

**(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 1 JANUARY - 30 JUNE 2018 AND AUDITOR'S REVIEW REPORT**

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

**REPORT ON REVIEW OF CONDENSED INTERIM  
FINANCIAL INFORMATION**

**To the Board of Directors of İskenderun Demir ve Çelik A.Ş.**

*Introduction*

We have reviewed the accompanying condensed statement of financial position of İskenderun Demir ve Çelik A.Ş. ("the Company") as at 30 June 2018 and the related condensed statements of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended. Company management is responsible for the preparation and presentation of this interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

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

*Conclusion*

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

**DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.**  
**Member of DELOITTE TOUCHE TOHMATSU LIMITED**



**Osman Arslan, SMMM**  
**Audit Partner**

**İstanbul, 9 August 2018**

<b>TABLE OF CONTENTS</b>		<b>Page</b>
<b>CONDENSED STATEMENT OF FINANCIAL POSITION.....</b>		<b>1-2</b>
<b>CONDENSED STATEMENT OF INCOME.....</b>		<b>3</b>
<b>CONDENSED STATEMENT OF COMPREHENSIVE INCOME .....</b>		<b>4</b>
<b>CONDENSED STATEMENT OF CHANGES IN EQUITY .....</b>		<b>5</b>
<b>CONDENSED STATEMENT OF CASH FLOW .....</b>		<b>6</b>
<b>NOTES TO THE CONDENSED FINANCIAL STATEMENTS .....</b>		<b>7-45</b>
NOTE 1	COMPANY'S ORGANIZATION AND NATURE OF OPERATIONS.....	7
NOTE 2	BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS .....	8-18
NOTE 3	RELATED PARTY TRANSACTIONS.....	19-21
NOTE 4	INVENTORIES .....	22
NOTE 5	INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD .....	22-23
NOTE 6	TANGIBLE AND INTANGIBLE ASSETS .....	24-25
NOTE 7	BORROWINGS.....	26-27
NOTE 8	PROVISIONS.....	27-28
NOTE 9	EMPLOYEE BENEFITS.....	29-31
NOTE 10	COMMITMENTS .....	31-32
NOTE 11	TAX ASSETS AND LIABILITIES.....	32-34
NOTE 12	EQUITY .....	34
NOTE 13	SALES AND COST OF SALES .....	35-36
NOTE 14	OPERATING EXPENSES ACCORDING TO THEIR NATURE AND OTHER OPERATING INCOME / (EXPENSES) .....	37-39
NOTE 15	FINANCE INCOME / EXPENSES .....	40
NOTE 16	NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	41-45
NOTE 17	SUBSEQUENT EVENTS .....	45
NOTE 18	OTHER ISSUES AFFECTING THE CONDENSED INTERIM FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR UNDERSTANDABLE AND INTERPRETABLE PRESENTATION.....	45

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2018

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

		(Reviewed)	(Reviewed)	(Audited)	(Audited)
		Current Period	Current Period	Previous Period	Previous Period
		30 June	30 June	31 December	31 December
		2018	2018	2017	2017
ASSETS	Note	USD'000	TRY'000	USD'000	TRY'000
<b>Current Assets</b>		<b>1.638.721</b>	<b>7.473.714</b>	<b>1.645.963</b>	<b>6.208.412</b>
Cash and Cash Equivalents		5.836	26.615	3.154	11.895
Trade Receivables		260.606	1.188.548	193.886	731.318
<i>Due From Related Parties</i>	3	147.749	673.841	145.639	549.336
<i>Other Trade Receivables</i>		112.857	514.707	48.247	181.982
Other Receivables		700.557	3.195.031	882.034	3.326.945
<i>Due From Related Parties</i>	3	700.135	3.193.105	881.550	3.325.120
<i>Other Receivables</i>		422	1.926	484	1.825
Inventories	4	660.487	3.012.284	559.052	2.108.689
Prepaid Expenses		9.446	43.080	5.564	20.987
Other Current Assets		1.789	8.156	2.273	8.578
<b>Non Current Assets</b>		<b>2.010.195</b>	<b>9.167.898</b>	<b>2.023.916</b>	<b>7.634.003</b>
Other Receivables		2.761	12.591	3.338	12.591
Financial Investments		27	124	3.562	13.437
Investments Accounted by Using Equity Method	5	27.032	123.285	-	-
Property, Plant and Equipment	6	1.927.785	8.792.050	1.968.696	7.425.726
Intangible Assets	6	44.388	202.439	45.129	170.223
Prepaid Expenses		8.202	37.409	3.191	12.026
<i>Due to Related Parties</i>	3	2.628	11.987	-	-
<i>Other Prepaid Expenses</i>		5.574	25.422	3.191	12.026
<b>TOTAL ASSETS</b>		<b>3.648.916</b>	<b>16.641.612</b>	<b>3.669.879</b>	<b>13.842.415</b>

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

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

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2018

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

	Note	(Reviewed)	(Reviewed)	(Audited)	(Audited)
		Current Period 30 June 2018 USD'000	Current Period 30 June 2018 TRY'000	Previous Period 31 December 2017 USD'000	Previous Period 31 December 2017 TRY'000
<b>LIABILITIES</b>					
<b>Current Liabilities</b>		<b>616.708</b>	<b>2.812.619</b>	<b>628.815</b>	<b>2.371.825</b>
Short Term Borrowings	7	220.032	1.003.499	239.789	904.459
Short Term Portion of Long Term Fin. Liab.	7	21.335	97.304	34.918	131.708
Trade Payables		199.718	910.854	116.506	439.446
<i>Due to Related Parties</i>	3	<i>36.581</i>	<i>166.837</i>	<i>12.862</i>	<i>48.513</i>
<i>Other Trade Payables</i>		<i>163.137</i>	<i>744.017</i>	<i>103.644</i>	<i>390.933</i>
Other Payables		6.385	29.121	4.593	17.326
Deferred Revenue		8.829	40.265	7.865	29.667
Current Tax Liabilities	11	137.091	625.232	176.270	664.873
Short Term Provisions	8	6.840	31.193	7.459	28.133
Payables for Employee Benefits	9	10.417	47.509	22.769	85.884
Other Current Liabilities		6.061	27.642	18.646	70.329
<b>Non Current Liabilities</b>		<b>427.122</b>	<b>1.947.972</b>	<b>398.156</b>	<b>1.501.805</b>
Long Term Borrowings	7	68.079	310.488	80.349	303.070
Financial Derivative Instruments		60	274	42	158
Provisions for Employee Benefits	9	59.545	271.569	67.472	254.496
Deferred Tax Liabilities	11	299.438	1.365.641	250.293	944.081
<b>EQUITY</b>		<b>2.605.086</b>	<b>11.881.021</b>	<b>2.642.908</b>	<b>9.968.785</b>
Share Capital	12	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital		85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(19.278)	6.211.319	(19.915)	4.190.063
<i>Revaluation Reserve of Tangible Assets</i>		-	<i>6.261.273</i>	-	<i>4.242.923</i>
<i>Actuarial (Loss)/ Gain funds</i>		<i>(19.278)</i>	<i>(49.954)</i>	<i>(19.915)</i>	<i>(52.860)</i>
Restricted Reserves Assorted from Profit		230.889	771.641	149.786	447.790
Retained Earnings		449.367	76.917	385.246	48.457
Net Profit for the Period		469.918	1.920.980	653.601	2.382.311
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.648.916</b>	<b>16.641.612</b>	<b>3.669.879</b>	<b>13.842.415</b>

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

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

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

		Reviewed) Current Period	Reviewed) Current Period	Current Period	Reviewed) Previous Period	Reviewed) Previous Period	Previous Period
	Note	1 January - 30 June 2018	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 January - 30 June 2017	1 April - 30 June 2017
		USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
<b>OPERATING INCOME</b>							
Revenue	13	1.654.304	6.762.630	3.786.695	1.359.869	4.943.126	2.665.439
Cost of Sales (-)	13	(1.080.921)	(4.418.696)	(2.468.307)	(1.007.287)	(3.661.487)	(2.023.991)
<b>GROSS PROFIT</b>		<b>573.383</b>	<b>2.343.934</b>	<b>1.318.388</b>	<b>352.582</b>	<b>1.281.639</b>	<b>641.448</b>
Marketing, Sales and Distribution Expenses (-)	14	(10.009)	(40.914)	(21.747)	(10.171)	(36.973)	(19.170)
General Administrative Expenses (-)	14	(14.868)	(60.780)	(32.848)	(15.074)	(54.794)	(24.809)
Research and Development Expenses (-)		(24)	(99)	(23)	(13)	(47)	(22)
Other Operating Income	14	13.061	53.393	30.300	12.143	44.139	15.340
Other Operating Expenses (-)	14	(4.807)	(19.650)	(9.559)	(5.543)	(20.150)	(7.108)
<b>OPERATING PROFIT</b>		<b>556.736</b>	<b>2.275.884</b>	<b>1.284.511</b>	<b>333.924</b>	<b>1.213.814</b>	<b>605.679</b>
Income From Investing Activities		5	22	22	36	130	(3)
Expenses From Investing Activities		(1.256)	(5.136)	(4.854)	(36)	(130)	(2)
Share of Investments' Profit Accounted by Using The Equity Method	5	568	2.322	951	-	-	-
<b>OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)</b>		<b>556.053</b>	<b>2.273.092</b>	<b>1.280.630</b>	<b>333.924</b>	<b>1.213.814</b>	<b>605.674</b>
Finance Income	15	107.274	503.339	409.524	19.574	61.386	23.656
Finance Expense (-)	15	(7.354)	(30.061)	(16.045)	(10.580)	(38.458)	(22.450)
<b>PROFIT BEFORE TAX</b>		<b>655.973</b>	<b>2.746.370</b>	<b>1.674.109</b>	<b>342.918</b>	<b>1.236.742</b>	<b>606.880</b>
Tax Expense	11	(186.055)	(825.390)	(540.164)	(55.147)	(190.694)	(48.887)
- Current Corporate Tax Expense		(137.091)	(625.232)	(394.723)	(76.364)	(267.817)	(123.670)
- Deferred Tax Expense		(48.964)	(200.158)	(145.441)	21.217	77.123	74.783
<b>NET PROFIT FOR THE PERIOD</b>		<b>469.918</b>	<b>1.920.980</b>	<b>1.133.945</b>	<b>287.771</b>	<b>1.046.048</b>	<b>557.993</b>
(TRY 1 Nominal value per share)			0,6624	0,3910		0,3607	0,1924

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 COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

	(Reviewed) Current Period 1 January - 30 June 2018 USD'000	(Reviewed) Current Period 1 January - 30 June 2018 TRY'000	Current Period 1 April - 30 June 2018 TRY'000	(Reviewed) Previous Period 1 January - 30 June 2017 USD'000	(Reviewed) Previous Period 1 January - 30 June 2017 TRY'000	Previous Period 1 April - 30 June 2017 TRY'000
Note						
<b>PROFIT FOR THE PERIOD</b>	<b>469.918</b>	<b>1.920.980</b>	<b>1.133.945</b>	<b>287.771</b>	<b>1.046.048</b>	<b>557.993</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Not to be reclassified subsequently to profit or loss</b>						
Increase (Decrease) in Revaluation Reserve of Tangible Assets	-	2.018.350	1.499.478	-	(36.016)	(317.889)
Actuarial Gain/(Loss) of Defined Benefit Plans	9	817	3.726	(2.309)	(8.098)	(8.098)
Tax Effect of Actuarial Gain/(Loss) of Defined Benefit Plans	11	(180)	(820)	462	1.620	1.620
<b>To be reclassified subsequently to profit or loss</b>						
Change in Cash Flow Hedging Reserves	-	-	-	2.631	9.260	10.028
Tax Effect of Change in Cash Flow Hedging Reserves	-	-	-	(526)	(1.852)	(2.006)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>637</b>	<b>2.021.256</b>	<b>1.502.384</b>	<b>258</b>	<b>(35.086)</b>	<b>(316.345)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>470.555</b>	<b>3.942.236</b>	<b>2.636.329</b>	<b>288.029</b>	<b>1.010.962</b>	<b>241.648</b>

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

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

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

(Reviewed)	Share Capital	Inflation Adjustment to Capital	Other comprehensive income (expense) not to be reclassified subsequently to profit or loss		Other comprehensive income (expense) to be reclassified subsequently to profit or loss	Retained Earnings			Total Shareholders' Equity
			Foreign Currency Translation Reserves	Actuarial (Loss)/Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	
<b>1 January 2018</b>	<b>2.900.000</b>	<b>164</b>	<b>4.242.923</b>	<b>(52.860)</b>	-	<b>447.790</b>	<b>48.457</b>	<b>2.382.311</b>	<b>9.968.785</b>
Net profit for the period	-	-	-	-	-	-	-	1.920.980	1.920.980
Other comprehensive income/(loss)	-	-	2.018.350	2.906	-	-	-	-	2.021.256
Total comprehensive income/(loss)	-	-	2.018.350	2.906	-	-	-	1.920.980	3.942.236
Dividends (*)	-	-	-	-	-	-	(2.030.000)	-	(2.030.000)
Transfers	-	-	-	-	-	323.851	2.058.460	(2.382.311)	-
<b>30 June 2018</b>	<b>2.900.000</b>	<b>164</b>	<b>6.261.273</b>	<b>(49.954)</b>	-	<b>771.641</b>	<b>76.917</b>	<b>1.920.980</b>	<b>11.881.021</b>
(Reviewed)									
<b>1 January 2017</b>	<b>2.900.000</b>	<b>164</b>	<b>3.550.212</b>	<b>(48.758)</b>	<b>(7.454)</b>	<b>240.817</b>	<b>907.581</b>	<b>942.849</b>	<b>8.485.411</b>
Net profit for the period	-	-	-	-	-	-	-	1.046.048	1.046.048
Other comprehensive income/(loss)	-	-	(36.016)	(6.478)	7.408	-	-	-	(35.086)
Total comprehensive income/(loss)	-	-	(36.016)	(6.478)	7.408	-	-	1.046.048	1.010.962
Dividends (*)	-	-	-	-	-	-	(812.000)	-	(812.000)
Transfers	-	-	-	-	-	128.673	814.176	(942.849)	-
<b>30 June 2017</b>	<b>2.900.000</b>	<b>164</b>	<b>3.514.196</b>	<b>(55.236)</b>	<b>(46)</b>	<b>369.490</b>	<b>909.757</b>	<b>1.046.048</b>	<b>8.684.373</b>

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

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



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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### CONDENSED STATEMENT OF CASH FLOW FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

		(Reviewed) Current Period 1 January- 30 June 2018	(Reviewed) Current Period 1 January- 30 June 2018	(Reviewed) Current Period 1 January- 30 June 2017	(Reviewed) Current Period 1 January- 30 June 2017
	Note	USD'000	TRY'000	USD'000	TRY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>410.450</b>	<b>1.241.323</b>	<b>273.670</b>	<b>1.001.140</b>
Profit (Loss) for The Period		469.918	1.920.980	287.771	1.046.048
Adjustments to Reconcile Profit (Loss)		227.056	992.968	126.059	448.428
Adjustments for Depreciation and Amortisation Expenses	6/13	52.934	216.387	54.617	198.534
Adjustments for Impairment Loss (Reversal of Impairment Loss)		2.327	9.488	434	1.579
Adjustments for Provision (Reversal of Provision) for Receivables		294	1.182	(625)	(2.271)
Adjustments for Provision (Reversal of Provision) for Inventories	4	876	3.578	1.059	3.850
Adjustments for Provision (Reversal of Provision) for Property, Plant and Equipment	6	1.157	4.728	-	-
Adjustments for Provisions		8.022	32.793	7.706	28.012
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	9	7.277	29.747	7.729	28.095
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	8	745	3.046	(23)	(83)
Adjustments for Interest (Income) and Expenses		(15.883)	(64.923)	(1.853)	(6.770)
Adjustments for Interest Income	15	(20.040)	(81.920)	(7.784)	(28.296)
Adjustments for Interest Expense	15	4.034	16.492	4.579	16.611
Unearned Financial Income from Credit Sales		123	505	1.352	4.915
Adjustments for Unrealised Foreign Exchange Differences		(5.925)	(24.226)	7.384	26.839
Adjustments for Fair Value (Gains) Losses		-	-	2.624	9.540
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	15	-	-	2.624	9.540
Özkaynak Yöntemiyle Değerlenen Yatırımların Dağıtılmamış Karları ile İlgili Düzeltmeler	5	(568)	(2.322)	-	-
Adjustments for Tax (Income) Expenses	11	186.055	825.390	55.147	190.694
Adjustments for Losses (Gains) on Disposal of Asset		94	381	-	-
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		94	381	-	-
<b>Changes in Working Capital</b>		<b>(107.618)</b>	<b>(996.977)</b>	<b>(47.636)</b>	<b>(167.284)</b>
Adjustments for Decrease (Increase) in Trade Receivables		(66.716)	(457.596)	20.026	70.058
Decrease (Increase) in Trade Receivables from Related Parties		(2.110)	(124.505)	(13.830)	(48.503)
Decrease (Increase) in Trade Receivables from Third Parties		(64.606)	(333.091)	33.856	118.561
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		3.730	(1.289)	(1.238)	(4.343)
Decrease (Increase) in Derivative Financial Instruments		-	-	5.223	18.318
Adjustments for Decrease (Increase) in Inventories		(98.128)	(909.854)	(46.924)	(164.568)
Decrease (Increase) in Prepaid Expenses		(7.768)	(40.288)	(11.628)	(40.781)
Adjustments for Increase (Decrease) in Trade Payables		83.212	471.408	(21.411)	(75.135)
Increase (Decrease) in Trade Payable to Related Parties		23.719	118.324	(7.592)	(26.626)
Increase (Decrease) in Trade Payable to Third Parties		59.493	353.084	(13.819)	(48.509)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(10.829)	(27.807)	2.207	7.740
Increase (Decrease) in Other Payables to Third Parties Related from Operations		(10.829)	(27.807)	2.207	7.740
Increase (Decrease) in Derivative Liabilities		18	116	(5.314)	(18.635)
Adjustments for Other Increase (Decrease) in Working Capital		(11.137)	(31.667)	11.423	40.062
Decrease (Increase) in Other Assets Related from Operations		484	422	(103)	(361)
Increase (Decrease) in Other Payables Related from Operations		(11.621)	(32.089)	11.526	40.423
<b>Cash Flows Provided by Operating Activities</b>		<b>589.356</b>	<b>1.916.971</b>	<b>366.194</b>	<b>1.327.192</b>
Payments Related to Provisions for Employee Termination Benefits	9	(2.435)	(9.954)	(3.705)	(13.468)
Payments Related to Other Provisions	8	(201)	(821)	(99)	(359)
Income Taxes Refund (Paid)	11	(176.270)	(664.873)	(88.720)	(312.225)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(40.770)</b>	<b>(162.844)</b>	<b>(26.339)</b>	<b>(95.486)</b>
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	5	(22.929)	(87.333)	(3.527)	(12.807)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		6	30	42	153
Cash Inflow from Sales of Property, Plant and Equipment	6/14	6	30	42	153
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(16.722)	(68.353)	(21.304)	(77.440)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(16.338)	(66.788)	(21.188)	(77.019)
Cash Outflow from Purchase of Intangible Assets	6	(384)	(1.565)	(116)	(421)
Cash Advances and Debts Given		(1.125)	(7.188)	(1.550)	(5.392)
Other Cash Advances and Debts Given		(1.125)	(7.188)	(1.550)	(5.392)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(284.316)</b>	<b>(1.735.555)</b>	<b>(247.418)</b>	<b>(895.702)</b>
Cash Inflow from Borrowings		239.677	941.019	167.545	587.599
Cash Inflow from Loans		239.677	941.019	167.545	587.599
Cash Outflow from Repayments of Borrowings		(278.974)	(842.528)	(300.957)	(1.055.485)
Cash Outflow from Loan Repayments		(278.974)	(842.528)	(300.957)	(1.055.485)
Decrease in Other Payables to Related Parties		181.415	132.015	105.304	369.311
Dividends Paid		(441.929)	(2.028.773)	(222.623)	(809.235)
Interest Paid		(4.422)	(18.703)	(4.739)	(17.162)
Interest Received		19.917	81.415	8.052	29.270
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>85.364</b>	<b>(657.076)</b>	<b>(87)</b>	<b>9.952</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(82.682)	671.796	1.025	(6.710)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2.682</b>	<b>14.720</b>	<b>938</b>	<b>3.242</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3.154	11.895	3.998	14.069
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>5.836</b>	<b>26.615</b>	<b>4.936</b>	<b>17.311</b>

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.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 1 – COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

	30 June 2018 Personnel	31 December 2017 Personnel
Paid Hourly Personnel	3.012	3.107
Paid Monthly Personnel	1.774	1.756
	4.786	4.863

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

---

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

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

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

The Company’s condensed financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. The CMB Accounting Standards contains Turkish Accounting Standards and Turkish Financial Reporting Standards with their notes and interpretations.

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

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim period. Accordingly, these condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

##### Functional and Reporting Currency

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

##### Presentation currency translation

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

- a) The assets and liabilities on financial position as of 30 June 2018 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 4,5607=US \$ 1 on the balance sheet date (31 December 2017: TRY 3,7719= US \$ 1 ).
- b) For the six months period ended 30 June 2018, income statements are translated from the average TRY 4,0879 = US \$ 1 rates of 2018 January - June period (30 June 2017: TRY 3,6350 = US \$ 1 TRY ).
- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.

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

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

(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)

- d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying condensed financial statements.

###### USD amounts presented in the condensed interim financial statements

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

###### Going concern

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

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

The condensed financial statements have been approved and authorized to be published on 9 August 2018 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

##### **2.2 Comparative Information and Restatement of Financial Statements with Prior Periods**

The Company’s condensed financial statements are presented in accordance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”). The Company’s financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective from the interim periods ended after 30 June 2013.

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

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

Account	(Previously reported)	(Restated)	(Difference)
	30 June 2017	30 June 2017	30 June 2017
Revenue <sup>(1)</sup>	4.934.525	4.943.126	8.601
Other Operating Income <sup>(1) (2) (4)</sup>	40.588	44.139	3.551
Other Operating Expense <sup>(3)</sup>	(20.280)	(20.150)	130
Income From Investing Activities <sup>(2)</sup>	-	130	130
Expense From Investing Activities <sup>(3)</sup>	-	(130)	(130)
Finance Income <sup>(4)</sup>	73.668	61.386	(12.282)
			-

- (1) Interest income from sales with maturities amounting to TRY 8.601 thousand reported in “Other Operating Income” was reclassified to “Revenue” on the profit and loss statement for the six months period ended 30 June 2017.
- (2) Gain on sales of tangible assets amounting to TRY 130 thousand reported as “Other Operating Income” before, was reclassified to “Income from Investing Activities” on the profit and loss statement for the six months period ended 30 June 2017.
- (3) Losses on sales of tangible assets amounting to TRY (130) thousand reported as “Other Operating Expenses (-)” before, was reclassified to “Expenses from Investing Activities (-)” on the profit and loss statement for the six months period ended 30 June 2017.
- (4) Foreign exchange gains from trade receivables and payables (net) amounting to TRY 12.282 thousand reported as “Finance Expenses (-)” before, was reclassified to “Other Operating Income” on the profit and loss statement for the six months period ended 30 June 2017.

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

The accounting policies adopted in preparation of the condensed financial statements as at 30 June 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018 summarized below.

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

(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)**

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

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

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

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

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

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

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

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

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

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

(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)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

(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)**

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

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

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

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

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

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

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

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

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

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.



## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

(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)**

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

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

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

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

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

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

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

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

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

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

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

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

---

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

##### **2.4 Summary of Significant Accounting Policies**

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

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

##### Effects of Changes in Accounting Principles

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

##### TFRS 9 Financial Instruments

###### *Classification and Measurement*

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

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

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

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

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

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

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

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

  

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

###### *Impairment*

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

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

---

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

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

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

###### *Trade Receivables*

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

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

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

###### *Revenue Recognition*

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

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

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

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

## **İSKENDERUN DEMİR VE ÇELİK A.Ş.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

---

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

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

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

###### *Revenue Recognition (cont’d)*

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

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

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

##### **2.5 Restatement and errors in the accounting policies and estimates**

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

##### **2.6 Segment Reporting**

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 3 –RELATED PARTY TRANSACTIONS

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

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

	30 June 2018	31 December 2017
<u>Due from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	662.847	530.485
Erdemir Romania S.R.L. <sup>(2)</sup>	-	3.192
Adana Çimento Sanayi T.A.Ş. <sup>(3)</sup>	9.476	10.194
Aslan Çimento A.Ş. <sup>(3)</sup>	1.113	1.368
OYAK Beton A.Ş. <sup>(3)</sup>	90	-
Mardin Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	-	277
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(4)</sup>	315	3.820
	<u>673.841</u>	<u>549.336</u>

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

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

	30 June 2018	31 December 2017
<u>Due to related parties (short term)</u>		
Erdemir Madencilik San. ve Tic. A.Ş. <sup>(2)</sup>	114.539	11.696
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(3)</sup>	5.903	2.791
Erdemir Asia Pacific PTE LTD <sup>(2)</sup>	29.303	14.062
Omsan Lojistik A.Ş. <sup>(3)</sup>	3.821	4.268
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	2.134	2.515
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(3)</sup>	6.271	4.538
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. <sup>(2)</sup>	1.871	-
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. <sup>(2)</sup>	1.576	1.141
Omsan Denizcilik A.Ş. <sup>(3)</sup>	1.377	7.187
Other	42	315
	<u>166.837</u>	<u>48.513</u>

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

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

	30 June 2018	31 December 2017
<u>Due to Related Parties (long term)</u>		
OYAK Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	11.987	-
	11.987	-

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

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

<u>Due From Related Parties (short term)</u>	30 June 2018	31 December 2017
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	3.193.105	3.325.120
	3.193.105	3.325.120

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

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

	1 January – 30 June 2018	1 January – 30 June 2017
<u>Major sales to related parties</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	4.673.240	3.055.955
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. <sup>(2)</sup>	1.397	1.046
Adana Çimento Sanayi T.A.Ş. <sup>(3)</sup>	13.040	9.887
Mardin Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	686	501
Erdemir Asia Pacific PTE LTD <sup>(2)</sup>	-	54.127
Omsan Lojistik A.Ş. <sup>(3)</sup>	250	239
Erdemir Romania S.R.L. <sup>(2)</sup>	-	16.484
Aslan Çimento A.Ş. <sup>(3)</sup>	1.100	1.116
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	485	297
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(4)</sup>	20.921	-
Other	1.456	611
	4.712.575	3.140.263

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

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

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

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

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

	1 January – 30 June 2018	1 January – 30 June 2017
<u>Major purchases from related parties</u>		
Erdemir Madencilik San. ve Tic. A.Ş. <sup>(2)</sup>	311.228	216.984
Erdemir Asia Pacific PTE LTD <sup>(2)</sup>	84.862	108.795
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. <sup>(1)</sup>	60.212	58.285
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(3)</sup>	21.570	13.371
Omsan Denizcilik A.Ş. <sup>(3)</sup>	24.081	12.613
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(3)</sup>	11.033	8.771
Omsan Lojistik A.Ş. <sup>(3)</sup>	19.403	17.567
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. <sup>(2)</sup>	6.314	4.704
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. <sup>(2)</sup>	10.449	10.811
İsdemir Linde Gaz Ortaklığı A.Ş. <sup>(4)</sup>	31.681	-
Oyak Denizcilik ve Liman İşletmeleri A.Ş. <sup>(3)</sup>	26.310	11.335
Other	3.550	1.041
	<u>610.693</u>	<u>464.277</u>

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

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

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

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

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

The Company's total finance income from related party transactions for the six-month interim period of 2018 is TRY 81,782 thousand. ( 30 June 2017 : TRY 28.237 thousand)

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

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

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

For the three months period ended 30 June 2018, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 1.764 thousand (30 June 2017: TRY 2.543 thousand).



## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 4 – INVENTORIES

As of the 30 June 2018 date, the details of the Company’s inventories are as follows:

	30 June 2018	31 December 2017
Raw materials	718.188	646.014
Work in progress	640.074	352.359
Finished goods	532.511	264.781
Spare parts	347.916	274.453
Goods in transit	661.979	505.755
Other inventories	227.597	157.947
Allowance for impairment on inventories (-)	(115.981)	(92.620)
	<u>3.012.284</u>	<u>2.108.689</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 June 2018	1 January - 30 June 2017
Opening balance	92.620	62.463
Provision for the period	4.201	4.246
Provision released (-)	(623)	(396)
Translation difference	19.783	(351)
Closing balance	<u>115.981</u>	<u>65.962</u>

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

#### NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

	Right to vote ratio (%)	30 June 2018	Business segment
<i>Joint Venture</i>			Industrial Gas Production and Sales
İsdemir Linde Gaz Ortaklığı A.Ş.	50	123.285	

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

	30 June 2018	31 December 2017
Total assets	310.658	278.444
Total liabilities	64.088	246.568
Net assets	246.570	31.876
Company's share on net assets	123.285	15.938

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

	30 June 2018	31 December 2017
Share capital	201.667	2.700

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

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

	1 January 30 June 2018	1 January 30 June 2017
Revenue	34.117	-
Net profit (loss) for the period	4.644	(163)
Company's share on net profit	2.322	(82)

İsdemir Linde Gaz Ortaklığı A.Ş, as an affiliate of the Company under joint management, has the right of to deduct the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. Since İsdemir Linde Gaz Ortaklığı A.Ş. was established recently and it is not yet possible for İsdemir Linde Gaz Ortaklığı A.Ş. to make a reasonable forecast for full or partial recovery of the investment deduction amount for the upcoming periods under the current conditions, the deferred tax asset of TRY 67.230 thousand (its effect in the profit or loss statement of Isdemir is TRY 33.615 thousand) is not included in the financial statements prepared as of 30 June 2018.

(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 INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	30 June 2018	30 June 2017
<u>Opening balance as of 1 January</u>		
Cost	17.062.931	15.747.677
Accumulated depreciation	(9.637.205)	(8.617.794)
Net book value	7.425.726	7.129.883
Net book value at the begin.of the period	7.425.726	7.129.883
Additions	66.788	77.019
Disposals (-)	(411)	(153)
Cost of disposals	(4.147)	(2.827)
Accumulated depreciation of disposals	3.736	2.674
Transfers to intangible assets	(1.077)	(148)
Currency translation difference	1.533.568	(20.321)
Cost currency translation difference	3.576.079	(56.760)
Accumulated depreciation currency translation difference	(2.042.511)	36.439
Current period depreciation (-)	(227.816)	(99.669)
Impairment (-)	(4.728)	-
Net book value at the end of the period	8.792.050	6.990.439
<u>Closing balance as of</u>		
Cost	20.700.574	15.764.961
Accumulated depreciation	(11.908.524)	(8.774.522)
Net book value	8.792.050	6.990.439

As of 30 June 2018, the Company has no collaterals or pledges upon its tangible assets (30 June 2017: 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 INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

	30 June 2018	30 June 2017
<u>Opening balance as of 1 January</u>		
Cost	281.361	259.641
Accumulated amortisation	(111.138)	(94.530)
Net book value	<u>170.223</u>	<u>165.111</u>
Net book value at the begin.of the period	170.223	165.111
Additions	1.565	421
Transfers	1.077	148
Currency translation difference	35.247	(423)
<i>Cost currency translation difference</i>	59.145	(913)
<i>Accumulated depreciation currency translation difference</i>	(23.898)	490
Current period amortisation (-)	(5.673)	(4.695)
Net book value at the end of the period	<u>202.439</u>	<u>160.562</u>
<u>Closing balance as of</u>		
Cost	343.148	259.297
Accumulated amortisation	(140.709)	(98.735)
Net book value	<u>202.439</u>	<u>160.562</u>

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

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

	30 June 2018	30 June 2017
Associated with cost of production	225.751	193.689
General administrative expenses	1.335	1.135
Marketing, sales and distribution expenses	6.403	5.712
	<u>233.489</u>	<u>200.536</u>

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	30 June 2018	31 December 2017
Short term financial liabilities	1.003.499	904.459
Current portion of long term financial liabilities	97.304	131.708
Total short term financial liabilities	1.100.803	1.036.167
Total long term financial liabilities	310.488	303.070
	1.411.291	1.339.237

As of 30 June 2018, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2017
No interest	TRY	-	30.966	-	30.966
Fixed	US Dollars	2,74	972.534	-	972.534
Floating	US Dollars	Libor+1,9	21.762	21.462	43.224
Floating	EURO	Euribor+2,25	75.541	289.026	364.567
			1.100.803	310.488	1.411.291

As of 31 December 2017, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2017
No interest	TRY	-	3.386	-	3.386
Fixed	US Dollars	2,18	901.072	-	901.072
Floating	US Dollars	Libor+1,36	43.570	26.625	70.195
Floating	EURO	Euribor+2,12	88.139	276.445	364.584
			1.036.167	303.070	1.339.237

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 7 – BORROWINGS (cont’d)

Breakdown of loan repayment is as follows:

	30 June 2018	31 December 2017
Within 1 year	1.100.803	1.036.167
Between 1 – 2 years	93.703	79.170
Between 2 – 3 years	72.241	70.293
Between 3 – 4 years	72.241	61.418
Between 4 – 5 years	36.104	61.418
Five years or more	36.199	30.771
	<u>1.411.291</u>	<u>1.339.237</u>

#### NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	30 June 2018	31 December 2017
Provision for lawsuits	23.659	21.441
Penalty provision for employment shortage of disabled personel	6.392	5.480
Provision for land occupation	1.142	1.212
	<u>31.193</u>	<u>28.133</u>

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

	30 June 2018	31 December 2017
Lawsuits filed by the Company	180.819	171.184
Provision for lawsuits filed by the Company	4.261	4.045

	30 June 2018	31 December 2017
Lawsuits filed against the Company	18.331	16.825
Provision for lawsuits filed against the Company	23.659	21.441

(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 INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

**NOTE 8 – PROVISIONS (cont’d)**

The movement of the short term provisions is as follows:

	1 January 2018	Change for the period	Payments	Provision released	Translation difference	30 June 2018
Provision for lawsuits	21.441	3.394	(413)	(1.567)	804	23.659
Penalty provision for employment shortage of disabled personnel	5.480	911	-	-	1	6.392
Provision for land occupation	1.212	308	(408)	-	30	1.142
	<b>28.133</b>	<b>4.613</b>	<b>(821)</b>	<b>(1.567)</b>	<b>835</b>	<b>31.193</b>

	1 January 2017	Change for the period	Payments	Provision released	Translation difference	30 June 2017
Provision for lawsuits	20.910	3.952	(359)	(4.914)	(42)	19.547
Penalty provision for employment shortage of disabled personnel	3.993	753	-	-	(5)	4.741
Provision for land occupation	696	126	-	-	(1)	821
	<b>25.599</b>	<b>4.831</b>	<b>(359)</b>	<b>(4.914)</b>	<b>(48)</b>	<b>25.109</b>

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 9 – EMPLOYEE BENEFITS

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

	30 June 2018	31 December 2017
Due to personnel	22.077	65.249
Social security premiums payable	25.432	20.635
	<u>47.509</u>	<u>85.884</u>

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

	30 June 2018	31 December 2017
Provisions for employee termination benefits	219.681	212.842
Provisions for seniority incentive premium	19.598	16.385
Provision for unpaid vacations	<u>32.290</u>	<u>25.269</u>
	<u>271.569</u>	<u>254.496</u>

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

As of 30 June 2018, the employee termination benefit has been updated to a maximum of TRY 5.001,76 (31 December 2017: TRY 4.732,48). Seniority to be applied as of 1 July 2018 compensation has been increased to TL 5.434,42 per month.

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. The obligation as of 30 June 2018 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

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



## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 June 2018, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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

	1 January - 30 June 2018	1 January - 30 June 2017
Opening balance	212.842	188.399
Service cost	7.827	8.993
Interest cost	11.696	9.955
Actuarial (Loss)/ Gain	(3.726)	8.098
Termination benefits paid	(9.011)	(11.818)
Translation difference	53	(124)
Closing balance	<u>219.681</u>	<u>203.503</u>

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

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

	1 January - 30 June 2018	1 January - 30 June 2017
Opening balance	16.385	17.305
Service cost	931	911
Interest cost	892	802
Actuarial (Loss)/ Gain	1.395	(410)
Translation difference	(5)	2
Closing balance	<u>19.598</u>	<u>18.610</u>

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

	1 January - 30 June 2018	1 January - 30 June 2017
Opening balance	25.269	27.261
Provision for the period	10.930	12.230
Vacation paid during the period (-)	(943)	(1.650)
Provisions released (-)	(3.924)	(4.386)
Translation difference	958	(154)
Closing balance	32.290	33.301

#### NOTE 10 – COMMITMENTS

The guarantees received by the Company are as follows:

	30 June 2018	31 December 2017
Letters of guarantees received	255.008	224.067
	255.008	224.067

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

	30 June 2018	31 December 2017
A. Total CPM given for the Company's own legal entity	66.463	64.349
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis		82.500
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	66.463	146.849

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 10 – COMMITMENTS (cont’d)

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

	30 June 2018	31 December 2017
TRY	55.845	137.818
EURO	10.618	9.031
	<u>66.463</u>	<u>146.849</u>

#### NOTE 11 – TAX ASSETS AND LIABILITIES

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

	30 June 2018	31 December 2017
<u>Corporate tax payable:</u>		
Current corporate tax provision	<u>625.232</u>	<u>664.873</u>
	<u>625.232</u>	<u>664.873</u>
	1 January - 30 June 2018	1 January 30 June 2017
<u>Taxation:</u>		
Current corporate tax expense	625.232	267.817
Deferred tax expense / (income)	<u>200.158</u>	<u>(77.123)</u>
	<u>825.390</u>	<u>190.694</u>

#### Corporate tax

The Company is subject to corporation tax applicable in Turkey.

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

Pursuant to the Provisional Article 10 of the Law No. 7061 added with the Article 91 of the Law on Corporate Income Tax, published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate for corporate earnings to be obtained during the tax years 2018, 2019 and 2020 has been increased from 20% to 22%. The total amount of investment withholding tax and corporate tax payments made by the Company in 2018 is TL 664.873 thousand.

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

##### Deferred tax

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

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 10 of Corporate Tax Law; corporate tax rate will be 22% for the corporate earnings to be obtained in the taxation periods of 2018, 2019, 2020 and 20% for the following years. The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2017: 10%).

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

	30 June 2018	31 December 2017
<u>Deferred tax assets:</u>		
Provisions for employee benefits	55.992	50.899
Investment incentive	-	52.771
Provision for lawsuits	5.456	4.531
Fair value adjustment of the derivative financial instruments	4.770	6.449
Provision for other doubtful receivables	16.364	14.639
Other	2.019	13.575
	<u>84.601</u>	<u>142.864</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(1.387.332)	(1.078.590)
Amortized cost adjustment on loans	(1.854)	(1.026)
Inventories	(60.357)	(6.380)
Other	(699)	(949)
	<u>(1.450.242)</u>	<u>(1.086.945)</u>
<u>Presentation of deferred tax assets/(liabilities) (net)</u>	<u>(1.365.641)</u>	<u>(944.081)</u>

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

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

	1 January - 30 June 2018	1 January - 31 December 2016
Opening balance	(944.081)	(910.331)
Deferred tax expense / (income)	(200.158)	77.123
The amount in comprehensive income/(expense)	(820)	(232)
Translation difference	(220.582)	422
Closing balance	<u>(1.365.641)</u>	<u>(833.018)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Profit before tax	2.746.370	1.236.742
Statutory tax rate	22%	20%
Calculated tax acc. to effective tax rate	604.201	247.348
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	86	114
- Effect of currency translation to non taxable assets (*)	221.103	(11.780)
- Investment incentives	-	(44.988)
Tax expense in reported in the consolidate statement of income	<u>825.390</u>	<u>190.694</u>

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

#### NOTE 12 – EQUITY

The capital structure by the Company is as follows:

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

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

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

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

**NOTE 13 – SALES AND COST OF SALES**

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
<u>Sales Revenue</u>				
Domestic sales	5.491.238	3.047.779	3.858.566	2.055.361
Export sales	1.027.998	615.240	967.603	561.266
Other revenues (*)	232.155	116.925	109.077	44.517
Interest income related to forward sales contracts	12.219	6.975	8.601	4.790
Sales returns (-)	(980)	(224)	(721)	(495)
	<u>6.762.630</u>	<u>3.786.695</u>	<u>4.943.126</u>	<u>2.665.439</u>
<u>Cost of sales (-)</u>	<u>(4.418.696)</u>	<u>(2.468.307)</u>	<u>(3.661.487)</u>	<u>(2.023.991)</u>
Gross profit	<u>2.343.934</u>	<u>1.318.388</u>	<u>1.281.639</u>	<u>641.448</u>

(\*)The total amount of by product exports in other revenues is TRY 91.392 thousand (30 June 2017: TRY 54.564 thousand).

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

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

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Raw material usage	(3.551.401)	(2.017.651)	(2.939.379)	(1.634.979)
Personnel costs	(248.831)	(133.896)	(246.859)	(138.535)
Energy costs	(112.413)	(58.773)	(102.678)	(50.394)
Depreciation and amortization expenses	(208.649)	(112.471)	(191.687)	(99.845)
Factory overheads	(79.381)	(46.661)	(49.482)	(41.764)
Other cost of goods sold	(141.426)	(65.564)	(80.475)	(30.584)
Non-operating costs (*)	(6.938)	(471)	-	-
Freight costs for sales delivered to customers	(51.194)	(23.559)	(46.469)	(27.198)
Inventory write-downs within the period (Note 4)	(4.201)	(517)	(4.246)	(857)
Provision for decrease in value of inventories (Note 4)	623	623	396	396
Other	(14.885)	(9.367)	(608)	(231)
	<u>(4.418.696)</u>	<u>(2.468.307)</u>	<u>(3.661.487)</u>	<u>(2.023.991)</u>

(\*) Due to the planned/ unplanned halt production of plant of the Company’s, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (6.938) thousand, has been accounted directly under cost of goods sold.

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

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

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Personnel expenses (-)	(10.619)	(5.688)	(11.594)	(6.059)
Depreciation and amortization(-)	(6.403)	(3.425)	(5.712)	(2.702)
Tax, duty and charges (-)	(377)	(192)	(265)	(133)
Service expenses (-)	<u>(23.515)</u>	<u>(12.442)</u>	<u>(19.402)</u>	<u>(10.276)</u>
	<u>(40.914)</u>	<u>(21.747)</u>	<u>(36.973)</u>	<u>(19.170)</u>

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Personnel expenses (-)	(21.366)	(11.278)	(22.045)	(11.136)
Depreciation and amortization expenses(-)	(1.335)	(704)	(1.135)	(548)
Provision for doubtful receivables (-)	(1.182)	(594)	2.270	3.581
Tax, duty and charges (-)	(4.810)	(2.608)	(3.057)	(1.552)
Service expenses (-)	<u>(32.087)</u>	<u>(17.664)</u>	<u>(30.827)</u>	<u>(15.154)</u>
	<u>(60.780)</u>	<u>(32.848)</u>	<u>(54.794)</u>	<u>(24.809)</u>



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

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

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

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
<u>Other operating income</u>				
Foreign exchange difference from trade receivables and liabilities	18.666	13.955	12.282	6.658
Discount income	11.338	770	8.396	(8)
Provisions released	1.567	1.315	4.914	2.291
Service income	2.716	1.464	2.082	1.199
Maintenance repair and rent income	6.728	3.419	4.764	2.666
Lawsuit income	88	43	7.040	(50)
Indemnity and penalty detention income	1.825	1.034	1.185	834
Insurance indemnity income	2.692	2.602	202	186
Warehouse income	737	517	1.093	1.012
Customer default interest income	48	9	-	-
Other income and gains	6.988	5.172	2.181	552
	<u>53.393</u>	<u>30.300</u>	<u>44.139</u>	<u>15.340</u>

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

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

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

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
<u>Other operating expenses (-)</u>				
Provision expenses	(4.305)	(2.290)	(4.705)	(3.520)
Donation expenses	(1.096)	(727)	(799)	(480)
Discount expenses	(2.237)	(108)	(6.520)	838
Port facility pre-licence expenses	(6.137)	(4.478)	(3.260)	(1.581)
Lawsuit compensation expenses	(1.325)	(853)	(929)	(361)
Penalty expenses	(200)	(46)	(151)	(115)
Stock exchange expense	(579)	(49)	(480)	(480)
Other expenses and losses	(3.771)	(1.008)	(3.306)	(1.409)
	<u>(19.650)</u>	<u>(9.559)</u>	<u>(20.150)</u>	<u>(7.108)</u>

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

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

#### NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
<u>Financial incomes</u>				
Interest income on bank deposits	138	76	59	48
Foreign exchange gains (net)	421.325	361.361	33.044	13.289
Interest income on related party	81.782	48.081	28.237	12.294
Fair value difference of derivative financial instruments (net)	-	-	-	(2.021)
Other financial incomes	94	6	46	46
	<u>503.339</u>	<u>409.524</u>	<u>61.386</u>	<u>23.656</u>

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
<u>Finance expenses (-)</u>				
Interest expenses on bank credit	(16.492)	(9.359)	(15.709)	(6.329)
Interest cost of employee benefits	(12.588)	(6.350)	(10.757)	(5.404)
Interest expenses on related party	-	-	(902)	(455)
Guarantee expenses	(981)	(336)	(1.550)	(722)
Fair value differences of derivative financial instruments (net)	-	-	(9.540)	(9.540)
	<u>(30.061)</u>	<u>(16.045)</u>	<u>(38.458)</u>	<u>(22.450)</u>

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

##### Additional information about financial instruments

##### Foreign currency risk management

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

	30 June 2018			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	434.431	19.720	78.112	-
2a. Monetary financial assets	2.084.860	23.743	388.216	22
2b. Non- monetary financial assets	-	-	-	-
3. Other	31.912	31.877	7	-
<b>4. Current assets (1+2+3)</b>	<b>2.551.203</b>	<b>75.340</b>	<b>466.335</b>	<b>22</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	12.715	12.715	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	33.662	17.181	3.104	-
<b>8. Non-current assets (5+6+7)</b>	<b>46.377</b>	<b>29.896</b>	<b>3.104</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>2.597.580</b>	<b>105.236</b>	<b>469.439</b>	<b>22</b>
10. Trade payables	362.926	348.402	2.732	434
11. Financial liabilities	106.793	-	20.115	-
12a. Other monetary financial liabilities	781.856	778.941	549	-
12b. Other non-monetary financial liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.251.575</b>	<b>1.127.343</b>	<b>23.396</b>	<b>434</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	289.026	-	54.439	-
16a. Other monetary financial liabilities	271.569	271.569	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>560.595</b>	<b>271.569</b>	<b>54.439</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>1.812.170</b>	<b>1.398.912</b>	<b>77.835</b>	<b>434</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>785.410</b>	<b>(1.293.676)</b>	<b>391.604</b>	<b>(412)</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>719.836</b>	<b>(1.342.733)</b>	<b>388.493</b>	<b>(412)</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	1.119.390	-	-	-
26. Imports	3.173.160	-	-	-

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

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

**Additional information about financial instruments (cont’d)**

Foreign currency risk management (cont’d)

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

	31 December 2017			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	146.950	26.574	26.659	-
2a. Monetary financial assets	1.371.322	5.601	302.450	22
2b. Non- monetary financial assets	-	-	-	-
3. Other	12.285	12.087	44	-
<b>4. Current assets (1+2+3)</b>	<b>1.530.557</b>	<b>44.262</b>	<b>329.153</b>	<b>22</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	21.648	21.163	108	-
<b>8. Non-current assets (5+6+7)</b>	<b>21.648</b>	<b>21.163</b>	<b>108</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>1.552.205</b>	<b>65.425</b>	<b>329.261</b>	<b>22</b>
10. Trade payables	168.907	156.004	2.857	-
11. Financial liabilities	88.301	-	19.555	-
12a. Other monetary financial liabilities	196.290	195.940	77	-
12b. Other non-monetary financial liabilities	689.002	688.067	207	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.142.500</b>	<b>1.040.011</b>	<b>22.696</b>	<b>-</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	277.087	-	61.364	-
16a. Other monetary financial liabilities	254.496	254.496	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>531.583</b>	<b>254.496</b>	<b>61.364</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>1.674.083</b>	<b>1.294.507</b>	<b>84.060</b>	<b>-</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(121.878)</b>	<b>(1.229.082)</b>	<b>245.201</b>	<b>22</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>533.191</b>	<b>(574.265)</b>	<b>245.256</b>	<b>22</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	1.615.383	-	-	-
26. Imports	5.189.950	-	-	-

## İSKENDERUN DEMİR VE ÇELİK A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

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

##### Additional information about financial instruments (cont’d)

##### Foreign currency risk management (cont’d)

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

As of 30 June 2018 asset and liability balances are translated by using the following exchange rates: TRY 4,5607 = US \$ 1, TRY 5,3092 = EUR 1 and TRY 0,0411 = JPY 1 (31 December 2017 : TRY 3,7719 = US\$ 1, TRY 4,5155 = EUR 1 and TRY 0,0334= JPY 1)

30 June 2018	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(129.368)	129.368
2- Hedged portion from TRY risk(-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(129.368)	129.368
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk(-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	-	-
9- Euro net asset/liability	207.910	(207.910)
10- Hedged portion from Euro risk(-)	-	-
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	207.910	(207.910)
13- Jap. Yen net asset/liability	(2)	2
14- Hedged portion from Jap. Yen risk(-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2)	2
<b>TOTAL (4+8+12+16)</b>	<b>78.540</b>	<b>(78.540)</b>

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS  
PERIOD ENDED 30 JUNE 2018**

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

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

**Additional information about financial instruments (cont’d)**

Foreign currency risk management (cont’d)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2017		
1- TRY net asset/liability	(122.908)	122.908
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(122.908)	122.908
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	-	-
9- Euro net asset/liability	110.721	(110.721)
10- Hedged portion from Euro risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	110.721	(110.721)
13- Jap. Yen net asset/liability	-	-
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	-	-
<b>TOTAL (4+8+12+16)</b>	<b>(12.187)</b>	<b>12.187</b>

**İSKENDERUN DEMİR VE ÇELİK A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

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

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

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

	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Derivative financial instruments through profit/loss	Carrying value
<b>30 June 2018</b>					
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	-	-	26.615	-	26.615
Trade receivables	-	-	1.188.548	-	1.188.548
Financial investments	-	-	-	124	124
Other financial assets	-	-	3.207.622	-	3.207.622
Derivative financial instruments	-	-	-	-	-
<b><u>Financial Liabilities</u></b>					
Financial liabilities	-	-	1.411.291	-	1.411.291
Trade payables	-	-	910.854	-	910.854
Other liabilities	-	-	70.198	-	70.198
Derivative financial instruments	-	-	-	274	274
<b>31 December 2017</b>					
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	11.895	-	-	-	11.895
Trade receivables	731.318	-	-	-	731.318
Financial investments	-	13.437	-	-	13.437
Other financial assets	3.339.536	-	-	-	3.339.536
Derivative financial instruments	-	-	-	-	-
<b><u>Financial Liabilities</u></b>					
Financial liabilities	-	-	1.339.237	-	1.339.237
Trade payables	-	-	439.446	-	439.446
Other liabilities	-	-	100.561	-	100.561
Derivative financial instruments	-	-	-	158	158

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

**NOTE 17 – SUBSEQUENT EVENTS**

None

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

**Convenience translation to English:**

As of 30 June 2018, 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.