(CONVENIENCE TRANSLATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 17)

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2017

TABLE OF CONTENTS **PAGE**

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017

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

ASSETS	Note	(Unaudited) Current Period 30 September 2017 USD'000	(Unaudited) Current Period 30 September 2017 TRY'000	(Audited) Previous Period 31 December 2016 USD'000	(Audited) Previous Period 31 December 2016 TRY'000
Current Assets		**3.404.909**	**12.094.576**	**3.143.675**	**11.063.224**
Cash and Cash Equivalents		1.506.096	5.349.802	1.303.396	4.586.911
Financial Derivative Instruments		4.171	14.817	18.274	64.310
Trade Receivables		541.865	1.924.758	573.114	2.016.901
Due From Related Parties	*3*	*14.493*	*51.480*	*15.594*	*54.877*
Other Trade Receivables		*527.372*	*1.873.278*	*557.520*	*1.962.024*
Other Receivables		611	2.172	535	1.883
Inventories	4	1.304.321	4.633.077	1.209.095	4.255.047
Prepaid Expenses		16.267	57.783	12.080	42.513
Other Current Assets		31.578	112.167	27.181	95.659
Non Current Assets		**3.572.851**	**12.691.126**	**3.576.965**	**12.588.053**
Other Receivables		3.902	13.861	3.918	13.787
Financial Investments		3.562	12.654	35	122
Financial Derivative Instruments		1.195	4.246	1.692	5.955
Investment Properties		26.961	95.769	26.961	94.882
Property, Plant and Equipment	5	3.424.055	12.162.587	3.453.050	12.151.972
Intangible Assets	5	55.221	196.150	58.388	205.479
Prepaid Expenses		47.355	168.208	20.106	70.757
Deferred Tax Assets	10	10.600	37.651	9.730	34.243
Other Non Current Assets		-	-	3.085	10.856
TOTAL ASSETS		**6.977.760**	**24.785.702**	**6.720.640**	**23.651.277**

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017

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

LIABILITIES	Note	(Unaudited) Current Period 30 September 2017 USD'000	(Unaudited) Current Period 30 September 2017 TRY'000	(Audited) Previous Period 31 December 2016 USD'000	(Audited) Previous Period 31 December 2016 TRY'000
Current Liabilities		**1.222.545**	**4.342.604**	**1.201.046**	**4.226.720**
Short Term Borrowings	6	507.705	1.803.420	357.464	1.257.986
Short Term Portion of Long Term Borrowings	6	199.028	706.967	296.649	1.043.968
Financial Derivative Instruments		14.576	51.775	5.438	19.137
Trade Payables		173.245	615.384	260.024	915.076
Due to Related Parties	*3*	*13.016*	*46.235*	*9.948*	*35.008*
Other Trade Payables		*160.229*	*569.149*	*250.076*	*880.068*
Other Payables		14.098	50.077	11.970	42.126
Deferred Revenue		63.799	226.622	30.221	106.353
Current Tax Liabilities	10	133.003	472.441	129.468	455.624
Short Term Provisions	7	35.256	125.233	41.369	145.586
Payables for Employee Benefits	8	50.272	178.572	47.944	168.724
Other Current Liabilities		31.563	112.113	20.499	72.140
Non Current Liabilities		**979.925**	**3.480.791**	**1.069.709**	**3.764.524**
Long Term Borrowings	6	391.827	1.391.808	459.631	1.617.534
Financial Derivative Instruments		1.603	5.695	585	2.060
Provisions for Employee Benefits	8	173.895	617.694	161.235	567.419
Deferred Tax Liabilities	10	412.480	1.465.171	448.122	1.577.032
Other Non Current Liabilities		120	423	136	479
EQUITY		**4.775.290**	**16.962.307**	**4.449.885**	**15.660.033**
Equity Attributable to Equity Holders of the Parent		**4.633.798**	**16.459.712**	**4.321.343**	**15.207.669**
Share Capital	11	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(40.161)	(82.459)	(37.151)	(72.090)
Revaluation Reserve of Tangible Assets		*11.103*	*31.080*	*10.757*	*29.437*
Actuarial (Loss)/ Gain funds		*(51.264)*	*(113.539)*	*(47.908)*	*(101.527)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(56.471)	6.621.851	(41.532)	6.530.218
Cash Flow Hedging Gain (Loss)		*(9.505)*	*(33.761)*	*2.277*	*8.013*
Foreign Currency Translation Reserves		*(46.966)*	*6.655.612*	*(43.809)*	*6.522.205*
Restricted Reserves Assorted from Profit		606.456	1.492.841	516.714	1.166.197
Retained Earnings		1.516.686	2.219.085	1.486.278	2.420.078
Net Profit for the Period		712.635	2.561.566	502.381	1.516.438
Non-Controlling Interests		**141.492**	**502.595**	**128.542**	**452.364**
TOTAL LIABILITIES AND EQUITY		**6.977.760**	**24.785.702**	**6.720.640**	**23.651.277**

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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

	Note	(Unaudited) Current Period 1 January - 30 September 2017 USD'000	(Unaudited) Current Period 1 January - 30 September 2017 TRY'000	Current Period 1 July - 30 September 2017 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2016 USD'000	(Unaudited) Previous Period 1 January - 30 September 2016 TRY'000	Previous Period 1 July - 30 September 2016 TRY'000
Revenue	12	3.682.965	13.238.416	4.362.957	2.709.391	7.946.916	2.701.501
Cost of Sales	12	(2.704.390)	(9.720.930)	(3.256.719)	(2.188.231)	(6.418.301)	(1.933.358)
GROSS PROFIT		**978.575**	**3.517.486**	**1.106.238**	**521.160**	**1.528.615**	**768.143**
Marketing Expenses	13	(32.447)	(116.629)	(35.874)	(35.532)	(104.220)	(34.325)
General Administrative Expenses	13	(66.371)	(238.571)	(77.086)	(71.838)	(210.707)	(66.728)
Research and Development Expenses		(2.704)	(9.721)	(3.597)	(2.755)	(8.082)	(2.617)
Other Operating Income	13	57.147	205.416	63.964	60.406	177.178	41.401
Other Operating Expenses	13	(24.744)	(88.942)	(18.462)	(23.292)	(68.316)	(16.917)
OPERATING PROFIT		**909.456**	**3.269.039**	**1.035.183**	**448.149**	**1.314.468**	**688.957**
Finance Income	14	39.131	140.657	53.542	41.152	120.702	48.404
Finance Expense	14	(37.598)	(143.827)	(27.035)	(44.839)	(126.918)	(41.689)
PROFIT BEFORE TAX		**910.989**	**3.265.869**	**1.061.690**	**444.462**	**1.308.252**	**695.672**
Tax (Expense) Income	10	(172.124)	(610.021)	(236.421)	(98.934)	(294.782)	(181.640)
Current Corporate Tax Expense (Income)		(204.694)	(727.093)	(213.555)	(73.195)	(219.285)	(123.756)
Deferred Tax (Expense) Income		32.570	117.072	(22.866)	(25.739)	(75.497)	(57.884)
NET PROFIT FOR THE PERIOD		**738.865**	**2.655.848**	**825.269**	**345.528**	**1.013.470**	**514.032**
Non-Controlling Interests		26.230	94.282	33.104	12.171	35.700	18.188
Equity Holders of the Parent		712.635	2.561.566	792.165	333.357	977.770	495.844
EARNINGS PER SHARE (TRY 1 Nominal value per share)			0,7319	0,2263		0,2794	0,1417

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSİVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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

	(Unaudited) Current Period 1 January - 30 September 2017 USD'000	(Unaudited) Current Period 1 January - 30 September 2017 TRY'000	Current Period 1 July - 30 September 2017 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2016 USD'000	(Unaudited) Previous Period 1 January - 30 September 2016 TRY'000	Previous Period 1 July - 30 September 2016 TRY'000
PROFIT FOR THE PERIOD	**738.865**	**2.655.848**	**825.269**	**345.528**	**1.013.470**	**514.032**
OTHER COMPREHENSIVE INCOME						
Not to be reclassified subsequently to profit or loss						
Increase (Decrease) in Revaluation Reserve of Tangible Assets	346	1.643	627	96	1.557	1.566
Actuarial Gain (Loss) of Defined Benefit Plans	(4.315)	(15.440)	-	(7.995)	(23.154)	-
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	863	3.088	-	1.599	4.631	-
To be reclassified subsequently to profit or loss						
Gain (Loss) in Cash Flow Hedging Reserves	(14.597)	(51.761)	(24.812)	438	1.513	(1.289)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	2.919	10.352	4.962	(88)	(302)	258
Foreign Currency Translation Gain (Loss)	(3.244)	137.400	207.912	(1.007)	337.622	417.149
OTHER COMPRHENSIVE INCOME	**(18.028)**	**85.282**	**188.689**	**(6.957)**	**321.867**	**417.684**
TOTAL COMPREHENSIVE INCOME	**720.837**	**2.741.130**	**1.013.958**	**338.571**	**1.335.337**	**931.716**
Distribution of Total Comprehensive Income						
Non-controlling Interests	26.151	98.300	38.873	11.885	45.075	29.500
Equity Holders of the Parent	694.686	2.642.830	975.085	326.686	1.290.262	902.216

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

(Amounts are expressed in thousands of 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			Retained Earnings				
(Unaudited)	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium / Discounts	Revaluation Reserve of Tangible Assets	Actuarial Gain/(Loss) Funds	Cash Flow Hedging Gain/(Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
1 January 2017	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**29.437**	**(101.527)**	**8.013**	**6.522.205**	**1.166.197**	**2.420.078**	**1.516.438**	**15.207.669**	**452.364**	**15.660.033**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	2.561.566	**2.561.566**	94.282	**2.655.848**
Other comprehensive income/(loss)	-	-	-	-	1.643	(12.012)	(41.774)	133.407	-	-	-	**81.264**	4.018	**85.282**
Total comprehensive income/(loss)	-	-	-	-	1.643	(12.012)	(41.774)	133.407	-	-	2.561.566	**2.642.830**	98.300	**2.741.130**
Dividends (*)	-	-	-	-	-	-	-	-	-	(1.390.787)	-	**(1.390.787)**	(48.069)	**(1.438.856)**
Transfers	-	-	-	-	-	-	-	-	326.644	1.189.794	(1.516.438)	**-**	-	**-**
30 September 2017	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**31.080**	**(113.539)**	**(33.761)**	**6.655.612**	**1.492.841**	**2.219.085**	**2.561.566**	**16.459.712**	**502.595**	**16.962.307**
(Unaudited)														
1 January 2016	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**27.215**	**(107.795)**	**(2.192)**	**4.012.449**	**950.831**	**2.527.180**	**1.125.913**	**12.180.429**	**357.763**	**12.538.192**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	977.770	**977.770**	35.700	**1.013.470**
Other comprehensive income/(loss)	-	-	-	-	1.557	(18.093)	850	328.178	-	-	-	**312.492**	9.375	**321.867**
Total comprehensive income/(loss)	-	-	-	-	1.557	(18.093)	850	328.178	-	-	977.770	**1.290.262**	45.075	**1.335.337**
Dividends (*)	-	-	-	-	-	-	-	-	-	(1.017.649)	-	**(1.017.649)**	(31.665)	**(1.049.314)**
Transfers	-	-	-	-	-	-	-	-	215.366	910.547	(1.125.913)	**-**	-	**-**
30 September 2016	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**28.772**	**(125.888)**	**(1.342)**	**4.340.627**	**1.166.197**	**2.420.078**	**977.770**	**12.453.042**	**371.173**	**12.824.215**

(*) Annual General Assembly dated 31 March 2017, dividend distribution (gross dividend per share: TRY 0,4100 (2016: TRY 0,3000)) amounting to TRY 1.435.000 thousand (31 March 2016: TRY 1.050.000 thousand) from 2016 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2017, dividends for treasury shares are netted off under dividends paid. The dividend payment was started at 5 April 2017. The Group paid TRY 48.069 thousand divident to non-controlling interests on İsdemir and Erdemir Maden apart from the Equity holders of the Parent in current year (2016: TRY 31.665 thousand).

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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

	Note	(Unaudited) Current Period 1 January- 30 September 2017 USD'000	(Unaudited) Current Period 1 January- 30 September 2017 TRY'000	(Unaudited) Previous Period 1 January- 30 September 2016 USD'000	(Unaudited) Previous Period 1 January- 30 September 2016 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**757.041**	**2.677.530**	**572.359**	**1.693.435**
Profit (Loss) for The Period		**738.865**	**2.655.848**	**345.528**	**1.013.470**
Adjustments to Reconcile Profit (Loss)		**338.673**	**1.208.695**	**282.024**	**831.806**
Adjustments for Depreciation and Amortisation Expenses	5/12	147.723	530.988	158.656	465.353
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(4.483)	(16.112)	(245)	(717)
Adjustments for Provision (Reversal of Provision) for Receivables		*(303)*	*(1.087)*	*1.181*	*3.465*
Adjustments for Provision (Reversal of Provision) for Inventories	4	*(4.180)*	*(15.025)*	*(1.426)*	*(4.182)*
Adjustments for Provisions		25.005	89.895	14.312	41.981
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	8	*20.694*	*74.385*	*25.483*	*74.745*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	7	*4.311*	*15.510*	*(11.171)*	*(32.764)*
Adjustments for Interest (Income) and Expenses		(16.065)	(57.745)	3.338	9.791
Adjustments for Interest Income	14	*(37.759)*	*(135.725)*	*(26.295)*	*(77.125)*
Adjustments for Interest Expense	14	*22.135*	*79.563*	*27.886*	*81.792*
Unearned Financial Income from Credit Sales		*(441)*	*(1.583)*	*1.747*	*5.124*
Adjustments for Unrealised Foreign Exchange Differences		14.553	52.312	3.348	9.819
Adjustments for Fair Value (Gains) Losses		(1.372)	(4.932)	3.513	10.303
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	14	*(1.372)*	*(4.932)*	*3.513*	*10.303*
Adjustments for Tax (Income) Expenses	10	172.124	610.021	98.934	294.782
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		1.188	4.268	168	494
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	13	*1.188*	*4.268*	*168*	*494*
Changes in Working Capital		**(97.774)**	**(399.226)**	**139.039**	**416.546**
Adjustments for Decrease (Increase) in Trade Receivables		29.788	86.057	106.071	317.776
Decrease (Increase) in Trade Receivables from Related Parties		*1.101*	*3.397*	*3.185*	*9.541*
Decrease (Increase) in Trade Receivables from Third Parties		*28.687*	*82.660*	*102.886*	*308.235*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		(612)	(2.979)	1	4
Decrease (Increase) in Other Receivables from Operations from Third Parties		*(612)*	*(2.979)*	*1*	*4*
Decrease (Increase) in Derivative Financial Instruments		14.600	51.202	10.129	30.346
Adjustments for Decrease (Increase) in Inventories		(92.870)	(371.687)	14.677	43.970
Decrease (Increase) in Prepaid Expenses		(6.602)	(23.904)	5.008	15.003
Adjustments for Increase (Decrease) in Trade Payables		(86.779)	(299.692)	(42.994)	(128.806)
Increase (Decrease) in Trade Payable to Related Parties		*3.068*	*11.227*	*(2.317)*	*(6.941)*
Increase (Decrease) in Trade Payable to Third Parties		*(89.847)*	*(310.919)*	*(40.677)*	*(121.865)*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		4.456	17.799	6.139	18.392
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*4.456*	*17.799*	*6.139*	*18.392*
Increase (Decrease) in Derivative Liabilities		(3.069)	(10.556)	(6.163)	(18.463)
Adjustments for Other Increase (Decrease) in Working Capital		43.314	154.534	46.171	138.324
Decrease (Increase) in Other Assets Related from Operations		*(1.312)*	*(5.652)*	*(2.718)*	*(8.143)*
Increase (Decrease) in Other Payables Related from Operations		*44.626*	*160.186*	*48.889*	*146.467*
Cash Flows Provided by Operating Activities		**979.764**	**3.465.317**	**766.591**	**2.261.822**
Payments Related to Provisions for Employee Termination Benefits	8	(11.167)	(40.141)	(10.706)	(31.401)
Payments Related to Other Provisions	7	(10.397)	(37.370)	(99.144)	(290.798)
Income Taxes Refund (Paid)	10	(201.159)	(710.276)	(84.382)	(246.188)
CASH FLOWS FROM INVESTING ACTIVITIES		**(141.940)**	**(509.613)**	**(123.737)**	**(363.311)**
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		(3.527)	(12.532)	-	-
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		1.810	6.506	1.974	5.789
Cash Inflow from Sales of Property, Plant and Equipment	5/13	*1.810*	*6.506*	*1.974*	*5.789*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(115.389)	(414.770)	(119.691)	(351.065)
Cash Outflow from Purchase of Property, Plant and Equipment	5	*(114.871)*	*(412.907)*	*(119.038)*	*(349.150)*
Cash Outflow from Purchase of Intangible Assets	5	*(518)*	*(1.863)*	*(653)*	*(1.915)*
Cash Advances and Debts Given		(24.834)	(88.817)	(6.020)	(18.035)
Other Cash Advances and Debts Given		*(24.834)*	*(88.817)*	*(6.020)*	*(18.035)*
CASH FLOWS FROM FINANCING ACTIVITIES		**(405.529)**	**(1.450.398)**	**(288.475)**	**(804.159)**
Cash Inflow from Borrowings		623.449	2.233.300	688.418	2.062.430
Cash Inflow from Loans		*623.449*	*2.233.300*	*688.418*	*2.062.430*
Cash Outflow from Repayments of Borrowings		(654.690)	(2.308.308)	(606.425)	(1.816.704)
Cash Outflow from Loan Repayments		*(654.690)*	*(2.308.308)*	*(606.425)*	*(1.816.704)*
Dividends Paid		(391.237)	(1.436.311)	(369.929)	(1.048.510)
Interest Paid		(21.251)	(76.387)	(26.768)	(78.506)
Interest Received		38.200	137.308	26.229	77.131
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**209.572**	**717.519**	**160.147**	**525.965**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(6.872)	45.372	(5.367)	26.863
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**202.700**	**762.891**	**154.780**	**552.828**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.303.396	4.586.911	1.009.321	2.934.703
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.506.096**	**5.349.802**	**1.164.101**	**3.487.531**

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Grubu ("Group"), is composed of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir" or "the Company"), and its subsidiaries which it owns the majority of their shares or has a significant influence on their management structure.

The immediate parent and ultimate controlling party of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu (OYAK/Armed Forces Pension Fund), respectively.

OYAK was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an "aid and retirement fund" for Turkish Armed Forces' members, provides various services and benefits within the framework of social security concept anticipated by Turkish Constitution. OYAK has nearly sixty direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

The Company was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, steel and pig iron castings, cast and pressed products, coke and their by-products.

The Company's shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Name of the Company	Country of Operation	Operation	2017 Share %	2016 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Steel Production	95,07	95,07
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
İsdemir Linde Gaz Ortaklığı A.Ş. (*)	Turkey	Energy	50	50

(*)As of 18 November 2016, İsdemir Linde Gas Partnership A.Ş. has been established through 50%-50% partnership with the German Linde Group in order to supply the additional industrial gases required for subsidiary İsdemir's production and to reduce the costs with an effective and efficient management. Isdemir Linde Gaz Ortaklığı A.Ş, which will be recognised by using the equity pick-up method is not included in the consolidation, since it is not operational yet as of the reporting date, and that the financial statements are not affected significantly. The capital of the joint venture amounting to TRY 12.558 thousand has been reported under financial investments on the financial statements.

The registered address of the Company is Barbaros Mahallesi Ardıç Sokak No:6 Ataşehir / İstanbul.

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (cont'd)

The number of the personnel employed by the Group as at 30 September 2017 and 31 December 2016 are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	30 September 2017 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.336	1.717	6.053
İskenderun Demir ve Çelik A.Ş.	3.118	1.689	4.807
Erdemir Madencilik San. ve Tic. A.Ş.	151	127	278
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	230	83	313
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	229	229
Erdemir Romania S.R.L.	215	46	261
Erdemir Asia Pacific Private Limited	-	2	2
	8.050	3.893	11.943

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2016 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.424	1.746	6.170
İskenderun Demir ve Çelik A.Ş.	3.286	1.742	5.028
Erdemir Madencilik San. ve Tic. A.Ş.	139	126	265
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	219	89	308
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	239	239
Erdemir Romania S.R.L.	213	50	263
Erdemir Asia Pacific Private Limited	-	4	4
	8.281	3.996	12.277

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The Group's condensed consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. The financial statements are prepared on cost basis, except the derivative financial instruments and iron ore and silicon steel used in the production of fixed assets carried on fair value measured at business at acquisition date.

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").

In accordance with the Turkish Accounting Standard No: 34 "Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016.

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

2.1 Basis of Presentation (cont'd)

Functional and reporting currency

The functional currency of the Company and its subsidiaries' İskenderun Demir ve Çelik A.Ş. "İsdemir" and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş "Ersem" are US Dollars; Erdemir Madencilik San. ve Tic. A.Ş. "Ermaden" and Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. are TRY.

Functional currency for the subsidiary abroad

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited "EAPPL" and Erdemir Romania S.R.L is US Dollars and EUR respectively.

Presentation currency translation

Presentation currency of the consolidated financial statements is Turkish Lira. According to IAS 21 ("The Effects of Changes in Foreign Exchange Rates") financial statements, that are prepared in US Dollars for the Company, İsdemir, Ersem, EAPPL; in EUR for Erdemir Romania, have been translated in TRY as the following method:

a) The assets and liabilities on financial position as of 30 September 2017 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 3,5521=US $ 1 and TRY 4,1924=EUR 1 on the balance sheet date (31 December 2016: TRY 3,5192= US $ 1, TRY 3,7099=EUR 1).
b) For the nine months period ended 30 September 2017, income statements are translated from the average TRY 3,5945 = US $ 1 and TRY 3,9951=EUR 1 rates of 2017 January - September period (30 September 2016: TRY 2,9331 = US $ 1 TRY 3,2722 = 1 EUR).
c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the statements of financial position as of 30 September 2017 and 31 December 2016, consolidated statement of income and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 September 2017 represent the consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

The Group prepared condensed interim consolidated financial statements in accordance with the going concern assumption.

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

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

2.1 Basis of Presentation (cont'd)

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 26 October 2017 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 Comparative Information and Restatement of Consolidated Financial Statements with Prior Periods

The Group's condensed consolidated 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 Group's condensed consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective from the interim periods ended after 30 June 2013.

Reclassification of profit and loss statement is as follows**:**

Account	(Previously Reported) 1 January - 30 September 2016	(Restated) 1 January - 30 September 2016	(Difference) 1 January - 30 September 2016
Financial Expenses (1)	(170.288)	(126.918)	43.370
Deferred Tax (Expense) Income (1)	(32.127)	(75.497)	(43.370)
			-

(1) Foreign exchange loss from deferred tax base amounting to TRY 43.370 thousand which were reported under "Finance Expenses" was reclassified to "Deferred Tax (Expense) Income" on the consolidated statement of income for the nine months period ended 30 September 2016.

2.3 Adoption of New and Revised Financial Reporting Standards

i. Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements: None

ii. Effective from 2017, new and revised TAS applied with no material effect on the consolidated financial statements: None.

iii. New and revised TAS in issue but not yet effective:

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

- TFRS 9 — *Financial Instruments* (1)
- TFRS 15 — *Revenue from Contracts with Customers* (1)

(1) *Effective for annual periods beginning on or after 1 January 2018.*

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

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

TFRS 9 Financial Instruments

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

TFRS 15 also clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the nine months period ended 30 September 2017 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 30 September 2017 are consistent with those used in the preperation of annual consolidated financial statements for the year ended 31 December 2016. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 30 September 2017, from the interests reported as of 31 December 2016.

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

2.5 Restatement and errors in the accounting policies and estimates

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

Based on the report of Hatch Associates Limited prepared as of 31 December 2008 and dated 12 May 2009, the Group changed the depreciation method of Erdemir and İsdemir's land improvements, machinery, equipment and vehicles from straight line to the units of production method effective from 1 January 2009, where it is appropriate, to reflect their expected consumption model in a more accurate way.

After new investments and modernizations realised, The Group had a new assessment report prepared by Hatch Associates Limited as of 22 February 2017 effective from the date of 1 January 2017. As a result of the new assessment report, the estimated useful life of assets has increased. If the Group used previous useful life assumptions on the accompanied condensed consolidated financial statements, depreciation expense would be higher amounting to TRY 63.316 thousand for the nine month.

2.6 Segment Reporting

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, 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.

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

NOTE 3 –RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parties of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively (Note 1).

The transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in the consolidation and therefore are not disclosed in this note.

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

Due from related parties (short term)	30 September 2017	31 December 2016
Oyak Renault Otomobil Fab. A.Ş.[2]	40.412	40.722
Bolu Çimento Sanayi A.Ş.[1]	4.431	7.484
Adana Çimento Sanayi T.A.Ş. [1]	5.622	6.065
Other	1.015	606
	51.480	54.877

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

Due to related parties (short term)	30 September 2017	31 December 2016
Omsan Lojistik A.Ş.[1]	10.702	8.021
Omsan Denizcilik A.Ş.[1]	8.643	11.747
Oyak Pazarlama Hizmet ve Turizm A.Ş.[1]	8.053	8.045
Oyak Savunma ve Güvenlik Sistemleri A.Ş.[1]	3.526	3.865
Oyak Denizcilik ve Liman İşletmeleri A.Ş.[1]	11.976	-
Other	3.335	3.330
	46.235	35.008

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

Major sales to related parties	1 January - 30 September 2017	1 January - 30 September 2016
Oyak Renault Otomobil Fab. A.Ş.[2]	157.332	99.073
Adana Çimento Sanayi T.A.Ş.[1]	14.442	12.192
Bolu Çimento Sanayi A.Ş.[1]	6.318	10.689
Aslan Çimento A.Ş.[1]	1.450	1.424
Oyak Denizcilik ve Liman İşletmeleri A.Ş.	1.374	-
Other	2.775	2.241
	183.691	125.619

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

[1] Subsidiaries of the parent company
[2] Joint venture of the parent company

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

NOTE 3 –RELATED PARTY DISCLOSURES (cont'd)

Major purchases from related parties	1 January - 30 September 2017	1 January - 30 September 2016
Omsan Denizcilik A.Ş. [1]	84.228	61.544
Oyak Pazarlama Hizmet ve Turizm A.Ş. [1]	66.216	46.098
Omsan Lojistik A.Ş. [1]	65.939	44.725
Oyak Savunma ve Güvenlik Sistemleri A.Ş. [1]	27.844	23.812
Omsan Logistica SRL [1]	8.373	6.425
Oyak Denizcilik ve Liman İşletmeleri A.Ş. [1]	33.362	-
Other	14.790	9.758
	300.752	192.362

The major purchases from related parties are generally due to the purchased service transactions.

[1] Subsidiaries of the parent company

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

The period end balances are un-secured and their collections will be in cash. For the nine months period ended 30 September 2017, the Group provides no provision for the receivables from related parties (31 December 2016: None).

Salaries, bonuses and other benefits of the key management:

For the nine months period ended 30 September 2017, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 22.995 thousand (30 September 2016: TRY 19.342 thousand).

NOTE 4 – INVENTORIES

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

	30 September 2017	31 December 2016
Raw materials	1.131.202	834.711
Work in progress	853.539	720.679
Finished goods	1.129.881	866.700
Spare parts	765.670	768.861
Goods in transit	642.075	983.678
Other inventories	306.778	289.205
Allowance for impairment on inventories (-)	(196.068)	(208.787)
	4.633.077	4.255.047

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

NOTE 4 – INVENTORIES (cont'd)

The movement of the allowance for impairment on inventories:

	1 January - 30 September 2017	1 January - 30 September 2016
Opening balance	208.787	168.433
Provision for the period	15.301	28.477
Provision released (-)	(30.326)	(32.659)
Translation difference	2.306	5.065
Closing balance	196.068	169.316

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 12).

NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	30 September 2017	30 September 2016
Opening balance as of 1 January		
Cost	30.252.777	24.664.476
Accumulated depreciation	(18.100.805)	(14.400.015)
Net book value	12.151.972	10.264.461
Net book value at the begin.of the period	12.151.972	10.264.461
Additions (*)	415.134	353.106
Disposals (-)	(10.774)	(6.283)
Cost of disposals	*(43.449)*	*(16.823)*
Accumulated depreciation of disposals	*32.675*	*10.540*
Transfers to intangible assets	(4.611)	(3.889)
Transfers to investment properties	-	(6.720)
Currency translation difference	117.615	308.170
Cost currency translation difference	*287.899*	*744.791*
Accumulated depreciation currency translation difference	*(170.284)*	*(436.621)*
Current period depreciation (-)	(506.749)	(465.018)
Net book value at the end of the period	12.162.587	10.443.827
Closing balance as of		
Cost	30.907.750	25.734.941
Accumulated depreciation	(18.745.163)	(15.291.114)
Net book value	12.162.587	10.443.827

(*) The amount of capitalized borrowing cost is TRY 2.227 thousand for the current period (30 September 2016: TRY 3.956 thousand).

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

NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS (cont'd)

As of balance sheet date, the Group has no collaterals or pledges upon its tangible assets (30 September 2016: None).

The movement of intangible assets for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	30 September 2017	30 September 2016
Opening balance as of 1 January		
Cost	439.937	348.133
Accumulated amortisation	(234.458)	(175.268)
Net book value	205.479	172.865
Net book value at the begin.of the period	205.479	172.865
Additions	1.863	1.915
Transfers from tangible assets	4.611	3.889
Currency translation difference	2.060	5.004
Cost currency translation difference	*4.342*	*10.573*
Accumulated depreciation currency translation difference	*(2.282)*	*(5.569)*
Current period amortisation (-)	(17.863)	(14.314)
Net book value at the end of the period	196.150	169.359
Closing balance end of period		
Cost	450.753	364.510
Accumulated amortisation	(254.603)	(195.151)
Net book value	196.150	169.359

As of balance sheet date, the Group has no collaterals or pledges upon its intangible assets (30 September 2016: None).

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

	30 September 2017	30 September 2016
Associated with cost of production	490.066	452.331
General administrative expenses	13.885	10.831
Marketing expenses	19.069	15.192
Research and development expenses	1.592	978
	524.612	479.332

Accounting policy used in useful life assumptions of the Group's tangible assets explained on Note 2.5.

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

NOTE 6 – BORROWINGS

Breakdown of borrowings is as follows:

	30 September 2017	31 December 2016
Short term borrowings	1.803.420	1.257.986
Current portion of long term borrowings	706.967	1.043.968
Total short term borrowings	2.510.387	2.301.954
Long term borrowings	1.391.808	1.617.534
Total long term borrowings	1.391.808	1.617.534
	3.902.195	3.919.488

As of 30 September 2017, the breakdown of the Group'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	30 September 2017
No interest	TRY	-	12.504	-	12.504
Fixed	US Dollars	2,31	1.291.942	84.099	1.376.041
Fixed	EURO	3,00	68.510	33.693	102.203
Floating	US Dollars	Libor+1,68	941.863	1.017.438	1.959.301
Floating	EURO	Euribor+1,86	175.357	256.578	431.935
Floating	Japanese Yen	JPY Libor+0,22	20.211	-	20.211
			2.510.387	1.391.808	3.902.195

As of 31 December 2016, the breakdown of the Group'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 2016
Fixed	TRY	12,45	14.567	-	14.567
Fixed	US Dollars	2,01	741.365	101.698	843.063
Fixed	EURO	2,84	9.106	85.439	94.545
Floating	US Dollars	Libor+1,84	1.382.857	1.096.475	2.479.332
Floating	EURO	Euribor+1,62	116.607	333.922	450.529
Floating	Japanese Yen	JPY Libor+0,22	37.452	-	37.452
			2.301.954	1.617.534	3.919.488

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

NOTE 6 – BORROWINGS (cont'd)

Breakdown of loan repayment is as follows:

	30 September 2017	31 December 2016
Within 1 year	2.510.387	2.301.954
Between 1-2 years	505.106	585.316
Between 2-3 years	535.008	480.309
Between 3-4 years	154.874	332.078
Between 4-5 years	101.627	102.893
Five years or more	95.193	116.938
	3.902.195	3.919.488

NOTE 7 – PROVISIONS

The Group's short term provisions are as follows:

	30 September 2017	31 December 2016
Provision for lawsuits	96.662	105.448
Penalty prov. for employment shortage of disabled pers.	10.447	7.488
Provision for state right on mining activities	3.681	2.650
Provision for land occupation	7.401	16.602
Provision for the potential tax penalty	7.042	13.398
	125.233	145.586

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

NOTE 7 – PROVISIONS (cont'd)

The movement of the provisions is as follows:

	1 January 2017	Change for the period	Payments	Provision released	Translation difference	30 September 2017
Provision for lawsuits	105.448	34.761	(5.358)	(39.028)	839	96.662
Penalty prov. for employment shortage of disabled pers.	7.488	2.975	-	-	(16)	10.447
Provision for state right on mining activities	2.650	3.681	(2.560)	(90)	-	3.681
Provision for land occupation	16.602	13.002	(22.076)	-	(127)	7.401
Provision for the tax penalty	13.398	209	(7.376)	-	811	7.042
	145.586	54.628	(37.370)	(39.118)	1.507	125.233

	1 January 2016	Change for the period	Payments	Provision released	Translation difference	30 September 2016
Provision for lawsuits	88.280	24.786	(5.898)	(11.554)	2.184	97.798
Provision for termination fee of long term contract	218.070	-	(219.983)	-	1.913	-
Penalty prov. for employment shortage of disabled pers.	5.434	2.969	(612)	(1.340)	5	6.456
Provision for state right on mining activities	2.589	1.731	(2.589)	-	-	1.731
Provision for land occupation	122.634	12.625	(61.716)	(61.981)	971	12.533
	437.007	42.111	(290.798)	(74.875)	5.073	118.518

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

NOTE 7 – PROVISIONS (cont'd)

Provision for lawsuits

As of 30 September 2017 and 31 December 2016, lawsuits filed by and against the Group are as follows:

	30 September 2017	31 December 2016
Lawsuits filed by the Group	578.051	526.308
Provision for lawsuits filed by the Group	75.031	64.076

The provision for the lawsuits filed by the Group represents the doubtful trade receivables.

	30 September 2017	31 December 2016
Lawsuits filed against the Group	358.399	348.856
Provision for lawsuits filed against the Group	96.662	105.448

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB's Communiqué Serial XI No 25 on "Accounting Standards to be implemented in Capital Markets" which is not in effect today, whereas its consolidated financial statements of 31 December 2005 was prepared according to International Financial Reporting Standards by virtue of the Article 726 and Temporary Article 1 of the aforementioned Communiqué, and CMB's letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the "Accounting Standards to be implemented in Capital Markets"), and Communiqués inserting some provisions thereto together with the Communiqués amending it, became effective starting with the consolidated financial statements of the first interim period ending after 1 January 2005.

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (IFRS) caused decrease amount of TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 October 2007. 13th Chamber of the Council of State rejected the appeal on 12 May 2010; however the Company also appealed this rejection on 2 September 2010. However, 13th Chamber of the Council of State also dismissed this appeal against rejection on 6 June 2012 with its decision No. E. 2010/4196, K. 2012/1499. This decision was notified to the Company's lawyers on 16 July 2012.

NOTE 7 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the IFRS, by adding the negative goodwill of TRY 152.330 thousand, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that "Article 726 and Temporary Provision 1 of CMB's Communiqué Serial XI, No. 25 authorize the use of IFRS on consolidated financial statements of 2005, although CMB had given the Company a 'permission' No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". The Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgment. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgment by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on "IFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with "IFRS 3: Business Combinations". Therefore, the net profit for the periods ended 30 September 2017 and 30 September 2016 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24.05.2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Date of trial has not been determined yet.

The Company, based on the above mentioned reasons, doesn't expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 30 September 2017 and 31 December 2016.

NOTE 7 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 2 July 2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company. However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27 March 2010 claiming that the objection should be overruled and USD 68.312.520 should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011.
Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915, K.2012/2675) and after this, the case file was sent back to the 7th Commercial Court of Ankara and received case file number E. 2013/17. The case file was sent to the 4th Commercial Court of Ankara due to the case shall seen by delegation according to the regulatory framework regarding the commercial courts. The Court has dismissed the case at the hearing held on 9 September 2015. The case is at the stage of appeal. No possible material cash outflow expected according to the evaluations of Company management and expert's reports, as a result no provision recognised on financial statements for related lawsuit.

An action of debt was instituted by Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. against our Company of Kdz. Ereğli on 17 April 2013 for the compensation of the loss arising from the sales contract has been rejected by Court of Appeals' 19th Chamber's decision dated 18 April 2017. The Court dismissed the case, in favor of the Company.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from our company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notified made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notified made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14th Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgment becomes definite and in case of request. The case still continues on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. Date of next hearing of the case is 28 November 2017. A provision recognised on financial statements for related lawsuit.

Provision for state right on mining activities

According to "Mining Law" numbered 3213 and regulation on "Mining Law Enforcement"published in the Official Gazette, numbered 25716 on 3 February 2005, the Group is obliged to pay state right on mining activities based on the sales.

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

NOTE 7 – PROVISIONS (cont'd)

Land occupation

There is a land property within the Erdemir factory area of The Group being the property of the treasury within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3 % of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision recognised on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

Tax Penalty Provision

As a result of the comprehensive corporate tax audit carried out by the relevant tax administration for the period 2009-2014 for one of the Group's subsidiaries, Erdemir Romania SRL in Romania, a total payment of TRY 7.042 thousand (RON 7.579 thousand) was notified for all tax and tax penalties. Provision recognised as of 31 December 2016 in the accompanying financial statements is still in effect for the amount to be paid.

NOTE 8 – EMPLOYEE BENEFITS

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

	30 September 2017	31 December 2016
Due to personnel	107.812	109.062
Social security premiums payable	70.760	59.662
	178.572	168.724

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

	30 September 2017	31 December 2016
Provisions for employee termination benefits	496.738	448.932
Provisions for seniority incentive premium	43.559	38.884
Provision for unpaid vacations	77.397	79.603
	617.694	567.419

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

NOTE 8 – EMPLOYEE BENEFITS (cont'd)

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

As of 30 September 2017, the employee termination benefit has been updated to a maximum of TRY 4.732,48 (31 December 2016: TRY 4.297,21).

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 Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 30 September 2017 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	30 September 2017	31 December 2016
Discount rate	10,40%	11,00%
Inflation rate	7,30%	7,80%
Salary increase	reel 1,5%	reel 1,5%
Maximum liability increase	7,30%	7,80%

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 September 2017, 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 30 September 2017, 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.

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

NOTE 8 – EMPLOYEE BENEFITS (cont'd)

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

	1 January - 30 September 2017	1 January - 30 September 2016
Opening balance	448.932	404.699
Service cost	30.968	30.222
Interest cost	34.657	30.624
Actuarial loss/(gain)	15.634	23.154
Termination benefits paid	(32.938)	(26.210)
Translation difference	(515)	(208)
Closing balance	496.738	462.281

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

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

	1 January - 30 September 2017	1 January - 30 September 2016
Opening balance	38.884	28.289
Service cost	2.984	2.542
Interest cost	2.923	2.259
Actuarial loss/(gain)	874	5.630
Termination benefits paid	(2.102)	(1.564)
Translation difference	(4)	(97)
Closing balance	43.559	37.059

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

	1 January - 30 September 2017	1 January - 30 September 2016
Opening balance	79.603	72.927
Provision for the period	47.960	42.225
Vacation paid during the period (-)	(5.101)	(3.627)
Provisions released (-)	(45.981)	(38.757)
Translation difference	916	(320)
Closing balance	77.397	72.448

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	30 September 2017	31 December 2016
Letters of guarantees received	1.979.457	1.797.646
	1.979.457	1.797.646

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

	30 September 2017	31 December 2016
A. Total CPM given for the Company's own legal entity	112.972	112.584
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	187.580	625.603
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	63.708	-
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	-	-
	364.260	738.187

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 187.580 thousand has been given as collateral for financial liabilities explained in Note 6. Total CPM given by the Group in favour of other third parties amounting to TRY 63.708 thousand has been given as collateral for financial liabilities of İsdemir's subsidiary Linde Gaz Ortaklığı A.Ş..As of 30 September 2017, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2016: 0%).

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

	30 September 2017	31 December 2016
US Dollars	111.732	472.815
TRY	159.491	109.989
EURO	82.742	135.753
Japanese Yen	10.295	19.630
	364.260	738.187

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

NOTE 10 – TAX ASSETS AND LIABILITIES

	30 September 2017	31 December 2016
Corporate tax payable:		
Current corporate tax provision	727.093	530.673
Prepaid taxes and funds (-)	(254.652)	(75.049)
	472.441	455.624

	1 January - 30 September 2017	1 January - 30 September 2016
Taxation:		
Current corporate tax expense	727.093	219.285
Deferred tax (income) / expense	(117.072)	75.497
	610.021	294.782

Corporate tax

The effective corporate tax rate in Turkey is 20%, 16% in Romania and 17% in Singapore as of 30 September 2017 (31 December 2016: in Turkey 20%, in Romania 16%, in Singapore 17%). The total amount of the corporate tax paid by the Group in 2017 is TRY 710.276 thousand (30 September 2016: TRY 246.188 thousand).

Deferred tax

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% for the subsidiaries in Turkey, 16% for the subsidiary in Romania and 17% for the subsidiary in Singapore (31 December 2016: in Turkey 20%, in Romania 16%, in Singapore 17%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (31 December 2016: 5%).

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

NOTE 10 – TAX ASSETS AND LIABILITIES (cont'd)

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.

	30 September 2017	31 December 2016
Deferred tax assets:		
Carry forward tax losses	1.155	2.017
Provisions for employee benefits	123.524	113.400
Investment incentive	52.807	7.760
Provision for lawsuits	19.332	21.089
Provision for termination fee of long term contract	11.379	453
Inventories	13.452	12.683
Provision for other doubtful receivables	14.570	14.047
Tangible and intangible assets	16.823	15.819
Other	44.260	39.860
	297.302	227.128
Deferred tax liabilities:		
Tangible and intangible assets	(1.677.447)	(1.667.791)
Fair values of the derivative financial instruments	(3.698)	(10.267)
Amortized cost adjustment on loans	(2.817)	(1.930)
Inventories	(29.775)	(80.088)
Other	(11.085)	(9.841)
	(1.724.822)	(1.769.917)
	(1.427.520)	(1.542.789)

In the financial statements which are prepared according to the TAS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries' consolidated financial statements. 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.

	30 September 2017	31 December 2016
Deferred tax assets	37.651	34.243
Deferred tax (liabilities)	(1.465.171)	(1.577.032)
	(1.427.520)	(1.542.789)

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

NOTE 10 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax asset/(liability) movements is as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
Opening balance	(1.542.789)	(1.024.995)
Deferred tax (expense)/income	117.072	(75.497)
The amount in comprehensive income	13.440	4.329
Translation difference	(15.243)	(40.004)
Closing balance	(1.427.520)	(1.136.167)

Reconciliation of tax provision is as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
Profit before tax	3.265.869	1.308.252
Statutory tax rate	20%	20%
Calculated tax expense acc. to effective tax rate	653.174	261.650
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	9.675	7.568
- Effect of currency translation to non taxable assets	(7.662)	27.808
- Effect of non-taxable adjustments	(54)	(2.051)
- Investment incentive	(45.047)	-
- Effect of the different tax rates due to foreign subsidiaries	(65)	(193)
Total tax exp. in reported in the stat. of income	610.021	294.782

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

NOTE 11 – EQUITY

As of 30 September 2017 and 31 December 2016, the capital structure is as follows:

Shareholders	(%)	30 September 2017	(%)	31 December 2016
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares		(116.232)		(116.232)
		3.540.381		3.540.381

The Company is subject to registered capital limit. The board of directors may, at any time it may think necessary, increase the capital by means of issuing bearer shares each with a nominal value of 1 Kr (one Kurus) up to the amount of the registered capital, which is 7.000.000.000 in accordance with the requirements as set forth herein.

The issued capital of the Company consists of 350.000.000.000 lots of shares (2016: 350.000.000.000 lots). The nominal value of each share is 1 Kr (one Kurus) (2016: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of TRY 3.499.999.999,99 shares representing 349.999.999.999 of the issued capital.

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

NOTE 12 – SALES AND COST OF SALES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Sales Revenue				
Domestic sales	11.084.483	3.930.209	6.890.288	2.322.918
Export sales	1.876.576	357.844	899.588	325.400
Other revenues (*)	295.636	84.665	176.999	60.881
Sales returns (-)	(8.439)	(5.000)	(11.120)	(4.521)
Sales discounts (-)	(9.840)	(4.761)	(8.839)	(3.177)
	13.238.416	4.362.957	7.946.916	2.701.501
Cost of sales (-)	(9.720.930)	(3.256.719)	(6.418.301)	(1.933.358)
Gross profit	3.517.486	1.106.238	1.528.615	768.143

(*) The total amount of by product exports in other revenues is TRY 124.750 thousand (30 September 2016: TRY 51.663 thousand).

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

NOTE 12 – SALES AND COST OF SALES (cont'd)

The breakdown of cost of goods sales for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Raw material usage	(7.071.204)	(2.323.458)	(4.073.302)	(1.204.369)
Personnel costs	(1.074.966)	(376.557)	(925.713)	(295.428)
Energy costs	(493.823)	(162.916)	(547.479)	(168.108)
Depreciation and amortization expenses	(496.442)	(161.131)	(438.352)	(134.526)
Factory overheads	(261.212)	(127.887)	(228.480)	(53.892)
Other cost of goods sold	(147.404)	(57.966)	(78.379)	(24.263)
Non-operating costs (*)	(21.311)	(8.954)	(7.440)	(30)
Freight costs for sales delivered to customers	(147.202)	(39.236)	(102.718)	(38.107)
Inventory write-downs within the period (Note 4)	(15.301)	(1.131)	(28.477)	(11.981)
Reversal of inventory write-downs (Note 4)	30.326	7.637	32.659	3.156
Other	(22.391)	(5.120)	(20.620)	(5.810)
	(9.720.930)	(3.256.719)	(6.418.301)	(1.933.358)

(*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (21.311) thousand, has been accounted directly under cost of goods sold (30 September 2016: TRY (7.440) thousand).

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

NOTE 13 – OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES)

The breakdown of marketing expenses according to their nature for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Personnel expenses (-)	(60.121)	(19.110)	(56.443)	(19.015)
Depreciation and amortization(-)	(19.069)	(5.979)	(15.192)	(5.085)
Service expenses (-)	(37.439)	(10.785)	(32.585)	(10.225)
	(116.629)	(35.874)	(104.220)	(34.325)

The breakdown of general administrative expenses for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Personnel expenses (-)	(131.594)	(41.711)	(118.821)	(37.367)
Depreciation and amortization (-)	(13.885)	(4.620)	(10.831)	(3.678)
Service expenses (-)	(88.167)	(27.851)	(72.365)	(22.553)
Tax, duty and charges (-)	(6.009)	(1.717)	(5.225)	(1.502)
Provision for doubtful receivables (-)	1.084	(1.187)	(3.465)	(1.628)
	(238.571)	(77.086)	(210.707)	(66.728)

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

NOTE 13 – OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES) (cont'd)

The breakdown of other operating income for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Other operating income				
Provisions released for land occupation	-	-	61.981	285
Interest income from sales with maturities	66.923	22.446	41.964	12.688
Discount income	9.626	4.327	5.515	544
Provisions released	39.028	3.304	12.894	4.876
Service income	9.261	2.149	11.031	4.647
Maintenance repair and rent income	9.145	3.143	7.959	2.572
Warehouse income	5.775	1.664	3.290	1.122
Indemnity and penalty detention income	1.876	628	1.712	611
Insurance indemnity income	37.781	18.030	6.286	5.155
Lawsuit income	7.120	60	225	107
Gain on sale of tangible assets	5.720	5.258	381	138
Other income and gains	13.161	2.955	23.940	8.656
	205.416	63.964	177.178	41.401

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

NOTE 13 – OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES) (cont'd)

The breakdown of other operating expenses for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Other operating expenses (-)				
Provision expenses	(37.945)	(8.898)	(27.755)	(6.892)
Discount expenses	(8.954)	(1.687)	(5.942)	(913)
Lawsuit compensation expenses	(3.748)	(1.368)	(4.390)	(1.574)
Port facility pre-licence expenses	(4.789)	(1.529)	(3.912)	(1.346)
Donation expenses	(1.761)	(357)	(2.780)	(1.201)
Service expenses	(5.241)	(1.837)	(4.009)	(1.396)
Loss on disposal of tangible assets	(9.988)	(35)	(875)	(55)
Stock exchange registration expenses	(1.234)	14	(1.047)	(5)
Rent expenses	(1.272)	(361)	(1.066)	(383)
Penalty expenses	(1.054)	(102)	(1.994)	(1.517)
Other expenses and losses	(12.956)	(2.302)	(14.546)	(1.635)
	(88.942)	(18.462)	(68.316)	(16.917)

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

NOTE 14 – FINANCIAL INCOME / EXPENSES

The breakdown of financial income for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

Financial incomes	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Interest income on bank deposits	135.725	52.425	77.125	24.558
Foreign exchange gains (net)	-	-	43.577	23.846
Fair value differences of derivative financial instruments (net)	4.932	1.117	-	-
	140.657	53.542	120.702	48.404

The breakdown of financial expense for the periods 1 January – 30 September 2017 and 1 January – 30 September 2016 is as follows:

Financial expenses (-)	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Interest expenses on borrowings	(79.563)	(28.170)	(81.792)	(32.364)
Foreign exchange loss (net)	(25.169)	13.749	-	-
Interest cost of employee benefits	(37.580)	(12.398)	(32.883)	(10.740)
Fair value differences of derivative financial instruments (net)	-	-	(10.303)	2.943
Other financial expenses	(1.515)	(216)	(1.940)	(1.528)
	(143.827)	(27.035)	(126.918)	(41.689)

During the period, the interest expenses of TRY 2.227 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 30 September 2016: TRY 3.956 thousand).

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

NOTE 15 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Foreign currency position table represents foreign currencies other than each entity's functional currency. As of 30 September 2017, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 September 2017			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	267.040	26.396	56.667	-
2a. Monetary financial assets	188.560	169.260	4.540	210
2b. Non- monetary financial assets	-	-	-	-
3. Other	157.079	155.996	258	-
4. Current assets (1+2+3)	**612.679**	**351.652**	**61.465**	**210**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	42.844	23.789	3.641	121.839
8. Non-current assets (5+6+7)	**42.844**	**23.789**	**3.641**	**121.839**
9. Total assets (4+8)	**655.523**	**375.441**	**65.106**	**122.049**
10. Trade payables	322.012	271.063	8.732	398.068
11. Financial liabilities	279.854	12.504	58.817	667.737
12a. Other monetary financial liabilities	608.551	596.503	2.874	-
12b. Other non-monetary financial liabilities	457.175	457.175	-	-
13. Current liabilities (10+11+12)	**1.667.592**	**1.337.245**	**70.423**	**1.065.805**
14. Trade payables	-	-	-	-
15. Financial liabilities	290.271	-	69.237	-
16a. Other monetary financial liabilities	602.457	602.457	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**892.728**	**602.457**	**69.237**	**-**
18. Total liabilities (13+17)	**2.560.320**	**1.939.702**	**139.660**	**1.065.805**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(930.407)**	**(21.964)**	**(216.688)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	29.165	-	6.957	-
19b. Off-balance sheet foreign currency derivative financial liabilities	959.572	21.964	223.645	-
20. Net foreign currency asset/liability position (9-18+19)	**(2.835.204)**	**(1.586.225)**	**(291.242)**	**(943.756)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.647.545)**	**(1.286.871)**	**(78.453)**	**(1.065.595)**
22. Fair value of derivative financial instruments used in foreign currency hedge	274.364	16.393	61.533	-
23. Hedged foreign currency assets	959.572	21.964	223.645	-
24. Hedged foreign currency liabilities	29.165	-	6.957	-
25. Exports	2.001.326			
26. Imports	7.118.392			

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

NOTE 15 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). As of 31 December 2016, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2016			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	331.446	34.756	79.081	-
2a. Monetary financial assets	86.606	52.250	8.741	1.387
2b. Non- monetary financial assets	-	-	-	-
3. Other	132.375	131.871	136	-
4. Current assets (1+2+3)	**550.427**	**218.877**	**87.958**	**1.387**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	52.315	34.313	3.837	125.024
8. Non-current assets (5+6+7)	**52.315**	**34.313**	**3.837**	**125.024**
9. Total assets (4+8)	**602.742**	**253.190**	**91.795**	**126.411**
10. Trade payables	340.570	298.051	7.514	386.382
11. Financial liabilities	181.361	14.567	34.640	1.275.021
12a. Other monetary financial liabilities	467.036	462.196	1.305	-
12b. Other non-monetary financial liabilities	445.718	445.718	-	-
13. Current liabilities (10+11+12)	**1.434.685**	**1.220.532**	**43.459**	**1.661.403**
14. Trade payables	-	-	-	-
15. Financial liabilities	419.361	-	113.038	-
16a. Other monetary financial liabilities	553.451	553.451	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**972.812**	**553.451**	**113.038**	**-**
18. Total liabilities (13+17)	**2.407.497**	**1.773.983**	**156.497**	**1.661.403**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(517.456)**	**32.087**	**(148.129)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	112.782	61.061	13.941	-
19b. Off-balance sheet foreign currency derivative financial liabilities	630.238	28.974	162.070	-
20. Net foreign currency asset/liability position (9-18+19)	**(2.322.211)**	**(1.488.706)**	**(212.831)**	**(1.534.992)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.543.727)**	**(1.241.259)**	**(68.675)**	**(1.660.016)**
22. Fair value of derivative financial instruments used in foreign currency hedge	54.244	22.510	8.554	-
23. Hedged foreign currency assets	630.238	28.974	162.070	-
24. Hedged foreign currency liabilities	112.782	61.061	13.941	-
25. Exports	1.560.124			
26. Imports	4.855.801			

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

NOTE 15 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

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

As of 30 September 2017 asset and liability balances are translated by using the following exchange rates: TRY 3,5521 = US $ 1,TRY 4,1924 = EUR 1 and TRY 0,0315= JPY 1 (31 December 2016: TRY 3,5192 = US $ 1,TRY 3,7099 = EUR 1 and TRY 0,0300= JPY 1).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
30 September 2017	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(156.426)	156.426
2- Hedged portion from TRY risk (-)	-	-
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(156.426)	156.426
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	(31.256)	31.256
10- Hedged portion from Euro risk (-)	2.917	(2.917)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(28.339)	28.339
13- Jap. Yen net asset/liability	(2.935)	2.935
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(2.935)	2.935
TOTAL (4+8+12+16)	**(187.700)**	**187.700**

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

NOTE 15 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2016	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(152.079)	152.079
2- Hedged portion from TRY risk (-)	6.106	(6.106)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(145.973)	145.973
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	(24.004)	24.004
10- Hedged portion from Euro risk (-)	5.172	(5.172)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(18.832)	18.832
13- Jap. Yen net asset/liability	(4.609)	4.609
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(4.609)	4.609
TOTAL (4+8+12+16)	**(169.414)**	**169.414**

NOTE 16 – SUBSEQUENT EVENTS

None.

NOTE 17 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 30 September 2017, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.