709	313	-
4. Current assets (1+2+3)	4.792.288	4.254.879	29.626	23
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	59.281	59.281	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	809.776	525.015	15.698	-
8. Non-current assets (5+6+7)	869.057	584.296	15.698	-
9. Total assets (4+8)	5.661.345	4.839.175	45.324	23
10. Trade payables	1.787.734	1.594.595	10.572	7.954
11. Financial liabilities	4.604.629	4.335.588	14.805	-
12a. Other monetary financial liabilities	686.902	660.766	1.438	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	7.079.265	6.590.949	26.815	7.954
14. Trade payables	-	-	-	-
15. Financial liabilities	957.584	57.273	49.543	-
16a. Other monetary financial liabilities	1.357.255	1.357.255	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	2.314.839	1.414.528	49.543	-
18. Total liabilities (13+17)	9.394.104	8.005.477	76.358	7.954
19. Net asset/liability position of off-balance sheet derivative financial	(16.954)	-	(933)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	16.954	-	933	-
20. Net foreign currency asset/liability position (9-18+19)	(3.749.713)	(3.166.302)	(31.967)	(7.931)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(4.578.925)	(3.722.026)	(47.045)	(7.931)
22. Fair value of derivative financial instruments used in foreign currency hedge	(870)	-	(48)	-
23. Hedged foreign currency assets	16.954	-	933	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	9.125.183	-	-	-
26. Imports	34.884.202	-	-	-

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

For assets with foreign currency balances in the summary statement of financial position as of 30 June 2023: 25,8231 TRY = US \$ 1, 28,1540 TRY = Euro 1; 0,1799 TRY = JPY 1 for liabilities: 25,8696 TRY = US \$ 1, 28,2048 TRY = Euro 1, 0,1810 TRY = JPY 1 converted at rates (31 December 2022: For assets; 18,6983 TRY = US \$ 1, 19,9349 TRY = Euro 1; 0,1413 TRY = JPY, 1 For Liabilities; 18,7320 TRY = US \$ 1, 19,9708 TRY = Euro 1, 0,1422 TRY = JPY 1).

	Profit/(loss) after capitalization on tangible assets and before tax	
	Appreciation of foreign currency	Depreciation of foreign currency
30 June 2023		
1- TRY net asset/liability	(399.134)	399.134
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(399.134)	399.134
5- Euro net asset/liability	(119.422)	119.422
6- Hedged portion from Euro risk (-)	(28.645)	28.645
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(148.067)	148.067
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	-	-
TOTAL (4+8+12)	(547.201)	547.201

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

	Profit/(loss) after capitalization on tangible assets and before tax	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2022		
1- TRY net asset/liability	(316.630)	316.630
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(316.630)	316.630
5- Euro net asset/liability	(56.544)	56.544
6- Hedged portion from Euro risk (-)	(1.695)	1.695
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(58.239)	58.239
9- Jap. Yen net asset/liability	(102)	102
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(102)	102
TOTAL (4+8+12)	(374.971)	374.971

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
30 June 2023				
Financial Assets				
Cash and cash equivalents	3.020.603	-	-	3.020.603
Trade receivables	4.975.474	-	-	4.975.474
Financial investments	-	-	52.956	52.956
Other financial assets	79.990	-	-	79.990
Derivative financial instruments	-	-	3.959	3.959
Financial Liabilities				
Financial liabilities	15.803.511	-	-	15.803.511
Trade payables	6.459.458	-	-	6.459.458
Other liabilities	1.512.993	-	-	1.512.993
Derivative financial instruments	-	205	-	205
31 December 2022				
Financial Assets				
Cash and cash equivalents	6.490.670	-	-	6.490.670
Trade receivables	3.989.685	-	-	3.989.685
Financial investments	-	-	71.934	71.934
Other financial assets	51.596	-	-	51.596
Financial Liabilities				
Financial liabilities	11.816.811	-	-	11.816.811
Trade payables	3.915.903	-	-	3.915.903
Other liabilities	479.910	-	-	479.910
Derivative financial instruments	-	8.158	1.582	9.740

The Company Management, considers that the fair values of financial assets and liabilities reflect their carrying values.

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

Additional information about financial instruments (cont’d)

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

30 June 2023

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	52.256	-	52.256	-
Derivative financial assets	3.959	-	3.959	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial liabilities	(205)	-	(205)	-
Total	56.010	-	56.010	-

31 December 2022

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	52.667	-	52.667	-
Currency hedged time deposit	18.760	-	18.760	-
Derivative financial liabilities	(1.582)	-	(1.582)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial liabilities	(8.158)	-	(8.158)	-
Total	61.687	-	61.687	-

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

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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

NOTE 17 – SUBSEQUENT EVENTS

Institutions with the Law No. 7456 published in the Official Gazette dated 15 July 2023 by making changes in the first paragraph of Article 32 of the Tax Law, the year 2023 and the following the corporate tax rate for corporate earnings of taxation periods has been increased to 25%.

Based on TAS 10 “Events After the Reporting Period” standard, which is included in the non-adjusting events after the reporting period, “A change or announcing that a change will be made in the tax rates or tax laws in force after the reporting period in a way that will have a significant effect on the current and deferred tax assets and liabilities” rate change is considered as an event after the reporting period.

If the tax rate change had occurred before the reporting period, the effect on the Company's total tax expenses in the summary profit or loss statement would have been TRY (1.754.050) thousand.

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

Convenience translation to English:

As of 30 June 2023, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.