(CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 32)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015 AND INDEPENDENT AUDITORS' REPORT

Building a better
working world

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(Convenience Translation into English of the Independent Auditors' Report and Financial Statements Originally Issued in Turkish)

INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

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

Independent Auditors' Report on Financial Statements

We have audited the accompanying statement of financial position of İskenderun Demir ve Çelik A.Ş. (the Company) as at 31 December 2015 and the related statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with Standards on Auditing issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the entity's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

(Convenience Translation into English of the Independent Auditors' Report and Financial Statements Originally Issued in Turkish)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İskenderun Demir ve Çelik A.Ş. as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on Other Responsibilities Arising From Regulatory Requirements

1) In accordance with paragraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & YoungGlobal Limited

Ethem Kutucular, SMMM
Engagement Partner

29 February 2016
İstanbul, Turkey

TABLE OF CONTENTS Page

ASSETS	Note	(Audited) Current Period 31 December 2015 USD'000	(Audited) Current Period 31 December 2015 TRY'000	(Audited) Previous Period 31 December 2014 USD'000	(Audited) Previous Period 31 December 2014 TRY'000
Current Assets		**912.203**	**2.652.319**	**1.259.884**	**2.921.542**
Cash and Cash Equivalents	4	3.721	10.819	1.067	2.474
Financial Derivative Instruments	5	7.718	22.441	-	-
Trade Receivables	7	153.295	445.720	232.462	539.054
Due From Related Parties	*27*	*103.260*	*300.239*	*171.640*	*398.015*
Other Trade Receivables	*7*	*50.035*	*145.481*	*60.822*	*141.039*
Other Receivables	8	258.941	752.897	438.923	1.017.820
Due From Related Parties	*27*	*258.298*	*751.026*	*437.355*	*1.014.183*
Other Receivables	*8*	*643*	*1.871*	*1.568*	*3.637*
Inventories	9	478.785	1.392.115	576.299	1.336.379
Prepaid Expenses	10	8.433	24.520	8.293	19.230
Other Current Assets	17	1.310	3.807	2.840	6.585
Non Current Assets		**2.138.188**	**6.216.997**	**2.160.707**	**5.010.466**
Other Receivables	8	4.827	14.036	9.848	22.837
Financial Investments		27	79	27	63
Financial Derivative Instruments	5	13.982	40.655	23.268	53.956
Property, Plant and Equipment	11	2.063.629	6.000.209	2.075.205	4.812.193
Intangible Assets	12	47.873	139.195	48.054	111.433
Prepaid Expenses	10	7.850	22.823	4.305	9.984
TOTAL ASSETS		**3.050.391**	**8.869.316**	**3.420.591**	**7.932.008**

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

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

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

LIABILITIES	Note	(Audited) Current Period 31 December 2015 USD'000	(Audited) Current Period 31 December 2015 TRY'000	(Audited) Previous Period 31 December 2014 USD'000	(Audited) Previous Period 31 December 2014 TRY'000
Current Liabilities		**321.328**	**934.292**	**497.555**	**1.153.782**
Financial Liabilities	6	3.183	9.256	93.532	216.892
Short Term Portion of Long Term Financial Liabilities	6	114.252	332.199	239.838	556.161
Financial Derivative Instruments	5	6.181	17.972	60	138
Trade Payables	7	83.200	241.912	76.231	176.772
Due to Related Parties	*27*	*8.808*	*25.611*	*5.444*	*12.624*
Other Trade Payables	*7*	*74.392*	*216.301*	*70.787*	*164.148*
Other Payables	8	4.589	13.344	5.335	12.372
Due to Related Parties	*27*	-	-	*245*	*569*
Other Payables	*8*	*4.589*	*13.344*	*5.090*	*11.803*
Deferred Revenue	18	7.506	21.825	9.519	22.073
Current Tax Liabilities	26	70.999	206.438	31.248	72.461
Short Term Provisions	15	8.536	24.819	8.645	20.047
Payables for Employee Benefits	14	16.051	46.671	14.723	34.142
Other Current Liabilities	17	6.831	19.856	18.424	42.724
Non Current Liabilities		**460.830**	**1.339.911**	**534.458**	**1.239.354**
Financial Liabilities	6	168.450	489.786	277.915	644.456
Financial Derivative Instruments	5	7.326	21.300	10.238	23.741
Provisions for Employee Benefits	14	70.637	205.385	88.093	204.278
Deferred Tax Liabilities	26	214.417	623.440	158.212	366.879
EQUITY		**2.268.233**	**6.595.113**	**2.388.578**	**5.538.872**
Share Capital	19	1.474.105	2.900.000	1.474.105	2.900.000
Inflation Adjustment to Capital	19	85	164	85	164
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(19.061)	(51.765)	(22.039)	(60.420)
Actuarial (Loss)/ Gain funds	*19*	*(19.061)*	*(51.765)*	*(22.039)*	*(60.420)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(4.148)	2.105.316	(2.481)	762.973
Cash Flow Hedging Reserves	*19*	*(4.148)*	*(12.060)*	*(2.481)*	*(5.754)*
Foreign Currency Translation Reserves	19	-	*2.117.376*	-	*768.727*
Restricted Reserves Assorted from Profit	19	68.101	165.142	19.751	38.913
Retained Earnings	19	537.563	901.013	463.235	900.231
Net Profit for the Period		211.588	575.243	455.922	997.011
TOTAL LIABILITIES AND EQUITY		**3.050.391**	**8.869.316**	**3.420.591**	**7.932.008**

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Note	(Audited) Current Period 1 January - 31 December 2015 USD'000	(Audited) Current Period 1 January - 31 December 2015 TRY'000	(Audited) Previous Period 1 January - 31 December 2014 USD'000	(Audited) Previous Period 1 January - 31 December 2014 TRY'000
OPERATING INCOME					
Revenue	20	2.176.182	5.916.385	2.866.901	6.269.340
Cost of Sales (-)	20	(1.839.395)	(5.000.763)	(2.249.575)	(4.919.371)
GROSS PROFIT		**336.787**	**915.622**	**617.326**	**1.349.969**
Marketing, Sales and Distribution Expenses (-)	21	(21.834)	(59.360)	(26.210)	(57.317)
General Administrative Expenses (-)	21	(40.533)	(110.198)	(35.412)	(77.440)
Research and Development Expenses (-)	21	(45)	(122)	(371)	(811)
Other Operating Income	23	28.357	77.093	22.040	48.197
Other Operating Expenses (-)	23	(17.653)	(47.992)	(25.132)	(54.958)
OPERATING PROFIT		**285.079**	**775.043**	**552.241**	**1.207.640**
Financial Income	24	94.962	258.172	59.440	129.983
Financial Expense (-)	25	(119.945)	(312.680)	(100.250)	(215.098)
PROFIT BEFORE TAX		**260.096**	**720.535**	**511.431**	**1.122.525**
Tax Expense	26	(48.508)	(145.292)	(55.509)	(125.514)
- Current Corporate Tax Expense		(70.999)	(206.438)	(31.248)	(72.461)
- Deferred Tax Expense		22.491	61.146	(24.261)	(53.053)
NET PROFIT FOR THE PERIOD		**211.588**	**575.243**	**455.922**	**997.011**
EARNINGS PER SHARE			0,20		0,34

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

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Note	(Audited) Current Period 1 January - 31 Aralık 2015 USD'000	(Audited) Current Period 1 January - 31 Aralık 2015 TRY'000	(Audited) Previous Period 1 January - 31 Aralık 2014 USD'000	(Audited) Previous Period 1 January - 31 Aralık 2014 TRY'000
PROFIT FOR THE PERIOD		**211.588**	**575.243**	**455.922**	**997.011**
Other Comprehensive Income/(Expense):					
Not to be reclassified subsequently to profit or loss					
Change in Actuarial (Loss)/ Gain	26	3.723	10.819	(11.782)	(33.755)
Tax Effect of Changes in Actuarial (Loss)/ Gain	26	(745)	(2.164)	2.356	6.751
To be reclassified subsequently to profit or loss					
Change in Cash Flow Hedging Reserves	26	(2.084)	(7.883)	1.832	4.314
Tax Effect of Change in Cash Flow Hedging Reserves	26	417	1.577	(366)	(863)
Change in Foreign Currency Translation Reserves	26	-	1.348.649	-	419.311
OTHER COMP. INCOME/ EXPENSE FOR THE PERIOD (AFTER TAX)	26	**1.311**	**1.350.998**	**(7.960)**	**395.758**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**212.899**	**1.926.241**	**447.962**	**1.392.769**

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

İSKENDERUN DEMİR VE ÇELİK FABRİKALARI A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

				Other Comprehensive Income/Expense Not to Be Reclassified	Other Comprehensive Income/Expense Not to Be Reclassified Subsequently to Profit or Loss			Retained Earnings		
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Acturial Loss/(Gain) Funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted From Profit	Retained Earnings	Net Profit For The Period	Total Shareholders' Equity
1 January 2015		**2.900.000**	**164**	**(60.420)**	**(5.754)**	**768.727**	**38.913**	**900.231**	**997.011**	**5.538.872**
Net profit for the period		-	-	-	-	-	-	-	575.243	575.243
Other comprehensive income/(loss)		-	-	8.655	(6.306)	1.348.649	-	-	-	1.350.998
Total comprehensive income/(loss)		-	-	8.655	(6.306)	1.348.649	-	-	575.243	1.926.241
Dividend distributed (*)		-	-	-	-	-	-	(870.000)	-	(870.000)
Transfers		-	-	-	-	-	126.229	870.782	(997.011)	-
31 December 2015	19	**2.900.000**	**164**	**(51.765)**	**(12.060)**	**2.117.376**	**165.142**	**901.013**	**575.243**	**6.595.113**
(Audited)										
1 January 2014		**2.900.000**	**164**	**(33.416)**	**(9.205)**	**349.416**	**32.196**	**518.803**	**388.145**	**4.146.103**
Net profit for the period		-	-	-	-	-	-	-	997.011	997.011
Other comprehensive income/(loss)		-	-	(27.004)	3.451	419.311	-	-	-	395.758
Total comprehensive income/(loss)		-	-	(27.004)	3.451	419.311	-	-	997.011	1.392.769
Transfers		-	-	-	-	-	6.717	381.428	(388.145)	-
31 December 2014	19	**2.900.000**	**164**	**(60.420)**	**(5.754)**	**768.727**	**38.913**	**900.231**	**997.011**	**5.538.872**

(*) In annual General Assembly dated 30 March 2015, the dividend distribution (gross dividend per share: TRY 0,3000) amounting to TRY 870.000 thousand from 2014 net profit was approved. The dividend payment started at 16 June 2015.

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

	Note	(Audited) Current Period 1 January 31 December 2015 USD'000	(Audited) Current Period 1 January 31 December 2015 TRY'000	(Audited) Previous Period 1 January 31 December 2014 USD'000	(Audited) Previous Period 1 January 31 December 2014 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax and non-controlling interests		260.096	720.535	511.431	1.122.525
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	20/22	106.628	289.890	102.599	224.363
Provision for employee termination benefits	14	11.679	31.752	9.844	21.526
Provision for seniority incentive premium	14	551	1.499	1.708	3.736
Gain on sale of property plant and equipment	23	(32)	(86)	(3)	(7)
Loss on write off of property plant and equipment	23	24	66	1.414	3.093
Increase in provision for doubtful receivables	7/8	4.456	12.114	3.063	6.699
Decrease in the allowance for inventories	9	4.428	12.039	5.295	11.579
Increase in the impairment of tangible assets	11	-	-	8.485	18.555
Increase in provision for unpaid vacations	14	1.222	3.322	1.912	4.182
Increase in provision for pending claims and lawsuits	15	1.602	4.355	(323)	(707)
Increase in penalty provision for obligatory employment shortage of disabled people	15	484	1.316	(230)	(502)
Interest expenses	25	20.598	56.000	39.226	85.780
Interest income from bank deposits	24	(1)	(3)	(5)	(10)
Interest income from overdue sales	23	(5.280)	(14.355)	(9.090)	(19.877)
Unrealized foreign currency gain of financial liabilities		2.379	6.468	(5.046)	(11.035)
Loss on fair value changes of derivative financial instruments	25	3.144	8.548	870	1.903
Net cash provided by operating activities before changes in working capital		**411.978**	**1.133.460**	**671.150**	**1.471.803**
Changes in working capital	31	172.682	502.090	(529.990)	(1.228.993)
Interest income from overdue sales collected		6.286	17.089	7.888	17.249
Lawsuits paid	15	(299)	(814)	(297)	(650)
Penalty paid for the employment shortage of disabled people	15	(320)	(869)	-	-
Corporate tax paid	26	(26.653)	(72.461)	-	-
Employee termination benefits paid	14	(8.297)	(22.557)	(9.737)	(21.293)
Unused vacation paid	14	(710)	(1.929)	(1.313)	(2.872)
Seniority incentive premium paid	14	(35)	(95)	(35)	(76)
Net cash provided by operating activities		**554.632**	**1.553.914**	**137.666**	**235.168**
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in financial investments		-	-	(29)	(63)
Cash used in the purchase of tangible assets	11	(100.187)	(272.379)	(63.643)	(139.175)
Cash used in the purchase of intangible assets	12	(1.801)	(4.896)	(1.817)	(3.974)
Cash provided by sales of tangible assets	11/12/23	4.207	11.437	7	15
Net cash used in investing activities		**(97.781)**	**(265.838)**	**(65.482)**	**(143.197)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		342.516	995.900	341.699	792.366
Repayment of borrowings		(675.145)	(1.963.053)	(483.724)	(1.121.707)
Interest paid		(15.747)	(42.811)	(39.707)	(86.832)
Intragroup borrowings		178.812	519.914	77.111	178.812
Dividends paid		(333.106)	(869.595)	-	-
Net cash used in financing activities		**(502.670)**	**(1.359.645)**	**(104.621)**	**(237.361)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(45.819)**	**(71.569)**	**(32.437)**	**(145.390)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1.067**	**2.474**	**5.736**	**12.243**
Currency translation difference, net		48.473	79.914	27.768	135.621
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME		**3.721**	**10.819**	**1.067**	**2.474**

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

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 September 10, 1993 of Supreme Planning Committee. Then with the decision no 98/20 of Privatization Committee dated March 2, 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 February 8, 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 company and the share percentage of the İsdemir for the company are as follows:

Name of the Company	Country of operations	Operations	2015 Share %	2014 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	5	5

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

The number of the personnel employed by the Company as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015 Personnel	31 December 2014 Personnel
Paid Hourly Personnel	3.446	3.795
Paid Monthly Personnel	1.816	1.818
	5.262	5.613

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 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.

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

2.1 Basis of Presentation (cont'd)

In accordance with article 5th 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").

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 31 December 2015 and 31 December 2014.

Presentation currency translation

Presentation currency of the financial statements is TRY. According to IAS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in USD Dollars for the Company have been translated in TRY as the following method:

a) The assets and liabilities on financial position as of 31 December 2015 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,9076=US $ 1 and TRY 3,1776=EUR 1 on the balance sheet date (31 December 2014: TRY 2,3189= US $ 1, TRY 2,8207=EUR 1).
b) For the twelve months period ended 31 December 2015, income statements are translated from the average TRY 2,7187 = US $ 1 and TRY 3,0181=EUR 1 rates of 2015 January - December period (31 December 2014: TRY 2,1868 = US $ 1 TRY 2,9059 = 1 EUR).
c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
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 represneted with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying financial statements comprising the statements of financial position as of 31 December 2015 and 31 December 2014, statement of income and other comprehensive income, and statement of cash flows for the year ended 31 December 2015 represent the financial statements 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 financial statements in accordance with the going concern assumption.

Approval of the financial statements

The financial statements have been approved and authorized to be published on 29 February 2016 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

2.1 Basis of Presentation (cont'd)

2.2 Changes in Accounting Estimates and Errors

The changes in accounting estimates affecting the current period are recognized in the current period, the changes in accounting estimates affecting both in the current and future periods, prospectively. Where there are no transition requirements for any changes or optional significant changes in accounting policies and identified accounting errors, those are applied retrospectively and prior period financial statements are restated accordingly.

2.3 Comparative Information and Restatement of Financial Statements with Prior Periods

The Company's 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.

Reclassifications at financial position are as follows:

Account	(Previously Reported) 31 December 2014	(Restated) 31 December 2014	(Difference) 31 December 2014
Short Term Other Payables(1)	3.065	12.372	9.307
Payables for Employee Benefits(1)	43.449	34.142	(9.307)
			-

(1) TRY 9.307 thousand employees' income tax payables that was reported under "Payables for Employee Benefits", is reclassifed under "Short Term Other Payables" in financial statements as of 31 December 2014.

Reclassifications at income statement are as follows:

Account	(Previously Reported) 1January- 31 December 2014	(Restated) 1January- 31 December 2014	(Difference) 1January- 31 December 2014
General Administrative Expenses (-)(1)	(70.741)	(77.740)	(6.699)
Other Operating Expenses (-)(1)	(61.657)	(54.958)	6.699
Financial Income(2)	47.686	129.983	82.297
Financial Expenses (-) (2)	(132.801)	(215.098)	(82.297)
			-

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

2.1 Basis of Presentation (cont'd)

2.3 Comparative Information and Restatement of Financial Statements with Prior Periods (cont'd)

(1) Provision for doubtful receivables TRY 6.699 thousand which were reported under "Other Operating Expenses (-)" was reclassified to "General Administrative Expenses (-)" on the statement of income for the year ended 31 December 2014.

(2) Foreign exchange gain (net) TRY 27.390 thousand out of TRY 82.297 thousand which were reported under "Financial Income" was reclassified to foreign exchange loss from deferred tax base under "Financial Expense (-)" for the year ended 31 December 2014.

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies

The Company makes estimates and assumptions prospectively while preparing its financial statements. These accounting estimates are rarely identical to the actual results. The estimates and assumptions that may cause significant adjustments to the carrying values of assets and liabilities in the following reporting periods are listed below:

2.4.1 Useful lives of property, plant and equipment and intangible assets

The Company calculates depreciation for the fixed assets by taking into account their production amounts and useful lives that are stated in Note 2.7.3 and 2.7.4 (Note 11, Note 12).

2.4.2 Deferred tax

The Company recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TAS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between financial statements prepared in accordance with statutory and TAS.

2.4.3 Fair values of derivative financial instruments

The Company values its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the balance sheet date (Note 5).

2.4.4 Provision for doubtful receivables

Allowance for doubtful receivables reflect the future loss that the Company anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is presented in Note 7 and Note 8.

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

2.1 Basis of Presentation (cont'd)

2.4.5 Provision for inventories

During the assessment of the provision for inventory the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed and related data by sales prices of realized sales after balance sheet date, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of this, the provision for inventories with the net realizable values below the costs and the slow moving inventories are presented in Note 9.

2.4.6 Provisions for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are made to calculate the Company's provision for employee benefits. The details related with the defined benefit plans are stated in Note 14.

2.4.7 Provision for lawsuits

Provision for lawsuits is evaluated by the Company Management based on opinions of Company's Legal Council and legal consultants. The Company Management determines the amount of provisions based on best estimates. As of the balance sheet date, the provision for lawsuits is stated in Note 15.

2.4.8 Impairments on Assets

The Company performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment works performs by the Company management, as of the reporting date any impairment except calculated provision on non-financial assets has not been estimated.

2.5 Offsetting

Financial assets and liabilities are offset and the net amounts are reported with their net values in the balance sheet where either there is a legally enforceable right to offset the recognized amounts or there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

2.1 Basis of Presentation (cont'd)

2.6 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the financial statements as at 31 December 2015 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 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:

- TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

  TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have a significant impact on the financial position or performance of the Company.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The amendments which are effective as at 1 July 2014.

Annual Improvements - 2010–2012 Cycle

- TFRS 2 Share-based Payment

  Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

- TFRS 3 Business Combinations

  The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment did not have a significant impact on the financial position or performance of the Company.

- TFRS 8 Operating Segments

  The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendment did not have a significant impact on the financial position or performance of the Company.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

- TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

  The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment did not have an impact on the financial position or performance of the Company.

- TAS 24 Related Party Disclosures

  The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment did not have an impact on the financial position or performance of the Company.

Annual Improvements – 2011–2013 Cycle

- TFRS 3 Business Combinations

  The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment did not have an impact on the financial position or performance of the Company.

- TFRS 13 Fair Value Measurement

  The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment did not have an impact on the financial position or performance of the Company.

- TAS 40 Investment Property

  The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment did not have an impact on the financial position or performance of the Company.

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.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Standards issued but not yet effective and not early adopted (cont'd):

- TFRS 9 Financial Instruments – Classification and measurement

  As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

  TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

  The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

  TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Standards issued but not yet effective and not early adopted (cont'd):

- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants (cont'd)

  Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

  In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment will not have an impact on the financial position or performance of the Company.

- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

  In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

- TAS 1: Disclosure Initiative (Amendments to TAS 1)

  In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Standards issued but not yet effective and not early adopted (cont'd):

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that I) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

- IFRS 13 Fair Value Measurement

  As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

- IFRS 15 Revenue from Contracts with Customers

  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. 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).

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Annual Improvements – 2011–2013 Cycle (cont'd)

- IFRS 15 Revenue from Contracts with Customers (cont'd)

  IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

- IFRS 9 Financial Instruments - Final standard (2014)

  In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. 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 January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

- IFRS 16 Leases

  In January 2016, the IASB has published a new standard, IFRS 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. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

  In January 2016, the IASB issued amendments to IAS 12 Income Taxes.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Annual Improvements – 2011–2013 Cycle (cont'd)

- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments) (cont'd)

  The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

- IAS 7 Statement of Cash Flows (Amendments)

  In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2.7 Valuation Principles Applied / Significant Accounting Policies

Valuation principles and accounting policies used in the preparation of the financial statements are as follows:

2.7.1 Revenue recognition

Revenue is measured at the fair value of the received or receivable amount. The estimated customer returns, rebates, and other similar allowances are deducted from this amount.

<u>Sale of goods</u>

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company transfers the significant risks and benefits of the ownership of the goods to the buyer;
- The Company retains neither a continuing managerial involvement usually associated with ownership nor effective control over the goods sold;
- The amount of revenue is measured reliably;
- It is probable that economic benefits associated with the transaction will flow to the Company and
- The costs incurred or to be incurred due to the transaction are measured reliably.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.1 Revenue recognition (cont'd)

Dividend and interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The Company's interest income from time deposits is recognized in financial income. The Company's interest income from sales with maturities is recognized in other operating income.

The Company's dividend income from equity investments is recognized when shareholders can get dividens.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

2.7.2 Inventories

Inventories are valued at the lower of cost or net realizable value. The costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority valued by using the monthly weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.7.3 Property, plant and equipment

Property, plant and equipment purchased before 30 June 2013 are disclosed in the financial statements at their indexed historical cost for inflation effects as at 30 June 2013, on the other hand the purchases made in 30 June 2013 and in later periods are presented at their historical cost, less depreciation and impairment loss. Except for land and construction in progress, other tangible assets are depreciated according to straight-line basis or units of production method basis using the expected useful lives and production amounts of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.3 Property, plant and equipment (cont'd)

The rates that are used to depreciate the fixed assets are as follows

	Rates
Buildings	2-16%
Land improvements	2-33% and units of production level
Machinery and equipment	3-50% and units of production level
Vehicles	5-25% and units of production level
Furniture and fixtures	5-33%
Other tangible fixed assets	5-25%

2.7.4 Intangible assets

Intangible assets purchased before 30 June 2013 are recognized at their acquisition cost indexed for inflation effects as at 30 June 2013, on the other hand the purchases made in and after 30 June 2013 are recognized at acquisition cost less any amortization and impairment loss. Intangible assets are amortized principally on a straight-line basis over their estimated useful lives and production amounts. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate are accounted for on a prospective basis.

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%

2.7.5 Impairment of assets

Assets subject to depreciation and amortization are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. Recoverable amounts are estimated for individual assets (for the cash-generating unit). Non-financial assets that are impaired are evaluated for reversal of impairment amount at each reporting date.

2.7.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Investment revenues arising from the temporary utilization of the unused portion of facility loans are netted off from the costs eligible for capitalization.

All other borrowing costs are recognized directly in the income statement of the period in which they are incurred.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.7 Financial Instruments

Financial assets and financial liabilities are recognized in the Company's balance sheet when the Company becomes a legal party for the contractual provisions of the financial instrument.

Financial assets

Financial assets, are initially measured at fair value, less transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale financial assets' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

Incomes related to the debt instruments that are held to maturity and are available for sale, and financial assets that are classified as loans and receivables are calculated according to the effective interest rate method.

Receivables

Trade receivables and other receivables are initially recognized at their fair value. Subsequently, receivables are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.7 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the income statement under general administrative expenses.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three-months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially accounted at fair value, net of transaction costs.

Subsequently other financial liabilities are accounted at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.7 Financial Instruments (cont'd)

Financial liabilities (cont'd)

Other financial liabilities (cont'd)

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense to the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount.

Derivative financial instruments and hedge accounting

Derivatives are initially recognized at cost of acquisition and are subsequently accounted to their fair value at the end of each reporting period. The method of recognizing the result of gain or loss is dependent on the nature of the item being hedged.

On the date a derivative contract is entered into, the Company designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge from changes that could affect the statement of income due to a specific risk in cash flow of a forecasted transaction (cash flow hedge). Fair value of the Company's interest swap contracts is determined by valuation methods depending on analyzable market data.

Changes in the fair value of the derivatives that are designated and qualified as cash flow hedges and that are highly effective, are recognized in equity as hedging reserve. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts booked under equity are transferred to the statement of income and classified as revenue or expense in the period in which the hedged item affects the statement of income.

When the hedging instrument expires, is sold, or when a hedge no longer meets the criteria for hedge than hedge accounting is terminated. Any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the statement of income. However, if the hedged transaction is not realized, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss of the current period.

The Company measures the derivative financial instruments held for fair value hedge purpose with their fair values and recognizes them in the income statement under financial income/(expense).

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.8 The Effects of Foreign Exchange Rate Changes

The Company's financial statements are enclosed with the functional currency. The Company's financial position and operating results are enclosed with the Turkish Lira ("TRY") which is presentation currency of the financial statements.

The Company records foreign currency (currencies other than the functional currency of the related company) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in statement of income. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to statement of income. Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

2.7.9 Subsequent Events

Subsequent events include all events that take place between the balance sheet date and the date of authorization for the release of the balance sheet, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Company adjusts the amounts recognized in its financial statements to reflect the adjustments after the balance sheet date.

2.7.10 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past legal or subtle event, where it is probable that the Company will be required to settle that obligation and when a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine the probability of outflow of the economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for the cases where a reliable estimate cannot be made.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.11 Related Parties

A related party is a person or entity that is related to reporting entity, the entity that is preparing its financial statements

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.12 Taxation and Deferred Income Taxes

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized if it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.12 Taxation and Deferred Income Taxes (cont'd)

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the income statement, except when they relate to the items credited or debited directly to the equity (in this case the deferred tax related to these items is also recognized directly in the equity), or where they arise from the initial accounting of a business combination.

2.7.13 Employee Benefits

According to the Turkish law and union agreements, employee termination payments are made to employees in the case of retiring or involuntarily leaving. Such payments are considered as a part of defined retirement benefit plan in accordance with TAS 19 (revised) "Employee Benefits" ("TAS 19").

The termination indemnities accounted in the balance sheet and seniority incentive premium in accordance with the union agreements in force represent the present value of the residual obligation. Actuarial gains and losses, on the other hand, are recognized in the statement of other comprehensive income.

The Company makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of income. The details related with the defined benefit plans are stated in Note 14.

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

The Company is required to pay social insurance premiums to the Social Security Agency. As long as it pays these insurance premiums, the Company does not have any further obligation. These premiums are reflected in the payroll expenses incurred in the period.

2.7.14 Government Grants and Incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives related to costs are recognized as revenue during the periods they are matched with the costs they will cover.

2.7.15 Statement of Cash Flows

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows arising from operating activities represent the cash flows that are used in or provided by the Company's steel products and by-products sales activities.

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

2.7 Valuation Principles Applied / Significant Accounting Policies (cont'd)

2.7.15 Statement of Cash Flows (cont'd)

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

Cash and cash equivalents comprises of the cash on hand, the demand deposits and highly liquid other short-term investments which their maturities are three months or less from the date of acquisition, are readily convertible to cash and are not subject to a significant risk of changes in value.

The translation difference that occurs due to translation from functional currency to presentation currency is shown as translation difference on cash flow statement.

2.7.16 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period which they are approved and declared.

NOTE 3 – SEGMENTAL REPORTING

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

NOTE 4 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015	31 December 2014
Banks – demand deposits	10.819	2.474
	10.819	2.474

The breakdown of demand deposits is presented below:

	31 December 2015	31 December 2014
US Dollars	6.060	1.089
TRY	1.327	1.291
EURO	3.406	74
GB Pound	6	8
Other	20	12
	10.819	2.474

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS

The detail of financial derivative instruments as of 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015		31 December 2014	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Cross currency swap contracts	52.859	-	49.443	12.379
Interest rate swap contracts	55	14.015	-	-
	52.914	14.015	49.443	12.379
Cash flow hedging derivative financial assets				
Cross currency swap contracts for cash flow hedges of currency risk of borrowing	-	24.188	-	9.304
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowing	10.182	1.069	4.513	2.196
	10.182	25.257	4.513	11.500
	63.096	39.272	53.956	23.879

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge

As of 31 December 2015 and 31 December 2014, the details of cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
31 December 2015		Nominal Value	Fair Value	Nominal Value	Fair Value
Cross currency / interest rate swap contracts					
Buy US Dollars/Sell TRY	Between 6-12 months	44.841	22.386	44.841	13.946
Buy EURO/Sell TRY	More than 12 months	88.421	30.528	88.421	69
		133.262	52.914	133.262	14.015

		Assets		Liabilities	
31 December 2014		Nominal Value	Fair Value	Nominal Value	Fair Value
Cross currency swap contracts					
Buy US Dollars/Sell TRY	More than 12 months	50.066	18.630	50.066	9.126
Buy EURO/Sell TRY	More than 12 months	117.734	30.813	117.734	3.253
		167.800	49.443	167.800	12.379

Derivative instruments for cash flow hedge

Cross currency and interest rate swap contracts for cash flow hedges of interest rate and currency risk of borrowings.

The Company has fixing contracts for future interest and principle payments of floating interest rate borrowings. The fair values of these contracts match the floating rate borrowings and was included in other comprehensive income. The maturities of these transactions will be completed in December 2017.

The terms and conditions of those contracts match the terms and conditions of the floating rate borrowings. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss and recognition in other comprehensive income/expense.

In respect of these contracts which has a nominal value of TRY 139.607 thousand, for the purpose of hedging cash flow risk, with related deferred tax effect TRY (15.075) thousand was included in other comprehensive income (31 December 2014: TRY (6.987) thousand).

NOTE 6 – FINANCIAL LIABILITIES

As of the balance sheet date, the details of the Company's liabilities are as follows:

	31 December 2015	31 December 2014
Short term financial liabilities	9.256	216.892
Current portion of long term financial liabilities	332.199	556.161
Total short term financial liabilities	341.455	773.053
Total long term financial liabilities	489.786	644.456
	831.241	1.417.509

As of 31 December 2015, 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	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2015
No interest	TRY	-	9.256	-	9.256
Fixed	US Dollars	2,05	8.059	7.684	15.743
Fixed	TRY	9,76	79.694	12.866	92.560
Floating	US Dollars	Libor+1,97	140.660	356.846	497.506
Floating	EURO	Euribor+0,33	88.558	97.832	186.390
Floating	Japanese Yen	JPY+0,22	15.228	14.558	29.786
			341.455	489.786	831.241

As of 31 December 2014, 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	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2014
No interest	TRY	-	9.813	-	9.813
Fixed	US Dollars	1,27	213.635	12.216	225.851
Fixed	TRY	9,46	97.612	83.238	180.850
Floating	US Dollars	Libor+2,01	349.485	364.209	713.694
Floating	EURO	Euribor+0.34	89.995	161.924	251.919
Floating	Japanese Yen	JPY+0,22	12.513	22.869	35.382
			773.053	644.456	1.417.509

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

Tthe breakdown of the loan repayments with respect to their maturities as follows:

	31 December 2015	31 December 2014
Within 1 year	341.455	773.053
Between 1-2 years	420.150	366.324
Between 2-3 years	49.112	248.712
Between 3-4 years	13.683	29.420
Between 4-5 years	6.841	-
	831.241	1.417.509

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

As of the balance sheet date, the details of the Company's trade receivables are as follows:

	31 December 2015	31 December 2014
Short term trade receivables		
Trade receivables	152.778	141.231
Due from related parties (Note 27)	300.239	398.015
Discount on receivables (-)	(3)	(3)
Provision for doubtful trade receivables (-)	(7.294)	(189)
	445.720	539.054

The movement of the provision for short term doubtful trade receivables are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Opening balance	189	189
Provision for the period	6.737	-
Doubtful receivables collected (-)	(59)	-
Translation difference	427	-
Closing balance	7.294	189

According to the market conditions and product types, a certain interest charge is applied for deferred trade receivables and overdue interest is applied for overdue trade receivables.

As the Company provides services and products to a large number of customers, collection risk is widely distributed amongst these customers and there is no significant credit risk exposure. Therefore, the Company does not provide for any further provision beyond the doubtful receivables provisions that the Company has already provided for in the financial statements.

Other explanatory notes related to the credit risk of the Company are disclosed in Note 28.

As of the balance sheet date, there is no significant amount of overdue receivables within the trade receivables.

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (cont'd)

The Company provides provision according to the balances of all unsecured receivables under legal follow up.

As of the balance sheet date, the details of the Company's trade payables are as follows:

Short term trade payables	31 December 2015	31 December 2014
Trade payables	217.350	164.684
Due to related parties (Note 27)	25.611	12.624
Discount on trade payables (-)	(1.049)	(536)
	241.912	176.772

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

As of the balance sheet date, the details of the Company's other receivables and payables are as follows:

Short term other receivables	31 December 2015	31 December 2014
Other due from related parties (Note 27)	751.026	1.014.183
Receivables from water system construction	1.763	3.527
Deposits and guarantees given	108	110
	752.897	1.017.820

Long term other receivables	31 December 2015	31 December 2014
Receivables from Privatization Authority	67.397	62.403
Receivables from water system construction	14.036	22.837
Provision for receivables from Privatization Authority(-)	(67.397)	(62.403)
	14.036	22.837

The movement of the provision for other doubtful receivables are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Opening balance	62.403	55.958
Provision for the period	5.436	6.699
Other doubtful receivables collected (-)	(482)	-
Translation difference	40	(254)
Closing balance	67.397	62.403

NOTE 8 – OTHER RECEIVABLES AND PAYABLES (cont'd)

Short term other payables	31 December 2015	31 December 2014
Taxes payable	7.910	9.307
Deposits and guarantees received	5.029	2.496
Dividend payables to shareholders	405	-
Other due to related parties (Note 27)	-	569
	13.344	12.372

NOTE 9 – INVENTORIES

As of the balance sheet date, the details of the Company's inventories are as follows:

	31 December 2015	31 December 2014
Raw materials	342.594	384.521
Work in progress	243.416	272.365
Finished goods	291.256	239.659
Spare parts	196.171	153.186
Goods in transit	241.695	227.932
Other inventories	121.800	84.190
Allowance for impairment on inventories (-)	(44.817)	(25.474)
	1.392.115	1.336.379

The movement of the allowance for impairment on inventories:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	25.474	12.145
Provision for the period	12.154	11.579
Provision released (-)	(115)	-
Translation difference	7.304	1.750
Closing balance	44.817	25.474

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 20).

NOTE 10 – PREPAID EXPENSES

As of the balance sheet date, the details of the Company's short term prepaid expenses are as follows:

	31 December 2015	31 December 2014
Insurance expenses	13.561	12.483
Advances given to suppliers	3.730	419
Prepaid utility allowance to employees	1.672	1.813
Other prepaid expenses	5.557	4.515
	24.520	19.230

As of the balance sheet date, the details of the Company's long term prepaid expenses are as follows:

	31 December 2015	31 December 2014
Advances given for fixed assets	14.074	9.984
Insurance expenses	8.593	-
Other prepaid expenses	156	-
	22.823	9.984

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	49.704	1.430.594	1.683.265	5.868.469	527.260	238.475	10.666	164.266	9.972.699
Translation difference	12.619	364.394	427.628	1.494.606	134.441	60.948	3.604	52.443	2.550.683
Additions	-	292	27	27.713	8.893	6.574	911	227.969	272.379
Transfers from CIP (*)	-	17.100	4.238	52.888	1.461	259	358	(76.775)	(471)
Disposals	-	-	-	(11.889)	(1.931)	(988)	(36)	-	(14.844)
Closing balance as of 31 December 2015	62.323	1.812.380	2.115.158	7.431.787	670.124	305.268	15.503	367.903	12.780.446
Accumulated Depreciation									
Opening balance as of 1 January	-	(1.009.692)	(1.001.192)	(2.813.593)	(224.614)	(82.897)	(8.842)	(19.676)	(5.160.506)
Translation difference	-	(258.920)	(257.008)	(726.807)	(58.349)	(21.770)	(3.126)	(4.995)	(1.330.975)
Charge for the period	-	(37.313)	(40.749)	(180.687)	(21.004)	(11.383)	(1.047)	-	(292.183)
Disposals	-	-	-	509	1.927	955	36	-	3.427
Closing balance as of 31 December 2015	-	(1.305.925)	(1.298.949)	(3.720.578)	(302.040)	(115.095)	(12.979)	(24.671)	(6.780.237)
Net book value as of 31 December 2014	49.704	420.902	682.073	3.054.876	302.646	155.578	1.824	144.590	4.812.193
Net book value as of 31 December 2015	62.323	506.455	816.209	3.711.209	368.084	190.173	2.524	343.232	6.000.209

(*) TRY 471 thousand is transferred to intangible assets (Note 12).

As of 31 December 2015, the Company has no collaterals or pledges on tangible assets (31 December 2014: None).

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	45.747	1.286.644	1.506.897	5.267.227	483.361	217.774	9.220	238.530	9.055.400
Translation difference	3.957	113.145	132.957	463.869	41.926	18.942	1.095	15.236	791.127
Additions (*)	-	130	137	29.360	228	4.377	750	104.193	139.175
Transfers from CIP (**)	-	30.675	43.274	113.392	1.770	3.514	-	(193.693)	(1.068)
Disposals	-	-	-	(5.379)	(25)	(6.132)	(399)	-	(11.935)
Closing balance as of 31 December 2014	49.704	1.430.594	1.683.265	5.868.469	527.260	238.475	10.666	164.266	9.972.699
Accumulated Depreciation									
Opening balance as of 1 January	-	(902.256)	(890.903)	(2.460.539)	(190.930)	(72.368)	(7.744)	-	(4.524.740)
Translation difference	-	(79.712)	(78.950)	(220.806)	(17.492)	(6.502)	(1.089)	(1.121)	(405.672)
Charge for the period	-	(27.724)	(31.339)	(135.433)	(16.217)	(9.252)	(408)	-	(220.373)
Impairment (***)	-	-	-	-	-	-	-	(18.555)	(18.555)
Disposals	-	-	-	3.185	25	5.225	399	-	8.834
Closing balance as of 31 December 2014	-	(1.009.692)	(1.001.192)	(2.813.593)	(224.614)	(82.897)	(8.842)	(19.676)	(5.160.506)
Net book value as of 31 December 2013	45.747	384.388	615.994	2.806.688	292.431	145.406	1.476	238.530	4.530.660
Net book value as of 31 December 2014	49.704	420.902	682.073	3.054.876	302.646	155.578	1.824	144.590	4.812.193

(*) The amount of capitalized borrowing cost is TRY 142 thousand for the current period.
(**) TRY 1.068 thousand is transferred to intangible assets (Note 12).
(***) The Company review the amount of not-used fixed asset which is not able to generate cash flows independently. Accordingly, the review led to the recognition of an impairment loss of TRY (18.555) thousand that has been recognized in profit or loss under other operating expenses (Note 23).

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

The breakdown of depreciation expenses related to property, plant and equipment is as follows:

	31 December 2015	31 December 2014
Associated with cost of production	282.418	212.771
General administrative expenses	1.803	1.208
Marketing,sales and distribution expenses	7.962	6.394
	292.183	220.373

NOTE 12 – INTANGIBLE ASSETS

	Rights	Total
Cost		
Opening balance as of 1 January	163.330	163.330
Translation difference	41.599	41.599
Additions	4.896	4.896
Transfers from CIP	471	471
Closing balance as of 31 December 2014	210.296	210.296
Accumulated amortization		
Opening balance as of 1 January	(51.897)	(51.897)
Translation difference	(13.567)	(13.567)
Charge for the period	(5.637)	(5.637)
Closing balance as of 31 December 2014	(71.101)	(71.101)
Net book value as of 31 December 2013	111.433	111.433
Net book value as of 31 December 2014	139.195	139.195

As of 31 December 2015, the Company has no collaterals or pledges on intangible assets (31 December 2014: None).

NOTE 12 – INTANGIBLE ASSETS (cont'd)

	Rights	Total
Cost		
Opening balance as of 1 January	145.416	145.416
Translation difference	12.872	12.872
Additions	3.974	3.974
Transfers from CIP	1.068	1.068
Closing balance as of 31 December 2014	163.330	163.330
Accumulated amortization		
Opening balance as of 1 January	(41.304)	(41.304)
Translation difference	(3.972)	(3.972)
Charge for the period	(6.621)	(6.621)
Closing balance as of 31 December 2014	(51.897)	(51.897)
Net book value as of 31 December 2013	104.112	104.112
Net book value as of 31 December 2014	111.433	111.433

The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2015	31 December 2014
Associated with cost of production	5.637	6.621
	5.637	6.621

NOTE 13 – GOVERNMENT GRANTS AND INCENTIVES

These grants and incentives can be used by all companies, which meet the related legislative requirements and those grants have no sectoral differences:

- ✓ Incentives under the jurisdiction of the research and development law (100% corporate tax exemption etc.),
- ✓ Cash incentives from Tübitak – Teydeb for cost of research and development,
- ✓ Inward processing permission certificates and Social Security Institution incentives,
- ✓ Insurance premium employer share incentive.

NOTE 14 – EMPLOYEE BENEFITS

The Company's short term payables for employee benefits are as follows:

	31 December 2015	31 December 2014
Due to personnel	37.637	24.290
Social security premiums payable	9.034	9.852
	46.671	34.142

NOTE 14 – EMPLOYEE BENEFITS (cont'd)

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

	31 December 2015	31 December 2014
Provisions for employee termination benefits	172.350	174.097
Provisions for seniority incentive premium	12.547	11.068
Provision for unpaid vacations	20.488	19.113
	205.385	204.278

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 31 December 2015, the amount payable consists of one month's salary limited to a maximum of TRY 3.828,37 (31 December 2014: TRY 3.438,22). As of 1 January 2016, the employee termination benefit has been updated to a maximum of TRY 4.092,53.

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 December 2015 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:

	31 December 2015	31 December 2014
Discount rate	10,70%	8,00%
Inflation rate	7,75%	6,50%
Salary increase	real 1,50%	real 1,50%
Maximum liability increase	7,75%	6,50%

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 December 2015, 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.

NOTE 14 – EMPLOYEE BENEFITS (cont'd)

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 31 December 2015, 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 - 31 December 2015	1 January - 31 December 2014
Opening balance	174.097	140.963
Service cost	18.064	8.332
Interest cost	13.688	13.194
Actuarial loss/(gain)	(10.819)	33.755
Termination benefits paid (-)	(22.557)	(21.293)
Translation difference	(123)	(854)
Closing balance	172.350	174.097

The sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2015 as follows:

Sensitivity level

	Discount rate	
Rate	1% increase	1% decrease
Chage in employee benefits liability	(15.898)	18.505

	Inflation rate	
Rate	1% increase	1% decrease
Chage in employee benefits liability	17.195	(11.490)

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 December 2015	1 January - 31 December 2014
Opening balance	11.068	7.472
Service cost	1.619	1.046
Interest cost	1.017	831
Actuarial loss/(gain)	(1.137)	1.859
Termination benefits paid (-)	(95)	(76)
Translation difference	75	(64)
Closing balance	12.547	11.068

NOTE 14 – EMPLOYEE BENEFITS (cont'd)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	19.113	18.144
Provision for the period	15.144	13.054
Vacation paid during the period (-)	(1.929)	(2.872)
Provisions released (-)	(11.822)	(8.872)
Translation difference	(18)	(341)
Closing balance	20.488	19.113

NOTE 15 – PROVISIONS

The Company's short term provisions are as follows:

	31 December 2015	31 December 2014
Provision for lawsuits	21.196	17.007
Penalty provision for employment shortage of disabled persons	3.623	3.040
	24.819	20.047

As of 31 December 2015 and 31 December 2014, lawsuits filed by and against the Company are as follows:

	31 December 2015	31 December 2014
Lawsuits filed by the Company	146.824	123.853
Provision for lawsuits filed by the Company	116	189

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

	31 December 2015	31 December 2014
Lawsuits filed against the Company	15.458	9.990
Provision for lawsuits filed against the Company	21.196	17.007

NOTE 15 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	1 January 2015	Provision for the period	Payments	Provision released	Translation difference	31 December 2015
Provision for lawsuits	17.007	13.634	(814)	(9.279)	648	21.196
Penalty provision for employment shortage of disabled persons	3.040	1.576	(869)	(260)	136	3.623
	20.047	15.210	(1.683)	(9.539)	784	24.819

	1 January 2014	Provision for the period	Payments	Provision released	Translation difference	31 December 2014
Provision for lawsuits	17.690	3.421	(650)	(4.128)	674	17.007
Penalty provision for employment shortage of disabled persons	3.504	274	-	(776)	38	3.040
	21.194	3.695	(650)	(4.904)	712	20.047

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Company are as follows:

	31 December 2015	31 December 2014
Letters of guarantees received	251.494	209.440
	251.494	209.440

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

	31 December 2015	31 December 2014
A. Total CPM given for the Company's own legal entity	60.801	29.585
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	-	-
	60.801	29.585

As of 31 December 2015, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2014: 0%).

The breakdown of the Company's collaterals given regarding service purchases according to their TRY equivalents of foreign currency is as follows:

	31 December 2015	31 December 2014
TRY	53.307	23.608
EURO	7.494	5.977
	60.801	29.585

NOTE 17 – OTHER ASSETS AND LIABILITIES

As of the balance sheet date, the details of the Company's other assets and liabilities are as follows:

Other current assets

	31 December 2015	31 December 2014
Other VAT receivable	3.065	5.832
Prepaid taxes and funds	699	656
Other current assets	43	97
	3.807	6.585

Other current liabilities

	31 December 2015	31 December 2014
VAT payable	15.754	39.513
Other current liabilities	4.102	3.211
	19.856	42.724

NOTE 18 – DEFERRED REVENUE

As of the balance sheet date, the details of the Company's short term deferred revenue are as follows:

	31 December 2015	31 December 2014
Advances received	21.825	22.073
	21.825	22.073

NOTE 19 – EQUITY

As of the balance sheet date, the capital structure is as follows:

	(%)	31 December 2015	(%)	31 December 2014
Shareholders				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	95,07	2.756.978	95,07	2.756.978
Shares distributed to shareholders from İskenderun Demir ve Çelik A.Ş. Çalışanları Yardımlaşma Sandığı Vakfı	4,93	143.022	4,93	143.022
Historical Capital		2.900.000		2.900.000
Effect of inflation		164		164
Restated capital		2.900.164		2.900.164

NOTE 19 – EQUITY (cont'd)

Other equity items	31 December 2015	31 December 2014
Financial risk hedging reserve	(12.060)	(5.754)
Foreign currency hedging reserve	2.117.376	768.727
Acturaial (loss) / gain fund	(51.765)	(60.420)
Restricted reserves assorted from profit	165.142	38.913
- Legal reserves	*165.142*	*38.913*
Retained Earnings	901.013	900.231
	3.119.706	1.641.697

According to the Turkish Commercial Code ("TCC"), legal reserves split up as the first legal reserves and the second legal reserves. According to the Turkish Commercial Code 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. After deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; ten percent of the remaining balance shall be appropriated to second legal reserves. Also according to the "TCC" 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital.

NOTE 20 – SALES AND COST OF SALES

	1 January - 31 December 2015	1 January - 31 December 2014
Sales Revenue		
Domestic sales	5.020.279	5.428.472
Export sales	729.046	648.996
Other revenues (*)	172.220	192.379
Sales returns (-)	(5.160)	(507)
	5.916.385	6.269.340
Cost of goods sold (-)	(5.000.763)	(4.919.371)
Gross profit	915.622	1.349.969

(*)The total amount of by product exports in other revenues is TRY 67.473 thousand (31 December 2014: TRY 117.640 thousand).

NOTE 20 – SALES AND COST OF SALES (cont'd)

The breakdown of cost of goods sales for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Raw material usage	(3.758.559)	(3.764.028)
Personnel costs	(457.886)	(399.816)
Energy costs	(233.813)	(213.823)
Depreciation and amortization expenses	(280.125)	(216.761)
Factory overheads	(126.785)	(104.762)
Other cost of goods sold	(70.385)	(111.851)
Non-operating costs (*)	(11.605)	(66.378)
Freight costs for sales delivered to customers	(48.584)	(27.771)
Inventory write-downs within the period (Note 9)	(12.154)	(11.579)
Reversal of inventory write-downs (Note 9)	115	-
Other	(982)	(2.602)
	(5.000.763)	(4.919.371)

(*) 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 (11.605) thousand, has been accounted directly under cost of goods sold (31 December 2014: TRY 66.378 thousand).

NOTE 21 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operational expenses according to their nature for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Marketing, sales and distribution expenses (-)	(59.360)	(57.317)
General administrative expenses (-)	(110.198)	(77.440)
Research and development expenses (-)	(122)	(811)
	(169.680)	(135.568)

NOTE 22 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expense (-)	(21.963)	(22.292)
Depreciation and amortization(-)	(7.962)	(6.394)
Tax,duty and charges (-)	(469)	(11.586)
Service expenses (-)	(28.966)	(17.045)
	(59.360)	(57.317)

The breakdown of general administrative expenses for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses (-)	(39.758)	(34.722)
Depreciation and amortization (-)	(1.803)	(1.208)
Provision for doubtful receivables (-)	(11.632)	(6.699)
Tax, duty and charges (-)	(5.268)	(2.263)
Service expenses (-)	(51.737)	(32.548)
	(110.198)	(77.440)

The breakdown of research and development expenses for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Service expenses (-)	(122)	(811)
	(122)	(811)

NOTE 23 – OTHER OPERATING INCOME/(EXPENSES)

The breakdown of other operating income for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Other operating income		
Interest income from on credit sales	14.355	19.877
Discount income	10.227	4.180
Provisions released	9.539	3.708
Service income	13.365	7.052
Maintenance repair and rent income	11.081	4.913
Indemnity and penalty detention income	1.954	2.295
Insurance indemnity income	12.511	238
Gain on sale of tangible assets	86	7
Other income and gains	3.975	5.927
	77.093	48.197

NOTE 23 – OTHER OPERATING INCOME/(EXPENSES) (cont'd)

The breakdown of other operating expenses for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Other operating expenses (-)		
Provisions expenses	(15.210)	(2.149)
Donation expenses	(1.455)	(8.663)
Discount expenses	(15.986)	(3.037)
Port facility pre-licence expenses	(7.235)	(4.906)
Lawsuit compensation expenses	(1.632)	(1.800)
Penalty expenses	(2.091)	(3.011)
Capital Markets Board registration expenses	-	(5.588)
Loss on disposal of tangible assets	(66)	(3.093)
Impairment of property, plant and equipment (Note 11)	-	(18.555)
Other expenses and losses	(4.317)	(4.156)
	(47.992)	(54.958)

NOTE 24 – FINANCIAL INCOME

The breakdown of financial income for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

Financial income	1 January - 31 December 2015	1 January - 31 December 2014
Interest income on bank deposits	3	10
Foreign exchange gain (net)	216.707	109.687
Interest income on related party	41.462	20.286
	258.172	129.983

NOTE 25 – FINANCIAL EXPENSES

The breakdown of financial expenses for the periods 1 January – 31 December 2015 and 1 January – 31 December 2014 is as follows:

Financial expenses (-)	1 January - 31 December 2015	1 January - 31 December 2014
Interest expenses on financial liabilities	(56.000)	(85.780)
Interest cost of employee benefits	(14.705)	(14.025)
Interest expense on related party	(14.038)	(22.912)
Guarantee expense	(6.331)	(8.181)
Foreign exchange loss from deferred tax base	(213.058)	(82.297)
Fair value differences of derivative financial instruments(net)	(8.548)	(1.903)
	(312.680)	(215.098)

NOTE 26 – TAX ASSETS AND LIABILITIES

	1 January - 31 December 2015	1 Ocak - 31 Aralık 2014
Taxation:		
Current corporate tax expense	206.438	72.461
Deferred tax (income) / expense	(61.146)	53.053
	145.292	125.514

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.

The effective corporate tax rate in Turkey is 20% for the year ended in 31 December 2015 (31 December 2014: 20%).

Advance tax returns are filed on a quarterly basis in Turkey. The temporary tax of 2015 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period (2014: 20%).

Losses can be carried forward to offset the future taxable income for up to maximum 5 years. However, losses cannot be carried back to offset the profits of the previous periods, retrospectively.

In Turkey, a definite and distinct reconciliation procedure for tax assessment does not exist. Companies file their tax returns between 1April - 25 April following the closing period of the related year's accounts. Tax returns and related accounting records may be examined and revised within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, except for the dividends distributed to fully fledged taxpayer companies receiving and declaring these dividends and to Turkish branches of foreign companies. This rate was changed to 15% as of 22 July 2006 by the decision of the Council of Ministers, numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to the income withholding taxes.

19,8% withholding tax must be applied to the investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Investment disbursements without any investment incentive certificate after this date which are directly related to production facilities of the company can be deducted by 40% from the taxable income. The investments without investment incentive certificates do not qualify for tax allowance.

Investment allowance application

With the decision numbered 2006/95, which was taken during the meeting of the Constitutional Court on 15 October 2009, the phrase "only related to the years 2006, 2007 and 2008..." which was a part of the Temporary Article 69 of the Income Tax Law was cancelled and the cancellation became effective from the date the decision has been published in the Official Gazette on 8 January 2010. According to the decision, the investment incentive amount outstanding that cannot be deducted from 2008 taxable income previously will be deducted from taxable income of the subsequent profitable years.

NOTE 26 – TAX ASSETS AND LIABILITIES (cont'd)

Investment allowance application (cont'd)

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23 July 2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. As limitation of investment allowance to 25% of the profit by regulation numbered 6009 is found to be contrary to law by the Constitutional Court, the Constitutional Court cancelled the regulation and stayed an execution. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made (2014: 20%).

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.

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% in Turkey (31 December 2014: 20%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (December 2014: 5%).

	31 December 2015	31 December 2014
Deferred tax assets:		
Provisions for employee benefits	36.979	37.033
Investment incentive	10.533	-
Provision for lawsuits	4.239	3.401
Discount of receivables	5.008	3.761
Provision for other doubtful receivables	13.479	12.481
Provision for unpaid vacations	4.098	3.822
Other	9.708	2.480
	84.044	62.978
Deferred tax liabilities:		
Tangible and intangible fixed assets	(692.322)	(414.403)
Fair values of the derivative financial instruments	(4.765)	(6.015)
Amortized cost adjustment on loans	(2.343)	(4.535)
Inventories	(6.791)	(4.373)
Other	(1.263)	(531)
	(707.484)	(429.857)
Presentation of deferred tax assets/(liabilities) net:	(623.440)	(366.879)

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.

NOTE 26 – TAX ASSETS AND LIABILITIES (cont'd)

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

Deferred tax asset/(liability) movements:	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	(366.879)	(211.133)
Deferred tax expense/(income)	61.146	(53.053)
The amount in comprehensive income/(expense)	(587)	5.888
Translation difference	(317.120)	(108.581)
Closing balance	(623.440)	(366.879)

Reconciliation of tax provision is as follows:

Reconciliation of tax provision	1 January - 31 December 2015	1 January - 31 December 2014
Profit before tax	720.535	1.122.525
Statutory tax rate	20%	20%
Calculated tax according to effective tax rate	144.107	224.505
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	555	2.515
- Effect of currency translation to non taxable assets (*)	11.163	(9.484)
- Investment incentives	(10.533)	-
- Effect of non-taxable adjustments	-	(92.022)
Tax expense in reported in the consolidate statement of income	145.292	125.514

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

NOTE 26 – TAX ASSETS AND LIABILITIES (cont'd)

As of 1 January – 31 December 2015 and 1 January – 31 December 2014, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	1 January - 31 December 2015		
Other comprehensive income/(loss) in the current period	Amount Before Tax	Tax Income/ (Expense)	Amount After Tax
Change in actuarial (loss)/gain	10.819	(2.164)	8.655
Change in cash flow hedging reserves	(7.883)	1.577	(6.306)
Change in foreign currency translation reserves	1.348.649	-	1.348.649
	1.351.585	(587)	1.350.998

	1 January - 31 December 2014		
Other comprehensive income/(loss) in the current period	Amount Before Tax	Tax Income/ (Expense)	Amount After Tax
Change in actuarial (loss)/gain	(33.755)	6.751	(27.004)
Change in cash flow hedging reserves	4.314	(863)	3.451
Change in foreign currency translation reserves	419.311	-	419.311
	389.870	5.888	395.758

NOTE 27 – RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parties 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:

	31 December 2015	31 December 2014
Due from related parties (short term)		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	277.578	387.465
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	10.930	5.734
Adana Çimento Sanayi T.A.Ş. (3)	6.070	4.071
Aslan Çimento A.Ş. (3)	168	539
Erdemir Asia Pacific PTE LTD (2)	5.243	-
Omsan Lojistik A.Ş. (3)	98	65
Oyak Pazarlama Hizmet ve Turizm A.Ş. (3)	39	103
Oyak Savunma ve Güvenlik Sistemleri A.Ş. (3)	54	31
Other	59	7
	300.239	398.015

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company

NOTE 27 – RELATED PARTY DISCLOSURES (cont'd)

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

Due from related parties (short term)	31 December 2015	31 December 2014
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	751.026	1.014.183
	751.026	1.014.183

Other receivables from related parties are consisting of cash receivables within the scope of central cash planning.

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

Due to related parties (short term)	31 December 2015	31 December 2014
Erdemir Madencilik San. ve Tic. A.Ş. (2)	5.051	3.490
Oyak Pazarlama Hizmet ve Turizm A.Ş. (3)	2.242	1.561
Erdemir Asia Pacific PTE LTD (2)	5.214	-
Omsan Lojistik A.Ş. (3)	1.539	1.048
OYAK Savunma ve Güvenlik Sistemleri A.Ş. (3)	1.498	1.805
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. (2)	7.767	2.358
Omsan Denizcilik A.Ş. (3)	1.436	1.632
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	715	722
Other	149	8
	25.611	12.624

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.

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

Due to related parties (short term)	31 December 2015	31 December 2014
Erdemir Madencilik San. ve Tic. A.Ş. (2)	-	569
	-	569

Other receivables and payables from related parties are consisting of cash receivables and payables within the scope of central cash planning.

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company

NOTE 27 – RELATED PARTY DISCLOSURES (cont'd)

	1 January - 31 December 2015	1 January - 31 December 2014
Major sales to related parties		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	3.585.249	4.252.604
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	2.586	800
Adana Çimento Sanayi T.A.Ş. (3)	20.700	19.162
Erdemir Asia Pacific PTE LTD (2)	50.636	-
Erdemir Madencilik San. ve Tic. A.Ş. (2)	47	38
Aslan Çimento A.Ş. (3)	1.209	2.652
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. (2)	315	215
Other	3.272	1.925
	3.664.014	4.277.396

Major purchases from related parties	1 January - 31 December 2015	1 January - 31 December 2014
Erdemir Madencilik San. ve Tic. A.Ş. (2)	355.478	355.830
Erdemir Asia Pacific PTE LTD (2)	77.459	-
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	70.785	77.809
Oyak Pazarlama Hizmet ve Turizm A.Ş. (3)	22.741	12.053
Omsan Denizcilik A.Ş. (3)	15.230	45.732
Oyak Savunma ve Güvenlik Sistemleri A.Ş. (3)	16.805	15.143
Omsan Lojistik A.Ş. (3)	11.811	10.297
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	8.028	5.009
Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. (2)	10.043	15.198
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş. (3)	-	970
Other	3.281	1.530
	591.661	539.571

(1) Immediate parent company
(2) Subsidiaries of the immediate parent company
(3) Subsidiaries of the ultimate company

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

The period end balances are secured and their collections will be done in cash. Other receivables from related parties balances are non-secured, interest free and their collections will be done in cash. As of 31 December 2015, the Company provides no provision for the receivables from related parties (31 December 2014: None).

For the year ended 31 December 2015, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 4.933 thousand (31 December 2014: TRY 4.208 thousand).

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

(a) Capital risk management

The Company manages its capital through the optimization of the debt and the equity balance that minimizes the financial risk.

Through the forecasts regularly prepared by the Company, the future capital amount, debt to equity ratio and similar ratios are forecasted and required precautions are taken to strengthen the capital.

The capital structure of the Company consists of debt which includes the financial liabilities disclosed in Note 6, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 19.

The Company's Board of Directors analyzes the capital structure in regular meetings. During these analyses, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Company, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

As of 31 December 2015 and 31 December 2014 the net debt/equity ratio is as follows:

	Note	31 December 2015	31 December 2014
Total financial liabilities	6	831.241	1.417.509
Less: Cash and cash equivalents	4	10.819	2.474
Net debt		820.422	1.415.035
Total adjusted equity (*)		6.658.938	5.605.046
Total resources		7.479.360	7.020.081
Net debt/Total adjusted equity ratio		12%	25%
Distribution of net debt/Total adjusted equity		11/89	20/80

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial (loss)/gain fund.

(b) Significant accounting policies

The Company's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.7.7 Financial Instruments".

(c) Market risk

The Company is exposed primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company utilizes the following financial instruments to manage the risks associated with the foreign exchange rates and interest rates. Also, the Company follows price changes and market conditions regularly and takes action in pricing instantaneously.

The Company prefers floating interest rates for long term borrowings. To hedge against the interest risk the Company uses interest swap agreements for some of its borrowings.

In the current period, there is no significant change in the Company's exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management

Trade receivables include a large number of customers from various industries and regions. There is no risk concentration on a specific customer or a Company of customers. The majority trade receivables are assured by bank letters of guarantee and/or credit limits. The credit reviews are performed continuously over the accounts receivable balance of the customers. The Company does not have a significant credit risk arising from any customer.

Credit risk of financial instruments	Receivables					Derivative
	Trade Receivables		Other Receivables		Bank Deposits	Financial Instruments
31 December 2015	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	300.239	145.481	751.026	15.907	10.819	63.096
- Secured part of the maximum credit risk exposure via collateral etc.	288.799	138.396	751.026	-	-	-
A.Net book value of the financial assets that are neither overdue nor impaired	300.239	145.481	751.026	15.907	10.819	63.096
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	-	-	-	-	-
- secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	7.294	-	67.397	-	-
- Impairment (-)	-	(7.294)	-	(67.397)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*)The factors that increase credibility such as guarantees received are not taken into account in determination of amount.

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(d) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables				Bank Deposits	Derivative Financial Instruments
	Trade Receivables		Other Receivables			
31 December 2014	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	398.015	141.039	1.014.183	26.474	2.474	53.956
- Secured part of the maximum credit risk exposure via collateral etc.	387.465	126.391	1.014.183	-	-	-
A.Net book value of the financial assets that are neither overdue nor impaired	398.015	141.039	1.014.183	26.474	2.474	53.956
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	-	-	-	-	-
- secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	189	-	62.403	-	-
- Impairment (-)	-	(189)	-	(62.403)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*)The factors that increase credibility such as guarantees received are not taken into account in determination of amount.

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management

As of 31 December 2015, stated in Note 2.7.8 the foreign currency position of the Company in terms of original currency is calculated as it as follows:

	31 December 2015			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Japanese Yen (Original currency)
1. Trade receivables	100.415	19.600	25.433	-
2a. Monetary financial assets	4.741	1.548	981	2.910
2b. Non- monetary financial assets	-	-	-	-
3. Other	112.009	18.845	29.319	-
4. Current assets (1+2+3)	**217.165**	**39.993**	**55.733**	**2.910**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	24.808	21.263	1.116	-
8. Non-current assets (5+6+7)	**24.808**	**21.263**	**1.116**	**-**
9. Total assets (4+8)	**241.973**	**61.256**	**56.849**	**2.910**
10. Trade payables	166.138	154.019	3.814	-
11. Financial liabilities	192.483	86.348	28.446	653.971
12a. Other monetary financial liabilities	94.958	92.645	457	-
12b. Other non-monetary financial liabilities	206.444	206.444	-	-
13. Current liabilities (10+11+12)	**660.023**	**539.456**	**32.717**	**653.971**
14. Trade payables	-	-	-	-
15. Financial liabilities	121.537	3.962	32.047	653.778
16a. Other monetary financial liabilities	205.385	205.385	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**326.922**	**209.347**	**32.047**	**653.778**
18. Total liabilities (13+17)	**986.945**	**748.803**	**64.764**	**1.307.749**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(883.204)**	**(12.224)**	**(274.100)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	156.598	68.178	27.826	-
19b. Off-balance sheet foreign currency derivative financial liabilities	(1.039.802)	80.402	301.926	-
20. Net foreign currency asset/liability position (9-18+19)	**(1.628.176)**	**(699.771)**	**(282.015)**	**(1.304.839)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(675.345)**	**(521.211)**	**(38.350)**	**(1.304.839)**
22. Fair value of derivative financial instruments used in foreign currency hedge	38.900	38.900	-	-
23. Hedged foreign currency assets	1.039.802	80.402	301.926	-
24. Hedged foreign currency liabilities	156.598	68.178	27.826	-
25. Exports	796.519			
26. Imports	2.853.582			

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management (cont'd)

As of 31 December 2014, the foreign currency position of the Company in terms of original currency is as follows:

	31 December 2014			
	TRY (Total in reporting currency)	TRY (Original currency)	EURO (Original currency)	Japanese Yen (Original currency)
1. Trade receivables	18.648	8.483	3.604	-
2a. Monetary financial assets	1.374	1.291	26	22
2b. Non- monetary financial assets	-	-	-	-
3. Other	3.831	3.825	2	-
4. Current assets (1+2+3)	**23.853**	**13.600**	**3.632**	**22**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	28.465	27.169	460	-
8. Non-current assets (5+6+7)	**28.465**	**27.169**	**460**	-
9. Total assets (4+8)	**52.318**	**40.768**	**4.092**	**22**
10. Trade payables	115.451	111.148	1.524	-
11. Financial liabilities	210.131	104.925	32.811	654.092
12a. Other monetary financial liabilities	110.948	110.313	225	-
12b. Other non-monetary financial liabilities	72.461	72.461	-	-
13. Current liabilities (10+11+12)	**508.991**	**398.847**	**34.560**	**654.092**
14. Trade payables	-	-	-	-
15. Financial liabilities	260.116	64.276	60.461	1.307.556
16a. Other monetary financial liabilities	210.096	210.096	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**470.212**	**274.372**	**60.461**	**1.307.556**
18. Total liabilities (13+17)	**979.203**	**673.219**	**95.021**	**1.961.648**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**118.309**	**576**	**41.739**	-
19a. Off-balance sheet foreign currency derivative financial assets	236.666	118.933	41.739	-
19b. Off-balance sheet foreign currency derivative financial liabilities	118.357	118.357	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(808.576)**	**(631.875)**	**(49.191)**	**(1.961.626)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(886.720)**	**(590.984)**	**(91.391)**	**(1.961.626)**
22. Fair value of derivative financial instruments used in foreign currency hedge	37.064	37.064	-	-
23. Hedged foreign currency assets	118.357	118.357	-	-
24. Hedged foreign currency liabilities	236.666	118.933	41.739	-
25. Exports	766.636			
26. Imports	2.794.959			

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management (cont'd)

The following table shows the Company's sensitivity to a 10% (+/-) change in the TRY, USD, 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 31 December 2015 asset and liability balances are translated by using the following exchange rates: TRY 2,9076 = US $ 1,TRY 3,1776 = EUR 1 and TRY 0,0241= JPY 1 (31 December 2014: TRY 2,3189 = US $ 1,TRY 2,8207 = EUR 1 and TRY 0,0193= JPY 1)

	Profit/(loss) before tax	
31 December 2015	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(68.755)	68.755
2- Hedged portion from TRY risk (-)	6.818	(6.818)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(61.937)	61.937
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	(2.515)	2.515
10- Hedged portion from Euro risk (-)	8.842	(8.842)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	6.327	(6.327)
13- Jap. Yen net asset/liability	(3.142)	3.142
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(3.142)	3.142
TOTAL (4+8+12+16)	**(58.752)**	**58.752**

In addition to the Company's foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 88.908 thousand of income / (TRY (72.743) thousand expense) will occur due to the decrease/ (increase) in deferred tax base (31 December 2014: TRY 91.936 thousand income / TRY (75.221 thousand expense).

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Foreign currency risk management (cont'd)

	Profit/(loss) before tax	
31 December 2014	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(63.245)	63.245
2- Hedged portion from TRY risk (-)	11.893	(11.893)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(51.352)	51.352
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	(25.649)	25.649
10- Hedged portion from Euro risk (-)	11.773	(11.773)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(13.876)	13.876
13- Jap. Yen net asset/liability	(3.795)	3.795
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(3.795)	3.795
TOTAL (4+8+12+16)	**(69.023)**	**69.023**

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities and maintaining adequate funds and reserves.

Liquidity risk tables

Conservative liquidity risk management includes maintaining sufficient cash, availability of sufficient amount of borrowings and funds and ability to settle market positions.

The Company manages its funding of actual and forecasted financial obligations by maintaining the availability of sufficient number of high quality loan providers.

The following table details the Company's expected maturity for its derivative and non derivative financial liabilities. Interests which will be paid on borrowings in the future are included in the relevant columns in the following table.

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Liquidity risk management (cont'd)

31 December 2015

Contractual Maturity Analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	831.241	865.921	21.939	335.710	508.272	-
Trade payables	241.912	242.961	242.961	-	-	-
Other financial liabilities (*)	64.896	64.896	64.896	-	-	-
Total liabilities	**1.138.049**	**1.173.778**	**329.796**	**335.710**	**508.272**	**-**
Derivative financial liabilities						
Derivative cash inflows	63.096	201.439	-	55.952	145.487	-
Derivative cash outflows	(39.272)	(244.197)	-	(55.020)	(189.177)	-
	23.824	**(42.758)**	**-**	**932**	**(43.690)**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Liquidity risk management (cont'd)

31 December 2014

Contractual Maturity Analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	1.417.509	1.485.169	253.391	541.367	690.411	-
Trade payables	176.772	177.308	177.308	-	-	-
Other financial liabilities (*)	49.428	49.428	49.428	-	-	-
Total liabilities	**1.643.709**	**1.711.905**	**480.127**	**541.367**	**690.411**	**-**
Derivative financial liabilities						
Derivative cash inflows	53.956	286.734	-	-	286.734	-
Derivative cash outflows	(23.879)	(491.254)	(5.144)	(17.307)	(468.803)	-
	30.077	**(204.520)**	**(5.144)**	**(17.307)**	**(182.069)**	**-**

(*) Only the financial liabilities under other payables and liabilities are included.

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management

The majority of the Company's borrowings are based on floating interest rate terms. In order to manage the exposure to interest rate movements on certain portion of the bank borrowings, the Company uses interest rate swaps and changes floating rates to fixed rates.

Furthermore, for borrowings denominated in foreign currencies, except for US Dollars, the Company minimizes its interest rate risk by leveraging in foreign currencies that bear lower interest rate. In addition, a higher interest rate is applied to the trade receivables with a maturity when compared to the interest rate exposed for trade payables.

Interest rate sensitivity

The following sensitivity analysis is based on forecasted interest rate changes for the liabilities denominated in variable interest rates. The information details the Company's sensitivity to an increase/decrease of 0,50% for US Dollars and EURO, 0,25% for Japanese Yen and 1,00% for TRY denominated interest rates.

Since the principal payments of the loans with floating interest rates are not affected from changes in interest rates, the risk exposure of the Company loans is measured using a sensitivity analysis instead of a Value at Risk calculation.

Interest Position Table

	31 December 2015	31 December 2014
Floating Interest Rate Financial Instruments		
Financial liabilities	713.682	1.000.995

For the year round, if the US Dollars, EURO and Japanese Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Japanese Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 2.496 thousand (31 December 2014: TRY 3.033 thousand).

NOTE 29 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Additional information about financial instruments

Categories of the financial instruments and their fair values

31 December 2015	Cash and cash equivalents	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Derivative financial instruments through other comprehensive income/loss	Derivative financial instruments through income/loss	Carrying value	Note
Financial Assets								
Cash and cash equivalents	10.819	-	-	-	-	-	10.819	4
Trade receivables	-	445.720	-	-	-	-	445.720	7
Financial investments	-	-	79	-	-	-	79	
Other financial asssets	-	766.933	-	-	-	-	766.933	8
Derivative financial instruments	-	-	-	-	10.182	52.914	63.096	5
Financial Liabilities								
Financial liabilities	-	-	-	831.241	-	-	831.241	6
Trade payables	-	-	-	241.912	-	-	241.912	7
Other liabilities	-	-	-	64.896	-	-	64.896	8/14
Derivative financial instruments	-	-	-	-	25.257	14.015	39.272	5
31 December 2014								
Financial Assets								
Cash and cash equivalents	2.474	-	-	-	-	-	2.474	4
Trade receivables	-	539.054	-	-	-	-	539.054	7
Financial investments	-	-	63	-	-	-	63	
Other financial asssets	-	1.040.657	-	-	-	-	1.040.657	8
Derivative financial instruments	-	-	-	-	4.513	49.443	53.956	5
Financial Liabilities								
Financial liabilities	-	-	-	1.417.509	-	-	1.417.509	6
Trade payables	-	-	-	176.772	-	-	176.772	7
Other liabilities	-	-	-	49.428	-	-	49.428	8/14
Derivative financial instruments	-	-	-	-	11.500	12.379	23.879	5

(*)Book values of the financial assets and liabilities are close to the fair values.

NOTE 29 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

Financial assets and liablities at fair value		Fair value level as of reporting date		
	31 December 2015	Level 1	Level 2	Level 3
Financial assets and liablities at fair value through profit / loss				
Derivative financial assets	52.914	-	52.914	-
Derivative financial liabilities	(14.015)	-	(14.015)	-
Financial assets and liablities at fair value through other comprehensive income / expense				
Derivative financial assets	10.182	-	10.182	-
Derivative financial liabilities	(25.257)	-	(25.257)	-
Total	23.824	-	23.824	-

Financial assets and liablities at fair value		Fair value level as of reporting date		
	31 December 2014	Level 1	Level 2	Level 3
Financial assets and liablities at fair value through profit / loss				
Derivative financial assets	49.443	-	49.443	-
Derivative financial liabilities	(12.379)	-	(12.379)	-
Financial assets and liablities at fair value through other comprehensive income / expense				
Derivative financial assets	4.513	-	4.513	-
Derivative financial liabilities	(11.500)	-	(11.500)	-
Total	30.077	-	30.077	-

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

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

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

NOTE 30 – SUBSEQUENT EVENTS

A letter of intent was signed for a 50:50 partnership with the German technology company The Linde Group in order to establish a new air separation unit in the Company that will supply the additional industrial gases required for the Company's production and to reduce the costs with an effective and efficient management. With this new unit to start its operations in less than 20 months thanks to this agreement, which is the first international joint venture of Erdemir Group in its 50-years of history, İsdemir's oxygen production capacity and nitrogen production capacity will increase by 14% and 45%, respectively.

NOTE 31 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

Details of changes in working capital for the periods between 1 January – 31 December 2015 and 1 January – 31 December 2014 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Current trade receivables	220.211	48.122
Inventories	279.135	355.608
Other short term receivables / current assets	(15.713)	(1.189.189)
Other long term receivables / non current assets	41.625	31.646
Current trade payables	20.263	(48.124)
Other short term payables / liabilities	(34.964)	(438.442)
Other long term payables / liabilities	(8.467)	11.386
	502.090	(1.228.993)

NOTE 32 – OTHER ISSUES AFFECTING THE COMPANY'S FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As at December 31, 2015, 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.