

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

**ERE L DEM R VE ÇEL K  
FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER  
2016**

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(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 17)

## ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2016 USD'000	Current Period 30 September 2016 TRY'000	Previous Period 31 December 2015 USD'000	Previous Period 31 December 2015 TRY'000
<b>ASSETS</b>					
<b>Current Assets</b>		<b>2.785.929</b>	<b>8.346.366</b>	<b>2.751.401</b>	<b>7.999.975</b>
Cash and Cash Equivalents		1.164.101	3.487.531	1.009.321	2.934.703
Financial Derivative Instruments		10.546	31.595	15.286	44.445
Trade Receivables		453.037	1.357.253	561.504	1.632.629
<i>Due From Related Parties</i>	3	11.212	33.589	14.834	43.130
<i>Other Trade Receivables</i>		441.825	1.323.664	546.670	1.589.499
Other Receivables		727	2.177	712	2.069
Inventories	4	1.105.097	3.310.760	1.113.595	3.237.890
Prepaid Expenses		17.832	53.422	18.143	52.754
Other Current Assets		34.589	103.628	32.840	95.485
<b>Non Current Assets</b>		<b>3.611.289</b>	<b>10.819.061</b>	<b>3.657.490</b>	<b>10.634.515</b>
Other Receivables		5.012	15.015	5.183	15.069
Financial Investments		27	81	27	79
Financial Derivative Instruments		9.250	27.712	14.639	42.564
Investment Properties		26.961	80.773	24.670	71.731
Property, Plant and Equipment	5	3.486.040	10.443.827	3.530.218	10.264.461
Intangible Assets	5	56.530	169.359	59.453	172.865
Prepaid Expenses		17.404	52.141	15.112	43.939
Deferred Tax Assets	10	10.065	30.153	8.188	23.807
<b>TOTAL ASSETS</b>		<b>6.397.218</b>	<b>19.165.427</b>	<b>6.408.891</b>	<b>18.634.490</b>

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ö See Note 17)

## ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Current Period 30 September 2016 USD'000	Current Period 30 September 2016 TRY'000	Previous Period 31 December 2015 USD'000	Previous Period 31 December 2015 TRY'000
<b>LIABILITIES</b>					
<b>Current Liabilities</b>		<b>1.018.962</b>	<b>3.052.707</b>	<b>899.513</b>	<b>2.615.423</b>
Short Term Borrowings	6	254.741	763.179	8.353	24.286
Short Term Portion of Long Term Borrowings	6	340.107	1.018.927	360.179	1.047.256
Financial Derivative Instruments		9.729	29.148	6.705	19.495
Trade Payables		157.241	471.079	200.235	582.203
<i>Due to Related Parties</i>	3	6.572	19.689	9.159	26.630
<i>Other Trade Payables</i>		150.669	451.390	191.076	555.573
Other Payables		15.290	45.808	11.583	33.680
Deferred Revenue		74.148	222.139	32.115	93.377
Current Tax Liabilities	10	63.709	190.866	74.896	217.769
Short Term Provisions	7	39.560	118.518	150.298	437.007
Payables for Employee Benefits	8	43.600	130.622	41.168	119.700
Other Current Liabilities		20.837	62.421	13.981	40.650
<b>Non Current Liabilities</b>		<b>1.097.668</b>	<b>3.288.505</b>	<b>1.197.164</b>	<b>3.480.875</b>
Long Term Borrowings	6	516.452	1.547.240	654.960	1.904.361
Financial Derivative Instruments		916	2.745	7.345	21.355
Provisions for Employee Benefits	8	190.857	571.788	173.997	505.915
Deferred Tax Liabilities	10	389.305	1.166.320	360.711	1.048.802
Other Non Current Liabilities		138	412	151	442
<b>EQUITY</b>		<b>4.280.588</b>	<b>12.824.215</b>	<b>4.312.214</b>	<b>12.538.192</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>4.156.694</b>	<b>12.453.042</b>	<b>4.189.170</b>	<b>12.180.429</b>
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)		(42.312)	(97.116)	(36.155)	(80.580)
<i>Revaluation Reserve of Tangible Assets</i>		12.719	28.772	12.623	27.215
<i>Actuarial (Loss)/ Gain funds</i>		(55.031)	(125.888)	(48.778)	(107.795)
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(31.996)	4.339.285	(31.483)	4.010.257
<i>Cash Flow Hedging Gain (Loss)</i>		(448)	(1.342)	(754)	(2.192)
<i>Foreign Currency Translation Reserves</i>		(31.548)	4.340.627	(30.729)	4.012.449
Restricted Reserves Assorted from Profit		516.714	1.166.197	441.058	950.831
Retained Earnings		1.486.278	2.420.078	1.506.960	2.527.180
Net Profit for the Period		333.357	977.770	414.137	1.125.913
<b>Non-Controlling Interests</b>		<b>123.894</b>	<b>371.173</b>	<b>123.044</b>	<b>357.763</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6.397.218</b>	<b>19.165.427</b>	<b>6.408.891</b>	<b>18.634.490</b>

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 17)

## ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

		(Unaudited) Current Period 1 January - 30 September 2016	(Unaudited) Current Period 1 January - 30 September 2016	Current Period 1 July - 30 September 2016	(Unaudited) Previous Period 1 January - 30 September 2015	(Unaudited) Previous Period 1 January - 30 September 2015	Previous Period 1 July - 30 September 2015
	Note	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
Revenue	12	2.709.391	7.946.916	2.701.501	3.356.388	8.915.238	2.849.233
Cost of Sales	12	(2.188.231)	(6.418.301)	(1.933.358)	(2.703.786)	(7.181.797)	(2.320.277)
<b>GROSS PROFIT</b>		<b>521.160</b>	<b>1.528.615</b>	<b>768.143</b>	<b>652.602</b>	<b>1.733.441</b>	<b>528.956</b>
Marketing Expenses	13	(35.532)	(104.220)	(34.325)	(36.503)	(96.958)	(32.488)
General Administrative Expenses	13	(71.838)	(210.707)	(66.728)	(76.689)	(203.700)	(66.796)
Research and Development Expenses		(2.755)	(8.082)	(2.617)	(2.568)	(6.821)	(1.989)
Other Operating Income	13	60.406	177.178	41.401	72.300	192.043	56.983
Other Operating Expenses	13	(23.292)	(68.316)	(16.917)	(30.627)	(81.353)	(16.554)
<b>OPERATING PROFIT</b>		<b>448.149</b>	<b>1.314.468</b>	<b>688.957</b>	<b>578.515</b>	<b>1.536.652</b>	<b>468.112</b>
Finance Income	14	41.152	120.702	39.685	162.563	431.801	150.596
Finance Expense	14	(59.625)	(170.288)	(85.059)	(237.369)	(575.562)	(225.723)
<b>PROFIT BEFORE TAX</b>		<b>429.676</b>	<b>1.264.882</b>	<b>643.583</b>	<b>503.709</b>	<b>1.392.891</b>	<b>392.985</b>
Tax (Expense) Income	10	(84.148)	(251.412)	(129.551)	(82.732)	(274.692)	(74.060)
Current Corporate Tax Expense (Income)		(73.195)	(219.285)	(123.756)	(141.924)	(431.919)	(147.558)
Deferred Tax (Expense) Income		(10.953)	(32.127)	(5.795)	59.192	157.227	73.498
<b>NET PROFIT FOR THE PERIOD</b>		<b>345.528</b>	<b>1.013.470</b>	<b>514.032</b>	<b>420.977</b>	<b>1.118.199</b>	<b>318.925</b>
Non-Controlling Interests		12.171	35.700	18.188	11.322	30.074	9.937
Equity Holders of the Parent		333.357	977.770	495.844	409.655	1.088.125	308.988
<b>EARNINGS PER SHARE</b> (TRY 1 Nominal value per share)			0,2794	0,1417		0,3109	0,0883

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**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENS VE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

	(Unaudited) Current Period 1 January - 30 September 2016 USD'000	(Unaudited) Current Period 1 January - 30 September 2016 TRY'000	Current Period 1 July - 30 September 2016 TRY'000	(Unaudited) Previous Period 1 January - 30 September 2015 USD'000	(Unaudited) Previous Period 1 January - 30 September 2015 TRY'000	Previous Period 1 July - 30 September 2015 TRY'000
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>345.528</b>	<b>1.013.470</b>	<b>514.032</b>	<b>420.977</b>	<b>1.118.199</b>	<b>318.925</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Not to be reclassified subsequently to profit or loss</b>						
Increase (Decrease) in Revaluation Reserve of Tangible Assets	96	1.557	1.566	156	9.081	5.008
Actuarial Gain (Loss) of Defined Benefit Plans	(7.995)	(23.154)	-	74	226	-
Tax Effect of Actuarial Gain (Loss) of Defined Benefit Plans	1.599	4.631	-	(15)	(45)	-
<b>To be reclassified subsequently to profit or loss</b>						
Gain (Loss) in Cash Flow Hedging Reserves	438	1.513	(1.289)	(6.336)	(16.599)	(14.860)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	(88)	(302)	258	1.267	3.320	2.973
Foreign Currency Translation Gain (Loss)	(1.007)	337.622	417.149	(26.959)	3.057.194	1.471.327
<b>OTHER COMPRHENSIVE INCOME/ (EXPENSE)</b>	<b>(6.957)</b>	<b>321.867</b>	<b>417.684</b>	<b>(31.813)</b>	<b>3.053.177</b>	<b>1.464.448</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>338.571</b>	<b>1.335.337</b>	<b>931.716</b>	<b>389.164</b>	<b>4.171.376</b>	<b>1.783.373</b>
<b>Distribution of Total Comprehensive Income</b>						
Non-controlling Interests	11.885	45.075	29.500	7.902	111.295	48.558
Equity Holders of the Parent	326.686	1.290.262	902.216	381.262	4.060.081	1.734.815

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## ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

(Unaudited)	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium / Discounts	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			Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
					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			
<b>1 January 2016</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>27.215</b>	<b>(107.795)</b>	<b>(2.192)</b>	<b>4.012.449</b>	<b>950.831</b>	<b>2.527.180</b>	<b>1.125.913</b>	<b>12.180.429</b>	<b>357.763</b>	<b>12.538.192</b>
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)	-	-	-
<b>30 September 2016</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>28.772</b>	<b>(125.888)</b>	<b>(1.342)</b>	<b>4.340.627</b>	<b>1.166.197</b>	<b>2.420.078</b>	<b>977.770</b>	<b>12.453.042</b>	<b>371.173</b>	<b>12.824.215</b>
(Unaudited)														
<b>1 January 2015</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>24.151</b>	<b>(125.714)</b>	<b>7.160</b>	<b>1.616.002</b>	<b>617.355</b>	<b>2.616.106</b>	<b>1.601.415</b>	<b>10.003.303</b>	<b>307.004</b>	<b>10.310.307</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1.088.125	1.088.125	30.074	1.118.199
Other comprehensive income/(loss)	-	-	-	-	9.081	188	(12.665)	2.975.352	-	-	-	2.971.956	81.221	3.053.177
Total comprehensive income/(loss)	-	-	-	-	9.081	188	(12.665)	2.975.352	-	-	1.088.125	4.060.081	111.295	4.171.376
Dividends (*)	-	-	-	-	-	-	-	-	-	(1.356.865)	-	(1.356.865)	(52.240)	(1.409.105)
Transfers	-	-	-	-	-	-	-	-	333.476	1.267.939	(1.601.415)	-	-	-
<b>30 September 2015</b>	<b>3.500.000</b>	<b>156.613</b>	<b>(116.232)</b>	<b>106.447</b>	<b>33.232</b>	<b>(125.526)</b>	<b>(5.505)</b>	<b>4.591.354</b>	<b>950.831</b>	<b>2.527.180</b>	<b>1.088.125</b>	<b>12.706.519</b>	<b>366.059</b>	<b>13.072.578</b>

(\*) Annual General Assembly dated 31 March 2016, dividend distribution (gross dividend per share: TRY 0,3000 (2015: TRY 0,4000) amounting to TRY 1.050.000 thousand (31 March 2015: TRY 1.400.000 thousand) from 2015 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2016, dividends for treasury shares are netted off under dividends paid. The dividend payment was completed at 25 May 2016. The Group accrued TRY 31.665 thousand dividend to non-controlling interests on sdemir and Ermaden and paid TRY 30.861 thousand apart from the Equity holders of the Parent in current year (2015: TRY 52.240 thousand).

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

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**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Current Period 1 January- 30 September 2016 USD'000	Current Period 1 January- 30 September 2016 TRY'000	Previous Period 1 January- 30 September 2015 USD'000	Previous Period 1 January- 30 September 2015 TRY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Profit (Loss) for The Period</b>		<b>557.573</b>	<b>1.650.065</b>	<b>937.662</b>	<b>2.691.390</b>
<b>Adjustments to Reconcile Profit (Loss)</b>		<b>345.528</b>	<b>1.013.470</b>	<b>420.977</b>	<b>1.118.199</b>
Adjustments for Depreciation and Amortisation Expenses	5/12	158.656	465.353	150.077	398.635
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(245)	(717)	8.103	21.522
Adjustments for Provision (Reversal of Provision) for Receivables		1.181	3.465	1.905	5.059
Adjustments for Provision (Reversal of Provision) for Inventories	4	(1.426)	(4.182)	6.198	16.463
Adjustments for Provisions		14.312	41.981	28.582	75.919
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	8	25.483	74.745	25.218	66.985
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	7	(11.171)	(32.764)	3.364	8.934
Adjustments for Interest (Income) and Expenses		3.338	9.791	20.177	53.595
Adjustments for Interest Income	14	(26.295)	(77.125)	(24.585)	(65.303)
Adjustments for Interest Expense	14	27.886	81.792	39.980	106.195
Unearned Financial Income from Credit Sales		1.747	5.124	4.782	12.703
Adjustments for Unrealised Foreign Exchange Differences		3.348	9.819	(6.118)	(16.250)
Adjustments for Fair Value (Gains) Losses		3.513	10.303	2.373	6.303
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	14	3.513	10.303	2.373	6.303
Adjustments for Tax (Income) Expenses		84.148	251.412	82.732	274.692
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		168	494	(15.863)	(42.137)
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment		168	494	971	2.578
Adjustments for Losses (Gains) on Disposal of Investment Properties		-	-	(16.834)	(44.715)
<b>Changes in Working Capital</b>		<b>139.039</b>	<b>416.546</b>	<b>376.718</b>	<b>1.146.469</b>
Adjustments for Decrease (Increase) in Trade Receivables		106.071	317.776	227.531	692.445
Decrease (Increase) in Trade Receivables from Related Parties		3.185	9.541	(2.397)	(7.294)
Decrease (Increase) in Trade Receivables from Third Parties		102.886	308.235	229.928	699.739
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		1	4	7.869	23.949
Decrease (Increase) in Other Receivables from Operations from Third Parties		1	4	7.869	23.949
Decrease (Increase) in Derivative Financial Instruments		10.129	30.346	2.561	7.794
Adjustments for Decrease (Increase) in Inventories		14.677	43.970	157.863	480.425
Decrease (Increase) in Prepaid Expenses		5.008	15.003	14.973	45.567
Adjustments for Increase (Decrease) in Trade Payables		(42.994)	(128.806)	(16.864)	(51.322)
Increase (Decrease) in Trade Payable to Related Parties		(2.317)	(6.941)	627	1.909
Increase (Decrease) in Trade Payable to Third Parties		(40.677)	(121.865)	(17.491)	(53.231)
Adjustments for Increase (Decrease) in Other Payables Related from Operations		6.139	18.392	(8.861)	(26.967)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		6.139	18.392	(8.861)	(26.967)
Increase (Decrease) in Derivative Liabilities		(6.163)	(18.463)	(2.177)	(6.624)
Adjustments for Other Increase (Decrease) in Working Capital		46.171	138.324	(6.177)	(18.798)
Decrease (Increase) in Other Assets Related from Operations		(2.718)	(8.143)	(4.176)	(12.708)
Increase (Decrease) in Other Payables Related from Operations		48.889	146.467	(2.001)	(6.090)
<b>Cash Flows Provided by Operating Activities</b>		<b>751.805</b>	<b>2.218.452</b>	<b>1.067.758</b>	<b>3.036.947</b>
Payments Related to Provisions for Employee Termination Benefits	8	(10.706)	(31.401)	(14.766)	(39.220)
Payments Related to Other Provisions	7	(99.144)	(290.798)	(5.097)	(13.536)
Income Taxes Refund (Paid)	10	(84.382)	(246.188)	(110.233)	(292.801)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(123.737)</b>	<b>(363.311)</b>	<b>(117.063)</b>	<b>(315.249)</b>
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		1.974	5.789	4.449	11.817
Cash Inflow from Sales of Property, Plant and Equipment	5/13	1.974	5.789	4.449	11.817
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(119.691)	(351.065)	(125.355)	(332.968)
Cash Outflow from Purchase of Property, Plant and Equipment	5	(119.038)	(349.150)	(123.088)	(326.947)
Cash Outflow from Purchase of Intangible Assets	5	(653)	(1.915)	(2.267)	(6.021)
Cash Inflow from Sales of Investment Property		-	-	14.967	39.756
Cash Advances and Debts Given		(6.020)	(18.035)	(11.124)	(33.854)
Other Cash Advances and Debts Given		(6.020)	(18.035)	(11.124)	(33.854)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(288.475)</b>	<b>(804.159)</b>	<b>(656.675)</b>	<b>(1.760.643)</b>
Cash Inflow from Borrowings		688.418	2.062.430	1.122.124	3.414.960
Cash Inflow from Loans		688.418	2.062.430	1.122.124	3.414.960
Cash Outflow from Repayments of Borrowings		(606.425)	(1.816.704)	(1.225.066)	(3.728.188)
Cash Outflow from Loan Repayments		(606.425)	(1.816.704)	(1.225.066)	(3.728.188)
Dividends Paid		(369.929)	(1.048.510)	(539.510)	(1.408.619)
Interest Paid		(26.768)	(78.506)	(38.812)	(104.108)
Interest Received		26.229	77.131	24.589	65.312
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>145.361</b>	<b>482.595</b>	<b>163.924</b>	<b>615.498</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents		9.419	70.233	91.334	844.466
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>154.780</b>	<b>552.828</b>	<b>255.258</b>	<b>1.459.964</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.009.321	2.934.703	943.038	2.186.810
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1.164.101</b>	<b>3.487.531</b>	<b>1.198.296</b>	<b>3.646.774</b>

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



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ö See Note 17)

## ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

#### NOTE 1 ö GROUPS ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Grubu (öGroupö), is composed of Ere li Demir ve Çelik Fabrikalar, T.A. . (öErdemirö or öthe Companyö), 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. . and Ordu Yard,mla ma 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 öaid and retirement fundö for Turkish Armed Forcesö 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	30 September	31December
			2016	2015
			Share %	Share %
skenderun Demir ve Çelik A. .	Turkey	Steel Production	95,07	95,07
Erdemir Madencilik San. ve Tic. A. .	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A. .	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A. .	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

The registered address of the Company is Barbaros Mahallesi Ard,ç Sokak No:6 Ata ehir / stanbul.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 17)

## ERE Lİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

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

The number of the personnel employed by the Group as at 30 September 2016 and 31 December 2015 are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	30 September 2016 Personnel
Ere li Demir ve Çelik Fab.T.A.Ş.	4.446	1.750	6.196
Skenderun Demir ve Çelik A.Ş.	3.305	1.762	5.067
Erdemir Madencilik San. ve Tic. A.Ş.	140	125	265
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	216	91	307
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	237	237
Erdemir Romania S.R.L.	214	50	264
Erdemir Asia Pacific Private Limited	-	4	4
	<u>8.321</u>	<u>4.019</u>	<u>12.340</u>
	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2015 Personnel
Ere li Demir ve Çelik Fab.T.A.Ş.	4.530	1.797	6.327
Skenderun Demir ve Çelik A.Ş.	3.446	1.816	5.262
Erdemir Madencilik San. ve Tic. A.Ş.	128	127	255
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	215	87	302
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	240	240
Erdemir Romania S.R.L.	218	50	268
Erdemir Asia Pacific Private Limited	-	5	5
	<u>8.537</u>	<u>4.122</u>	<u>12.659</u>

#### NOTE 2 ó 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 (óStatutory Financial Statementsö) in accordance with accounting principles issued by the Turkish Commercial Code (óTCCö) and tax legislation.

The Group's condensed consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 óCommuniqué on the Principles of Financial Reporting In Capital Marketsö (óthe Communiquéö) announced by the Capital Markets Board (óCMBö) (hereinafter will be referred to as óthe CMB Accounting Standardsö) 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 5<sup>th</sup> 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 (óPOAö).

In accordance with the Turkish Accounting Standard No: 34 óInterim Financial Reportingö, 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 2015.

**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

**NOTE 2 ö BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (contöd)**

**2.1 Basis of Presentation (contöd)**

Functional and reporting currency

The functional currency of the Company and its subsidiariesø skenderun Demir ve Çelik A. . ö sdemirö and Erdemir Çelik Servis Merkezi San. ve Tic. A. öErsemö are US Dollars; Erdemir Madencilik San. ve Tic. A. . öErmadenö and Erdemir Mühendislik Yönetim ve Dan, manlık Hizmetleri A. . are TRY.

*Functional currency for the subsidiary abroad*

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited öEAPPLö 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 (öThe Effects of Changes in Foreign Exchange Ratesö) financial statements, that are prepared in USD Dollars for the Company, sdemir, Ersem and EAPPL; in Euro for Erdemir Romania, have been translated in TRY as the following method:

- The assets and liabilities on financial position as of 30 September 2016 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,9959=US \$ 1 and TRY 3,3608=EUR 1 on the balance sheet date (31 December 2015: TRY 2,9076= US \$ 1, TRY 3,1776=EUR 1).
- For the nine months period ended 30 September 2016, income statements are translated from the average TRY 2,9331 = US \$ 1 and TRY 3,2722=EUR 1 rates of 2016 January - September period (30 September 2015: TRY 2,6562 = US \$ 1 TRY 2,9621 = 1 EUR).
- Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- 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 2016 and 31 December 2015, consolidated statement of income and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 September 2016 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.

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 20 October 2016 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

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

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

The Group's condensed interim consolidated financial statements are presented in accordance with the ö2016 TAS taxonomyö announced by the Public Oversight Authority (POA) 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.

Reclassification of balance sheet is as follows:

<b>Account</b>	(Previously Reported)	(Restated)	(Difference)
	31 December 2015	31 December 2015	31 December 2015
Property, Plant and Equipment <sup>(1)</sup>	10.234.969	10.264.461	29.492
Intangible Assets <sup>(1)</sup>	202.357	172.865	(29.492)
			<u>-</u>

(1) Exploration costs and other assets with specific useful life amounting to TRY 29.492 thousand that was reported under öIntangible Assetsö, is reclassified under öProperty, Plant and Equipmentö in consolidated financial statements as of 31 December 2015.

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

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements as of 30 September 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2016 summarized below.

Standards, amendments and interpretations effective as of 1 January 2016:

- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) ö Bearer Plants
- TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- TFRS 14: Regulatory Deferral Accounts

The amendments did not have an impact on the financial position or performance of the Group.

**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

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**NOTE 2 ó BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (contóđ)**

**2.3 Adoption of New and Revised Financial Reporting Standards (contóđ)**

**Annual Improvements to TFRSs - 2012-2014 Cycle**

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

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

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 interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 9 Financial Instruments ó Classification and measurement
- IFRS 15 Revenue from Contracts with Customers

**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 Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

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

**Annual Improvements ó 2010ó2012 Period**

- IFRS 13 Fair Value Measurement

**Annual Improvements ó 2011ó2013 Period**

- IFRS 9 Financial Instruments - Final standard (2014)
- IFRS 16 Leases

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 17)

## **ERE Lİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

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#### **NOTE 2 6 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont6d)**

##### **2.3 Adoption of New and Revised Financial Reporting Standards (cont6d)**

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) (cont6d) :

##### **Annual Improvements 6 201162013 Period (cont6d)**

- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- IAS 7 Statement of Cash Flows (Amendments)
- IAS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- IFRS 4 Insurance Contracts (Amendments)

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

The condensed interim consolidated financial statements for the nine months period ended 30 September 2016 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 2016 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015.

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 2016, from the interests reported as of 31 December 2015.

##### **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.

The accounting policies, estimations and assumptions used in the preparation of these condensed interim consolidated financial statements for the period ended 30 September 2016 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2015.

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

The operations of the Group in skenderun and Ere li 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.

**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

**NOTE 3 óRELATED PARTY DISCLOSURES**

The immediate parent and ultimate controlling parties of the Group are Ataer Holding A. . and Ordu Yard,mla ma 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:

<u>Due from related parties (short term)</u>	30 September 2016	31 December 2015
Oyak Renault Otomobil Fab. A. . <sup>(2)</sup>	19.214	30.868
Bolu Çimento Sanayi A. . <sup>(1)</sup>	7.015	6.060
Adana Çimento Sanayi T.A. . <sup>(1)</sup>	6.118	6.068
Other	1.242	134
	<u>33.589</u>	<u>43.130</u>

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

<u>Due to related parties (short term)</u>	30 September 2016	31 December 2015
Omsan Lojistik A. . <sup>(1)</sup>	6.172	6.286
Omsan Denizcilik A. . <sup>(1)</sup>	2.642	6.162
Oyak Pazarlama Hizmet ve Turizm A. . <sup>(1)</sup>	5.915	8.954
Oyak Savunma ve Güvenlik Sistemleri A. . <sup>(1)</sup>	3.218	3.542
Other	1.742	1.686
	<u>19.689</u>	<u>26.630</u>

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

<u>Major sales to related parties</u>	1 January - 30 September 2016	1 January - 30 September 2015
Oyak Renault Otomobil Fab. A. . <sup>(2)</sup>	99.073	107.298
Adana Çimento Sanayi T.A. . <sup>(1)</sup>	12.192	14.530
Bolu Çimento Sanayi A. . <sup>(1)</sup>	10.689	14.331
Aslan Çimento A. . <sup>(1)</sup>	1.424	1.031
Other	2.241	2.803
	<u>125.619</u>	<u>139.993</u>

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

**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

**NOTE 3 óRELATED PARTY DISCLOSURES (contó)**

<u>Major purchases from related parties</u>	1 January - 30 September 2016	1 January - 30 September 2015
Omsan Denizcilik A. . <sup>(1)</sup>	61.544	52.526
Oyak Pazarlama Hizmet ve Turizm A. . <sup>(1)</sup>	46.098	44.464
Omsan Lojistik A. . <sup>(1)</sup>	44.725	25.384
Oyak Savunma ve Güvenlik Sistemleri A. . <sup>(1)</sup>	23.812	21.703
Omsan Logistica SRL <sup>(1)</sup>	6.425	6.333
Other	9.758	7.678
	<u>192.362</u>	<u>158.088</u>

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

<sup>1)</sup> 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. As of 30 September 2016, the Group provides no provision for the receivables from related parties (31 December 2015: None).

Salaries, bonuses and other benefits of the key management:

For the nine months period ended 30 September 2016, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 19.342 thousand (30 September 2015: TRY 18.828 thousand).

**NOTE 4 ó INVENTORIES**

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

	30 September 2016	31 December 2015
Raw materials	594.090	730.302
Work in progress	473.304	473.829
Finished goods	1.020.913	890.682
Spare parts	668.437	603.435
Goods in transit	433.695	409.524
Other inventories	289.637	298.551
Allowance for impairment on inventories (-)	(169.316)	(168.433)
	<u>3.310.760</u>	<u>3.237.890</u>



**ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

**NOTE 4 ó INVENTORIES (contóđ)**

The movement of the allowance for impairment on inventories:

	1 January - 30 September 2016	1 January - 30 September 2015
Opening balance	168.433	111.752
Provision for the period	28.477	25.475
Provision released (-)	(32.659)	(9.012)
Translation difference	5.065	36.997
Closing balance	<u>169.316</u>	<u>165.212</u>

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 and for slow moving inventories in the cases when their net realizable values are lower than their costs. The provision released has been recognized under cost of sales (Note 12).

**NOTE 5 ó TANGIBLE AND INTANGIBLE ASSETS**

The movement of tangible assets for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	30 September 2016	30 September 2015
<u>Opening balance as of 1 January</u>		
Cost	24.664.476	19.371.670
Accumulated depreciation	<u>(14.400.015)</u>	<u>(11.139.097)</u>
Net book value	<u>10.264.461</u>	<u>8.232.573</u>
Net book value at the begin.of the period	10.264.461	8.232.573
Additions (*)	353.106	329.986
Disposals (-)	(6.283)	(12.167)
<i>Cost of disposals</i>	<i>(16.823)</i>	<i>(62.254)</i>
<i>Accumulated depreciation of disposals</i>	<i>10.540</i>	<i>50.087</i>
Transfers to intangible assets	(3.889)	(3.549)
Transfers to investment properties (**)	(6.720)	-
Currency translation difference	308.170	2.534.423
<i>Cost currency translation difference</i>	<i>744.791</i>	<i>5.937.356</i>
<i>Accumulated depreciation currency translation difference</i>	<i>(436.621)</i>	<i>(3.402.933)</i>
Current period depreciation (-)	<u>(465.018)</u>	<u>(408.198)</u>
Net book value at the end of the period	<u>10.443.827</u>	<u>10.673.068</u>
<u>Closing balance as of</u>		
Cost	25.734.941	25.573.209
Accumulated depreciation	<u>(15.291.114)</u>	<u>(14.900.141)</u>
Net book value	<u>10.443.827</u>	<u>10.673.068</u>

(\*) The amount of capitalized borrowing cost is TRY 3.956 thousand for the current period (30 September 2015: TRY 388 thousand).

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**NOTE 5 ó TANGIBLE AND INTANGIBLE ASSETS (contó)**

(\*\*) Lands of Erdemir Çelik Servis Merkezi San. ve Tic. A. . on K,r,kkale transfers to investment properties according to decision taken, on board meeting dated 18 April 2016.

As of balance sheet date, the Group has no collaterals or pledges upon its tangible assets (30 September 2015: None).

The movement of intangible assets for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	30 September 2016	30 September 2015
<u>Opening balance as of 1 January</u>		
Cost	348.133	262.231
Accumulated amortisation	(175.268)	(126.888)
Net book value	<u>172.865</u>	<u>135.343</u>
Net book value at the begin.of the period	172.865	135.343
Additions	1.915	3.370
Disposals (-)	-	(2.228)
<i>Cost disposals</i>	-	(4.263)
<i>Accumulated depreciation disposals</i>	-	2.035
Transfers from tangible assets	3.889	3.549
Currency translation difference	5.004	40.777
<i>Cost currency translation difference</i>	10.573	75.157
<i>Accumulated depreciation currency translation difference</i>	(5.569)	(34.380)
Current period amortisation (-)	(14.314)	(11.640)
Net book value at the end of the period	<u>169.359</u>	<u>169.171</u>
<u>Closing balance end of period</u>		
Cost	364.510	340.044
Accumulated amortisation	(195.151)	(170.873)
Net book value	<u>169.359</u>	<u>169.171</u>

As of balance sheet date, the Group has no collaterals or pledges upon its intangible assets (30 September 2015: None).

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

	30 September 2016	30 September 2015
Associated with cost of production	452.331	398.308
General administrative expenses	10.831	7.347
Marketing expenses	15.192	13.629
Research and development expenses	978	554
	<u>479.332</u>	<u>419.838</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 17)

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**NOTE 6 ó BORROWINGS**

Breakdown of borrowings is as follows:

	30 September 2016	31 December 2015
Short term borrowings	763.179	24.286
Current portion of long term borrowings	1.018.927	1.047.256
Total short term borrowings	1.782.106	1.071.542
Long term borrowings	1.547.240	1.904.361
Total long term borrowings	1.547.240	1.904.361
	<u>3.329.346</u>	<u>2.975.903</u>

As of 30 September 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	30 September 2016
No interest	TRY	-	37.712	-	37.712
Fixed	TRY	12,45	14.576	-	14.576
Fixed	US Dollars	2,19	445.447	95.543	540.990
Fixed	EURO	2,84	5.361	79.642	85.003
Floating	US Dollars	Libor+1,84	1.133.709	1.009.580	2.143.289
Floating	EURO	Euribor+1,5	108.324	343.944	452.268
Floating	Japanese Yen	JPY Libor+0,22	36.977	18.531	55.508
			<u>1.782.106</u>	<u>1.547.240</u>	<u>3.329.346</u>

As of 31 December 2015, 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 2015
No interest	TRY	-	24.286	-	24.286
Fixed	TRY	9,26	170.482	12.865	183.347
Fixed	US Dollars	3,99	22.925	52.523	75.448
Fixed	EURO	3,27	2.422	46.725	49.147
Floating	US Dollars	Libor+2,03	717.249	1.619.418	2.336.667
Floating	EURO	Euribor+0,5	103.824	143.919	247.743
Floating	Japanese Yen	JPY Libor+0,22	30.354	28.911	59.265
			<u>1.071.542</u>	<u>1.904.361</u>	<u>2.975.903</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 17)

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**NOTE 6 ó BORROWINGS (cont'd)**

Breakdown of loan repayment is as follows:

	30 September 2016	31 December 2015
Within 1 year	1.782.106	1.071.542
Between 1-2 years	571.088	921.923
Between 2-3 years	410.943	488.184
Between 3-4 years	349.960	328.902
Between 4-5 years	146.718	163.914
Five years or more	68.531	1.438
	<u>3.329.346</u>	<u>2.975.903</u>

**NOTE 7 ó PROVISIONS**

The Group's short term provisions are as follows:

	30 September 2016	31 December 2015
Provision for lawsuits	97.798	88.280
Provision for termination fee of long term contract	-	218.070
Penalty prov. for employment shortage of disabled pers.	6.456	5.434
Provision for state right on mining activities	1.731	2.589
Provision for land occupation	12.533	122.634
	<u>118.518</u>	<u>437.007</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 17)

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**NOTE 7 ó PROVISIONS (contó)**

The movement of the provisions is as follows:

	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
	<u>437.007</u>	<u>42.111</u>	<u>(290.798)</u>	<u>(74.875)</u>	<u>5.073</u>	<u>118.518</u>
	1 January 2015	Change for the period	Payments	Provision released	Translation difference	30 September 2015
Provision for lawsuits	102.234	20.835	(6.820)	(23.071)	19.062	112.240
Penalty prov. for employment shortage of disabled pers.	5.223	3.205	(3.118)	(1.009)	78	4.379
Provision for state right on mining activities	4.484	2.094	(3.598)	(886)	-	2.094
Provision for civil defense fund	10.099	263	-	-	3	10.365
Provision for land occupation	112.488	7.503	-	-	85	120.076
	<u>234.528</u>	<u>33.900</u>	<u>(13.536)</u>	<u>(24.966)</u>	<u>19.228</u>	<u>249.154</u>

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**NOTE 7 ö PROVISIONS (contöd)**

**Provision for lawsuits**

As of 30 September 2016 and 31 December 2015, lawsuits filed by and against the Group are as follows:

	30 September 2016	31 December 2015
Lawsuits filed by the Group	475.363	474.468
Provision for lawsuits filed by the Group	65.748	54.849

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

	30 September 2016	31 December 2015
Lawsuits filed against the Group	308.453	293.156
Provision for lawsuits filed against the Group	97.798	210.914

The Company, prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMBö Communiqué Serial XI No 25 on öAccounting Standards to be implemented in Capital Marketsö 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 CMBö letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqué (Serial XI No. 25 on the öAccounting Standards to be implemented in Capital Marketsö), and Communiquéö inserting some provisions thereto together with the Communiquéö 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 Companyö 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 Companyö lawyers on 16 July 2012.

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#### **NOTE 7 6 PROVISIONS (cont6d)**

##### **Provision for lawsuits (cont6d)**

CMB, prepared the Company6s 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 6Article 726 and Temporary Provision 1 of CMB6s Communiqu6 Serial XI, No. 25 authorize the use of IFRS on consolidated financial statements of 2005, although CMB had given the Company a 6permission6No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending6. The Company challenged CMB6s 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 Chamber6s decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB6s appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara6s 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 Company6s 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 6IFRS 1: First-time adoption of International Financial Reporting Standards6 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 6IFRS 3: Business Combinations6. Therefore, the net profit for the periods ended 30 September 2016 and 30 September 2015 will not be affected from the above mentioned disputes.

Company6s Shareholders6 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. ., 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 Appeals6 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber6s decision on 18 February 2011. However, the Chamber rejected the Company6s 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. The case is at the stage of appeal.

The Company, based on the above mentioned reasons, doesn6t 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 2016 and 31 December 2015.

Enerjia Metal Maden Sanayi ve Ticaret A. . 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 6Additional Terms to the Erdemir-Enerjia Export Protocol No. 681976 drafted by and between Enerjia and the Company.

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**NOTE 7 6 PROVISIONS (cont6d)**

**Provision for lawsuits (cont6d)**

However the process stopped upon the Company6s objection to Enerjia6s 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 expert6s reports, as a result no provision recognised on financial statements for related lawsuit.

An action of debt was instituted by Bor-San Is, Sistemleri Üretim ve Pazarlama A.Ş. against our company at the 3rd Civil Court of Kdz. Ere li on 17 April 2013 under file no 2013/253 Esas claiming for the compensation of the loss arising from the sales contract of TRY 18 thousand, reserving the rights for surplus. The Company was informed from the amendment petition, that the plaintiff pleaded from the court to raise the claim to TRY 10.838 thousand as assessed by the expert opinion submitted to the court. The Company contested to the expert opinion and the amendment petition within the statutory period. The court has given the judgment of dismissal on 11 March 2014. The plaintiff, Bor-San Is, Sistemleri Üretim ve Pazarlama A.Ş. has appealed against the judgment. Upon the reversal of judgment, the Company appealed the decision of Supreme Court of Appeal. The rejection decision of Supreme Court of Appeal has been notified to the Company on 28 January 2015. The case ongoing with the Kdz. Ere li Civil Court of First Instance 3rd has dismissed at the hearing held on 9 September 2015. Court of Appeals6 19th Chamber dismissed the appellate request of Bor-San Is, Sistemleri Üretim ve Pazarlama A.Ş. and accepted the appellate request of the Company in terms of retainer fee.

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 Ere li 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 Ere li 2nd Civil Court of First Instance. Date of next hearing of the case is 17 November 2016.



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**NOTE 7 6 PROVISIONS (cont6d)**

**Provision for lawsuits (cont6d)**

The company has been notified about tax and loss of tax penalty amounting to TRY 8.740 thousand within the scope of stamp tax inspection for the years of 2010, 2011 and 2012. The company filed a case about cancellation of related tax and loss of tax penalty notifications. No possible material cash outflow expected according to the evaluations of Company management and no provision recognised on financial statements for related lawsuit.

**Provision for termination fee of long term contract**

The Company signed fixed rate freight contract on 11 August 2008 for the 2008-2022 period with third parties considering the fact that fixed-price overseas transportation of iron ore supplies with capesize vessels shall be more favorable under current market conditions.

The Company has evaluated the extraordinary decrease in freight prices resulted from decrease in iron ore and oil prices started in 2014 and continued in 2015, started negotiations with the service provider in the last quarter of 2015 regarding the termination of fixed price long-term freight contract, which is in force.

The parties reached an final agreement on 24 February 2016 on termination of the aforementioned agreement with USD 75.000 thousand fee and signing of a new freight contract.

Despite the termination process of finalizing the protocol signed in the period after the reporting date as described above, The Company has considered the termination cost as constructive obligation since the Management has taken a decision towards termination process related to the contract as of December 31, 2015 as well as an expectation is also formed by the supplier regarding the termination of aforementioned agreement and cash flows can be estimated in a trustable manner as of December 31, 2015 even if the termination process is concluded with the protocol after 31 December 2015. As a result, the payment of TRY 218.070 thousand (equivalent to USD 75.000 thousand) provision recognised under statement of financial position was completed equivalent to TRY 219.983 thousand (equivalent to USD 75.000 thousand).

**Provision for state right on mining activities**

According to 6Mining Law6 numbered 3213 and regulation on 6Mining Law Enforcement6published 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.

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**NOTE 7 6 PROVISIONS (cont6d)**

**Land occupation**

There is a total of 1.976.359,17 square meters of land property within the Erdemir factory area of The Group consisting of 1.149.640,88 square meters of 6 title deeds being the property of the treasury and 826.718,29 square meters of land being 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.

The company filed a case in Zonguldak Tax Court on the date 23 May 2012 on the grounds that it is against the law that the property tax value that had been determined by Karadeniz Ere li Municipality in the year 2009 in respect of the whole of the factory area had been calculated over the market value that had been designated for Uzunkum Street that is used only as a postal address; that it is required to undertake a separate value designation for the property tax of the immovable properties within the factory area; that the property tax should be designated over different tax values for the factory areas that are located within a certain region independent from the streets and by-lanes of the county and that are different in terms of their values. The court ruled on the date 5th June 2013 that there are no legal grounds for taking the market value for Uzunkum Street as the basis for designating the tax value for the whole factory. As for the land occupation to be deposited, during the court case and after in respect of the designation of the new property tax market values and in respect of dividing the factory area depending on different tax zones the company had recognised TRY 122.634 thousand provision (USD 42.177 thousand) as against the case for the period between 1st July 2011 and 31st December 2015 over the minimum values on the basis of current property tax values of the relevant dates.

The company had been served on the date 9th March 2016 with the notifications for land occupation with an amount of TRY 93.156 thousand. In accordance with the provisions of the 11th article of the General Communique of National Estate with the series number 336, under circumstances where no objection had been raised against the deposits of land occupation payment and under circumstances where there is an cash payment; there is a right to make use of a discount to the rate of a total 35 %. As a result, with reference to the said provision, the method of cash payment without raising an objection had been decided upon by the administration of the company and TRY 61.716 thousand (equivalent to USD 21.041 thousand) had been paid to Karadeniz Ere li District Fiscal Office. TRY 61.981 thousand (equivalent to USD 21.132 thousand) provision for land occupation released under operating income (Note 13).

In current period, amounting to TRY 12.533 thousand land occupation provision recognised on balance sheet, considering property fair values presented land occupation notifications issued March 2016 and yearly probable increases.

**NOTE 8 6 EMPLOYEE BENEFITS**

The Group6s short term payables for employee benefits are as follows:

	30 September	31 December
	2016	2015
Due to personnel	98.221	93.459
Social security premiums payable	32.401	26.241
	<u>130.622</u>	<u>119.700</u>

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**NOTE 8 6 EMPLOYEE BENEFITS (cont6d)**

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

	30 September 2016	31 December 2015
Provisions for employee termination benefits	462.281	404.699
Provisions for seniority incentive premium	37.059	28.289
Provision for unpaid vacations	72.448	72.927
	<u>571.788</u>	<u>505.915</u>

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

As of 30 September 2016, the amount payable consists of one month6 salary limited to a maximum of TRY 4.297,21 (31 December 2015: TRY 3.828,37).

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 Group arising from the retirement of employees. TAS 19 (6Employee Benefits6) requires actuarial valuation methods to be developed to estimate the Group6 obligation under defined benefit plans. The obligation as of 30 September 2016 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 2016	31 December 2015
Discount rate	9,20%	10,70%
Inflation rate	6,70%	7,75%
Salary increase	real 1.5%	real 1.5%
Maximum liability increase	6,70%	7,75%

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 2016, 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 2016, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

**NOTE 8 ó EMPLOYEE BENEFITS (contó)**

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

	1 January - 30 September 2016	1 January - 30 September 2015
Opening balance	404.699	393.478
Service cost	30.222	29.921
Interest cost	30.624	22.495
Actuarial loss/(gain)	23.154	(226)
Termination benefits paid	(26.210)	(33.313)
Translation difference	(208)	(361)
Closing balance	<u>462.281</u>	<u>411.994</u>

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

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

	1 January - 30 September 2016	1 January - 30 September 2015
Opening balance	28.289	25.389
Service cost	2.542	3.401
Interest cost	2.259	1.579
Actuarial loss/(gain)	5.630	3.738
Termination benefits paid	(1.564)	(1.574)
Translation difference	(97)	(202)
Closing balance	<u>37.059</u>	<u>32.331</u>

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

	1 January - 30 September 2016	1 January - 30 September 2015
Opening balance	72.927	68.857
Provision for the period	42.225	40.758
Vacation paid during the period (-)	(3.627)	(4.333)
Provisions released (-)	(38.757)	(34.907)
Translation difference	(320)	(137)
Closing balance	<u>72.448</u>	<u>70.238</u>

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**NOTE 9 6 COMMITMENTS AND CONTINGENCIES**

The guarantees received by the Group are as follows:

	30 September 2016	31 December 2015
Letters of guarantees received	1.444.747	1.514.383
	<u>1.444.747</u>	<u>1.514.383</u>

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

	30 September 2016	31 December 2015
A. Total CPM given for the Company's own legal entity	110.093	105.891
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	626.799	787.106
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>736.892</u>	<u>892.997</u>

As of 30 September 2016, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2015: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 626.799 thousand has been given as collateral for financial liabilities explained in Note 6.

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

	30 September 2016	31 December 2015
US Dollars	440.983	514.969
TRY	109.580	140.257
EURO	157.447	206.288
Japanese Yen	28.882	31.483
	<u>736.892</u>	<u>892.997</u>

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**NOTE 10 6 TAX ASSETS AND LIABILITIES**

	30 September 2016	31 December 2015
<u>Corporate tax payable:</u>		
Current corporate tax provision	219.285	472.407
Prepaid taxes and funds (-)	(28.419)	(254.638)
	<u>190.866</u>	<u>217.769</u>
	1 January - 30 September 2016	1 January - 30 September 2015
<u>Taxation:</u>		
Current corporate tax expense	219.285	431.919
Deferred tax (income) / expense	32.127	(157.227)
	<u>251.412</u>	<u>274.692</u>

Corporate tax

The effective corporate tax rate in Turkey is 20%, 16% in Romania and 17% in Singapore as of 30 September 2016 (31 December 2015: in Turkey 20%, in Romania 16%, in Singapore 17%). The total amount of the corporate tax paid by the Group in 2016 is TRY 246.188 thousand (30 September 2015: TRY 292.801 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 2015: 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 2015: 5%).

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.

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**NOTE 10 6 TAX ASSETS AND LIABILITIES (cont6d)**

	30 September 2016	31 December 2015
<u>Deferred tax assets:</u>		
Carry forward tax losses	3.421	2.316
Provisions for employee benefits	114.355	101.179
Investment incentive	9.013	10.532
Provision for lawsuits	20.373	42.183
Provision for termination fee of long term contract	-	43.614
Inventories	9.517	7.491
Provision for other doubtful receivables	13.981	13.479
Tangible and intangible assets	15.070	11.227
Other	33.853	29.857
	<u>219.583</u>	<u>261.878</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible assets	(1.319.734)	(1.250.788)
Fair values of the derivative financial instruments	(6.209)	(9.232)
Amortized cost adjustment on loans	(2.365)	(3.472)
Inventories	(19.149)	(17.625)
Other	(8.293)	(5.756)
	<u>(1.355.750)</u>	<u>(1.286.873)</u>
	<u>(1.136.167)</u>	<u>(1.024.995)</u>

The Group has deferred tax assets resulting from carried tax losses, expired within three years amounting to TRY 3.421 thousand.

The Group has unused investment incentive expenditures by 200% within the scope of investment incentive certificate dated 27.07.2001 and numbered 66445. In accordance with Article 61st Temporary Income Tax Law, 19,8% income tax rate will be applied to earnings from investment incentives.

In the financial statements which are prepared according to the TAS, of Ere li Demir ve 7elik Fabrikalar, T.A. . 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 Ere li Demir ve 7elik Fabrikalar, T.A. . and its subsidiaries6 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 2016	31 December 2015
Deferred tax assets	30.153	23.807
Deferred tax (liabilities)	(1.166.320)	(1.048.802)
	<u>(1.136.167)</u>	<u>(1.024.995)</u>

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**NOTE 10 6 TAX ASSETS AND LIABILITIES (cont6d)**

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

	1 January - 30 September 2016	1 January - 30 September 2015
Opening balance	(1.024.995)	(626.229)
Deferred tax (expense)/income	(32.127)	157.227
The amount in comprehensive (expense)/income	4.329	3.275
Translation difference	(83.374)	(742.366)
Closing balance	<u>(1.136.167)</u>	<u>(1.208.093)</u>

Reconciliation of tax provision is as follows:

	1 January - 30 September 2016	1 January - 30 September 2015
Profit before tax	1.264.882	1.392.891
Statutory tax rate	20%	20%
Calculated tax expense acc. to effective tax rate	252.976	278.578
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	7.568	2.782
- Effect of currency translation to non taxable assets	(6.888)	1.346
- Effect of non-taxable adjustments	(2.051)	2.612
- Effect of the different tax rates due to foreign subsidiaries	(193)	(315)
Total tax exp. in reported in the consolidate stat. of income	<u>251.412</u>	<u>274.692</u>



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**NOTE 11 6 EQUITY**

As of 30 September 2016 and 31 December 2015, the capital structure is as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September 2016</u>	<u>(%)</u>	<u>31 December 2015</u>
Ataer Holding A. .	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		<u>156.613</u>		<u>156.613</u>
Restated capital		3.656.613		3.656.613
Treasury shares		<u>(116.232)</u>		<u>(116.232)</u>
		<u>3.540.381</u>		<u>3.540.381</u>

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 (31 December 2015: 350.000.000.000 lots). The nominal value of each share is 1 Kr (one Kurus) (31 December 2015: 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.

As of 30 September 2016, the Company has reserves, exempt net profit of the current period, subject to distribution is amounting to TRY 375.632 thousand on its legal books.

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**NOTE 12 ó SALES AND COST OF SALES**

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
<u>Sales Revenue</u>				
Domestic sales	6.890.288	2.322.918	8.012.863	2.533.152
Export sales	951.251	338.440	782.134	282.469
Other revenues (*)	125.336	47.841	143.359	41.506
Sales returns (-)	(11.120)	(4.521)	(14.790)	(3.951)
Sales discounts (-)	(8.839)	(3.177)	(8.328)	(3.943)
	<u>7.946.916</u>	<u>2.701.501</u>	<u>8.915.238</u>	<u>2.849.233</u>
<u>Cost of sales (-)</u>	<u>(6.418.301)</u>	<u>(1.933.358)</u>	<u>(7.181.797)</u>	<u>(2.320.277)</u>
Gross profit	<u>1.528.615</u>	<u>768.143</u>	<u>1.733.441</u>	<u>528.956</u>

(\*)The total amount of by product exports in other revenues is TRY 5.705 thousand (30 September 2015: TRY 22.149 thousand).

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**NOTE 12 ó SALES AND COST OF SALES (contd)**

The breakdown of cost of goods sales for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Raw material usage	(4.112.494)	(1.216.170)	(5.051.871)	(1.623.927)
Personnel costs	(925.713)	(295.428)	(885.664)	(296.899)
Energy costs	(547.479)	(168.108)	(510.978)	(165.346)
Depreciation and amortization expenses	(438.352)	(134.526)	(377.105)	(128.035)
Factory overheads	(228.480)	(53.892)	(201.028)	(48.661)
Other cost of goods sold	(39.187)	(12.462)	(52.447)	(12.043)
Non-operating costs (*)	(7.440)	(30)	(10.578)	(4.117)
Freight costs for sales delivered to customers	(102.718)	(38.107)	(59.761)	(21.220)
Inventory write-downs within the period (Note 4)	(28.477)	(11.981)	(25.475)	(15.713)
Reversal of inventory write-downs (Note 4)	32.659	3.156	9.012	1.197
Other	(20.620)	(5.810)	(15.902)	(5.513)
	<u>(6.418.301)</u>	<u>(1.933.358)</u>	<u>(7.181.797)</u>	<u>(2.320.277)</u>

(\*) Due to the planned/ unplanned halt production of plant of the Groupø, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (7.440) thousand, has been accounted directly under cost of goods sold (30 September 2015: TRY (10.578) thousand).

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**NOTE 13 ó OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES)**

The breakdown of marketing expenses according to their nature for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Personnel expenses (-)	(56.443)	(19.015)	(53.164)	(17.800)
Depreciation and amortization(-)	(15.192)	(5.085)	(13.629)	(4.861)
Service expenses (-)	(32.585)	(10.225)	(30.165)	(9.827)
	<u>(104.220)</u>	<u>(34.325)</u>	<u>(96.958)</u>	<u>(32.488)</u>

The breakdown of general administrative expenses for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Personnel expenses (-)	(118.821)	(37.367)	(111.970)	(36.509)
Depreciation and amortization (-)	(10.831)	(3.678)	(7.347)	(2.450)
Service expenses (-)	(72.365)	(22.553)	(74.563)	(24.154)
Tax, duty and charges (-)	(5.225)	(1.502)	(5.290)	(1.582)
Provision for doubtful receivables (-)	(3.465)	(1.628)	(4.530)	(2.101)
	<u>(210.707)</u>	<u>(66.728)</u>	<u>(203.700)</u>	<u>(66.796)</u>

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

The breakdown of other operating income for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
<u>Other operating income</u>				
Provisions released for land occupation	61.981	285	-	-
Interest income from sales with maturities	41.964	12.688	48.876	17.780
Discount income	5.515	544	12.524	(542)
Provisions released	12.894	4.876	24.965	6.995
Service income	11.031	4.647	16.312	7.965
Maintenance repair and rent income	7.959	2.572	11.585	5.062
Warehouse income	3.290	1.122	3.034	1.202
Indemnity and penalty detention income	1.712	611	1.299	500
Insurance indemnity income	6.286	5.155	13.153	9.558
Gain on sale of tangible assets	381	138	667	404
Gain on sale of ivestment properties	-	-	44.715	1.611
Other income and gains	24.165	8.763	14.913	6.448
	<u>177.178</u>	<u>41.401</u>	<u>192.043</u>	<u>56.983</u>

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

The breakdown of other operating expenses for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
<u>Other operating expenses (-)</u>				
Provision expenses	(27.755)	(6.892)	(24.303)	(4.155)
Discount expenses	(5.942)	(913)	(17.768)	82
Lawsuit compensation expenses	(4.390)	(1.574)	(2.029)	(148)
Port facility pre-licence expenses	(3.912)	(1.346)	(5.077)	(2.205)
Donation expenses	(2.780)	(1.201)	(1.401)	(498)
Service expenses	(4.009)	(1.396)	(2.355)	(851)
Loss on disposal of tangible assets	(875)	(55)	(3.245)	(220)
Stock exchange registration expenses	(1.047)	(5)	(995)	(36)
Rent expenses	(1.066)	(383)	(1.354)	(336)
Penalty expenses	(1.994)	(1.517)	(2.527)	(155)
Other expenses and losses	(14.546)	(1.635)	(20.299)	(8.032)
	<u>(68.316)</u>	<u>(16.917)</u>	<u>(81.353)</u>	<u>(16.554)</u>

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**NOTE 14 ó FINANCIAL INCOME / (EXPENSES)**

The breakdown of financial income for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
<u>Financial incomes</u>				
Interest income on bank deposits	77.125	24.558	65.303	20.131
Foreign exchange gains (net)	43.577	23.846	366.498	130.465
Foreign exchange gain from deferred tax base	-	(8.719)	-	-
	<u>120.702</u>	<u>39.685</u>	<u>431.801</u>	<u>150.596</u>

The breakdown of financial expense for the periods 1 January ó 30 September 2016 and 1 January ó 30 September 2015 is as follows:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
<u>Financial expenses (-)</u>				
Interest expenses on borrowings	(81.792)	(32.364)	(106.195)	(38.328)
Interest cost of employee benefits	(32.883)	(10.740)	(24.074)	(8.150)
Foreign exchange loss from deferred tax base	(43.370)	(43.370)	(437.207)	(177.557)
Fair value differences of derivative financial instruments (net)	(10.303)	2.943	(6.303)	(1.057)
Other financial expenses	(1.940)	(1.528)	(1.783)	(631)
	<u>(170.288)</u>	<u>(85.059)</u>	<u>(575.562)</u>	<u>(225.723)</u>

During the period, the interest expenses of TRY 3.956 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 30 September 2015: TRY 388 thousand).

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**NOTE 15 6 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 2016, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 September 2016			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	274.231	35.134	70.764	-
2a. Monetary financial assets	78.958	57.128	5.668	1.451
2b. Non- monetary financial assets	-	-	-	-
3. Other	139.993	139.179	242	-
<b>4. Current assets (1+2+3)</b>	<b>493.182</b>	<b>231.441</b>	<b>76.674</b>	<b>1.451</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	34.960	20.703	3.291	113.527
<b>8. Non-current assets (5+6+7)</b>	<b>34.960</b>	<b>20.703</b>	<b>3.291</b>	<b>113.527</b>
<b>9. Total assets (4+8)</b>	<b>528.142</b>	<b>252.144</b>	<b>79.965</b>	<b>114.978</b>
10. Trade payables	291.742	268.112	3.208	403.885
11. Financial liabilities	201.154	51.183	33.408	1.339.083
12a. Other monetary financial liabilities	492.944	484.416	2.538	-
12b. Other non-monetary financial liabilities	184.985	184.985	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.170.825</b>	<b>988.696</b>	<b>39.154</b>	<b>1.742.968</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	442.116	-	126.037	658.317
16a. Other monetary financial liabilities	558.397	558.397	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>1.000.513</b>	<b>558.397</b>	<b>126.037</b>	<b>658.317</b>
<b>18. Total liabilities (13+17)</b>	<b>2.171.338</b>	<b>1.547.093</b>	<b>165.191</b>	<b>2.401.285</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(582.810)</b>	<b>(32.891)</b>	<b>(163.627)</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	112.569	28.533	25.005	-
19b. Off-balance sheet foreign currency derivative financial liabilities	695.380	61.424	188.632	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(2.226.006)</b>	<b>(1.327.840)</b>	<b>(248.853)</b>	<b>(2.286.307)</b>
<b>21. Net foreign currency asset/ liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(1.633.164)</b>	<b>(1.269.846)</b>	<b>(88.759)</b>	<b>(2.399.834)</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	1.677	-	499	-
23. Hedged foreign currency assets	695.380	61.424	188.632	-
24. Hedged foreign currency liabilities	112.569	28.533	25.005	-
25. Exports	956.956	-	-	-
26. Imports	3.320.878	-	-	-



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(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

**NOTE 15 6 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont6d)**

**Additional information about financial instruments (cont6d)**

Foreign currency risk management (cont6d)

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 2015, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2015			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	241.540	29.234	66.196	-
2a. Monetary financial assets	47.460	26.445	6.367	163
2b. Non- monetary financial assets	-	-	-	-
3. Other	135.547	133.830	541	-
<b>4. Current assets (1+2+3)</b>	<b>424.547</b>	<b>189.509</b>	<b>73.104</b>	<b>163</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	55.422	41.946	3.227	133.765
<b>8. Non-current assets (5+6+7)</b>	<b>55.422</b>	<b>41.946</b>	<b>3.227</b>	<b>133.765</b>
<b>9. Total assets (4+8)</b>	<b>479.969</b>	<b>231.455</b>	<b>76.331</b>	<b>133.928</b>
10. Trade payables	321.345	281.247	7.776	574.931
11. Financial liabilities	333.717	194.768	34.012	1.282.188
12a. Other monetary financial liabilities	459.280	456.032	752	-
12b. Other non-monetary financial liabilities	211.382	211.382	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.325.724</b>	<b>1.143.429</b>	<b>42.540</b>	<b>1.857.119</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	232.421	12.865	59.996	1.200.730
16a. Other monetary financial liabilities	496.217	496.217	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>728.638</b>	<b>509.082</b>	<b>59.996</b>	<b>1.200.730</b>
<b>18. Total liabilities (13+17)</b>	<b>2.054.362</b>	<b>1.652.511</b>	<b>102.536</b>	<b>3.057.849</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(883.204)</b>	<b>(12.224)</b>	<b>(274.100)</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	156.598	68.178	27.826	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.039.802	80.402	301.926	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(2.457.597)</b>	<b>(1.433.280)</b>	<b>(300.305)</b>	<b>(2.923.921)</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(1.553.980)</b>	<b>(1.385.450)</b>	<b>(29.973)</b>	<b>(3.057.686)</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	20.969	-	6.599	-
23. Hedged foreign currency assets	1.039.802	80.402	301.926	-
24. Hedged foreign currency liabilities	156.598	68.178	27.826	-
25. Exports	1.183.331			
26. Imports	5.316.966			

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**NOTE 15 6 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont6d)**

**Additional information about financial instruments (cont6d)**

Foreign currency risk management (cont6d)

The following table shows the Group6s 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 management6s assessment of the possible change in foreign exchange rates.

As of 30 September 2016 asset and liability balances are translated by using the following exchange rates: TRY 2,9959 = US \$ 1, TRY 3,3608 = EUR 1 and TRY 0,0295= JPY 1 (31 December 2015: TRY 2,9076 = US \$ 1, TRY 3,1776 = EUR 1 and TRY 0,0224= JPY 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2016		
1- TRY net asset/liability	(129.495)	129.495
2- Hedged portion from TRY risk (-)	2.853	(2.853)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(126.642)	126.642
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	(28.643)	28.643
10- Hedged portion from Euro risk (-)	8.404	(8.404)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(20.239)	20.239
13- Jap. Yen net asset/liability	(6.436)	6.436
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(6.436)	6.436
<b>TOTAL (4+8+12+16)</b>	<b>(153.317)</b>	<b>153.317</b>

In addition to the Group6s foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 155.230 thousand of income / (TRY (124.130) thousand expense) will occur due to the (decrease) / increase in deferred tax base.(31 December 2015: TRY 155.806 thousand income / TRY (127.478 thousand expense).

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(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

**NOTE 15 ö NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (contö)**

**Additional information about financial instruments (contö)**

Foreign currency risk management (contö)

31 December 2015	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(142.106)	142.106
2- Hedged portion from TRY risk (-)	6.818	(6.818)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(135.288)	135.288
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	(8.327)	8.327
10- Hedged portion from Euro risk (-)	8.842	(8.842)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	515	(515)
13- Jap. Yen net asset/liability	(7.040)	7.040
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(7.040)	7.040
<b>TOTAL (4+8+12+16)</b>	<b>(141.813)</b>	<b>141.813</b>

**NOTE 16 ö 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 2016, 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 (öIFRSö) 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.