(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 32)

İSKENDERUN DEMİR VE ÇELİK A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014 AND AUDITOR'S REPORT

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Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

(Convenience translation of a report and financial statements originally issued in Turkish)

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

Independent auditors' report on the financial statements

We have audited the accompanying financial statements of İskenderun Demir ve Çelik A.Ş. (the Company) which comprise statement of financial position as at 31 December 2014 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 management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards ("TAS") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of 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 Market Board of Turkey and Independent Auditing Standards as part of Turkish Auditing Standards issued by Public Oversight Accounting and Auditing Standards Authority ("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 Company'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.

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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 2014 and its 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 of 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 2014 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 paragraph 4 of 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 & Young Global Limited

Metin Canoğulları, SMMM
Partner

2 March 2015
İstanbul, Türkiye

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ASSETS	Note	Current Period 31 December 2014 USD'000	(Audited) Current Period 31 December 2014 TRY'000	Previous Period 31 December 2013 USD'000	(Audited) Previous Period 31 December 2013 TRY'000
Current Assets		**1.259.884**	**2.921.542**	**1.005.822**	**2.146.726**
Cash and Cash Equivalents	4	1.067	2.474	5.736	12.243
Trade Receivables	7	232.462	539.054	253.207	540.420
Due From Related Parties	*27*	*171.640*	*398.015*	*215.345*	*459.610*
Other Trade Receivables	*7*	*60.822*	*141.039*	*37.862*	*80.810*
Other Receivables	8	438.923	1.017.820	1.887	4.027
Due From Related Parties	*27*	*437.355*	*1.014.183*	-	-
Other Trade Receivables	*8*	*1.568*	*3.637*	*1.887*	*4.027*
Inventories	9	576.299	1.336.379	733.743	1.566.027
Prepaid Expenses	10	8.293	19.230	3.974	8.481
Other Current Assets	17	2.840	6.585	7.275	15.528
Non Current Assets		**2.160.707**	**5.010.466**	**2.223.326**	**4.745.247**
Other Receivables	8	9.848	22.837	10.288	21.958
Financial Investments		27	63	-	-
Financial Derivative Instruments	5	23.268	53.956	34.026	72.622
Property, Plant and Equipment	11	2.075.205	4.812.193	2.122.785	4.530.660
Intangible Assets	12	48.054	111.433	48.780	104.112
Prepaid Expenses	10	4.305	9.984	7.447	15.895
TOTAL ASSETS		**3.420.591**	**7.932.008**	**3.229.148**	**6.891.973**

The details of US Dollar amounts explained in Note 2.1

LIABILITIES	Note	Current Period 31 December 2014 USD'000	(Audited) Current Period 31 December 2014 TRY'000	Previous Period 31 December 2013 USD'000	(Audited) Previous Period 31 December 2013 TRY'000
Current Liabilities		**497.555**	**1.153.782**	**724.361**	**1.546.001**
Short Term Financial Liabilities	6	93.532	216.892	53.953	115.152
Short Term Portion of Long Term Fin. Liab.	6	239.838	556.161	325.003	693.653
Financial Derivative Instruments	5	60	138	-	-
Trade Payables	7	76.231	176.772	96.984	206.993
Due to Related Parties	*27*	*5.444*	*12.624*	*11.199*	*23.902*
Other Trade Payables	*7*	*70.787*	*164.148*	*85.785*	*183.091*
Other Payables	8	1.321	3.065	210.242	448.719
Due to Related Parties	*27*	*245*	*569*	*209.062*	*446.200*
Other Payables	*8*	*1.076*	*2.496*	*1.180*	*2.519*
Deferred Revenue	18	9.519	22.073	7.215	15.399
Current Tax Liabilities	26	31.248	72.461	-	-
Short Term Provisions	15	8.645	20.047	9.930	21.194
Payables for Employee Benefits	14	18.737	43.449	14.929	31.862
Other Current Liabilities	17	18.424	42.724	6.105	13.029
Non Current Liabilities		**534.458**	**1.239.354**	**562.185**	**1.199.869**
Long Term Financial Liabilities	6	277.915	644.456	379.884	810.786
Financial Derivative Instruments	5	10.238	23.741	5.328	11.371
Provisions for Employee Benefits	14	88.093	204.278	78.049	166.579
Deferred Tax Liabilities	26	158.212	366.879	98.924	211.133
EQUITY		**2.388.578**	**5.538.872**	**1.942.602**	**4.146.103**
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)		(22.039)	(60.420)	(10.260)	(33.416)
Actuarial (Loss)/ Gain funds		*(22.039)*	*(60.420)*	*(10.260)*	*(33.416)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(2.481)	762.973	(4.313)	340.211
Cash Flow Hedging Reserves		*(2.481)*	*(5.754)*	*(4.313)*	*(9.205)*
Foreign Currency Translation Reserves		-	*768.727*	-	*349.416*
Restricted Reserves Assorted from Profit	19	19.751	38.913	16.727	32.196
Retained Earnings	19	463.235	900.231	262.208	518.803
Net Profit for the Period		455.922	997.011	204.050	388.145
TOTAL LIABILITIES AND EQUITY		**3.420.591**	**7.932.008**	**3.229.148**	**6.891.973**

The details of US Dollar amounts explained in Note 2.1

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Note	Current Period 1 January - 31 December 2014 USD'000	(Audited) Current Period 1 January - 31 December 2014 TRY'000	Previous Period 1 January - 31 December 2013 USD'000	(Audited) Previous Period 1 January - 31 December 2013 TRY'000
OPERATING INCOME					
Revenue	20	2.866.901	6.269.340	2.735.923	5.204.273
Cost of Sales (-)	20	(2.249.575)	(4.919.371)	(2.231.596)	(4.244.941)
GROSS PROFIT		**617.326**	**1.349.969**	**504.327**	**959.332**
Marketing, Sales and Distribution Expenses (-)	21	(26.210)	(57.317)	(25.852)	(49.175)
General Administrative Expenses (-)	21	(32.349)	(70.741)	(32.108)	(61.076)
Research and Development Expenses (-)	21	(371)	(811)	(255)	(486)
Other Operating Income	23	22.040	48.197	28.317	53.864
Other Operating Expenses (-)	23	(28.195)	(61.657)	(28.666)	(54.529)
OPERATING PROFIT		**552.241**	**1.207.640**	**445.763**	**847.930**
Finance Income	24	21.806	47.686	20.954	39.858
Finance Expense (-)	25	(62.616)	(132.801)	(197.368)	(375.431)
PROFIT BEFORE TAX		**511.431**	**1.122.525**	**269.349**	**512.357**
Tax Expense	26	(55.509)	(125.514)	(65.299)	(124.212)
- Current Corporate Tax Expense		(31.248)	(72.461)	-	-
- Deferred Tax Expense		(24.261)	(53.053)	(65.299)	(124.212)
NET PROFIT FOR THE PERIOD		**455.922**	**997.011**	**204.050**	**388.145**

The details of US Dollar amounts explained in Note 2.1

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Note	Current Period 1 January - 31 December 2014 USD'000	(Audited) Current Period 1 January - 31 December 2014 TRY'000	Previous Period 1 January - 31 December 2013 USD'000	(Audited) Previous Period 1 January - 31 December 2013 TRY'000
PROFIT FOR THE PERIOD		**455.922**	**997.011**	**204.050**	**388.145**
Other Comprehensive Income/(Expense):					
Not to be reclassified subsequently to profit or loss					
Change in Actuarial (Loss)/ Gain		(11.782)	(33.755)	(3.655)	(6.952)
Tax Effect of Change in Actuarial (Loss)/ Gain		2.356	6.751	731	1.390
To be reclassified subsequently to profit or loss					
Change in Cash Flow Hedging Reserves		1.832	4.314	14.162	26.939
Tax Effect of Change in Cash Flow Hedging Reserves		(366)	(863)	(2.833)	(5.388)
Change in Foreign Currency Translation Reserves		-	419.311	183.690	349.416
OTHER COMP. INCOME / EXPENSE FOR THE PERIOD (AFTER TAX)	26	**(7.960)**	**395.758**	**192.095**	**365.405**
TOTAL COMPREHENSIVE INCOME / EXPENSE FOR THE PERIOD		**447.962**	**1.392.769**	**396.145**	**753.550**

The details of US Dollar amounts explained in Note 2.1

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

İSKENDERUN DEMİR VE ÇELİK FABRİKALARI A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

				Other comprehensive income/expense not to be reclassified subsequently to profit or loss	Other comprehensive income/expense to be reclassified subsequently to profit or loss				
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Actuarial loss/ (gain) funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings and Net Profit	Total Shareholders' Equity
1 January 2014		**2.900.000**	**164**	**(33.416)**	**(9.205)**	**349.416**	**32.196**	**906.948**	**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 from retained earnings	19	-	-	-	-	-	6.717	(6.717)	-
31 December 2014	19	**2.900.000**	**164**	**(60.420)**	**(5.754)**	**768.727**	**38.913**	**1.897.242**	**5.538.872**
(Audited)									
1 January 2013 (previously reported)		**1.505.950**	**4.264.700**	**-**	**(30.756)**	**-**	**62.250**	**(3.390.713)**	**2.411.431**
Effect of changes in accounting policy		-	-	(27.854)	-	-	-	27.854	-
1 January 2013 Restated		**1.505.950**	**4.264.700**	**(27.854)**	**(30.756)**	**-**	**62.250**	**(3.362.859)**	**2.411.431**
Net profit for the period		-	-	-	-	-	-	388.145	388.145
Other comprehensive income/(loss)		-	-	(5.562)	21.551	349.416	-	-	365.405
Total comprehensive income/(loss)		-	-	(5.562)	21.551	349.416	-	388.145	753.550
Capital increase	19	1.394.050	(4.264.536)	-	-	-	(30.054)	3.881.662	981.122
31 December 2013	19	**2.900.000**	**164**	**(33.416)**	**(9.205)**	**349.416**	**32.196**	**906.948**	**4.146.103**

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

İSKENDERUN DEMİR VE ÇELİK A.Ş.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Note	Current Period 1 January 31 December 2014 US'000	(Audited) Current Period 1 January 31 December 2014 TRY'000	Previous Period 1 January 31 December 2013 US'000	(Audited) Current Period 1 January 31 December 2013 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax and non-controlling interests		511.431	1.122.525	269.349	512.357
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	20/22	102.599	224.363	107.820	205.096
Provision for employee termination benefits	14	9.844	21.526	11.170	21.248
Provision for seniority incentive premium	14	1.708	3.736	47	90
Gain on sale of property plant and equipment	23	(3)	(7)	(99)	(189)
Loss on write off of property plant and equipment	23	1.414	3.093	13	25
Increase in provision for doubtful receivables	7/8	3.063	6.699	1.185	2.255
Increase in the allowance for inventories	9	5.295	11.579	3.491	6.641
Increase in the impairment of tangible assets	11	8.485	18.555	-	-
Increase in provision for unpaid vacations	14	1.912	4.182	2.391	4.549
Increase in provision for pending claims and lawsuits	15	(323)	(707)	254	484
Increase in penalty prov for obligatory empl.t shortage of disabled people	15	(230)	(502)	301	572
Interest expenses	25	39.226	85.780	81.996	155.972
Interest income from bank deposits	24	(5)	(10)	(22)	(41)
Interest income from overdue sales	23	(9.090)	(19.877)	(5.774)	(10.983)
Unrealized foreign currency loss of financial liabilities		(5.046)	(11.035)	185.669	353.180
Loss/(gain) on fair value changes of derivative financial instruments	24/25	870	1.903	(18.307)	(34.823)
Net cash provided by operating activities before changes in working capital		**671.150**	**1.471.803**	**639.484**	**1.216.433**
Changes in working capital	31	(452.879)	(1.050.181)	(149.855)	(285.054)
Interest income from overdue sales collected		7.888	17.249	4.295	8.169
Lawsuits paid	15	(297)	(650)	(600)	(1.141)
Employee termination benefits paid	14	(9.737)	(21.293)	(7.521)	(14.306)
Unused vacation paid	14	(1.313)	(2.872)	(376)	(715)
Seniority incentive premium paid	14	(35)	(76)	(212)	(404)
Net cash provided by operating activities		**214.777**	**413.980**	**485.215**	**922.982**
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in financial investments		(29)	(63)	-	-
Cash used in the purchase of tangible assets	11	(63.643)	(139.175)	(43.250)	(82.270)
Cash used in the purchase of intangible assets	12	(1.817)	(3.974)	(1.198)	(2.278)
Cash provided by sales of tangible assets	11/12/23	7	15	117	222
Net cash used in investing activities		**(65.482)**	**(143.197)**	**(44.331)**	**(84.326)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		341.699	792.366	621.291	1.181.819
Repayment of borrowings		(483.724)	(1.121.707)	(1.473.216)	(2.802.352)
Interest paid		(39.707)	(86.832)	(82.680)	(157.274)
Capital increase		-	-	515.783	981.122
Net cash used in by financing activities		**(181.732)**	**(416.173)**	**(418.822)**	**(796.685)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(32.437)**	**(145.390)**	**22.062**	**41.971**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**5.736**	**12.243**	**3.999**	**7.128**
Currency translation difference, net		27.768	135.621	(20.325)	(36.856)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.067**	**2.474**	**5.736**	**12.243**

NOTE 1 – COMPANY'S ORGANIZATION AND NATURE OF OPERATIONS

İskenderun Demir ve Çelik A.Ş. ("the Company") established in İskenderun in 22 September 1968 as a public economic enterprise. The biggest activities of the Company include the production of iron, steel, iron with and without alloy, cast-steel and press steel, coke and all kinds of by-products.

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, which is based on the 2nd paragraph of the 22th article in the decree number 233. With the decision no 98/20 of Privatization Committee dated March 2, 1998, published in the Official Gazette no 23275 dated March 3, 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. by the Turkish Privatization Administration to be effective as of 1 February 2002. 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 investments and the share percentage of the İsdemir for the company are as follows:

Name of the Company	Country of operations	Operations	2014 Share %	2013 Share %
Teknopark Hatay A.Ş.	Turkey	R&D Centre	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 2014 and 31 December 2013 are as follows:

	31 December 2014 Personnel	31 December 2013 Personnel
Paid Hourly Personnel	3.795	4.271
Paid Monthly Personnel	1.818	1.255
	5.613	5.526

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.

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").

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

2.1 Basis of Presentation (cont'd)

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 2014 and 31 December 2013.

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 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,3189=US $ 1 and TRY 2,8207=EUR 1 on the balance sheet date (31 December 2013: TRY 2,1343= US $ 1, TRY 2,9365=EUR 1).
b) For the year ended 31 December 2014, income statements are translated from the average TRY 2,1868=US $ 1 and TRY 2,9059=EUR 1 rates of 2014 January-December period.
c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
d) All capital, capital measures and other measures are represented with their statutory figures in the accompanying financial statements. The differences between presentation of statutory and historical figures are recognized as translation differences under equity.

USD amounts presented in the financial statements

The figures in USD amounts presented in the financial statements comprising the statements of financial position as of 31 December 2014 and 31 December 2013, statement of income and other comprehensive income, and statement of cash flows for the year ended 31 December 2014 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 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 September 2013.

Reclassifications of income statement are as follows:

Account	(Previously Reported) 1 January - 31 December 2013	(Restated) 1 January - 31 December 2013	(Difference) 1 January - 31 December 2013
Other Operating Income [(1)]	53.279	53.864	585
Other Operating Expenses (-) [(1)]	(36.677)	(54.529)	(17.852)
Financial Income [(1)]	40.443	39.858	(585)
Financial Expense (-) [(1)]	(393.283)	(375.431)	17.852
			-

(1) For the year ended 31 December 2013, TRY (17.852) thousand discount expense that was reported under "Financial Expense (-)", is reclassified under "Other Operating Expenses (-)" as discount expense and TRY 585 thousand discount incomes that was reported under "Financial Income", is reclassified under "Other Operating Income" as discount income.

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).

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

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies (cont'd)

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 IFRS 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 statutory and TAS financial statements. The Company has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset (Note 26).

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.

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, 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

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

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

2.4 Significant Judgments and Estimates of the Company on Application of Accounting Policies (cont'd)

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 balance sheet date, 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.

2.6 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the financial statements as at 31 December 2014 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 2014. 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 2014 are as follows:

- TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

- TFRS Interpretation 21 Levies

  The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any 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 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

  As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

- TAS 39 Financial Instruments: Recognition and Measurement (Amended) - Novation of Derivatives and Continuation of Hedge Accounting

  Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be notated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

- TFRS 10 Consolidated Financial Statements (Amendment)

  TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any 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.

- TFRS 9 Financial Instruments – Classification and measurement

  As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. 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.

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 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. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

- 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 1 January 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 Amortization (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 amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 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. 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 1 January 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.

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 TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

- TFRS 2 Share-based Payment:

  Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

- TFRS 3 Business Combinations

  Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

- TFRS 8 Operating Segments

  The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. 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 amendments are effective retrospectively.

- 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 is effective retrospectively.

- 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. The amendment is effective retrospectively.

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 is effective prospectively.

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 TAS/TFRSs (cont'd)

- Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

  The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

- TAS 40 Investment Property

  The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, 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.

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 TAS/TFRSs (cont'd)

- 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 1 January 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.

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 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 – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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

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 TAS/TFRSs (cont'd)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 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 IFRS 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 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company or the amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

  In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 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.

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

In December 2014, IASB issued amendments to IAS 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 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements 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:

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

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.

Sale of goods

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 the 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.

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. Company's interest income from sales with maturities is recognized in other operating income.

Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

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 moving 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.

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 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.

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.

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

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

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.

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.

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

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.

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.

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.

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

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

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

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 evaluates the derivative financial instruments held for fair value hedge purpose with their fair values and associates them with profit or loss.

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

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date.

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 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.

When the Company's contingent liabilities' availability is possible but the amount of resources containing the economic benefits cannot be measured reliably, then the Company discloses this fact in the notes.

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. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.7.13 Employee benefits

According to the Turkish and Romanian 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 IAS19 (revised) "Employee Benefits" ("IAS 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 metal 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 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Banks – demand deposits	2.474	12.243
	2.474	12.243

The breakdown of demand deposits is presented below:

	31 December 2014	31 December 2013
US Dollars	1.089	1.586
TRY	1.291	10.344
EURO	74	291
GB Pound	8	6
Other	12	16
	2.474	12.243

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS

The detail of financial derivative instruments as of 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014		31 December 2013	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Cross currency swap contracts	49.443	12.379	-	-
	49.443	12.379	-	-
Cash flow hedging derivative financial assets				
Cross currency swap contracts for cash flow hedges of currency risk of borrowings	-	9.304	72.622	-
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowings	4.513	2.196	-	11.371
	4.513	11.500	72.622	11.371
	53.956	23.879	72.622	11.371

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge

As of 31 December 2014 and 31 December 2013, the details of cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
		Nominal Value	Fair Value	Nominal Value	Fair Value
Cross currency swap contracts					
Buy USD/Sell TRY	More than 12 months	50.066	18.630	50.066	9.126
Buy EUR/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 June 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.

In respect of these contracts which has a nominal value of TRY 363.592 thousand, for the purpose of hedging cash flow risk, with related deferred tax effect TRY (6.987) thousand was included in other comprehensive income (31 December 2013: TRY 59.806 thousand).

NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	31 December 2014	31 December 2013
Short term financial liabilities	216.892	115.152
Current portion of long term financial liabilities	556.161	693.653
Total short term financial liabilities	773.053	808.805
Total long term financial liabilities	644.456	810.786
	1.417.509	1.619.591

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

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

As of 31 December 2013, 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 2013
No interest	TRY	-	18.031	-	18.031
Fixed	TRY	8,57	95.776	124.331	220.107
Fixed	US Dollars	1,96	22.988	16.812	39.800
Floating	US Dollars	Libor+2,52	557.866	374.903	932.769
Floating	EURO	Euribor+0,33	100.385	259.022	359.407
Floating	Japanese Yen	JPY Libor+0,22	13.759	35.718	49.477
			808.805	810.786	1.619.591

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

	31 December 2014	31 December 2013
Within 1 year	773.053	808.805
Between 1-2 years	366.324	336.849
Between 2-3 years	248.712	275.197
Between 3-4 years	29.420	170.141
Between 4-5 years	-	28.599
	1.417.509	1.619.591

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 2014	31 December 2013
Short term trade receivables		
Trade receivables	141.231	83.798
Due from related parties (Note 27)	398.015	459.610
Discount on receivables (-)	(3)	(2.799)
Provision for doubtful trade receivables (-)	(189)	(189)
	539.054	540.420

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	189	35
Provision for the period	-	250
Provision released (-)	-	(116)
Translation difference	-	20
Closing balance	189	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.

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

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 2014	31 December 2013
Trade payables	164.684	183.794
Due to related parties (Note 27)	12.624	23.902
Discount on trade payables (-)	(536)	(703)
	176.772	206.993

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:

	31 December 2014	31 December 2013
Due from related parties (Note 27)	1.014.183	-
Receivables from water system construction	3.527	3.890
Deposits and guarantees given	110	137
	1.017.820	4.027

	31 December 2014	31 December 2013
Receivables from Privatization Authority	62.403	55.958
Receivables from water system construction	22.837	21.958
Provision for other doubtful receivables (-)	(62.403)	(55.958)
	22.837	21.958

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	55.958	54.061
Provision for the period	6.699	2.121
Other doubtful receivables collected (-)	-	(182)
Translation difference	(254)	(42)
Closing balance	62.403	55.958

Short term other payables	31 December 2014	31 December 2013
Taxes payable	-	478
Deposits and guarantees received	2.496	2.041
Due to related parties (Note 27)	569	446.200
	3.065	448.719

NOTE 9 – INVENTORIES

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

	31 December 2014	31 December 2013
Raw materials	384.521	400.410
Work in progress	272.365	311.483
Finished goods	239.659	312.910
Spare parts	153.186	156.821
Goods in transit	227.932	314.633
Other inventories	84.190	81.915
Allowance for impairment on inventories (-)	(25.474)	(12.145)
	1.336.379	1.566.027

The movement of the allowance for impairment on inventories:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	12.145	4.366
Provision for the period (Note 20)	11.579	8.162
Provision released (-) (Note 20)	-	(1.521)
Translation difference	1.750	1.138
Closing balance	25.474	12.145

The Company has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs. 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 2014	31 December 2013
Insurance expenses	12.483	2.206
Order advances given	419	2.597
Prepaid utility allowance to employees	1.813	1.627
Other prepaid expenses	4.515	2.051
	19.230	8.481

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

	31 December 2014	31 December 2013
Order advances given	9.984	15.895
	9.984	15.895

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	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 (31 December 2013: TRY 2.008 thousand).
(**)TRY 1.068 thousand is transferred to intangible assets (Note 12).
(***)The Company review the amount of discarded 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) (31 December 2013: None).

As of 31 December 2014, the Company has no collaterals or pledges upon its tangible assets (31 December 2013: 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	41.257	1.143.673	1.350.371	4.711.432	435.549	194.316	7.334	229.386	8.113.318
Translation difference	4.490	126.491	148.016	519.340	47.558	21.404	1.228	21.638	890.165
Additions	-	89	21	18.547	521	1.387	733	60.972	82.270
Transfers from CIP (*)	-	16.391	8.489	45.270	1.188	787	17	(73.466)	(1.324)
Disposals	-	-	-	(27.362)	(1.455)	(120)	(92)	-	(29.029)
Closing balance as of 31 December 2013	45.747	1.286.644	1.506.897	5.267.227	483.361	217.774	9.220	238.530	9.055.400
Accumulated Depreciation									
Opening balance as of 1 January	-	(791.008)	(776.870)	(2.133.348)	(158.863)	(56.828)	(5.949)	-	(3.922.866)
Translation difference	-	(88.829)	(87.763)	(244.411)	(19.005)	(7.205)	(1.584)	-	(448.797)
Charge for the period	-	(22.419)	(26.270)	(110.093)	(14.516)	(8.447)	(303)	-	(182.048)
Disposals	-	-	-	27.313	1.454	112	92	-	28.971
Closing balance as of 31 December 2013	-	(902.256)	(890.903)	(2.460.539)	(190.930)	(72.368)	(7.744)	-	(4.524.740)
Net book value as of 31 December 2012	41.257	352.665	573.501	2.578.084	276.686	137.488	1.385	229.386	4.190.452
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

(*) TRY 1.324 is transferred to intangible assets (Note 12).

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

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

	31 December 2014	31 December 2013
Associated with cost of production	212.771	174.489
General administrative expenses	1.208	1.477
Marketing, sales and distribution expenses	6.394	6.082
	220.373	182.048

NOTE 12 – INTANGIBLE ASSETS

	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

As of 31 December 2014, the Company has no collaterals or pledges upon its intangible assets (31 December 2013: None).

NOTE 12 – INTANGIBLE ASSETS (cont'd)

	Rights	Total
Cost		
Opening balance as of 1 January	127.498	127.498
Translation difference	14.316	14.316
Additions	2.278	2.278
Transfers from CIP	1.324	1.324
Closing balance as of 31 December 2013	145.416	145.416
Accumulated amortization		
Opening balance as of 1 January	(29.121)	(29.121)
Translation difference	(4.150)	(4.150)
Charge for the period	(8.033)	(8.033)
Closing balance as of 31 December 2013	(41.304)	(41.304)
Net book value as of 31 December 2012	98.377	98.377
Net book value as of 31 December 2013	104.112	104.112

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

	31 December 2014	31 December 2013
Associated with cost of production	6.621	8.033
	6.621	8.033

NOTE 13 – GOVERNMENT GRANTS AND INCENTIVES

The government grants and incentives used in the current period are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Research and development grants	28	131
	28	131

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

NOTE 14 – EMPLOYEE BENEFITS

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

	31 December 2014	31 December 2013
Due to personnel	24.290	16.333
Social security premiums payable	9.852	8.627
Employee's income tax payables	9.307	6.902
	43.449	31.862

Provision of the employee termination benefits of the Company is as follows:

	31 December 2014	31 December 2013
Provisions for employee termination benefits	174.097	140.963
Provisions for seniority incentive premium	11.068	7.472
Provision for unpaid vacations	19.113	18.144
	204.278	166.579

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 2014, the amount payable consists of one month's salary limited to a maximum of TRY 3.438,22 (31 December 2013: TRY 3.254,44). As of 1 January 2015, the employee termination benefit has been updated to a maximum of TRY 3,541,37.

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 2014 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 2014	31 December 2013
Discount rate	8,00%	9,40%
Inflation rate	6,50%	6,30%
Salary increase	real 1.5%	real 1.5%
Maximum liability increase	6,50%	6,30%

NOTE 14 – EMPLOYEE BENEFITS (cont'd)

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 December 2014, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2014, 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 2014	1 January - 31 December 2013
Opening balance	140.963	125.526
Service cost	8.332	11.338
Interest cost	13.194	9.910
Actuarial loss	33.755	6.952
Termination benefits paid	(21.293)	(14.306)
Translation difference	(854)	1.543
Closing balance	174.097	140.963

The sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2014 as follows:

Sensitivity level

	Discount rate (net)	
Rate Change	1% increase	1% decrease
Chage in employee benefits liability	(17.480)	20.550

	Discount rate (net)	
Rate Change	1% increase	1% decrease
Chage in employee benefits liability	20.653	(17.862)

NOTE 14 – EMPLOYEE BENEFITS (cont'd)

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 2014	1 January - 31 December 2013
Opening balance	7.472	7.781
Service cost	1.046	876
Interest cost	831	556
Actuarial loss/(gain)	1.859	(1.342)
Termination benefits paid	(76)	(404)
Translation difference	(64)	5
Closing balance	11.068	7.472

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	18.144	14.442
Provision for the period	13.054	23.803
Vacation paid during the period (-)	(2.872)	(715)
Provisions released (-)	(8.872)	(19.254)
Translation difference	(341)	(132)
Closing balance	19.113	18.144

NOTE 15 – PROVISIONS

The Company's short term provisions are as follows:

	31 December 2014	31 December 2013
Provision for lawsuits	17.007	17.690
Penalty prov. for employment shortage of disabled pers.	3.040	3.504
	20.047	21.194

As of 31 December 2014 and 31 December 2013, lawsuits filed by and against the Company are as follows:

	31 December 2014	31 December 2013
Lawsuits filed by the Company	123.853	109.688
Provision for lawsuits filed by the Company	189	189

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

	31 December 2014	31 December 2013
Lawsuits filed against the Company	9.990	9.388
Provision for lawsuits filed against the Company	17.007	17.690

NOTE 15 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	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 prov. for employment shortage of disabled pers.	3.504	274	-	(776)	38	3.040
	21.194	3.695	(650)	(4.904)	712	20.047

	1 January 2013	Provision for the period	Payments	Provision released	Translation difference	31 December 2013
Provision for lawsuits	18.123	4.240	(1.141)	(3.756)	224	17.690
Penalty prov. for employment shortage of disabled pers.	2.935	572	-	-	(3)	3.504
	21.058	4.812	(1.141)	(3.756)	221	21.194

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Company are as follows:

	31 December 2014	31 December 2013
Letters of guarantees received	209.440	223.171
	209.440	223.171

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

	31 December 2014	31 December 2013
A. Total CPM given for the Company's own legal entity	29.585	29.448
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	-	-
	29.585	29.448

As of 31 December 2014, the ratio of the other CPM given by the Company to shareholders equity is 0% (31 December 2013: 0%).

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

	31 December 2014	31 December 2013
TRY	23.608	23.947
EURO	5.977	5.501
	29.585	29.448

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 2014	31 December 2013
Other VAT receivable	5.832	14.670
Prepaid taxes and funds	656	592
Other current assets	97	266
	6.585	15.528

Other current liabilities

	31 December 2014	31 December 2013
VAT payable	39.513	9.852
Other current liabilities	3.211	3.177
	42.724	13.029

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 2014	31 December 2013
Advances received	22.073	15.399
	22.073	15.399

NOTE 19 – EQUITY

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

	(%)	31 December 2014	(%)	31 December 2013
Shareholders				
Ereğli Demir ve Çelik Fabrikaları T.A.Ş.	95,07	2.756.978	95,07	2.756.978
İsdemir Çalışanları Yardım 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 2014	31 December 2013
Cash flow hedging reserves	(5.754)	(9.205)
Foreign currency translation reserves	768.727	349.416
Actuarial (loss)/gain fund	(60.420)	(33.416)
Restricted reserves assorted from profit	38.913	32.196
-Legal reserves	*38.913*	*32.196*
Retained earnings	900.231	518.803
	1.641.697	857.794

The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

NOTE 20 – SALES AND COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Sales Revenue		
Domestic sales	5.428.472	4.344.284
Export sales	648.996	663.113
Other revenues (*)	192.379	197.258
Sales returns (-)	(507)	(382)
	6.269.340	5.204.273
Cost of goods sold (-)	(4.919.371)	(4.244.941)
Gross profit	1.349.969	959.332

(*) The total amount of by product exports in other revenues is TRY 117.640 thousand (31 December 2013: TRY 113.092 thousand).

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

The breakdown of cost of goods sales for the periods 1 January – 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Raw material usage	(3.740.982)	(3.337.326)
Personnel costs	(399.816)	(321.726)
Energy costs	(213.823)	(180.632)
Depreciation and amortization expenses	(216.761)	(197.537)
Factory overheads	(104.762)	(51.292)
Other cost of goods sold	(111.851)	(74.357)
Non-operating costs (*)	(66.378)	(52.696)
Inventory write-downs within the period (Note 9)	(11.579)	(8.162)
Reversal of inventory write-downs (Note 9)	-	1.521
Other	(53.419)	(22.734)
	(4.919.371)	(4.244.941)

(*) 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 (66.378) thousand, has been accounted directly under cost of goods sold (31 December 2013: TRY 52.696 thousand).

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

The breakdown of operational expenses for the periods 1 January – 31 December 2014 and 1 January – 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Marketing, sales and distribution expenses (-)	(57.317)	(49.175)
General administrative expenses (-)	(70.741)	(61.076)
Research and development expenses (-)	(811)	(486)
	(128.869)	(110.737)

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 2014 and 1 January – 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses (-)	(22.292)	(19.278)
Depreciation and amortization(-)	(6.394)	(6.082)
Outsourcing expenses (-)	(11.586)	(14.832)
Other (-)	(17.045)	(8.983)
	(57.317)	(49.175)

The breakdown of general administrative expenses for the periods 1 January – 31 December 2014 and 1 January – 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses (-)	(34.722)	(42.218)
Depreciation and amortization (-)	(1.208)	(1.477)
Outsourcing expenses (-)	(2.001)	(5.415)
Tax, duty and charges (-)	(2.263)	(3.474)
Other (-)	(30.547)	(8.492)
	(70.741)	(61.076)

NOTE 23 – OTHER OPERATING INCOME/(EXPENSE)

The breakdown of other operating income for the periods 1 January – 31 December 2014 and 1 January – 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating income		
Foreign exchange gain from trade receivables and payables (net)	-	18.525
Interest income from on credit sales	19.877	10.983
Discount income	4.180	585
Provisions released	3.708	3.479
Service income	7.052	6.448
Maintenance repair and rent income	4.913	4.608
Indemnity and penalty detention income	2.295	1.269
Insurance indemnity income	238	3.444
Gain on sale of tangible assets	7	189
Other income and gains	5.927	4.334
	48.197	53.864

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

The breakdown of other operating expenses for the periods 1 January – 31 December 2014 and 1 January – 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating expenses (-)		
Provisions expenses	(8.848)	(144)
Donation expenses	(8.663)	(7.484)
Discount expenses	(3.037)	(17.852)
Port facility pre-licence expenses	(4.906)	(8.603)
Lawsuit compensation expenses	(1.800)	(2.694)
Penalty expenses	(3.011)	(2.544)
Capital Markets Board registration expenses	(5.588)	-
Loss on disposal of tangible assets	(3.093)	(25)
Real property tax expenses	(296)	(6.958)
Impairment of property, plant and equipment (Note 11)	(18.555)	-
Other expenses and losses	(3.860)	(8.225)
	(61.657)	(54.529)

NOTE 24 – FINANCE INCOME

The breakdown of finance income for the periods 1 January – 31 December 2014 and 1 January – 31 December 2013 is as follows:

Financial incomes	1 January - 31 December 2014	1 January - 31 December 2013
Interest income on bank deposits	10	41
Foreign exchange gains (net)	27.390	-
Fair value differences of derivative financial instruments (net)	-	34.823
Interest gain from related parties	20.286	4.994
	47.686	39.858

NOTE 25 – FINANCE EXPENSES

The breakdown of finance expenses for the periods 1 January – 31 December 2014 and 1 January – 31 December 2013 is as follows:

Financial expenses (-)	1 January - 31 December 2014	1 January - 31 December 2013
Interest expenses on financial liabilities	(85.780)	(155.972)
Foreign exchange loss (net)	-	(172.402)
Interest cost of employee benefits	(14.025)	(10.466)
Interest expense from related parties	(22.912)	(25.788)
Guarantorship expenses	(8.181)	(10.803)
Fair value differences of derivative financial instruments (net)	(1.903)	-
	(132.801)	(375.431)

NOTE 26 – TAX ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Corporate tax payable:		
Current corporate tax provision	72.461	-
Prepaid taxes and funds (-)	53.053	124.212
	125.514	124.212

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 2014 (31 December 2013: 20%).

Advance tax returns are filed on a quarterly basis. The temporary tax of 2014 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period. (2013: 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 (2013: 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 2013: 20%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (December 2013: 5%).

	31 December 2014	31 December 2013
Deferred tax assets:		
Carry forward tax losses	-	20.482
Provisions for employee benefits	37.033	29.687
Investment incentive	-	44.253
Provision for lawsuits	3.401	3.538
Discount of receivables	3.761	3.987
Provision for other doubtful receivables	12.481	11.192
Provision for unpaid vacations	3.822	3.629
Other	2.480	2.805
	62.978	119.573
Deferred tax liabilities:		
Tangible and intangible fixed assets	(414.403)	(297.884)
Fair values of the derivative financial instruments	(6.015)	(12.153)
Amortized cost adjustment on loans	(4.535)	(6.212)
Inventories	(4.373)	(14.316)
Other	(531)	(141)
	(429.857)	(330.706)
	(366.879)	(211.133)

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)

Maturities of carry forward tax losses are as follows:

	Carry forward tax losses		Deferred tax assets (*)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
1 year	-	-	-	-
2 year	-	505.675	-	45.566
3 year	-	-	-	-
4 year	-	56.843	-	56.843
5 year	-	-	-	-
	-	562.518	-	102.409

(*)The Company had written off TRY 92.022 thousand of deferred tax assets in 31 December 2012 assuming that recoverability of tax losses amounting to TRY 460.109 thousand is remote.

Deferred tax asset/(liability) movements:	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	(211.133)	(20.414)
Deferred tax expense	(53.053)	(124.212)
The amount in comprehensive income/(expense)	5.888	(3.998)
Translation difference	(108.581)	(62.509)
Closing balance	(366.879)	(211.133)

The details of reconciliation of tax provisions is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Profit before tax	1.122.525	512.357
Statutory tax rate	20%	20%
Calculated tax acc. to effective tax rate	224.505	102.471
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	2.515	4.501
- Effect of currency translation to non taxable assets	(9.484)	20.516
- Investment incentives	-	(3.276)
- Effect of tax losses unrecognised deferred tax assets in prior years	(92.022)	-
Tax expense in reported in the statement of income	125.514	124.212

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

As of 1 January – 31 December 2014 and 2013, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	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

	1 January – 31 December 2013		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in actuarial (loss)/gain	(6.952)	1.390	(5.562)
Change in cash flow hedging reserves	26.939	(5.388)	21.551
Change in foreign currency translation reserves	349.416	-	349.416
	369.403	(3.998)	365.405

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 2014	31 December 2013
Due from related parties (short term)		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (1)	387.465	454.230
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (2)	5.734	-
Adana Çimento Sanayi T.A.Ş. (3)	4.071	4.727
Aslan Çimento A.Ş. (3)	539	266
Oyak Pazarlama Hizmet ve Turizm A.Ş. (3)	103	45
Omsan Lojistik A.Ş. (3)	65	-
Oyak Savunma ve Güvenlik Sistemleri A.Ş. (3)	31	334
Omsan Denizcilik A.Ş. (3)	7	8
	398.015	459.610

(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 2014	31 December 2013
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. [1]	1.014.183	-
	1.014.183	-

Other receivables from related parties are consist 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 2014	31 December 2013
Erdemir Madencilik San. ve Tic. A.Ş. [2]	3.490	14.853
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. [2]	2.358	1.317
Omsan Denizcilik A.Ş. [3]	1.632	1.012
OYAK Savunma ve Güvenlik Sistemleri A.Ş. [3]	1.805	1.326
Oyak Pazarlama Hizmet ve Turizm A.Ş. [3]	1.561	765
Omsan Lojistik A.Ş. [3]	1.048	1.076
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. [2]	722	900
OYAK Yatırım Menkul Değerler A.Ş. [3]	-	2.141
Other	8	512
	12.624	23.902

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

Due to related parties (short term)	31 December 2014	31 December 2013
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. [1]	-	64.630
Erdemir Madencilik San. ve Tic. A.Ş. [2]	569	381.568
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. [2]	-	2
	569	446.200

Other receivables and payables from related parties are consist 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 2014	1 January – 31 December 2013
Major sales to related parties		
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. [(1)]	4.252.604	3.182.607
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. [(2)]	800	215
Adana Çimento Sanayi T.A.Ş. [(3)]	19.162	15.569
Aslan Çimento A.Ş. [(3)]	2.652	1.744
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. [(2)]	215	271
Oytaş İç ve Dış Ticaret A.Ş. [(3)]	-	68
Erdemir Madencilik San. ve Tic. A.Ş. [(2)]	38	46
Other	1.925	1.455
	4.277.396	3.201.975

	1 January – 31 December 2014	1 January – 31 December 2013
Major purchases from related parties		
Erdemir Madencilik San. ve Tic. A.Ş. [(2)]	355.830	345.178
Ereğli Demir ve Çelik Fabrikaları T.A.Ş. [(1)]	77.809	94.241
Omsan Denizcilik A.Ş. [(3)]	45.732	22.809
Oyak Savunma ve Güvenlik Sistemleri A.Ş. [(3)]	15.143	11.920
Omsan Lojistik A.Ş. [(3)]	10.297	10.811
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş. [(2)]	15.198	8.993
Oyak Pazarlama Hizmet ve Turizm A.Ş. [(3)]	12.053	8.308
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. [(2)]	5.009	3.250
OYAK Yatırım Menkul Değerler A.Ş. [(3)]	2	1.814
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş. [(3)]	970	1.381
Other	1.528	1.120
	539.571	509.825

(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 non-secured, interest free and their collections will be done in cash. As of 31 December 2014, the Company provides no provision for the receivables from related parties (31 December 2013: none).

For the year ended 31 December 2014, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Company is TRY 4.208 thousand (31 December 2013: TRY 3.158 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 2014 and 31 December 2013 the net debt/equity ratio is as follows:

	Note	31 December 2014	31 December 2013
Total financial liabilities	6	1.417.509	1.619.591
Less: Cash and cash equivalents	4	2.474	12.243
Net debt		1.415.035	1.607.348
Total adjusted equity (*)		5.605.046	4.188.724
Total resources		7.020.081	5.796.072
Net debt/Total adjusted equity ratio		25%	38%
Distribution of net debt/ total adjusted equity		20/80	28/72

(*) 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 scattered in various sectors 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				Bank	financial
	Trade Receivables		Other Receivables		Deposits	instruments
31 December 2014	Related party	Third party	Related party	Third 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)

(d) Credit risk management (cont'd)

Credit risk of financial instruments	Receivables				Bank	financial
	Trade Receivables		Other Receivables		Deposits	instruments
31 December 2013	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	459.610	80.810	-	25.985	12.243	72.622
- Secured part of the maximum credit risk exposure via collateral etc.	454.230	61.482	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	459.610	80.810	-	25.985	12.243	72.622
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	-	55.958	-	-
- Impairment (-)	-	(189)	-	(55.958)	-	-
- 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 2014, 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 2014			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. 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	-	-	-	-
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)

As of 31 December 2013, the foreign currency position of the Company in terms of original currency is as follows:

	31 December 2013			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	32.341	17.477	5.062	-
2a. Monetary financial assets	10.642	10.345	99	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	27.986	26.941	356	-
4. Current assets (1+2+3)	**70.970**	**54.762**	**5.517**	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	47.920	-	16.319	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	35.063	26.021	3.055	-
8. Non-current assets (5+6+7)	**82.983**	**26.021**	**19.374**	-
9. Total assets (4+8)	**153.952**	**80.783**	**24.891**	-
10. Trade payables	96.996	89.118	2.566	16.986
11. Financial liabilities	233.610	119.466	34.185	680.118
12a. Other monetary financial liabilities	505.815	501.884	1.339	-
12b. Other non-monetary financial liabilities	10.119	10.119	-	-
13. Current liabilities (10+11+12)	**846.540**	**720.586**	**38.090**	**697.103**
14. Trade payables	-	-	-	-
15. Financial liabilities	386.300	91.559	88.208	1.765.503
16a. Other monetary financial liabilities	170.312	166.579	1.271	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**556.612**	**258.138**	**89.479**	**1.765.503**
18. Total liabilities (13+17)	**1.403.151**	**978.724**	**127.569**	**2.462.606**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**217.341**	**53.918**	**55.653**	-
19a. Off-balance sheet foreign currency derivative financial assets	333.237	169.813	55.653	-
19b. Off-balance sheet foreign currency derivative financial liabilities	115.895	115.895	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(1.031.858)**	**(844.023)**	**(47.025)**	**(2.462.606)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.302.130)**	**(940.785)**	**(106.089)**	**(2.462.606)**
22. Fair value of derivative financial instruments used in foreign currency hedge	65.197	65.197	-	-
23. Hedged foreign currency assets	115.895	115.895	-	-
24. Hedged foreign currency liabilities	333.237	169.813	55.653	-
25. Exports	776.205	-	-	-
26. Imports	2.554.084	-	-	-

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 2014 asset and liability balances are translated by using the following exchange rates: TRY 2,3189 = US $ 1,TRY 2,8207 = EUR 1 and TRY 0,0193= JPY 1 (31 December 2013: TRY 2,1343 = US $ 1,TRY 2,9365 = EUR 1 and TRY 0,0202= JPY 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
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**

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

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) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2013	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(89.794)	89.794
2- Hedged portion from TRY risk (-)	16.981	(16.981)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(72.813)	72.813
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	(30.151)	30.151
10- Hedged portion from Euro risk (-)	16.342	(16.342)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(13.809)	13.809
13- Jap. Yen net asset/liability	(4.982)	4.982
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(4.982)	4.982
TOTAL (4+8+12+16)	**(91.604)**	**91.604**

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

(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 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	167.801	-	-	167.801	-
Derivative cash outflows	(23.879)	(705.948)	(546.507)	(73.841)	(85.600)	-
	30.077	**(538.148)**	**(546.507)**	**(73.841)**	**82.201**	**-**

(*) 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 2013

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	1.619.591	1.713.364	203.000	622.323	888.041	-
Trade payables	206.993	207.696	207.696	-	-	-
Other financial liabilities (*)	479.250	479.250	479.250	-	-	-
Total liabilities	**2.305.834**	**2.400.310**	**889.946**	**622.323**	**888.041**	**-**
Derivative financial liabilities						
Derivative cash inflows	72.622	271.240	192	80.917	190.130	-
Derivative cash outflows	(11.371)	(242.358)	(201)	(78.080)	(164.077)	-
	61.251	**28.882**	**(9)**	**2.837**	**26.053**	**-**

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

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 2014	Cash and cash equivalent	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 profit/loss	Carrying value	Note
Financial Assets								
Cash and cash equivalents	2.474	-	-	-	-	-	2.474	4
Trade receivables	-	539.054	-	-	-	-	539.054	7
Financial investments	-	-	63	-	-	-	63	
Other financial assets	-	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	8/14/17
Derivative financial instruments	-	-	-	-	11.500	12.379	23.879	5
31 December 2013								
Financial Assets								
Cash and cash equivalents	12.243	-	-	-	-	-	12.243	4
Trade receivables	-	540.420	-	-	-	-	540.420	7
Financial investments	-	-	-	-	-	-	-	
Other financial assets	-	25.985	-	-	-	-	25.985	8
Derivative financial instruments	-	-	-	-	72.622	-	72.622	5
Financial Liabilities								
Financial liabilities	-	-	-	1.619.591	-	-	1.619.591	6
Trade payables	-	-	-	206.993	-	-	206.993	7
Other liabilities	-	-	-	479.250	-	-	479.250	8/14/17
Derivative financial instruments	-	-	-	-	11.371	-	11.371	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)

Additional information about financial instruments (cont'd)

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

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2014	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	49.443	-	49.443	-
Derivative financial liabilities	(12.379)	-	(12.379)	-
Financial assets and liabilities 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	-

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2013	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	72.622	-	72.622	-
Derivative financial liabilities	(11.371)	-	(11.371)	-
Total	61.251	-	61.251	-

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

According to the decision of the Board of Directors of the Company, dated 12 January 2015 and numbered 333;

Within the frame of Turkish Commercial Code's provisions related "becoming a shareholder", according to the decision of The Board of Directors of the Company, dated 24 March 2014 and numbered 314, it is decided to record the 7.120 people to Company's shareholders' stock register. By reason of the fact that number of the shareholders becomes more than 500 as of register date 24.03.2014, the Company applied to the Capital Markets Board (CMB) for approval of becoming a public company. The approval of the Capital Markets Board was announced to the public on the Board's Bulletin dated 27.06.2014 by CMB. In accordance with the 2. paragraph of article 16 of Capital Markets Law and CMB's "II-16.1 Communiqué on Principles Pertaining to Removal of Corporations From The Scope of Law and Obligation of Trading of Shares on Exchange"; General Management is authorized for applying to Borsa İstanbul A.Ş. and CMB and fulfilling the requirements to make its own shares tradable on Borsa İstanbul A.Ş. Free Trade Platform in a certain period of time.

NOTE 31 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

Details of changes in working capital for the periods between 1 January – 31 December 2014 and 1 January – 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Current trade receivables	48.122	(328.112)
Inventories	355.608	(252.816)
Other short term receivables / current assets	(1.010.377)	172.387
Other long term receivables / non current assets	31.646	(53.480)
Current trade payables	(48.124)	(17.408)
Other short term payables / liabilities	(438.442)	196.121
Other long term payables / liabilities	11.386	(1.746)
	(1.050.181)	(285.054)

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

Convenience translation to English:

As at December 31, 2014, 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. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.