

İSKENDERUN DEMİR VE ÇELİK A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 MARCH 2024**

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İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2024

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2024 USD'000	Current Period 31 March 2024 TRY'000	Previous Period 31 December 2023 USD'000	Previous Period 31 December 2023 TRY'000
ASSETS					
Current Assets		2.011.645	64.946.730	1.953.090	57.495.472
Cash and Cash Equivalents		301.978	9.749.475	392.968	11.568.280
Trade Receivables		181.106	5.847.093	177.060	5.212.321
<i>Due From Related Parties</i>	3	129.434	4.178.832	129.883	3.823.513
<i>Other Trade Receivables</i>		51.672	1.668.261	47.177	1.388.808
Other Receivables		145.226	4.688.672	114.111	3.359.220
<i>Due From Related Parties</i>	3	142.015	4.585.013	110.822	3.262.404
<i>Other Receivables</i>		3.211	103.659	3.289	96.816
Financial Derivative Instruments		368	11.889	-	-
Inventories	4	1.097.892	35.445.888	1.075.932	31.673.490
Prepaid Expenses		19.910	642.796	10.255	301.892
Other Current Assets		265.165	8.560.917	182.764	5.380.269
Non Current Assets		2.703.431	87.281.370	2.652.192	78.075.747
Financial Investments		2.068	66.777	2.252	66.285
Other Receivables		166	5.355	182	5.355
Investments Accounted For Using Equity Method	5	31.435	1.014.877	30.039	884.293
Property, Plant and Equipment	6	2.473.207	79.848.485	2.398.380	70.604.004
Right of Use Assets		9.901	319.654	8.343	245.593
Intangible Assets	6	41.516	1.340.364	42.119	1.239.911
Prepaid Expenses		145.138	4.685.858	170.877	5.030.306
<i>Due From Related Parties</i>	3	1.357	43.827	1.600	47.097
<i>Other Prepaid Expenses</i>		143.781	4.642.031	169.277	4.983.209
TOTAL ASSETS		4.715.076	152.228.100	4.605.282	135.571.219

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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2024

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

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 31 March 2024 USD'000	Current Period 31 March 2024 TRY'000	Previous Period 31 December 2023 USD'000	Previous Period 31 December 2023 TRY'000
LIABILITIES					
Current Liabilities		1.260.109	40.756.773	1.278.371	37.701.321
Short Term Borrowings	7	600.537	19.423.536	582.525	17.179.415
Short Term Portion of Long Term Borrowings	7	136.117	4.402.503	108.274	3.193.139
Trade Payables		299.038	9.672.310	408.165	12.037.825
<i>Due to Related Parties</i>	3	63.375	2.049.781	83.559	2.464.278
<i>Other Trade Payables</i>		235.663	7.622.529	324.606	9.573.547
Payables for Employee Benefits	9	45.537	1.472.816	36.659	1.081.118
Other Payables		49.350	1.596.157	33.468	987.014
Financial Derivative Instruments		332	10.739	1.181	34.818
Deferred Revenue		12.523	405.050	13.233	390.267
Current Tax Liabilities	11	106.964	3.459.595	84.616	2.495.441
Short Term Provisions	8	5.243	169.570	5.169	152.452
Other Current Liabilities		4.468	144.497	5.081	149.832
Non Current Liabilities		434.636	14.057.701	402.395	11.867.180
Long Term Borrowings	7	151.937	4.914.198	122.635	3.616.679
Long Term Provisions		68.667	2.220.936	70.741	2.086.239
<i>Long Term Provisions for Employee Benefits</i>	9	68.667	2.220.936	70.741	2.086.239
Deferred Tax Liabilities	11	214.032	6.922.567	209.019	6.164.262
EQUITY		3.020.331	97.413.626	2.924.516	86.002.718
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)		(66.409)	55.108.478	(66.409)	49.811.251
<i>Actuarial (Loss)/ Gain Funds</i>		(66.409)	(953.191)	(66.409)	(953.191)
<i>Foreign Currency Translation Reserves</i>		-	56.061.669	-	50.764.442
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(26)	(831)	(882)	(26.023)
<i>Cash Flow Hedging Gain (Loss)</i>		(26)	(831)	(882)	(26.023)
Restricted Reserves Assorted from Profit		486.185	3.179.560	482.127	3.049.060
Retained Earnings		986.353	31.902.197	870.315	25.666.719
Net Profit for the Period		140.038	4.324.058	165.175	4.601.547
TOTAL LIABILITIES AND EQUITY		4.715.076	152.228.100	4.605.282	135.571.219

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.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

		(Unaudited) Current Period 1 January - 31 March 2024 USD'000	(Unaudited) Current Period 1 January - 31 March 2024 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2023 USD'000	(Unaudited) Previous Period 1 January - 31 March 2023 TRY'000
	Note				
Revenue	13	831.717	25.681.507	539.096	10.162.020
Cost of Sales	13	(734.204)	(22.670.542)	(584.146)	(11.011.221)
GROSS PROFIT/(LOSS)		97.513	3.010.965	(45.050)	(849.201)
Marketing, Sales and Distribution Expenses	14	(6.970)	(215.216)	(4.553)	(85.823)
General Administrative Expenses	14	(11.017)	(340.184)	(10.035)	(189.157)
Research and Development Expenses		(26)	(816)	(21)	(389)
Other Operating Income	14	109.724	3.388.034	8.639	162.841
Other Operating Expenses	14	(2.585)	(79.804)	(1.052)	(19.832)
OPERATING PROFIT/(LOSS)		186.639	5.762.979	(52.072)	(981.561)
Income from Investing Activities		-	-	26	496
Expenses from Investing Activities		(34)	(1.051)	(1.312)	(24.740)
Share of Investments' Profit Accounted by Using The Equity Method	5	1.396	43.092	(21)	(391)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		188.001	5.805.020	(53.379)	(1.006.196)
Finance Income	15	20.266	625.783	14.573	274.700
Finance Expense	15	(33.131)	(1.022.981)	(21.038)	(396.562)
PROFIT/(LOSS) BEFORE TAX		175.136	5.407.822	(59.844)	(1.128.058)
Tax (Expense)/ Income	11	(35.098)	(1.083.764)	14.999	282.725
Current Corporate Tax (Expense)/ Income		(30.371)	(937.797)	-	-
Deferred Tax (Expense)/ Income		(4.727)	(145.967)	14.999	282.725
NET PROFIT/(LOSS) FOR THE PERIOD		140.038	4.324.058	(44.845)	(845.333)
Earnings/(Loss) per share			1,4911		(0,2915)
(TRY 1 Nominal value per share)					

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024**

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

	(Unaudited) Current Period 1 January - 31 March 2024 USD'000	(Unaudited) Current Period 1 January - 31 March 2024 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2023 USD'000	(Unaudited) Previous Period 1 January - 31 March 2023 TRY'000
Note				
PROFIT FOR THE PERIOD	140.038	4.324.058	(44.845)	(845.333)
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss				
Foreign Currency Translation Gain (Loss)	-	8.511.658	-	1.249.244
To be reclassified subsequently to profit or loss				
Gain (Loss) in Cash Flow Hedging Reserves	1.141	33.589	436	8.173
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	11 (285)	(8.397)	(87)	(1.635)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	856	8.536.850	349	1.255.782
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	140.894	12.860.908	(44.496)	410.449

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

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İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

	Note	Share Capital	Inflation Adjustment to Capital	Other Comprehensive Income (Expense) Not to be Reclassified to Profit/ (Loss)		Other comprehensive income (expense) to be reclassified subsequently to profit or loss	Retained Earnings		Total Shareholders' Equity	
				Foreign Currency Translation Reserves	Actuarial (Loss)/ Gain Funds	Cash Flow Hedging Gain (Loss)	Restricted Reserves Assorted from Profit	Retained Earnings		Net Profit for the Period
(Unaudited)										
1 January 2024		2.900.000	164	50.764.442	(953.191)	(26.023)	3.049.060	25.666.719	4.601.547	86.002.718
Net profit for the period		-	-	-	-	-	-	-	4.324.058	4.324.058
Other comprehensive income/(loss)		-	-	8.511.658	-	25.192	-	-	-	8.536.850
Total comprehensive income/(loss)		-	-	8.511.658	-	25.192	-	-	4.324.058	12.860.908
Increase (decrease) due to other changes ^(*)	2.1	-	-	(3.214.431)	-	-	-	3.214.431	-	-
Dividends ^(*)		-	-	-	-	-	-	(1.450.000)	-	(1.450.000)
Transfers		-	-	-	-	-	130.500	4.471.047	(4.601.547)	-
31 March 2024		2.900.000	164	56.061.669	(953.191)	(831)	3.179.560	31.902.197	4.324.058	97.413.626
(Unaudited)										
1 January 2023		2.900.000	164	31.862.614	(595.956)	(6.538)	3.049.060	7.864.483	6.726.197	51.800.024
Net profit for the period		-	-	-	-	-	-	-	(845.333)	(845.333)
Other comprehensive income/(loss)		-	-	1.249.244	-	6.538	-	-	-	1.255.782
Total comprehensive income/(loss)		-	-	1.249.244	-	6.538	-	-	(845.333)	410.449
Increase (decrease) due to other changes ^(**)	2.1	-	-	(2.108.749)	-	-	-	2.108.749	-	-
Transfers		-	-	-	-	-	-	6.726.197	(6.726.197)	-
31 March 2023		2.900.000	164	31.003.109	(595.956)	-	3.049.060	16.699.429	(845.333)	52.210.473

(*) At the Ordinary General Assembly Meeting of the Company held on March 28, 2024, dividend per share: 0,50 TRY from the profits of 2023. The decision to distribute a cash dividend of 1.450.000 thousand TRY was unanimously approved. Dividend distribution started on 16 April 2024.

(**) Retained earnings or losses; condensed interim financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed as US \$. The details of the conversion of retained earnings or losses in the condensed interim statement of 31 March 2024 financial position to the presentation currency, Turkish Lira, are explained in Note 2.1.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

		(Unaudited) 1 January - 31 March 2024	(Unaudited) 1 January - 31 March 2024	(Unaudited) 1 January - 31 March 2023	(Unaudited) 1 January - 31 March 2023
		USD'000	TRY'000	USD'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		24.886	651.013	37.194	735.265
Profit (Loss) for The Period		140.038	4.324.058	(44.845)	(845.333)
Adjustments to Reconcile Profit (Loss)		(34.728)	(1.078.390)	(2.929)	(48.196)
Adjustments for Depreciation and Amortisation Expenses	13/14	28.359	875.654	23.236	437.980
Adjustments for Impairment Loss (Reversal of Impairment Loss)		-	-	(19.580)	(369.089)
Adjustments for Provision (Reversal of Provision) for Inventories	4	-	-	(19.580)	(369.089)
Adjustments for Provisions		5.536	170.924	5.508	103.837
Adjustments for Provision (Reversal of Provision) for Employee Termination	9	5.070	156.556	5.444	102.618
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or	8	466	14.368	64	1.219
Adjustments for Interest (Income) and Expenses		1.626	50.233	2.480	46.769
Adjustments for Interest Income	15	(20.177)	(622.993)	(14.453)	(272.433)
Adjustments for Interest Expense	15	21.802	673.196	16.847	317.572
Unearned Financial Income from Credit Sales		1	30	86	1.630
Adjustments for Unrealised Foreign Exchange Differences		1.137	29.002	(764)	(7.400)
Adjustments for Fair Value (Gains) Losses		(90)	(2.790)	(120)	(2.267)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		(90)	(2.790)	(120)	(2.267)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity	5	(1.396)	(43.092)	21	391
Adjustments for Tax (Income) Expenses	11	35.098	1.083.764	(14.999)	(282.725)
Other Adjustments for Non-Cash Items		(105.000)	(3.242.159)	-	-
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		2	74	1.289	24.308
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		2	74	1.289	24.308
Changes in Working Capital		(79.100)	(2.553.774)	89.532	1.714.824
Adjustments for Decrease (Increase) in Trade Receivables		(719)	(23.213)	118.342	2.266.628
Decrease (Increase) in Trade Receivables from Related Parties		449	14.496	69.904	1.338.885
Decrease (Increase) in Trade Receivables from Third Parties		(1.168)	(37.709)	48.438	927.743
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		94	3.035	(669)	(12.814)
Decrease (Increase) in Other Receivables from Operations from Third Parties		94	3.035	(669)	(12.814)
Decrease (Increase) in Derivative Assets		(368)	(11.881)	-	-
Adjustments for Decrease (Increase) in Inventories		(19.022)	(614.130)	38.587	739.057
Decrease (Increase) in Prepaid Expenses		3.624	117.000	1.998	38.275
Adjustments for Increase (Decrease) in Trade Payables		(109.127)	(3.523.209)	(48.724)	(933.221)
Increase (Decrease) in Trade Payable to Related Parties		(20.184)	(651.649)	(24.908)	(477.068)
Increase (Decrease) in Trade Payable to Third Parties		(88.943)	(2.871.560)	(23.816)	(456.153)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		24.760	799.387	8.333	159.604
Increase (Decrease) in Other Payables to Third Parties Related from Operations		24.760	799.387	8.333	159.604
Increase (Decrease) in Derivative Liabilities		382	12.333	36	690
Adjustments for Other Increase (Decrease) in Working Capital		21.276	686.904	(28.371)	(543.395)
Decrease (Increase) in Other Assets Related from Operations		22.599	729.618	(27.092)	(518.898)
Increase (Decrease) in Other Payables Related from Operations		(1.323)	(42.714)	(1.279)	(24.497)
Cash Flows Provided by Operating Activities		26.210	691.894	41.758	821.295
Payments Related to Provisions for Employee Termination Benefits	9	(716)	(22.111)	(4.543)	(85.641)
Payments Related to Other Provisions	8	(20)	(606)	(21)	(389)
Income Taxes Refund (Paid)	11	(588)	(18.164)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		(93.170)	(2.859.322)	(77.350)	(1.466.762)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		1	24	68	1.269
Cash Inflow from Sales of Property, Plant and Equipment		1	24	68	1.269
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(105.662)	(3.262.623)	(50.281)	(947.820)
Cash Outflow from Purchase of Property, Plant and Equipment	6	(105.615)	(3.261.159)	(50.201)	(946.308)
Cash Outflow from Purchase of Intangible Assets	6	(47)	(1.464)	(80)	(1.512)
Cash Advances and Debts Given		12.491	403.277	(28.140)	(538.971)
Cash Advance and Debts Given to Related Parties		240	7.748	(1.720)	(32.944)
Other Cash Advances and Debts Given		12.251	395.529	(26.420)	(506.027)
Other Cash Inflow (Outflow)		-	-	1.003	18.760
CASH FLOWS FROM FINANCING ACTIVITIES		41.148	787.529	(22.974)	(441.501)
Cash Inflow from Borrowings		247.480	7.641.619	178.702	3.368.551
Cash Inflow from Loans		247.480	7.641.619	178.702	3.368.551
Cash Outflow from Repayments of Borrowings		(170.467)	(5.386.432)	(187.302)	(3.538.924)
Cash Outflow from Loan Repayments		(170.467)	(5.386.432)	(187.302)	(3.538.924)
Decrease in Other Payables to Related Parties		(31.193)	(1.322.609)	-	-
Cash Outflow from Debt Payments for Leasing Contracts		(309)	(9.540)	(102)	(1.931)
Interest Paid		(21.299)	(657.658)	(24.550)	(462.771)
Interest Received		16.936	522.149	10.278	193.574
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(27.136)	(1.420.780)	(63.130)	(1.172.998)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(63.770)	(396.202)	(2.203)	79.436
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(90.906)	(1.816.982)	(65.333)	(1.093.562)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		392.653	11.558.996	346.824	6.485.015
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		301.747	9.742.014	281.491	5.391.453

- As of March 31, 2024, the total accrual of interest on time deposits is TRY 7.461 thousand (USD 231 thousand) (March 31, 2023: TRY 6.975 thousand (USD 364 thousand)).
- Currency hedged bank deposits with maturities longer than 3 months, which are shown in financial investments in the statement of financial position, are reported under “Other Cash Inflows (Outflows) from Investing Activities” in the cash flow statements.

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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 Türkiye on the Mediterranean coast in the distance of 17 km from İskenderun in Payas region. The principal activities of the Company are production and sale of iron products, flat and long steel products and their by-products. The Company’s main products are billet,slab,coil,plate,wire rod and by-products are coke,benzol,ammonium sulphate and slag.

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

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

Name Of Company	Country of Operation	Operation	2024 Share %	2023 Share %
Teknopark Hatay A.Ş.	Türkiye	R&D Centre	5	5
İsdemir Linde Gaz Ortaklığı A.Ş.	Türkiye	Energy	50	50

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

The number of the personnel employed by the Company as of reported period 31 March 2024 are as follows:

	31 March 2024 Personnel	31 December 2023 Personnel
Paid Hourly Personnel	3.029	3.069
Paid Monthly Personnel	1.456	1.463
	<u>4.485</u>	<u>4.532</u>

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

2.1 Basis of Presentation (cont'd)

In accordance with the Turkish Accounting Standard No: 34 "Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim period. Accordingly, these condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

In addition, interim condensed financial statements are prepared in accordance with TFRS Taxonomy Announcement published by the POA on October 4, 2022 and Financial Statement Examples formats specified in the User's Guide published by CMB.

Functional and Reporting Currency

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

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

Functional currency of the joint venture

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

Inflation accounting

The Public Oversight, Accounting and Auditing Standards Authority ("POA") November 23, 2023, in accordance with the announcement "Adjustment of the Financial Statements of Companies Subject to Independent Audit in Accordance with Inflation"; It has been decided that the financial statements of the enterprises applying the Turkish Financial Reporting Standards for the annual reporting period ended on or after 31 December 2023, in accordance with the relevant accounting principles contained in the Turkish Accounting Standard 29 "Financial Reporting in High-Inflation Economies" (TAS 29) will be presented adjusted for the effect of inflation.

In line with the above explanations, the Company does not need to make any adjustments in accordance with TAS 29 in its financial statements to be prepared in accordance with TFRS due to the fact that the functional currency of the Company is US dollars as of the reporting date.

Presentation currency translation

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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)

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 on condensed financial position as of 31 March 2024 are translated from US Dollars into TRY using the Central Bank of the Republic of Türkiye's buying rate of exchange which is 32,2854 TRY = 1 US \$ and the liabilities selling rate of exchange which is 32,3436 TRY = 1 US \$ (31 December 2023 foreign exchange buying rate: 29,4382 TRY = 1 US \$, foreign exchange selling rate: 29,4913 TRY = 1 US \$).
- b) For the three months period ended 31 March 2024, condensed profit or loss statements are translated from the 3 months average 30,8777 TRY = 1 US \$ rates of 2024 January-March period (31 March 2023: 18,8501 TRY = 1 US \$).
- c) Retained earnings; In the condensed interim financial statements, in accordance with TAS 21, they are converted to US Dollars at historical rates and followed in US Dollars. Retained earnings in the statement of financial position dated 31 March 2024 are presented by converting them into TRY using the foreign exchange selling rate effective as of 31 March 2024 announced by the Central Bank of the Republic of Türkiye, 32,3436 TRY = 1 US \$ (31 December 2023: 29,4913 TRY = 1 US \$).
- d) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- e) Capital and other reserves are presented with their legal values in the accompanying financial statements, and other equity items are presented with their historical cost values. The translation differences between the historical values of these items translated into the presentation currency and their carrying values from legal records are accounted for as foreign currency translation differences in the other comprehensive income statement.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim financial statements comprising the statements of financial position as of 31 March 2024 and 31 December 2023, condensed statement of income and other comprehensive income and statement of cash flows for the interim period ended 31 March 2024 and 2023 represent the financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

Approval of the financial statements

The condensed interim financial statements have been approved on 9 May 2024 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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

The Company’s financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements. Comparative information is reclassified when necessary and important differences are explained in order to ensure compliance with the presentation of the current period financial statements.

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed financial statements as at 31 March 2024 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 2024 summarized below

The new standards, amendments and interpretations which are effective from 2024

Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to TAS 7 and TFRS7	<i>Supplier Finance Arrangements</i>
Amendments to TSRS 1	<i>General Requirements for Disclosure of Sustainability Related Financial Information.</i>
Amendments to TSRS 2	<i>Statements About Climate</i>

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

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale. Amendments are effective from annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Amendments to TAS 1, Amendments are effective from annual reporting periods beginning on or after 1 January 2024 and earlier applications are permitted.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

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

The new standards, amendments and interpretations which are effective from 2024 (cont’d)

Amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements

The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Amendments are effective from annual reporting periods beginning on or after 1 January 2024. The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

TSRS 1 General Requirements for the Disclosure of Financial Information Related to Sustainability

TFRS 1 sets out general requirements for sustainability-related financial disclosures, with the aim of requiring an entity to disclose information about sustainability-related risks and opportunities that will be useful to primary users of general purpose financial reports in making decisions about resourcing the entity. The implementation of this standard is mandatory for the enterprises that meet the relevant criteria in the POA's announcement dated January 5, 2024 and numbered 2024-5, and for banks, regardless of the criteria, in the annual reporting periods starting on or after January 1, 2024. Other businesses may report in accordance with TSRS standards on a voluntary basis.

TSRS 2 Climate-Related Explanations

TSRS 2 sets forth requirements for identifying, measuring and disclosing climate-related risks and opportunities that will be useful to primary users of general purpose financial reports in their decisions about providing resources to the business. The implementation of this standard is mandatory for the businesses that meet the relevant criteria in the POA's announcement dated January 5, 2024 and numbered 2024-5, and for banks, regardless of the criteria, in the annual reporting periods starting on or after January 1, 2024. Other businesses may report in accordance with TSRS standards on a voluntary basis.

The Company Management has evaluated that these changes and comments, effective from 2024, do not have a significant impact on the Company's condensed financial statements.

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

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

TFRS 17

Amendments to TFRS 17

Insurance Contracts

Initial Application of TFRS 17 and TFRS 9 — Comparative Information

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 has been postponed for 1 year for insurance, reinsurance and pension companies and will replace TFRS 4 Insurance Contracts as of January 1, 2025.

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

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

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

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

Changes have been made to TFRS 17 in order to reduce implementation costs, facilitate the disclosure of results and transition. In addition, with the amendment regarding comparative information, companies that are the first to implement TFRS 7 and TFRS 9 at the same time are allowed to present comparative information regarding their financial assets as if the classification and measurement requirements of TFRS 9 had previously been applied to that financial asset. The changes will be applied when TFRS 17 is first implemented.

The possible effects of these standards, changes and improvements on the Company's condensed financial position and performance are evaluated.

2.4 Summary of Significant Accounting Policies

The condensed interim financial statements for the three months period ended 31 March 2024 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim financial statements for the period ended 31 March 2024 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2023. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope as of 31 March 2024, from the interests reported as of 31 December 2023.

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 THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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 trade receivables between the Company and related parties are disclosed below:

	31 March 2024	31 December 2023
<u>Trade receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.153.298	3.806.883
OYAK Çimento Fabrikaları A.Ş. ⁽⁵⁾	-	146
OYAK Sentetik Karbon Ürünleri San. Ve Tic. A.Ş. ⁽³⁾	3.233	206
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	22.301	16.278
	<u>4.178.832</u>	<u>3.823.513</u>

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

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

	31 March 2024	31 December 2023
<u>Other receivables from related parties (short term)</u>		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	4.585.013	3.262.404
	<u>4.585.013</u>	<u>3.262.404</u>

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

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

	31 March 2024	31 December 2023
<u>Prepaid expenses from related parties (long term)</u>		
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	43.827	47.097
	<u>43.827</u>	<u>47.097</u>

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont’d)

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

<u>Trade payables due to related parties (short term)</u>	31 March 2024	31 December 2023
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	1.132.663	1.234.266
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	83.299	61.728
Erdemir Asia Pacific PTE LTD ⁽²⁾	406.558	706.905
Omsan Lojistik A.Ş. ⁽³⁾	115.132	95.521
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	38.399	23.438
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	26.986	16.154
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	8.113	6.464
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	34.015	25.756
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	119.762	91.452
OYAK Çimento Fabrikaları A.Ş. ⁽⁵⁾	30.125	-
Other	54.729	202.594
	<u>2.049.781</u>	<u>2.464.278</u>

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

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

<u>Major sales to related parties</u>	1 January - 31 March 2024	1 January - 31 March 2023
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	16.473.215	8.680.375
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	4.100	1.253
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	98.787	99.709
Erdemir Romania SRL ⁽²⁾	-	5.740
Omsan Lojistik A.Ş. ⁽³⁾	62	135
OYAK Çimento Fabrikaları A.Ş. ⁽⁵⁾	31.562	18.121
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. ⁽³⁾	36.306	57.573
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	2.567	2.402
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	309	92
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	5	108
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	12.926	-
Other	3.303	17
	<u>16.663.142</u>	<u>8.865.525</u>

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 3 –RELATED PARTY TRANSACTIONS (cont'd)

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

	1 January - 31 March 2024	1 January - 31 March 2023
<u>Major purchases from related parties</u>		
Doco Petrol ve Danışmanlık A.Ş. ⁽³⁾	20.321	7.277
OYPOWER Elektrik Ticareti ve Hizmetleri A.Ş. ⁽³⁾	23.289	37.810
Erdemir Madencilik San. ve Tic. A.Ş. ⁽²⁾	2.328.424	747.173
Erdemir Asia Pacific PTE LTD ⁽²⁾	480.179	-
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ⁽¹⁾	297.328	43.336
OYAK Pazarlama Hizmet ve Turizm A.Ş. ⁽³⁾	180.195	60.382
Omsan Denizcilik A.Ş. ⁽³⁾	10.442	248
OYAK Savunma ve Güvenlik Sistemleri A.Ş. ⁽³⁾	338.030	32.022
Omsan Lojistik A.Ş. ⁽³⁾	280.917	119.078
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. ⁽²⁾	20.105	6.511
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. ⁽²⁾	76.519	65.578
İsdemir Linde Gaz Ortaklığı A.Ş. ⁽⁴⁾	184.991	127.787
OYAK Denizcilik ve Liman İşletmeleri A.Ş. ⁽³⁾	111.949	26.906
Kümaş Manyezit Sanayi A.Ş. ⁽²⁾	145.215	6.215
OYAK Çimento Fabrikaları A.Ş. ⁽⁵⁾	105.131	-
Other	24.967	30.198
	<u>4.628.002</u>	<u>1.310.521</u>

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

The Company earned TRY 401.678 thousand (31 March 2023: TRY 23.144 thousand) finance income from related party transactions of the first three month period of 2024, amounting to TRY 338.840 thousand of interest income and TRY 62.838 thousand of interest accrued on term.

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

For the three months period end balances are secured and their collections will be done in cash. Other receivables from related parties balances are non-secured, interest -bearing and their collections will be done in cash. As of 31 March 2024, the Company provides no provision for the receivables from related parties (31 December 2023: None).

Benefits provided to executive managers:

The company's executive management team consists of the Board of Directors, General Manager and Assistant General Managers. For the three months period ended 31 March 2024, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the executive management of the Company is TRY 3.456 thousand (31 March 2023: TRY 9.116 thousand).

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 4 – INVENTORIES

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

	31 March 2024	31 December 2023
Raw materials	6.469.104	6.118.941
Work in progress	8.585.720	6.930.033
Finished goods	4.219.313	2.734.611
Spare parts	4.417.285	3.919.673
Goods in transit	10.074.040	10.452.725
Other inventories	2.667.868	2.417.868
Allowance for impairment on inventories (-)	(987.442)	(900.361)
	<u>35.445.888</u>	<u>31.673.490</u>

The movement of the allowance for impairment on inventories:

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	900.361	890.550
Provision released (-)	-	(369.089)
Translation difference	87.081	15.731
Closing balance	<u>987.442</u>	<u>537.192</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).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 5 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

<i>Joint Venture</i>	Right to vote ratio %	31 March 2024	Right to vote ratio %	31 December 2023	Business segment
İsdemir Linde Gaz Ortaklığı A.Ş.	50	1.014.877	50	884.293	Industrial Gas Production and Sale

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

	31 March 2024	31 December 2023
Total assets	2.195.590	1.913.261
Total liabilities	165.836	144.675
Net assets	2.029.754	1.768.586
Company's share on net assets	1.014.877	884.293

	31 March 2024	31 December 2023
Share capital	140.000	140.000

İsdemir Linde Gaz Ortaklığı A.Ş has the right of to deduct TRY 218.863 thousand (31 December 2023: TRY 228.207 thousand) from corporate tax of the investment deduction where profit will occur in the upcoming years pursuant to the Resolution No 2012/3305 on Government Aids in Investments and the Cabinet Decision issued in the Official gazette on 22 February 2017. The deferred tax asset of TRY 9.344 thousand of additional investment deduction (its effect in the profit or loss statement of Company is TRY (4.672) thousand) is included in the financial statements prepared as of reporting date.

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

	1 January - 31 March 2024	1 January - 31 March 2023
Revenue	224.785	93.519
Operating Profit	86.027	18.732
Net profit (loss) for the period	86.184	(782)
Company's share on net profit	43.092	(391)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

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

	31 March 2024	31 March 2023
<u>Opening balance as of 1 January</u>		
Cost	160.359.967	96.839.451
Accumulated depreciation	(89.755.963)	(56.148.959)
Net book value	<u>70.604.004</u>	<u>40.690.492</u>
Opening net book value	70.604.004	40.690.492
Additions (*)	3.249.137	979.667
Disposals (-)	(98)	(25.577)
<i>Cost disposals</i>	(294.431)	(39.493)
<i>Accumulated depreciation disposals</i>	294.333	13.916
Currency translation difference	6.934.003	999.425
<i>Cost currency translation difference</i>	15.627.213	2.371.152
<i>Accumulated depreciation currency translation difference</i>	(8.693.210)	(1.371.727)
Current period depreciation (-)	(938.561)	(364.020)
Net book value at the end of the period	<u>79.848.485</u>	<u>42.279.987</u>
<u>Closing balance as of</u>		
Cost	178.941.886	100.150.777
Accumulated depreciation	(99.093.401)	(57.870.790)
Net book value	<u>79.848.485</u>	<u>42.279.987</u>

(*) The amount of capitalized borrowing cost is TRY (12.022) thousand for the current period (31 March 2023: TRY 33.359 thousand).

As of reporting period, the Company has no collaterals or pledges upon its tangible assets (31 March 2023: None).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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 reporting period is as follows:

	31 March 2024	31 March 2023
<u>Opening balance as of 1 January</u>		
Cost	2.568.081	1.567.846
Accumulated amortisation	(1.328.170)	(789.919)
Net book value	<u>1.239.911</u>	<u>777.927</u>
Net book value at the begin.of the period	1.239.911	777.927
Additions	1.464	1.512
Currency translation difference	119.073	18.728
<i>Cost currency translation difference</i>	248.447	38.168
<i>Accumulated depreciation currency translation difference</i>	(129.374)	(19.440)
Current period amortisation (-)	(20.084)	(13.803)
Net book value at the end of the period	<u>1.340.364</u>	<u>784.364</u>
<u>Closing balance as of</u>		
Cost	2.817.992	1.607.526
Accumulated amortisation	(1.477.628)	(823.162)
Net book value	<u>1.340.364</u>	<u>784.364</u>

As of reporting period, the Company has no collaterals or pledges upon its intangible assets (31 March 2023: None).

The breakdown of depreciation and amortisation expenses related to tangible, intangible and right of use to TRY 7.753 thousand (31 March 2023: TRY 4.328 thousand) assets are as follows:

	31 March 2024	31 March 2023
Associated with cost of production	923.630	362.938
General administrative expenses	12.723	6.173
Marketing, sales and distribution expenses	27.553	11.399
Other Operating Expenses	2.492	1.641
	<u>966.398</u>	<u>382.151</u>

İSKENDERUN DEMİR VE ÇELİK A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	31 March 2024	31 December 2023
Short term bank borrowings	19.423.536	17.179.415
Short term portion of long term bank borrowings	4.373.309	3.168.187
Long term bank borrowings	4.766.009	3.517.686
Total bank borrowings	<u>28.562.854</u>	<u>23.865.288</u>
Current portion of long term lease payables	31.629	26.886
Cost of current portion of long term lease payables (-)	(2.435)	(1.934)
Long term lease payables	740.262	370.068
Cost of long term lease payables (-)	(592.073)	(271.075)
Total leases borrowings	<u>177.383</u>	<u>123.945</u>
Total borrowings	<u><u>28.740.237</u></u>	<u><u>23.989.233</u></u>

As of 31 March 2024, 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 March 2024
Fixed	US Dollars	9,70	18.502.400	1.501.390	20.003.790
Floating	US Dollars	TERM SOFR+3,25	4.003.745	1.928.081	5.931.826
Floating	EURO	Euribor+0,5	239.676	1.336.538	1.576.214
Fixed	TRY	49,00	1.051.024	-	1.051.024
			<u>23.796.845</u>	<u>4.766.009</u>	<u>28.562.854</u>

As of 31 December 2023, the breakdown of the Company’s loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weight Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2023
Fixed	US Dollars	10,26	16.424.320	-	16.424.320
Floating	US Dollars	TERM SOFR+3,43	3.691.413	2.213.447	5.904.860
Floating	EURO	Euribor+0,5	231.869	1.304.239	1.536.108
			<u>20.347.602</u>	<u>3.517.686</u>	<u>23.865.288</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 7 – BORROWINGS (cont’d)

The breakdown of loan repayment is as follows:

	31 March 2024			31 December 2023		
	Bank loans	Lease liabilities	Total liabilities	Bank loans	Lease liabilities	Total liabilities
Within 1 year	23.796.845	29.194	23.826.039	20.347.602	24.952	20.372.554
Between 1-2 years	1.291.779	11.405	1.303.184	782.079	10.399	792.478
Between 2-3 years	1.164.235	7.153	1.171.388	438.018	6.522	444.540
Between 3-4 years	477.311	6.112	483.423	438.018	5.573	443.591
Between 4-5 years	416.419	5.463	421.882	401.771	4.981	406.752
Five years or more	1.416.265	118.056	1.534.321	1.457.800	71.518	1.529.318
	<u>28.562.854</u>	<u>177.383</u>	<u>28.740.237</u>	<u>23.865.288</u>	<u>123.945</u>	<u>23.989.233</u>

NOTE 8 – PROVISIONS

The Company’s short term provisions are as follows:

	31 March 2024	31 December 2023
Provision for lawsuits	160.159	142.840
Penalty provision for employment shortage of disabled person	6.370	6.624
Provision for land occupation	3.041	2.988
	<u>169.570</u>	<u>152.452</u>

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

	31 March 2024	31 December 2023
Lawsuits filed by the Company	149.198	149.206
Provision for lawsuits filed by the Company	425	426

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

	31 March 2024	31 December 2023
Lawsuits filed against the Company	111.895	98.867
Provision for lawsuits filed against the Company	160.159	142.840

İSKENDERUN DEMİR VE ÇELİK A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024**

(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 2024	Change for the period	Payments	Provision released	Translation difference	31 March 2024
Provision for lawsuits	142.840	15.259	(606)	(693)	3.359	160.159
Penalty provision for employment shortage of disabled personnel	6.624	76	-	(319)	(11)	6.370
Provision for land occupation	2.988	306	-	(261)	8	3.041
	<u>152.452</u>	<u>15.641</u>	<u>(606)</u>	<u>(1.273)</u>	<u>3.356</u>	<u>169.570</u>

	1 January 2023	Change for the period	Payments	Provision released	Translation difference	31 March 2023
Provision for lawsuits	111.276	1.434	(389)	-	503	112.824
Penalty provision for employment shortage of disabled personnel	8.443	-	-	(437)	-	8.006
Provision for land occupation	1.885	292	-	(70)	1	2.108
	<u>121.604</u>	<u>1.726</u>	<u>(389)</u>	<u>(507)</u>	<u>504</u>	<u>122.938</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 8 – PROVISIONS (cont’d)

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

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

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

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

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

NOTE 9 – EMPLOYEE BENEFITS

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

	31 March 2024	31 December 2023
Due to personnel	367.904	256.594
Social security premiums payable	1.104.912	824.524
	<u>1.472.816</u>	<u>1.081.118</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	31 March 2024	31 December 2023
Provisions for employee termination benefits	1.854.395	1.773.470
Provisions for seniority incentive premium	135.696	123.634
Provision for unpaid vacations	230.845	189.135
	<u>2.220.936</u>	<u>2.086.239</u>

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

As of 31 March 2024, the employee termination benefit has been updated to a maximum of TRY 35.058,58 (31 December 2023: TRY 23.489,83).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. The obligation as of 31 March 2024 has been calculated by an independent actuary and projected unit credit method is used in the calculation. Actuarial assumptions, used in calculating the present value of liabilities are compared with used in the financial statement for the year ended 31 December 2023 period, is the same.

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 31 March 2024, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 9 – EMPLOYEE BENEFITS (cont’d)

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	1.773.470	1.171.313
Service cost	23.781	20.092
Interest cost	75.442	45.354
Termination benefits paid	(19.336)	(82.032)
Translation difference	1.038	(738)
Closing balance	<u>1.854.395</u>	<u>1.153.989</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 - 31 March 2024	1 January - 31 March 2023
Opening balance	123.634	85.832
Service cost	4.912	2.666
Interest cost	7.019	3.076
Translation difference	131	25
Closing balance	<u>135.696</u>	<u>91.599</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	189.135	100.110
Provision for the period	86.571	40.447
Vacation paid during the period (-)	(2.775)	(3.609)
Provisions released (-)	(41.169)	(9.017)
Translation difference	(917)	(247)
Closing balance	<u>230.845</u>	<u>127.684</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 10 – COMMITMENTS

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

	31 March 2024	31 December 2023
Letters of guarantees received	4.574.065	5.158.987
	<u>4.574.065</u>	<u>5.158.987</u>

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

	31 March 2024	31 December 2023
A. Total CPM given for the Company's own legal entity	5.315.876	2.445.685
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	-	-
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>5.315.876</u>	<u>2.445.685</u>

As of reporting period, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2023: 0%).

The breakdown of the collatarel given by the Company in TRY equivalent to original currency is as follows:

	31 March 2024	31 December 2023
ABD Dollars	5.043.754	2.197.032
TRY	202.517	183.505
EURO	69.605	65.148
	<u>5.315.876</u>	<u>2.445.685</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 11 – TAX ASSETS AND LIABILITIES

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

	31 March 2024	31 December 2023
<u>Corporate tax payable:</u>		
Previous period provision of corporation tax	2.513.606	54.494
Current corporate tax provision	982.318	2.459.112
Prepaid taxes and funds (-)	(36.329)	(18.165)
	<u>3.459.595</u>	<u>2.495.441</u>
	1 January - 31 March 2024	1 January - 31 March 2023
<u>Taxation:</u>		
Current corporate tax expense	937.797	-
Deferred tax expense	145.967	(282.725)
	<u>1.083.764</u>	<u>(282.725)</u>

Corporate Tax

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

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

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

With the Law No. 7456 published in the Official Gazette No. 32249 dated July 15, 2023, the exemption rate applied to the gains arising from the sale of immovable properties in the assets of institutions before July 15, 2023 is 25% and will be applied to the deferred tax to be calculated on the temporary differences arising in case of revaluation of the relevant immovable properties. The tax rate should be taken into account as 18,75% if the book value of the relevant real estate is recovered through sale.

By the Ministry of Treasury and Finance; taxpayers in the provinces affected by the earthquake, it has been accepted as force majeure which was between 6 February 2023 and 30 April 2024 for taxpayers in the provinces affected by the earthquake, extended to 31 August 2024. In this context, the deadlines for submitting tax returns and notifications during force majeure have been extended until October 31, 2024.

With the temporary article 33 of the Tax Procedure Law; 2021 and 2022 accounting periods and 2023 provisional Whether or not the conditions in Article 298/A of the TPL are met during the tax periods. Regardless, inflation adjustment will not be made, however, the financial statements dated 31 December 2023 It is stipulated that it will be subject to correction regardless of any conditions. In this context; the financial statements dated 31 March 2024, prepared in accordance with the Tax Procedure Law, have been subject to inflation correction.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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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 statutory financial statements and its financial statements prepared in accordance with the TFRS. These differences usually result in the recognition of some income and expenses statutory in different reporting periods in the financial statements prepared according to TFRS.

The tax rate used in the calculation of deferred tax assets and liabilities (excluding land and land) is based on 25% (31 December 2023: 25%). Deferred tax on temporary timing differences arising from land and land is calculated with 18,75% (31 December 2023: 18,75%).

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

	31 March 2024	31 December 2023
<u>Deferred tax assets:</u>		
Provisions for employee benefits	555.234	521.560
Leasing payables	44.346	30.986
Provision for lawsuits	40.800	36.457
Adjustment of receivable rediscount	5.007	5.032
Fair values of the derivative financial instruments	-	8.704
Other	210.752	169.467
	<u>856.139</u>	<u>772.206</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets including revaluation adjustment (net)	(6.599.719)	(6.365.987)
Right of use assets	(80.058)	(61.509)
Amortized cost adjustment on loans	(16.249)	(17.093)
Adjust fair values of the derivative financial instruments	(2.977)	-
Inventories	(230.682)	(281.753)
Other	(849.021)	(210.126)
	<u>(7.778.706)</u>	<u>(6.936.468)</u>
Deferred tax assets/(liabilities) net:	<u>(6.922.567)</u>	<u>(6.164.262)</u>

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

Deferred tax (cont’d)

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	(6.164.262)	(4.935.507)
Deferred tax income/(expense)	(145.967)	282.725
The amount in comprehensive income/(expense)	(8.397)	(1.635)
Translation difference	(603.941)	(115.068)
Closing balance	<u>(6.922.567)</u>	<u>(4.769.485)</u>

Reconciliation of tax provision is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Profit/(loss) before tax	5.407.822	(1.128.058)
Statutory tax rate	25%	20%
Calculated tax acc. to effective tax rate	(1.351.956)	225.612
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(1.903)	(386)
- Unused tax losses	-	234.002
- Non-taxable income	20	16
- Effect of currency translation (*)	270.075	(176.519)
Tax expense in reported in the statement of income	<u>(1.083.764)</u>	<u>282.725</u>

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

NOTE 12 – EQUITY

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

		31 March 2024		31 December 2023
	(%)	(%)	(%)	(%)
<u>Shareholders</u>				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	94,87	2.751.326	94,87	2.751.326
Quoted in Stock Exchange	5,13	148.674	5,13	148.674
Historical capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		<u>2.900.164</u>		<u>2.900.164</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 13 – SALES AND COST OF SALES

The Company derives its revenue from the transfer of goods at a point in time in the following major product lines. As of reporting date, the amount of performance obligations in the ongoing contracts of the Company will be eligible for recognition in the future is TRY 382.856 thousand. The Company planning to recognize related revenue amount as a revenue in a year.

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

	1 January - 31 March 2024	1 January - 31 March 2023
<u>Sales Revenue</u>		
Domestic sales	20.958.836	8.912.057
Export sales	4.058.719	516.884
Other revenues (*)	593.680	705.830
Interest income from sales with maturities	73.027	27.946
Sales returns (-)	(2.755)	(697)
	<u>25.681.507</u>	<u>10.162.020</u>
<u>Cost of sales (-)</u>	<u>(22.670.542)</u>	<u>(11.011.221)</u>
Gross profit	<u>3.010.965</u>	<u>(849.201)</u>

(*) The total amount of by product exports in other revenues is TRY 301.421 thousand (31 March 2023: TRY 124.114 thousand).

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

	1 January - 31 March 2024	1 January - 31 March 2023
Raw material usage	(18.692.512)	(6.380.087)
Personnel costs	(1.018.398)	(321.531)
Energy costs	(807.588)	(774.828)
Depreciation and amortization expenses	(832.886)	(418.767)
Manufacturing overheads	(417.582)	(238.752)
Other cost of goods sold	(612.395)	(2.014.937)
Non-operating costs (*)	-	(1.134.364)
Freight costs for sales delivered to customers	(154.226)	(32.366)
Reversal of inventory write-downs (Note 4)	-	369.089
Other	(134.955)	(64.678)
	<u>(22.670.542)</u>	<u>(11.011.221)</u>

(*) Due to the earthquake on 6 February 2023; until due diligence studies are completed, the company's production activities were suspended. TRY (1.134.364) thousand non-working part expense due to unexpected stoppage at the Company's production facilities, is not associated with the product cost and is directly included in the cost of sales.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

	1 January - 31 March 2024	1 January - 31 March 2023
Personnel expenses (-)	(37.985)	(27.550)
Depreciation and amortization(-)	(27.553)	(11.399)
Tax, duty and charges (-)	(175)	(128)
Service expenses (-)	(149.503)	(46.746)
	<u>(215.216)</u>	<u>(85.823)</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
Personnel expenses (-)	(53.390)	(52.018)
Depreciation and amortization expenses(-)	(7.462)	(3.486)
Amortization expense of right of use (-)	(5.261)	(2.687)
Tax, duty and charges (-)	(9.553)	(3.059)
Service expenses (-)	(264.518)	(127.907)
	<u>(340.184)</u>	<u>(189.157)</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
<u>Other operating income</u>		
Foreign exchange gains from trade receivables	-	9.812
Discount income	98	81
Provisions released	1.012	437
Service income	15.826	3.963
Maintenance repair and rent income	8.274	3.700
Lawsuit income	1.442	9
Indemnity and penalty detention income	8.449	3.026
Previous period insurance indemnity income	69.481	118.923
Warehouse income	5.588	6.337
Customers delay interest income	37	1.625
Current period insurance indemnity income	3.242.159	-
Other income and gains	35.668	14.928
	<u>3.388.034</u>	<u>162.841</u>

Due to the earthquake on 6 February 2023, an agreement has been reached to collect the second advance amount of TRY 3.242.159 thousand for damage compensation to be collected under the Company's insurance. In accordance with the agreement, the amount related to insurance damages that will be compensated within the scope of the earthquake has been accounted for in the accounts of “Other Operating Income” and “Other Current Assets” as of the reporting period.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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 - 31 March 2024	1 January - 31 March 2023
<u>Other operating expenses (-)</u>		
Provision expenses	(15.335)	(1.434)
Donation expenses	(5.279)	(738)
Amortisation expenses of right of use assets	(2.492)	(1.641)
Foreign exchange expenses from trade receivables and payables	(15.860)	-
Penalty expenses	(2.111)	(149)
Service expenses	(13.977)	(3.050)
Lawsuit compensation expenses	(849)	(420)
Stock exchange registration expenses	(1.455)	(1.044)
Other expenses and losses	(22.446)	(11.356)
	<u>(79.804)</u>	<u>(19.832)</u>

NOTE 15 – FINANCE INCOME AND EXPENSES

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

	1 January - 31 March 2024	1 January - 31 March 2023
<u>Finance income</u>		
Interest income on bank deposits	284.153	272.433
Interest income on related party	338.840	-
Fair value differences of derivative financial instruments (net)	2.790	2.267
	<u>625.783</u>	<u>274.700</u>

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

	1 January - 31 March 2024	1 January - 31 March 2023
<u>Finance expenses (-)</u>		
Interest expenses on borrowings	(666.178)	(315.571)
Foreign exchange loss (net)	(263.177)	(29.183)
Interest cost of employee benefits	(82.461)	(48.430)
Interest expenses on leases	(7.018)	(2.001)
Other financial expenses	(4.147)	(1.377)
	<u>(1.022.981)</u>	<u>(396.562)</u>

During the reporting period, the interest expenses of TRY (12.022) thousand have been capitalized as part of the Company’s property, plant and equipment (31 March 2023: TRY 33.359 thousand).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

Additional information about financial instruments

Foreign currency risk management

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

	31 March 2024			
	TRY Total (Presentation currency)	TRY (Original currency)	EURO (Original currency)	Jap.Yen (Original currency)
1. Trade Receivables	405.056	95.093	8.906	-
2a. Monetary financial assets	11.521.941	11.513.031	256	21
2b. Non- monetary financial assets	96.385	92.567	110	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	12.023.382	11.700.691	9.272	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	72.132	72.132	-	-
6b. Non- monetary financial assets	2.938.067	2.373.548	16.221	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	3.010.199	2.445.680	16.221	-
9. Total assets (4+8)	15.033.581	14.146.371	25.493	21
10. Trade payables	3.462.257	3.143.878	9.132	-
11. Financial liabilities	1.319.894	1.080.218	6.874	-
12a. Other monetary financial liabilities	6.799.998	6.793.315	192	-
12b. Other non-monetary financial liabilities	30.579	-	877	-
13. Current liabilities (10+11+12)	11.612.728	11.017.411	17.075	-
14. Trade payables	-	-	-	-
15. Financial liabilities	1.484.728	148.191	38.335	-
16a. Other monetary financial liabilities	2.220.936	2.220.936	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	3.705.664	2.369.127	38.335	-
18. Total liabilities (13+17)	15.318.392	13.386.538	55.410	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(153.466)	-	(4.402)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	153.466	-	4.402	-
20. Net foreign currency asset/liability position (9-18+19)	(438.277)	759.833	(34.319)	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(3.288.684)	(1.706.282)	(45.371)	21
22. Fair value of derivative financial instruments used in foreign currency hedge	2.256	-	65	-
23. Hedged foreign currency assets	153.466	-	4.402	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	4.360.140	-	-	-
26. Imports	16.804.272	-	-	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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)

	TRY Total (Presentation currency)	31 December 2023		Jap.Yen (Original currency)
		TRY (Original currency)	EURO (Original currency)	
1. Trade Receivables	455.071	93.317	11.106	-
2a. Monetary financial assets	9.932.169	9.931.051	34	21
2b. Non- monetary financial assets	74.263	70.279	122	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	10.461.503	10.094.647	11.262	21
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	71.640	71.640	-	-
6b. Non- monetary financial assets	3.058.278	2.494.163	17.318	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	3.129.918	2.565.803	17.318	-
9. Total assets (4+8)	13.591.421	12.660.450	28.580	21
10. Trade payables	3.770.112	3.447.097	9.899	-
11. Financial liabilities	256.820	24.951	7.105	-
12a. Other monetary financial liabilities	4.817.152	4.809.907	222	-
12b. Other non-monetary financial liabilities	47.079	-	1.443	-
13. Current liabilities (10+11+12)	8.891.163	8.281.955	18.669	-
14. Trade payables	-	-	-	-
15. Financial liabilities	1.403.229	98.989	39.967	-
16a. Other monetary financial liabilities	2.086.239	2.086.239	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	3.489.468	2.185.228	39.967	-
18. Total liabilities (13+17)	12.380.631	10.467.183	58.636	-
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(9.953)	-	(305)	-
19a. Off-balance sheet foreign currency derivative financial assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	9.953	-	305	-
20. Net foreign currency asset/liability position (9-18+19)	1.200.837	2.193.267	(30.361)	21
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.874.672)	(371.175)	(46.053)	21
22. Fair value of derivative financial instruments used in foreign currency hedge	(58)	-	(2)	-
23. Hedged foreign currency assets	9.953	-	305	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	9.606.500			
26. Imports	45.262.368			

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

(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 JPY 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates.

For assets with foreign currency balances in the summary statement of financial position as of 31 March 2024: 32,2854 TRY = US \$ 1, 34,8023 TRY = Euro 1; 0,2128 TRY = JPY 1 for liabilities: 32,3436 TRY = US \$ 1, 34,8650 TRY = Euro 1, 0,2142 TRY = JPY 1 converted at rates (31 December 2023: For assets; 29,4382 TRY = US \$ 1, 32,5739 TRY = Euro 1; 0,2075 TRY = JPY, 1 For Liabilities; 29,4913 TRY = US \$ 1, 32,6326 TRY = Euro 1, 0,2088 TRY = JPY 1).

	Profit/(loss) before tax after capitalization on tangible assets	
	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2024		
1- TRY net asset/liability	(170.628)	170.628
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(170.628)	170.628
5- Euro net asset/liability	(104.466)	104.466
6- Hedged portion from Euro risk (-)	(15.348)	15.348
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(119.814)	119.814
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	-	-
TOTAL (4+8+12)	(290.442)	290.442

İSKENDERUN DEMİR VE ÇELİK A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024**

(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) before tax after capitalization on tangible assets	
	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2023		
1- TRY net asset/liability	(37.118)	37.118
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(37.118)	37.118
5- Euro net asset/liability	(98.249)	98.249
6- Hedged portion from Euro risk (-)	(995)	995
7- Effect of capitalization (-)	-	-
8- Euro net effect (5+6+7)	(99.244)	99.244
9- Jap. Yen net asset/liability	-	-
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	-	-
TOTAL (4+8+12)	(136.362)	136.362

İSKENDERUN DEMİR VE ÇELİK A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024**

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

NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)**Additional information about financial instruments (cont’d)**Categories of the financial instruments and their fair values

	Financial assets/ liabilities at amortized cost	Derivative financial instruments through other comprehensive income	Derivative financial instruments through profit/loss	Carrying value
31 March 2024				
Financial Assets				
Cash and cash equivalents	9.749.475	-	-	9.749.475
Trade receivables	5.847.093	-	-	5.847.093
Financial investments	-	-	66.777	66.777
Other receivables	4.694.027	-	-	4.694.027
Derivative financial instruments	-	9.633	2.256	11.889
Financial Liabilities				
Financial liabilities	28.740.237	-	-	28.740.237
Trade payables	9.672.310	-	-	9.672.310
Other liabilities	2.236.464	-	-	2.236.464
Derivative financial instruments	-	10.739	-	10.739
31 December 2023				
Financial Assets				
Cash and cash equivalents	11.568.280	-	-	11.568.280
Trade receivables	5.212.321	-	-	5.212.321
Financial investments	-	-	66.285	66.285
Other receivables	3.364.575	-	-	3.364.575
Financial Liabilities				
Financial liabilities	23.989.233	-	-	23.989.233
Trade payables	12.037.825	-	-	12.037.825
Other liabilities	666.530	-	-	666.530
Derivative financial instruments	-	34.635	183	34.818

The Company Management states that the fair values of financial assets and liabilities reflect their book values thinks.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

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

Additional information about financial instruments (cont’d)

Categories of the financial instruments and their fair values (con’t)

31 March 2024

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	65.902	-	65.902	-
Derivative financial assets	2.256	-	2.256	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	9.633	-	9.633	-
Derivative financial liabilities	(10.739)	-	(10.739)	-
Total	67.052	-	67.052	-

31 December 2023

Financial asset and liabilities at fair value	Book Value	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Venture capital investment fund	65.487	-	65.487	-
Derivative financial liabilities	(183)	-	(183)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial liabilities	(34.635)	-	(34.635)	-
Total	30.669	-	30.669	-

Level one: Active market traded (unadjusted) for identical assets and liabilities valuation techniques using market price.

Second level: Valuation techniques, other than the market price of the relevant asset or liability specified in the first level includes the inputs used in determining the price observable directly or indirectly in the market.

Third level: Valuation techniques that include inputs that are not based on market observable data used to determine the fair value of an asset or liability.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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

NOTE 17 – SUBSEQUENT EVENTS

With the Tax Procedural Law General Communiqué numbered 560 published in the Official Gazette dated 30 April 2024 and numbered 32532, it was deemed appropriate not to make inflation adjustments in the first provisional tax period of the 2024 accounting period, and inflation adjustments will continue to be made in the following provisional tax periods.

TAS 10 "Events After the Reporting Period" standard refers to "Changes or announcements of changes in the applicable tax rates or tax laws after the reporting period that will have a significant impact on current and deferred tax assets and liabilities", which are among the events that do not require adjustment after the reporting period. The change in question was considered as an event after the reporting period.

If the change in question had occurred before the reporting period, its impact on the total tax expenses in the Company's summary profit or loss statement would have been TRY (55.393) thousand.