

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN
1 JANUARY - 30 SEPTEMBER 2022**

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2022 USD'000	Current Period 30 September 2022 TRY'000	Previous Period 31 December 2021 USD'000	Previous Period 31 December 2021 TRY'000
ASSETS					
Current Assets		1.962.394	36.340.995	1.950.491	25.998.080
Cash and Cash Equivalents		246.252	4.560.267	662.058	8.824.568
Trade Receivables		306.429	5.674.660	207.529	2.766.145
<i>Due From Related Parties</i>	3	250.103	4.631.582	121.531	1.619.882
<i>Other Trade Receivables</i>		56.326	1.043.078	85.998	1.146.263
Other Receivables		2.451	45.395	4.555	60.718
<i>Due From Related Parties</i>	3	-	-	1.592	21.225
<i>Other Receivables</i>		2.451	45.395	2.963	39.493
Financial Derivative Instruments		592	10.955	4.110	54.786
Inventories	4	1.347.986	24.962.957	1.044.265	13.919.002
Prepaid Expenses		17.040	315.570	20.362	271.402
Other Current Assets		41.644	771.191	7.612	101.459
Non Current Assets		2.306.168	42.707.230	2.232.514	29.757.191
Financial Investments		27	502	27	361
Other Receivables		319	5.900	443	5.900
Investments Accounted For Using Equity Method	5	29.616	548.447	27.781	370.292
Property, Plant and Equipment	6	2.135.517	39.547.005	2.053.188	27.366.949
Right of Use Assets		47.801	885.217	43.773	583.444
Intangible Assets	6	39.488	731.262	41.231	549.570
Prepaid Expenses		53.400	988.897	66.071	880.675
<i>Due From Related Parties</i>	3	3.933	72.826	3.350	44.650
<i>Other Prepaid Expenses</i>		49.467	916.071	62.721	836.025
TOTAL ASSETS		4.268.562	79.048.225	4.183.005	55.755.271

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2022	Current Period 30 September 2022	Previous Period 31 December 2021	Previous Period 31 December 2021
		USD'000	TRY'000	USD'000	TRY'000
LIABILITIES					
Current Liabilities		889.936	16.510.366	643.508	8.592.839
Short Term Borrowings	7	401.908	7.456.237	151.482	2.022.735
Short Term Portion of Long Term Borrowings	7	33.149	614.975	58.350	779.150
Trade Payables		307.626	5.707.298	235.240	3.141.247
<i>Due to Related Parties</i>	3	89.383	1.658.248	32.613	435.475
<i>Other Trade Payables</i>		218.243	4.049.050	202.627	2.705.772
Payables for Employee Benefits	9	7.670	142.299	7.461	99.622
Other Payables		77.243	1.433.017	5.827	77.807
<i>Due to Related Parties</i>	3	72.663	1.348.049	-	-
<i>Other Payables</i>		4.580	84.968	5.827	77.807
Derivative Financial Instruments		-	-	232	3.093
Deferred Revenue		18.106	335.906	38.655	516.163
Current Tax Liabilities	11	38.088	706.616	139.903	1.868.124
Short Term Provisions	8	5.906	109.570	6.125	81.784
Other Current Liabilities		240	4.448	233	3.114
Non Current Liabilities		601.404	11.157.305	599.510	8.005.263
Long Term Borrowings	7	169.587	3.146.196	168.572	2.250.936
Long Term Provisions	9	54.224	1.005.977	48.513	647.797
<i>Long Term Provisions for Employee Benefits</i>		54.224	1.005.977	48.513	647.797
Deferred Tax Liabilities	11	377.593	7.005.132	382.425	5.106.530
EQUITY		2.777.222	51.380.554	2.939.987	39.157.169
Share Capital	12	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital		85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(39.024)	30.666.478	(29.794)	23.500.964
<i>Actuarial (Loss)/ Gain Funds</i>		(39.024)	(320.336)	(29.794)	(166.482)
<i>Foreign Currency Translation Reserves</i>		-	30.986.814	-	23.667.446
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		341	6.325	809	10.809
<i>Cash Flow Hedging Gain (Loss)</i>		341	6.325	809	10.809
Restricted Reserves Assorted from Profit		482.127	3.049.060	423.834	2.193.560
Retained Earnings		419.842	7.788.953	305.797	4.083.318
Net Profit for the Period		439.746	6.969.574	765.151	6.468.354
TOTAL LIABILITIES AND EQUITY		4.268.562	79.048.225	4.183.005	55.755.271

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

		(Unaudited) Current Period 1 January - 30 September 2022	(Unaudited) Current Period 1 January - 30 September 2022	(Unaudited) Current Period 1 July - 30 September 2022	(Unaudited) Previous Period 1 January - 30 September 2021	(Unaudited) Previous Period 1 January - 30 September 2021	(Unaudited) Current Period 1 July - 30 September 2021
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	13	3.304.535	52.373.912	17.549.200	3.092.052	25.007.591	10.500.349
Cost of Sales	13	(2.608.089)	(41.335.861)	(16.132.235)	(1.923.663)	(15.558.012)	(6.331.847)
GROSS PROFIT		696.446	11.038.051	1.416.965	1.168.389	9.449.579	4.168.502
Marketing, Sales and Distribution Expenses	14	(14.302)	(226.670)	(86.062)	(14.001)	(113.235)	(39.603)
General Administrative Expenses	14	(20.496)	(324.844)	(134.899)	(18.288)	(147.909)	(53.729)
Research and Development Expenses		(45)	(708)	(218)	(39)	(316)	(80)
Other Operating Income	14	7.162	113.505	(14.794)	6.273	50.735	16.211
Other Operating Expenses	14	(6.707)	(106.295)	(30.956)	(21.108)	(170.716)	(26.473)
OPERATING PROFIT		662.058	10.493.039	1.150.036	1.121.226	9.068.138	4.064.828
Income from Investing Activities		22	342	60	6	45	45
Expenses from Investing Activities		(71)	(1.124)	(129)	(238)	(1.919)	(169)
Share of Investments' Profit Accounted by Using The Equity Method	5	1.835	29.081	13.083	547	4.425	5.725
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		663.844	10.521.338	1.163.050	1.121.541	9.070.689	4.070.429
Finance Income	15	41.979	665.325	183.487	74.740	604.472	288.167
Finance Expense	15	(62.697)	(993.685)	(187.705)	(104.157)	(593.184)	(205.959)
PROFIT BEFORE TAX		643.126	10.192.978	1.158.832	1.092.124	9.081.977	4.152.637
Tax (Expense)/ Income	11	(203.380)	(3.223.404)	(511.016)	(335.313)	(2.961.120)	(1.148.037)
Current Corporate Tax (Expense)/ Income		(205.774)	(3.261.340)	(497.423)	(308.878)	(2.747.318)	(1.160.664)
Deferred Tax (Expense)/ Income		2.394	37.936	(13.593)	(26.435)	(213.802)	12.627
NET PROFIT FOR THE PERIOD		439.746	6.969.574	647.816	756.811	6.120.857	3.004.600
EARNINGS PER SHARE			2,4033	0,2234		2,1106	1,0361
(TRY 1 Nominal value per share)							

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

	(Unaudited) Current Period 1 January - 30 September 2022 Note	(Unaudited) Current Period 1 January - 30 September 2022 TRY*000	(Unaudited) Current Period 1 July - 30 September 2022 TRY*000	(Unaudited) Previous Period 1 January - 30 September 2021 USD*000	(Unaudited) Previous Period 1 January - 30 September 2021 TRY*000	(Unaudited) Previous Period 1 July - 30 September 2021 TRY*000	
PROFIT FOR THE PERIOD		439.746	6.969.574	647.816	756.811	6.120.857	3.004.600
OTHER COMPREHENSIVE INCOME							
Not to be reclassified subsequently to profit or loss							
Foreign Currency Translation Gain (Loss)		-	14.112.149	4.730.648	-	4.521.718	767.957
Actuarial Gain/(Loss) of Defined Benefit Plans	9	(11.538)	(192.318)	-	(5.041)	(43.886)	-
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	11	2.308	38.464	-	1.008	8.777	-
To be reclassified subsequently to profit or loss							
Gain (Loss) in Cash Flow Hedging Reserves		(600)	(5.749)	(20.731)	2.012	17.896	5.828
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11	132	1.265	4.561	(503)	(4.474)	(1.457)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD		(9.698)	13.953.811	4.714.478	(2.524)	4.500.031	772.328
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		430.048	20.923.385	5.362.294	754.287	10.620.888	3.776.928

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

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

	Note	Share Capital	Inflation Adjustment to Capital	Other Comprehensive Income (Expense) Not to be Reclassified to Profit/ (Loss)		Other Comprehensive Income (Expense) to be Reclassified Subsequently to Profit or Loss	Retained Earnings		Total Shareholders' Equity	
				Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings		Net Profit for the Period
(Unaudited)										
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		-	-	-	-	-	-	-	6.969.574	6.969.574
Other comprehensive income/(loss)		-	-	14.112.149	(153.854)	(4.484)	-	-	-	13.953.811
Total comprehensive income/(loss)		-	-	14.112.149	(153.854)	(4.484)	-	-	6.969.574	20.923.385
Increase (decrease) due to other changes	2.1	-	-	(6.792.781)	-	-	-	6.792.781	-	-
Dividends (*)		-	-	-	-	-	-	(8.700.000)	-	(8.700.000)
Transfers		-	-	-	-	-	855.500	5.612.854	(6.468.354)	-
30 September 2022		2.900.000	164	30.986.814	(320.336)	6.325	3.049.060	7.788.953	6.969.574	51.380.554
(Unaudited)										
1 January 2021 (Previously reported)		2.900.000	164	13.629.734	(54.295)	-	1.401.860	1.680.005	2.423.349	21.980.817
Effect of change in accounting principle	2.5	-	-	(4.555.432)	-	-	-	4.555.432	-	-
1 January 2021		2.900.000	164	9.074.302	(54.295)	-	1.401.860	6.235.437	2.423.349	21.980.817
Net profit for the period		-	-	-	-	-	-	-	6.120.857	6.120.857
Other comprehensive income/(loss)		-	-	4.521.718	(35.109)	13.422	-	-	-	4.500.031
Total comprehensive income/(loss)		-	-	4.521.718	(35.109)	13.422	-	-	6.120.857	10.620.888
Increase (decrease) due to other changes	2.1	-	-	(1.240.941)	-	-	-	1.240.941	-	-
Dividends (*)		-	-	-	-	-	-	(3.712.000)	-	(3.712.000)
Transfers		-	-	-	-	-	356.700	2.066.649	(2.423.349)	-
30 September 2021		2.900.000	164	12.355.079	(89.404)	13.422	1.758.560	5.831.027	6.120.857	28.889.705

(*) At the Ordinary General Assembly Meeting of the Company held on March 17, 2022, dividend per share: 3,00 TRY (2021: 1,28 TRY) from the profits of 2021 and previous years, the decision to distribute a cash dividend of 8.700.000 thousand TRY (March 16, 2021: 3.712.000 thousand TRY) was unanimously approved. Dividend distribution started on 22 March 2022.

Retained earnings; in the condensed financial statements, in accordance with TAS 21, the details of conversion of retained earnings to the presentation currency, Turkish Lira, in the condensed statement of financial position dated 30 September 2022 by converting to US Dollars at historical rates, are explained in Note 2.1.

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		1 January -	1 January -	1 January -	1 January -
		30 September 2022	30 September 2022	30 September 2021	30 September 2021
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		(7.100)	(966.673)	487.994	3.931.400
Profit (Loss) for The Period		439.746	6.969.574	756.811	6.120.857
Adjustments to Reconcile Profit (Loss)		222.657	3.738.673	339.469	3.137.011
Adjustments for Depreciation and Amortisation Expenses	13/14	81.418	1.290.385	82.453	666.865
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(54)	(851)	(130)	(1.093)
Adjustments for Provision (Reversal of Provision) for Receivables		8	127	12	57
Adjustments for Provision (Reversal of Provision) for Inventories	4	(62)	(978)	(142)	(1.150)
Adjustments for Provisions		14.084	223.248	10.587	85.633
Adjustments for Provision (Reversal of Provision) for Employee Termination	9	12.603	199.764	10.024	81.084
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or	8	1.481	23.484	563	4.549
Adjustments for Interest (Income) and Expenses		(17)	(281)	(65.629)	(530.782)
Adjustments for Interest Income	15	(34.924)	(553.510)	(70.626)	(571.198)
Adjustments for Interest Expense	15	39.485	625.792	6.693	54.131
Unearned Financial Income from Credit Sales		(4.578)	(72.563)	(1.696)	(13.715)
Adjustments for Unrealised Foreign Exchange Differences		(61.634)	(857.118)	(3.610)	(29.203)
Adjustments for Fair Value (Gains) Losses		(7.055)	(111.815)	(1.605)	(12.978)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(7.055)	(111.815)	(1.605)	(12.978)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity	5	(1.835)	(29.081)	(547)	(4.425)
Adjustments for Tax (Income) Expenses	11	203.380	3.223.404	335.313	2.961.120
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		49	782	232	1.874
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		49	782	232	1.874
Other adjustments for Losses (Gains) Reconciliation		(5.679)	-	(17.595)	-
Changes in Working Capital		(359.553)	(6.658.451)	(378.394)	(3.359.572)
Adjustments for Decrease (Increase) in Trade Receivables		(97.019)	(1.796.665)	(145.499)	(1.291.813)
Decrease (Increase) in Trade Receivables from Related Parties		(128.572)	(2.380.986)	(70.843)	(628.980)
Decrease (Increase) in Trade Receivables from Third Parties		31.553	584.321	(74.656)	(662.833)
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		636	11.778	587	5.212
Decrease (Increase) in Derivative Financial Instruments		3.518	65.149	(5.552)	(49.296)
Adjustments for Decrease (Increase) in Inventories		(301.014)	(5.574.383)	(299.315)	(2.657.470)
Decrease (Increase) in Prepaid Expenses		11.329	209.794	468	4.156
Adjustments for Increase (Decrease) in Trade Payables		72.386	1.340.495	62.531	555.182
Increase (Decrease) in Trade Payable to Related Parties		56.770	1.051.307	49.954	443.517
Increase (Decrease) in Trade Payable to Third Parties		15.616	289.188	12.577	111.665
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(1.038)	(19.222)	1.590	14.117
Increase (Decrease) in Other Payables to Third Parties Related from Operations		(1.038)	(19.222)	1.590	14.117
Increase (Decrease) in Derivative Liabilities		6.223	115.242	3.617	32.114
Adjustments for Other Increase (Decrease) in Working Capital		(54.574)	(1.010.639)	3.179	28.226
Decrease (Increase) in Other Assets Related from Operations		(34.032)	(630.228)	1.994	17.705
Increase (Decrease) in Other Payables Related from Operations		(20.542)	(380.411)	1.185	10.521
Cash Flows Provided by Operating Activities		302.850	4.049.796	717.886	5.898.296
Payments Related to Provisions for Employee Termination Benefits	9	(2.286)	(36.222)	(2.831)	(22.890)
Payments Related to Other Provisions	8	(75)	(1.191)	(64)	(518)
Income Taxes Refund (Paid)	11	(307.589)	(4.979.056)	(226.997)	(1.943.488)
CASH FLOWS FROM INVESTING ACTIVITIES		(164.580)	(2.595.988)	(194.183)	(1.689.480)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		88	1.397	7	61
Cash Inflow from Sales of Property, Plant and Equipment		88	1.397	7	61
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(169.333)	(2.683.775)	(195.260)	(1.579.201)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(169.256)	(2.682.557)	(194.918)	(1.576.438)
Cash Outflow from Purchase of Intangible Assets	6	(77)	(1.218)	(342)	(2.763)
Cash Advances and Debts Given		4.665	86.390	211	(116.732)
Cash Advance and Debts Given to Related Parties		(580)	(10.741)	(3.400)	(32.918)
Other Cash Advances and Debts Given		5.245	97.131	3.611	(83.814)
Dividends Received	5	-	-	859	6.392
CASH FLOWS FROM FINANCING ACTIVITIES		(216.687)	(2.763.380)	142.436	101.888
Cash Inflow from Borrowings		597.801	9.474.609	301.015	2.480.708
Cash Inflow from Loans		597.801	9.474.609	301.015	2.480.708
Cash Outflow from Repayments of Borrowings		(323.227)	(5.242.584)	(31.462)	(256.345)
Cash Outflow from Loan Repayments		(323.227)	(5.242.584)	(31.462)	(256.345)
Decrease in Other Payables to Related Parties		73.428	1.356.173	282.488	1.066.238
Cash Outflow from Debt Payments for Leasing Contracts		(3.240)	(51.359)	(4.182)	(33.822)
Dividends Paid		(587.019)	(8.696.814)	(474.867)	(3.710.630)
Interest Paid		(15.373)	(243.641)	(1.751)	(19.982)
Interest Received		40.943	640.236	71.195	575.721
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(388.367)	(6.326.041)	436.247	2.343.808
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(24.110)	2.105.826	(19.240)	1.366.680
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(412.477)	(4.220.215)	417.007	3.710.488
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		658.674	8.779.460	5.259	38.603
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		246.197	4.559.245	422.266	3.749.091

- As of 30 September 2022, the Company's total amount of time deposit interest accrual is TRY 1.022 thousand (USD 55 thousand) (30 September 2021: TRY 878 thousand (USD 99 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

NOTE 1 – COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

Name Of Company	Country of Operation	Operation	2022 Share %	2021 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Industrial Gas Production and Sale	50	50

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

The number of the personnel employed by the Company as at 30 September 2022 are as follows:

	30 September 2022	31 December 2021
	Personnel	Personnel
Paid Hourly Personnel	3.029	3.124
Paid Monthly Personnel	1.648	1.675
	<u>4.677</u>	<u>4.799</u>

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

2.1 Basis of Presentation (cont’d)

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim period. Accordingly, these condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

Also, the condensed interim financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

Functional and Reporting Currency

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

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

Functional currency of the joint venture

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

Inflation accounting

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

Presentation currency translation

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

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

2.1 Basis of Presentation (cont’d)

Presentation currency translation (cont’d)

- a) The assets on condensed financial position as of 30 September 2022 are translated from US Dollars into TRY using the Central Bank of the Republic of Turkey's buying rate of exchange which is TRY 18,5187 =US \$ 1 and the liabilities selling rate of exchange which is TRY 18,5521 =US \$ 1 on the balance sheet date (31 December 2021 foreign exchange buying rate: 13,3290 TRY = 1 US \$, foreign exchange selling rate: 13,3530 TRY = 1 US \$).
- b) For the nine months period ended 30 September 2022, condensed profit or loss statements are translated from the 9 months average TRY 15,8491 = US \$ 1 rates of 2022 January - September period (30 September 2021: TRY 8,0877 = 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 September 2022 are presented by converting them into TRY using the foreign exchange selling rate effective as of 30 September 2022 announced by the Central Bank of the Republic of Turkey, TRY 18,5521 = US \$ 1 (31 December 2021: TRY 13,3530 = US \$ 1).
- d) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- e) Share capital and other reserves are presented in the accompanying financial statements at their values in the statutory records and other equity items at their historical cost values. The differences between the values arising from translation of the historical values of these items into the presentation currency and their carrying values from statutory records are recognized as foreign currency translation differences in the statement of other comprehensive income.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim financial statements comprising the statements of financial position as of 30 September 2022 and 31 December 2021, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 30 September 2022 and 31 December 2021 represent the financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

Approval of the financial statements

The condensed interim financial statements have been approved on 26 October 2022 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 Comparative Information and Restatement of Financial Statements with Prior Periods

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 September 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2022 summarized below

The new standards, amendments and interpretations which are effective from 2022

Amendments to TFRS 3	: Reference to the Conceptual Framework
Amendments to TAS 16	: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to TAS 37	: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to TFRS Standards (2018-2020)	: Amendments to TFRS 1, TFRS 9
Amendments to TFRS 16	: COVID-19 Related Rent Concessions beyond 30 June 2021

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

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

Amendments to TAS 16 Proceeds before Intended Use

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

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

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

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

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

Annual Improvements to TFRS Standards 2018-2020 Cycle

“Amendment to the First Implementation of TFRS 1 Turkish Financial Reporting Standards” the amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

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

The new standards, amendments and interpretations which are effective from 2022 (cont’d)

Annual Improvements to TFRS Standards 2018-2020 Cycle (cont’d)

“*Amendment to TFRS 9 Financial Instruments*” the amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

TFRS 16 (Amendments) Date of 30 June 2021 for Rent Payments Related to COVID-19 Continuing Concessions Afterwards

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021 that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

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

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

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

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

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

TFRS 17	: Insurance Contracts
Amendments to TAS 1	: Classification of Liabilities as Current or Non-Current
Amendments to TFRS 4	: Extension of the Temporary Exemption from Applying TFRS 9
Amendments to TAS 1	: Disclosure of Accounting Policies
Amendments to TAS 8	: Definition of Accounting Estimates
Amendments to TAS 12	: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to TFRS 17	: Initial Application of TFRS 17 and TFRS 9 — Comparative Information

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

Amendment to IAS 1 Disclosure of Accounting Policies

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

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

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

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

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

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

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

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before. Amendments are effective with the first application of TFRS 17.

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

2.4 Summary of Significant Accounting Policies

The condensed interim financial statements for the nine months period ended 30 September 2022 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim financial statements for the period ended 30 September 2022 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2021. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope as of 30 September 2022, from the interests reported as of 31 December 2021.

2.5 Restatement and errors in the accounting policies and estimates

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

“Retained Earnings’ Profit or Loss” in the condensed statement of financial position are translated into US Dollars at historical rates and followed as US Dollars in accordance with TAS 21. For a meaningful representation of the translation of prior years’ profit followed in US Dollars into Turkish Lira, the presentation currency, the differences arising from the translation of “Prior Years’ Profit or Loss” into Turkish Lira at the closing rates announced by the Central Bank of the Republic of Turkey as of the relevant reporting period are recognized under the “Foreign Currency Translation Differences”.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

2.5 Restatement and errors in the accounting policies and estimates (cont’d)

The classifications made in the summary statement of financial position dated January 1, 2021 are as follows:

Account	(Previously Reported)	(Restated)	(Difference)
	1 January 2021	1 January 2021	1 January 2021
Accumulated profit or loss	1.680.005	6.235.437	4.555.432
Foreign Currency Conversion Adjustments	13.629.734	9.074.302	(4.555.432)
			-

2.6 Segment Reporting

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

NOTE 3 –RELATED PARTY TRANSACTIONS

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

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

<u>Due from related parties (short term)</u>	30 September 2022	31 December 2021
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.436.428	1.573.663
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	42.698	33.642
OYAK İnşaat A.Ş. ⁽³⁾	-	5
OYAK Sentetik Karbon Ürünleri San. Ve Tic. A.Ş. ⁽³⁾	7	3
Erdemir Romania SRL ⁽²⁾	108.323	-
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	44.126	12.569
	<u>4.631.582</u>	<u>1.619.882</u>

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

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

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

⁽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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

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

<u>Prepaid expenses (long term)</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	72.826	44.650
	<u>72.826</u>	<u>44.650</u>

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

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

<u>Due to related parties (short term)</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	796.796	241.994
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	32.656	10.036
Erdemir Asia Pacific PTE LTD ⁽²⁾	636.354	96.114
Omsan Lojistik A.Ş. ⁽³⁾	29.155	11.401
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	7.524	5.260
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	20.036	14.505
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	2.741	1.777
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	10.878	5.341
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	100.370	25.619
Other	21.738	23.428
	<u>1.658.248</u>	<u>435.475</u>

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

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

<u>Other payables to related parties (short term)</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	1.348.049	-
	<u>1.348.049</u>	<u>-</u>

(1) Immediate parent company

(2) Subsidiaries of the immediate parent company

(3) Subsidiaries of the ultimate company

(4) Joint venture

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

	1 January - 30 September 2022	1 January - 30 September 2021
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	36.449.407	17.410.012
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	4.762	1.756
Erdemir Romania SRL ⁽²⁾	208.292	-
Omsan Lojistik A.Ş. ⁽³⁾	71	206
OYAK Çimento Fabrikaları A.Ş. ⁽³⁾	55.029	32.079
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	98.917	-
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	1.491	1.423
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	398	301
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	917	756
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	203.747	60.524
Other	965	153
	<u>37.023.996</u>	<u>17.507.210</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 September 2022	1 January - 30 September 2021
<u>Major purchases from related parties</u>		
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	39.709	7.600
OYAK Elektrik Enerjisi Toptan Satış A.Ş. ⁽³⁾	81.456	3.799
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	4.292.790	2.192.447
Erdemir Asia Pacific PTE LTD ⁽²⁾	3.641.610	2.393.374
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	475.415	165.252
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	127.001	66.082
Omsan Denizcilik A.Ş. ⁽³⁾	3.912	34.484
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	152.491	34.631
Omsan Lojistik A.Ş. ⁽³⁾	181.965	57.461
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	19.280	9.143
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	87.826	36.864
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	296.069	103.417
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	154.151	71.537
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	270.294	26.815
Other	24.213	1.381
	<u>9.848.182</u>	<u>5.204.287</u>

(1) Immediate parent company

(2) Subsidiaries of the immediate parent company

(3) Subsidiaries of the ultimate company

(4) Joint venture

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

The Company earned TRY 160.463 thousand of revenue from related party transactions of the nine- months period ended 30 September 2022, amounting to TRY 26.796 thousand of interest income and TRY 133.667 thousand of interest accrued on term. (30 September 2021: TRY 533.879 thousand) Interest expense from related party transactions was TRY (13.101) thousand (30 September 2021: None).

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

For the nine months period end balances are secured and their collections will be done in cash. Other receivables from related parties balances are non-secured, interest free and their collections will be done in cash. As of 30 September 2022, the Company provides no provision for the receivables from related parties (31 December 2021: None).

Benefits provided to executive managers:

The company's executive management team consists of the Board of Directors, General Manager and Assistant General Managers. For the nine months period ended 30 September 2022, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 14.729 thousand (30 September 2021: TRY 6.696 thousand).

NOTE 4 – INVENTORIES

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

	30 September 2022	31 December 2021
Raw materials	9.737.079	4.564.939
Work in progress	4.417.478	3.568.046
Finished goods	4.398.041	1.527.976
Spare parts	1.916.992	1.260.562
Goods in transit	3.515.614	2.681.929
Other inventories	1.500.906	692.917
Allowance for impairment on inventories (-)	(523.153)	(377.367)
	<u>24.962.957</u>	<u>13.919.002</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	377.367	211.305
Provision released (-)	(978)	(1.150)
Translation difference	146.764	44.161
Closing balance	<u>523.153</u>	<u>254.316</u>

The company allocates a provision for impairment for stocks that it considers not usable within the framework of the aging reports made for stock items that have not been moved for a long time. The provision released has been recognized under cost of sales (Note 13).

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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 30 September		Right to 31 December		Business segment
	vote ratio %	2022	vote ratio %	2021	
İsdemir Linde Gaz Ortaklığı A.Ş.	50	548.447	50	370.292	Industrial Gas Production and Sale

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

	30 September 2022	31 December 2021
Total assets	1.180.074	778.957
Total liabilities	83.181	38.373
Net assets	1.096.893	740.584
Company's share on net assets	548.447	370.292
	30 September 2022	31 December 2021
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş has the right of to deduct TRY 176.510 thousand (31 December 2021: TRY 132.460 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 44.050 thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY 22.025 thousand) is included in the financial statements prepared as of reporting date.

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

	1 January - 30 September 2022	1 January - 30 September 2021
Revenue	356.589	117.482
Operating Profit	72.910	26.437
Net profit (loss) for the period	58.162	8.850
Company's share on net profit	29.081	4.425

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NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	30 September 2022	30 September 2021
<u>Opening balance as of 1 January</u>		
Cost	66.051.606	34.530.027
Accumulated depreciation	(38.684.657)	(20.600.763)
Net book value	<u>27.366.949</u>	<u>13.929.264</u>
Net book value at the beginning of the period	27.366.949	13.929.264
Additions (*)	2.581.440	1.540.181
Disposals (-)	(2.179)	(1.935)
<i>Cost disposals</i>	(22.719)	(123.104)
<i>Accumulated depreciation disposals</i>	20.540	121.169
Transfers to intangible assets	(750)	-
Currency translation difference	10.875.217	3.002.584
<i>Cost currency translation difference</i>	26.149.648	7.374.091
<i>Accumulated depreciation currency translation difference</i>	(15.274.431)	(4.371.507)
Current period depreciation (-)	(1.273.672)	(678.252)
Net book value at the end of the period	<u>39.547.005</u>	<u>17.791.842</u>
<u>Closing balance as of</u>		
Cost	94.759.225	43.321.195
Accumulated depreciation	(55.212.220)	(25.529.353)
Net book value	<u>39.547.005</u>	<u>17.791.842</u>

(*) The amount of capitalized borrowing cost is TRY (101.117) thousand for the current period. (30 September 2021: TRY (36.257) thousand).

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

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

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

	30 September 2022	30 September 2021
<u>Opening balance as of 1 January</u>		
Cost	1.078.849	578.179
Accumulated amortisation	(529.279)	(274.736)
Net book value	549.570	303.443
Net book value at the begin.of the period	549.570	303.443
Additions	1.218	2.763
Transfers form tangible assets	750	-
Currency translation difference	209.324	62.499
<i>Cost currency translation difference</i>	420.389	121.412
<i>Accumulated depreciation currency translation difference</i>	(211.065)	(58.913)
Current period amortisation (-)	(29.600)	(13.797)
Net book value at the end of the period	731.262	354.908
<u>Closing balance as of</u>		
Cost	1.501.206	702.336
Accumulated amortisation	(769.944)	(347.428)
Net book value	731.262	354.908

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

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 28.247 Thousand (30 September 2021: TRY 12.397 Thousand) assets are as follows:

	30 September 2022	30 September 2021
Associated with cost of production	1.251.785	662.235
General administrative expenses	14.021	6.079
Marketing, sales and distribution expenses	43.436	25.987
Other Operating Expenses	22.277	10.145
	1.331.519	704.446

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	30 September 2022	31 December 2021
Short term bank borrowings	7.456.237	2.022.735
Short term portion of long term bank borrowings	565.326	741.499
Long term bank borrowings	2.847.162	2.016.952
Total bank borrowings	<u>10.868.725</u>	<u>4.781.186</u>
Current portion of long term lease payables	51.750	39.542
Cost of current portion of long term lease payables (-)	(2.101)	(1.891)
Long term lease payables	1.211.751	945.836
Cost of long term lease payables (-)	(912.717)	(711.852)
Total leases borrowings	<u>348.683</u>	<u>271.635</u>
Total borrowings	<u><u>11.217.408</u></u>	<u><u>5.052.821</u></u>

As of 30 September 2022, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	30 September 2022
Fixed	US Dollars	8,49	2.761.434	-	2.761.434
Floating	US Dollars	Libor+1,98	42.234	2.017.469	2.059.703
Floating	EURO	Euribor+0,7	239.006	829.693	1.068.699
Fixed	TRY	22,82	4.978.889	-	4.978.889
			<u>8.021.563</u>	<u>2.847.162</u>	<u>10.868.725</u>

As of 31 December 2021, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2021
Fixed	US Dollars	1,29	2.469.539	-	2.469.539
Floating	US Dollars	Libor+2,12	3.265	1.253.168	1.256.433
No interest	TRY	-	18.615	-	18.615
Floating	EURO	Euribor+1,01	272.815	763.784	1.036.599
			<u>2.764.234</u>	<u>2.016.952</u>	<u>4.781.186</u>

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NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	30 September 2022			31 December 2021		
	Financial liabilities	Lease liabilities	Total liabilities	Financial liabilities	Lease liabilities	Total liabilities
Within 1 year	8.021.563	49.649	8.071.212	2.764.234	37.651	2.801.885
Between 1-2 years	1.126.195	43.432	1.169.627	191.768	34.180	225.948
Between 2-3 years	235.471	34.767	270.238	786.131	28.667	814.798
Between 3-4 years	235.471	29.917	265.388	138.300	23.211	161.511
Between 4-5 years	239.840	25.996	265.836	176.912	20.173	197.085
Five years or more	1.010.185	164.922	1.175.107	723.841	127.753	851.594
	<u>10.868.725</u>	<u>348.683</u>	<u>11.217.408</u>	<u>4.781.186</u>	<u>271.635</u>	<u>5.052.821</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	30 September 2022	31 December 2021
Provision for lawsuits	99.633	68.859
Penalty provision for employment shortage of disabled personnel	8.816	9.932
Provision for land occupation	1.121	2.993
	<u>109.570</u>	<u>81.784</u>

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

	30 September 2022	31 December 2021
Lawsuits filed by the Company	166.395	165.908
Lawsuits filed against the Company	8.281	5.171

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

	30 September 2022	31 December 2021
Lawsuits filed against the Company	73.685	49.756
Provision for lawsuits filed by the Company	99.633	68.859

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NOTE 8 – PROVISIONS (cont’d)

The movement of the short term provisions is as follows:

	1 January 2022	Change for the period	Payments	Provision released	Translation difference	30 September 2022
Provision for lawsuits	68.859	26.646	(518)	(1.060)	5.706	99.633
Penalty provision for employment shortage of disabled personnel	9.932	-	-	(1.114)	(2)	8.816
Provision for land occupation	2.993	546	(673)	(1.534)	(211)	1.121
	<u>81.784</u>	<u>27.192</u>	<u>(1.191)</u>	<u>(3.708)</u>	<u>5.493</u>	<u>109.570</u>

	1 January 2021	Change for the period	Payments	Provision released	Translation difference	30 September 2021
Provision for lawsuits	49.763	12.908	(518)	(8.925)	1.222	54.450
Penalty provision for employment shortage of disabled personnel	9.938	360	-	(43)	(12)	10.243
Provision for land occupation	2.542	507	-	(258)	31	2.822
	<u>62.243</u>	<u>13.775</u>	<u>(518)</u>	<u>(9.226)</u>	<u>1.241</u>	<u>67.515</u>

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NOTE 8 – PROVISIONS (cont’d)

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

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

Similarly, it was decided by the Supreme Court that it was combined within the scope of our individual application and that the Company's right to property was violated in 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.

47 lawsuits, which were decided to be retrial by the Constitutional Court, were heard again at the Hatay Tax Court, and the Local Court decided to accept the cases in favor of the Company. In addition, in 9 cases, based on the decision of the Constitutional Court, in favor of the Hatay 1st Tax Court, and in favor of the Adana Regional Court of Justice after the Council of State reversed 12 cases, the cases were decided to be accepted in a total of 68 cases. 58 of these 68 files have been finalized in favor of the Company. The total number of lawsuits filed by the company in this regard is 80, and the Constitutional Court's review for 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 September 2022	31 December 2021
Due to personnel	106.361	81.359
Social security premiums payable	35.938	18.263
	142.299	99.622

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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 September 2022	31 December 2021
Provisions for employee termination benefits	778.627	505.562
Provisions for seniority incentive premium	126.382	90.872
Provision for unpaid vacations	100.968	51.363
	<u>1.005.977</u>	<u>647.797</u>

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

As of 30 September 2022, the employee termination benefit has been updated to a maximum of TRY 15.371,40 (31 December 2021: TRY 8.284,51).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. The obligation as of 30 September 2022 has been calculated by an independent actuary and projected unit credit method is used in the calculation. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

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

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 September 2022, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	505.562	313.567
Service cost	29.987	16.995
Interest cost	81.199	34.692
Actuarial loss / gain	192.318	43.886
Termination benefits paid	(31.247)	(20.443)
Translation difference	808	871
Closing balance	<u>778.627</u>	<u>389.568</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 September 2022	1 January - 30 September 2021
Opening balance	90.872	50.568
Service cost	6.788	3.997
Interest cost	10.748	5.747
Actuarial loss/(gain)	17.711	4.467
Translation difference	263	194
Closing balance	<u>126.382</u>	<u>64.973</u>

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

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	51.363	39.021
Provision for the period	87.105	44.461
Vacation paid during the period (-)	(4.975)	(2.447)
Provisions released (-)	(33.774)	(29.275)
Translation difference	1.249	1.061
Closing balance	<u>100.968</u>	<u>52.821</u>

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

NOTE 10 – COMMITMENTS

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

	30 September 2022	31 December 2021
Letters of guarantees received	3.890.401	2.503.967
	<u>3.890.401</u>	<u>2.503.967</u>

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

	30 September 2022	31 December 2021
A. Total CPM given for the Company's own legal entity	73.029	64.495
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>73.029</u>	<u>64.495</u>

As of reporting period, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2021: 0%).

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

	30 September 2022	31 December 2021
TRY	36.750	34.321
EURO	36.279	30.174
	<u>73.029</u>	<u>64.495</u>

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NOTE 11 – TAX ASSETS AND LIABILITIES

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

	30 September 2022	31 December 2021
<u>Corporate tax payable:</u>		
Current corporate tax provision	3.817.548	4.615.442
Prepaid taxes and funds (-)	(3.110.932)	(2.747.318)
	<u>706.616</u>	<u>1.868.124</u>
	1 January - 30 September 2022	1 January - 30 September 2021
<u>Taxation:</u>		
Current corporate tax expense	3.261.340	2.747.318
Deferred tax expense	(37.936)	213.802
	<u>3.223.404</u>	<u>2.961.120</u>

Corporate Tax

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

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

The effective corporate tax rate is 22% as of reporting date (2021: 25%).

In accordance with the provisional article added to the Corporate Tax Law with the 11th article of the Law No. 7316 published in the Official Gazette No. 31462 dated 22 April 2021, the corporate tax rate for corporate earnings for the 2022 taxation period has been determined as 23%. With the amendment added to Article 32 of the Corporate Tax Law, these rates will be applied with a discount of 1 point to the earnings from production activities and earnings from exports.

The total amount of corporate tax payments made by the Company in 2022 nine months period is TRY 4.979.056 thousand (30 September 2021: TRY 1.943.488 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2022 has been calculated over the corporate earnings using the rate 22%, during the temporary taxation period (31 December 2021: 25%).

Except for the change in the corporate tax rate, the exemption rate applied to the gains arising from the sale of immovables is 50%, and the tax rate to be applied to the deferred tax to be calculated over the temporary differences that arise in case of revaluation of the relevant assets should be considered as 10% in case the book value of the relevant immovable is recovered through sales.

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PERIOD ENDED 30 SEPTEMBER 2022**

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

Corporate Tax (cont’d)

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

Deferred tax

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

The tax rate used in the calculation of deferred tax assets and liabilities (excluding land) Pursuant to the temporary article added to the Corporate Tax Law; for the taxation period of 2022 22% for corporate earnings, 20% for 2023 and the following years. Originating from land deferred tax on temporary timing differences is calculated with 10% rate (31 December 2021: 10%).

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

	30 September 2022	31 December 2021
<u>Deferred tax assets:</u>		
Provisions for employee benefits	203.751	130.994
Leasing payables	69.969	54.327
Provision for lawsuits	21.510	15.198
Adjustment of receivable rediscount	4.898	4.949
Other	48.001	33.044
	<u>348.129</u>	<u>238.512</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(6.412.008)	(4.504.212)
Right of use assets	(177.628)	(117.305)
Amortized cost adjustment on loans	(15.809)	(12.328)
Fair values of the derivative financial instruments	(2.414)	(11.394)
Inventories	(745.402)	(699.803)
	<u>(7.353.261)</u>	<u>(5.345.042)</u>
Presentation of deferred tax assets/(liabilities):	<u>(7.005.132)</u>	<u>(5.106.530)</u>

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

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

Deferred tax (cont’d)

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

	1 January - 30 September 2022	1 January - 30 September 2021
Opening balance	(5.106.530)	(2.158.103)
Deferred tax expense	37.936	(213.802)
The amount in comprehensive income/(expense)	39.729	4.303
Translation difference	(1.976.267)	(478.012)
Closing balance	<u>(7.005.132)</u>	<u>(2.845.614)</u>

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

	1 January - 30 September 2022	1 January - 30 September 2021
Profit before tax	10.192.978	9.081.977
Statutory tax rate	22%	25%
Calculated tax acc. to effective tax rate	(2.242.455)	(2.270.494)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(565)	(1.794)
- Non-taxable income	77	3.220
- Effect of currency translation (*)	(980.461)	(692.052)
Tax expense in reported in the statement of income	<u>(3.223.404)</u>	<u>(2.961.120)</u>

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

NOTE 12 – EQUITY

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

	30 September (%) 2022	31 December (%) 2021
<u>Shareholders</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87 2.751.326	94,87 2.751.326
Quoted in Stock Exchange	5,13 148.674	5,13 148.674
Historical capital	<u>2.900.000</u>	<u>2.900.000</u>
Effect of inflation	164	164
Restated capital	<u>2.900.164</u>	<u>2.900.164</u>

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

NOTE 13 – SALES AND COST OF SALES

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. As of reporting date, the amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 325.891 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 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
<u>Sales Revenue</u>				
Domestic sales	43.873.534	13.985.151	20.134.030	7.928.612
Export sales	7.124.095	3.192.107	4.428.359	2.413.617
Other revenues (*)	1.224.773	296.761	415.787	145.552
Interest income from sales with maturities	156.991	76.430	30.554	13.265
Sales returns (-)	(5.481)	(1.249)	(1.139)	(697)
	<u>52.373.912</u>	<u>17.549.200</u>	<u>25.007.591</u>	<u>10.500.349</u>
<u>Cost of sales (-)</u>	<u>(41.335.861)</u>	<u>(16.132.235)</u>	<u>(15.558.012)</u>	<u>(6.331.847)</u>
Gross profit	<u>11.038.051</u>	<u>1.416.965</u>	<u>9.449.579</u>	<u>4.168.502</u>

(*) The total amount of by product exports in other revenues is TRY 479.420 thousand (30 September 2021: TRY 181.065 thousand).

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

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

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Raw material usage	(34.302.487)	(12.957.279)	(13.063.035)	(5.370.858)
Personnel costs	(1.030.425)	(412.034)	(576.618)	(218.743)
Energy costs	(2.354.958)	(986.199)	(487.416)	(206.401)
Depreciation and amortization expenses	(1.210.651)	(446.488)	(624.654)	(222.417)
Factory overheads	(245.517)	(48.168)	(221.266)	(70.431)
Other cost of goods sold	(1.380.854)	(873.000)	(287.978)	(79.644)
Non-operating costs (*)	(88.478)	(74.864)	(14.179)	(14.179)
Freight costs for sales delivered to customers	(420.867)	(171.849)	(216.950)	(122.138)
Reversal of inventory write-downs (Note 4)	978	638	1.150	32
Other	(302.602)	(162.992)	(67.066)	(27.068)
	<u>(41.335.861)</u>	<u>(16.132.235)</u>	<u>(15.558.012)</u>	<u>(6.331.847)</u>

(*) TRY (88.478) thousand non-working part expense, due to planned and/or unexpected stoppages at the Company's production facilities, is not associated with the product cost and is directly included in the cost of sales (30 September 2021: TRY (14.179) thousand).

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

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Personnel expenses (-)	(44.961)	(18.628)	(25.744)	(9.156)
Depreciation and amortization(-)	(43.436)	(14.440)	(25.987)	(8.727)
Tax, duty and charges (-)	(259)	(97)	(691)	(243)
Service expenses (-)	(138.014)	(52.897)	(60.813)	(21.477)
	<u>(226.670)</u>	<u>(86.062)</u>	<u>(113.235)</u>	<u>(39.603)</u>

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Personnel expenses (-)	(105.266)	(44.338)	(49.494)	(18.642)
Depreciation and amortization expenses(-)	(8.051)	(3.009)	(3.827)	(1.377)
Amortization expense of right of use (-)	(5.970)	(2.290)	(2.252)	(854)
Provision for doubtful receivables (-) net	(127)	(177)	(57)	(1)
Tax, duty and charges (-)	(4.608)	(1.947)	(8.541)	(2.888)
Service expenses (-)	(200.822)	(83.138)	(83.738)	(29.967)
	<u>(324.844)</u>	<u>(134.899)</u>	<u>(147.909)</u>	<u>(53.729)</u>

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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

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

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
<u>Other operating incomes</u>				
Foreign exchange gains from trade receivables and payables	7.169	(45.350)	-	-
Discount income	229	74	141	47
Provisions released	2.174	583	8.968	3.113
Service income	12.851	4.942	6.841	2.615
Maintenance repair and rent income	13.449	4.847	11.023	3.725
Lawsuit income	517	40	62	43
Indemnity and penalty detention income	10.879	3.442	5.753	2.229
Warehouse income	13.873	7.027	1.029	364
Customers delay interest income	223	17	246	35
Other income and gains	52.141	9.584	16.672	4.040
	<u>113.505</u>	<u>(14.794)</u>	<u>50.735</u>	<u>16.211</u>

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

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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 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
<u>Other operating expenses (-)</u>				
Provision expenses	(26.646)	(7.072)	(13.268)	(1.689)
Donation expenses	(13.682)	(1.962)	(2.658)	(730)
Amortisation expenses of right of use	(22.277)	(8.749)	(10.145)	(3.695)
Foreign exchange expenses from trade receivables and payables	-	-	(119.668)	(12.035)
Penalty expenses	(340)	(114)	(3.431)	(2.035)
Service expenses	(6.710)	(3.026)	(1.780)	(686)
Lawsuit compensation expenses	(2.205)	(711)	(3.696)	(272)
Other expenses and losses	(34.435)	(9.322)	(16.070)	(5.331)
	<u>(106.295)</u>	<u>(30.956)</u>	<u>(170.716)</u>	<u>(26.473)</u>

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

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NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
<u>Finance incomes</u>				
Interest income on bank deposits	526.714	82.653	60.759	29.830
Interest income on related party	26.796	17.063	510.439	244.798
Fair value differences of derivative financial instruments (net)	111.815	83.771	12.978	11.753
Other financial income	-	-	20.296	1.786
	<u>665.325</u>	<u>183.487</u>	<u>604.472</u>	<u>288.167</u>

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

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
<u>Finance expenses (-)</u>				
Interest expenses on borrowings	(580.085)	(280.463)	(28.833)	(10.996)
Foreign exchange loss (net)	(262.532)	162.228	(497.559)	(167.190)
Interest cost of employee benefits	(91.947)	(40.106)	(40.439)	(18.384)
Interest expense from related party payables	(13.101)	(13.101)	-	-
Interest expenses on leases	(32.606)	(11.941)	(25.298)	(8.884)
Other financial expenses	(13.414)	(4.322)	(1.055)	(505)
	<u>(993.685)</u>	<u>(187.705)</u>	<u>(593.184)</u>	<u>(205.959)</u>

During the period, the interest expenses TRY (101.117) thousand have been capitalized as part of the Company’s property, plant and equipment (30 September 2021: TRY (36.257) thousand).

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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 September 2022			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	364.413	87.542	15.263	-
2a. Monetary financial assets	2.363.060	2.362.085	54	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	62.891	56.248	366	-
4. Current assets (1+2+3)	2.790.364	2.505.875	15.683	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	6.402	6.402	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	722.061	419.745	16.666	-
8. Non-current assets (5+6+7)	728.463	426.147	16.666	-
9. Total assets (4+8)	3.518.827	2.932.022	32.349	21
10. Trade payables	2.132.606	1.969.869	8.892	8.914
11. Financial liabilities	5.267.544	5.028.538	13.152	-
12a. Other monetary financial liabilities	2.610.022	2.565.526	2.449	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	10.010.172	9.563.933	24.493	8.914
14. Trade payables	-	-	-	-
15. Financial liabilities	1.128.727	299.034	45.657	-
16a. Other monetary financial liabilities	1.005.977	1.005.977	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	2.134.704	1.305.011	45.657	-
18. Total liabilities (13+17)	12.144.876	10.868.944	70.150	8.914
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(57.365)	-	(3.157)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	57.365	-	3.157	-
20. Net foreign currency asset/liability position (9-18+19)	(8.683.414)	(7.936.922)	(40.958)	(8.893)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(9.411.001)	(8.412.915)	(54.833)	(8.893)
22. Fair value of derivative financial instruments used in foreign currency hedge	2.303	-	127	-
23. Hedged foreign currency assets	57.365	-	3.157	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	7.603.515	-	-	-
26. Imports	31.014.677	-	-	-

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

	31 December 2021			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	371.766	36.314	22.235	-
2a. Monetary financial assets	6.007.940	4.756.126	82.975	21
2b. Non- monetary financial assets	-	-	-	-
3. Other	53.405	39.875	897	-
4. Current assets (1+2+3)	6.433.111	4.832.315	106.107	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	6.262	6.262	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	573.035	501.880	4.716	-
8. Non-current assets (5+6+7)	579.297	508.142	4.716	-
9. Total assets (4+8)	7.012.408	5.340.457	110.823	21
10. Trade payables	1.046.855	822.708	14.650	23.514
11. Financial liabilities	329.081	56.267	18.051	-
12a. Other monetary financial liabilities	2.392.331	2.386.297	399	-
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	3.768.267	3.265.272	33.100	23.514
14. Trade payables	-	-	-	-
15. Financial liabilities	997.768	233.984	50.535	-
16a. Other monetary financial liabilities	647.797	647.797	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.645.565	881.781	50.535	-
18. Total liabilities (13+17)	5.413.832	4.147.053	83.635	23.514
19. Net asset/liability position of off-balance sheet derivative financial	(739.780)	-	(48.947)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	739.780	-	48.947	-
20. Net foreign currency asset/liability position (9-18+19)	858.796	1.193.404	(21.759)	(23.493)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	972.136	651.649	21.575	(23.493)
22. Fair value of derivative financial instruments used in foreign currency hedge	36.897	-	2.441	-
23. Hedged foreign currency assets	739.780	-	48.947	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	7.338.121	-	-	-
26. Imports	18.852.985	-	-	-

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

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

For assets with foreign currency balances in the summary statement of financial position as of 30 September 2022: 18,5187 TRY = US \$ 1, 18,1395 TRY = Euro 1; 0,1279 TRY = JPY 1 for liabilities: 18,5521 TRY = US \$ 1, 18,1722 TRY = Euro 1, 0,1288 TRY = JPY 1 converted at rates (31 December 2021: For assets; 13,3290 TRY = US \$ 1, 15,0867 TRY = Euro 1; 0,1155 TRY = JPY 1, For Liabilities; 13,3530 TRY = US \$ 1, 15,1139 TRY = Euro 1, 0,1163 TRY = JPY 1).

	Profit/(loss) after capitalization on tangible assets and before tax	
	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2022		
1- TRY net asset/liability	(793.692)	793.692
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(793.692)	793.692
5- Euro net asset/liability	(68.799)	68.799
6- Hedged portion from Euro risk (-)	(5.737)	5.737
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(74.536)	74.536
9- Jap. Yen net asset/liability	(115)	115
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(115)	115
TOTAL (4+8+12)	(868.343)	868.343

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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 2021		
1- TRY net asset/liability	119.340	(119.340)
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	119.340	(119.340)
5- Euro net asset/liability	40.790	(40.790)
6- Hedged portion from Euro risk (-)	(73.978)	73.978
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(33.188)	33.188
9- Jap. Yen net asset/liability	(272)	272
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(272)	272
TOTAL (4+8+12)	85.880	(85.880)

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
30 September 2022				
Financial Assets				
Cash and cash equivalents	4.560.267	-	-	4.560.267
Trade receivables	5.674.660	-	-	5.674.660
Financial investments	-	-	502	502
Other financial assets	51.295	-	-	51.295
Derivative financial instruments	-	8.087	2.868	10.955
Financial Liabilities				
Financial liabilities	11.217.408	-	-	11.217.408
Trade payables	5.707.298	-	-	5.707.298
Other liabilities	1.807.741	-	-	1.807.741
31 December 2021				
Financial Assets				
Cash and cash equivalents	8.824.568	-	-	8.824.568
Trade receivables	2.766.145	-	-	2.766.145
Financial investments	-	-	361	361
Other financial assets	66.618	-	-	66.618
Derivative financial instruments	-	13.939	40.847	54.786
Financial Liabilities				
Financial liabilities	5.052.821	-	-	5.052.821
Trade payables	3.141.247	-	-	3.141.247
Other liabilities	604.034	-	-	604.034
Derivative financial instruments	-	-	3.093	3.093

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

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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 September 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				
Derivative financial assets	2.868	-	2.868	-
Derivative financial liabilities	-	-	-	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	8.087	-	8.087	-
Derivative financial liabilities	-	-	-	-
Total	10.955	-	10.955	-

31 December 2021

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	40.847	-	40.847	-
Derivative financial liabilities	(3.093)	-	(3.093)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	13.939	-	13.939	-
Derivative financial liabilities	-	-	-	-
Total	51.693	-	51.693	-

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

None.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2022**

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

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

Convenience translation to English:

As of 30 September 2022, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.