(CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH- SEE NOTE 34)

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015 AND INDEPENDENT AUDITOR'S REPORT

Building a better working world

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

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.;

Report on Financial Statements

We have audited the accompanying consolidated statement of financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (the Company) and its subsidiaries (together will be referred to as "the Group") as at 31 December 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility For the Financial Statements

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors' Responsibility

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

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion we draw attention to the matter in Note 16 to the accompanying consolidated financial statements. The court cases related to Capital Market Board's ("CMB") claim that the Company had prepared its 31 December 2005 financial statements in accordance with International Financial Reporting Standards instead of Communiqué Serial XI, No:25 on "Accounting Standards in Capital Markets" without taking the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions declared to the Company via notifications sent in July 2012. On 1 August 2012, the Company applied to the Administrative Court to remove the conflicting decisions of this court; but the Administrative Court decided to reject the application by the notification made on 17 February 2014. However, lawsuit filed by the Privatization Administration ("PA") of The Turkish Republic is at the stage of appeal at the Supreme Court and is pending as of the date of our report.

Reports on Other Responsibilities Arising From Regulatory Requirements

1) Auditors' report on Risk Management System and Committee in accordance with subparagraph 4, Article 378 of Turkish Commercial Code no. 6102 ("TCC") is prepared to be submitted to the Board of Directors of the Company on 8 March 2016.

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

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

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

Metin Canoğulları, SMMM
Engagement Partner

8 March 2016
İstanbul, Turkey

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ASSETS	Note	(Audited) Current Period 31 December 2015 USD'000	(Audited) Current Period 31 December 2015 TRY'000	(Audited) Previous Period 31 December 2014 USD'000	(Audited) Previous Period 31 December 2014 TRY'000
Current Assets		**2.751.401**	**7.999.975**	**3.178.814**	**7.371.353**
Cash and Cash Equivalents	4	1.009.321	2.934.703	943.038	2.186.810
Financial Derivative Instruments	5	15.286	44.445	15.795	36.628
Trade Receivables	7	561.504	1.632.629	757.626	1.756.860
Due From Related Parties	*29*	*14.834*	*43.130*	*15.701*	*36.409*
Other Trade Receivables	*7*	*546.670*	*1.589.499*	*741.925*	*1.720.451*
Other Receivables	8	712	2.069	1.639	3.800
Inventories	9	1.113.595	3.237.890	1.405.144	3.258.389
Prepaid Expenses	10	18.143	52.754	16.094	37.320
Other Current Assets	18	32.840	95.485	39.478	91.546
Non Current Assets		**3.657.490**	**10.634.515**	**3.692.406**	**8.562.321**
Other Receivables	8	5.183	15.069	10.237	23.738
Financial Investments		27	79	27	63
Financial Derivative Instruments	5	14.639	42.564	24.013	55.684
Investment Properties	11	24.670	71.731	24.879	57.691
Property, Plant and Equipment	12	3.520.075	10.234.969	3.535.882	8.199.357
Intangible Assets	13	69.596	202.357	72.689	168.559
Prepaid Expenses	10	15.112	43.939	10.931	25.348
Deferred Tax Assets	27	8.188	23.807	13.748	31.881
TOTAL ASSETS		**6.408.891**	**18.634.490**	**6.871.220**	**15.933.674**

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

LIABILITIES	Note	(Audited) Current Period 31 December 2015 USD'000	(Audited) Current Period 31 December 2015 TRY'000	(Audited) Previous Period 31 December 2014 USD'000	(Audited) Previous Period 31 December 2014 TRY'000
Current Liabilities		**899.513**	**2.615.423**	**1.339.179**	**3.105.422**
Financial Liabilities	6	8.353	24.286	274.948	637.577
Short Term Portion of Long Term Fin. Liab.	6	360.179	1.047.256	615.918	1.428.252
Financial Derivative Instruments	5	6.705	19.495	2.629	6.096
Trade Payables	7	200.235	582.203	180.076	417.579
Due to Related Parties	*29*	*9.159*	*26.630*	*7.904*	*18.329*
Other Trade Payables	*7*	*191.076*	*555.573*	*172.172*	*399.250*
Other Payables	8	11.583	33.680	13.623	31.591
Deferred Revenue	19	32.115	93.377	32.972	76.458
Current Tax Liabilities	27	74.896	217.769	55.935	129.708
Short Term Provisions	16	150.298	437.007	101.138	234.528
Payables for Employee Benefits	15	41.168	119.700	42.917	99.520
Other Current Liabilities	18	13.981	40.650	19.023	44.113
Non Current Liabilities		**1.197.164**	**3.480.875**	**1.085.836**	**2.517.945**
Financial Liabilities	6	654.960	1.904.361	581.269	1.347.905
Financial Derivative Instruments	5	7.345	21.355	10.280	23.839
Provisions for Employee Benefits	15	173.997	505.915	210.326	487.724
Deferred Tax Liabilities	27	360.711	1.048.802	283.803	658.110
Other Non Current Liabilities	18	151	442	158	367
EQUITY		**4.312.214**	**12.538.192**	**4.446.205**	**10.310.307**
Equity Attributable to Equity Holders of the Parent		**4.189.170**	**12.180.429**	**4.313.813**	**10.003.303**
Share Capital	20	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	20	81.366	156.613	81.366	156.613
Treasury Shares (-)	20	(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium	20	55.303	106.447	55.303	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(36.155)	(80.580)	(44.682)	(101.563)
Revaluation Reserve of Tangible Assets		*12.623*	*27.215*	*10.405*	*24.151*
Actuarial (Loss)/ Gain funds		*(48.778)*	*(107.795)*	*(55.087)*	*(125.714)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(31.483)	4.010.257	(4.007)	1.623.162
Cash Flow Hedging Reserves		*(754)*	*(2.192)*	*3.088*	*7.160*
Foreign Currency Translation Reserves		*(30.729)*	*4.012.449*	*(7.095)*	*1.616.002*
Restricted Reserves Assorted from Profit	20	441.058	950.831	313.307	617.355
Retained Earnings	20	1.506.960	2.527.180	1.422.232	2.616.106
Net Profit for the Period		414.137	1.125.913	732.310	1.601.415
Non-Controlling Interests		**123.044**	**357.763**	**132.392**	**307.004**
TOTAL LIABILITIES AND EQUITY		**6.408.891**	**18.634.490**	**6.871.220**	**15.933.674**

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

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Note	(Audited) Current Period 1 January - 31 December 2015 USD'000	(Audited) Current Period 1 January - 31 December 2015 TRY'000	(Audited) Previous Period 1 January - 31 December 2014 USD'000	(Audited) Previous Period 1 January - 31 December 2014 TRY'000
OPERATING INCOME					
Revenue	21	4.382.455	11.914.581	5.251.572	11.484.137
Cost of Sales (-)	21	(3.624.633)	(9.854.290)	(4.136.479)	(9.045.652)
GROSS PROFIT		**757.822**	**2.060.291**	**1.115.093**	**2.438.485**
Marketing, Sales and Distribution Expenses (-)	22	(48.186)	(131.002)	(54.777)	(119.786)
General Administrative Expenses (-)	22	(104.733)	(284.738)	(106.097)	(232.012)
Research and Development Expenses (-)	22	(3.399)	(9.240)	(3.201)	(6.999)
Other Operating Income	24	101.301	275.408	67.936	148.563
Other Operating Expenses (-)	24	(117.672)	(319.916)	(61.202)	(133.839)
OPERATING PROFIT		**585.133**	**1.590.803**	**957.752**	**2.094.412**
Finance Income	25	155.113	421.707	104.950	229.505
Finance Expense (-)	26	(223.280)	(576.343)	(170.798)	(358.346)
PROFIT BEFORE TAX		**516.966**	**1.436.167**	**891.904**	**1.965.571**
Tax Expense	27	(89.442)	(273.858)	(132.442)	(304.780)
- Current Corporate Tax Expense		(162.473)	(472.407)	(114.729)	(266.045)
- Deferred Tax Income		73.031	198.549	(17.713)	(38.735)
NET PROFIT FOR THE PERIOD		**427.524**	**1.162.309**	**759.462**	**1.660.791**
- Non-Controlling Interests		13.387	36.396	27.152	59.376
- Equity Holders of the Parent		414.137	1.125.913	732.310	1.601.415
EARNINGS PER SHARE	28		0,3217		0,4575
(TRY 1 Nominal value per share)					

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Note	(Audited) Current Period 1 January - 31 December 2015 USD'000	(Audited) Current Period 1 January - 31 December 2015 TRY'000	(Audited) Previous Period 1 January - 31 December 2014 USD'000	(Audited) Previous Period 1 January - 31 December 2014 TRY'000
PROFIT FOR THE PERIOD		**427.524**	**1.162.309**	**759.462**	**1.660.791**
Other Comprehensive Income/(Expense):					
Not to be reclassified subsequently to profit or loss					
Change in Revaluation Reserve of Tangible Assets		2.219	3.064	(491)	896
Change in Actuarial (Loss)/ Gain		7.970	22.930	(30.472)	(75.386)
Tax Effect of Changes in Actuarial (Loss)/ Gain		(1.594)	(4.586)	6.094	15.077
To be reclassified subsequently to profit or loss					
Change in Cash Flow Hedging Reserves		(4.905)	(12.078)	9.445	20.842
Tax Effect of Change in Cash Flow Hedging Reserves		981	2.416	(1.889)	(4.168)
Change in Foreign Currency Translation Reserves		(26.345)	2.462.935	(7.038)	792.010
OTHER COMP. INCOME/ EXPENSE FOR THE PERIOD (AFTER TAX)	27	**(21.674)**	**2.474.681**	**(24.351)**	**749.271**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**405.850**	**3.636.990**	**735.111**	**2.410.062**
Distribution of Total Comprehensive Income					
- Non-controlling Interests		10.662	102.999	25.259	78.814
- Equity Holders of the Parent		395.188	3.533.991	709.852	2.331.248

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

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

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

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

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

						Other comprehensive income/expense not to be reclassified subsequently to profit or loss		Other comprehensive income/expense to be reclassified subsequently to profit or loss			Retained Earnings				
(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium	Revaluation Reserve of Tangible Assets	Actuarial loss/(gain) funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
1 January 2015		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**24.151**	**(125.714)**	**7.160**	**1.616.002**	**617.355**	**2.616.106**	**1.601.415**	**10.003.303**	**307.004**	**10.310.307**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	1.125.913	1.125.913	36.396	1.162.309
Other comprehensive income/(loss)		-	-	-	-	3.064	17.919	(9.352)	2.396.447	-	-	-	2.408.078	66.603	2.474.681
Total comprehensive income/(loss)		-	-	-	-	3.064	17.919	(9.352)	2.396.447	-	-	1.125.913	3.533.991	102.999	3.636.990
Dividend distributed (*)		-	-	-	-	-	-	-	-	-	(1.356.865)	-	(1.356.865)	(52.240)	(1.409.105)
Transfers	20	-	-	-	-	-	-	-	-	333.476	1.267.939	(1.601.415)	-	-	-
31 December 2015	20	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**27.215**	**(107.795)**	**(2.192)**	**4.012.449**	**950.831**	**2.527.180**	**1.125.913**	**12.180.429**	**357.763**	**12.538.192**
(Audited)															
1 January 2014		**3.500.000**	**156.613**	**(116.232)**	**106.447**	**23.255**	**(66.809)**	**(9.344)**	**844.664**	**500.949**	**2.607.273**	**919.974**	**8.466.790**	**240.030**	**8.706.820**
Net profit for the period		-	-	-	-	-	-	-	-	-	-	1.601.415	1.601.415	59.376	1.660.791
Other comprehensive income/(loss)		-	-	-	-	896	(58.905)	16.504	771.338	-	-	-	729.833	19.438	749.271
Total comprehensive income/(loss)		-	-	-	-	896	(58.905)	16.504	771.338	-	-	1.601.415	2.331.248	78.814	2.410.062
Dividend distributed (*)		-	-	-	-	-	-	-	-	-	(794.735)	-	(794.735)	(11.840)	(806.575)
Transfers	20	-	-	-	-	-	-	-	-	116.406	803.568	(919.974)	-	-	-
31 December 2014	20	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**24.151**	**(125.714)**	**7.160**	**1.616.002**	**617.355**	**2.616.106**	**1.601.415**	**10.003.303**	**307.004**	**10.310.307**

(*) In annual General Assembly dated 31 March 2015, dividend distribution (gross dividend per share: TRY 0,4000 (2014: TRY 0,2343)) amounting to TRY 1.400.000 thousand (31 March 2014: TRY 820.000 thousand) from 2014 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2015, dividends for treasury shares are netted off under dividends paid. The dividend payment was completed at 26 May 2015. The Group paid TRY 52.240 thousand divident to non-controlling interests on İsdemir and Ermaden apart from the Equity holders of the Parent in current year (2014: TRY 11.840 thousand).

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Note	Current Period 1 January 31 December 2015 US'000	(Audited) Current Period 1 January 31 December 2015 TRY'000	Previous Period 1 January 31 December 2014 US'000	(Audited) Previous Period 1 January 31 December 2014 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax and non-controlling interests		516 966	1 436.167	891.904	1.965.571
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	21/23	206 511	561 442	199 663	436.622
Provision for employee termination benefits	15	25 965	70 591	25.127	54 947
Provision for seniority incentive premium	15	1.639	4 456	4 632	10 130
Gain on sale of property plant and equipment	24	(364)	(989)	(482)	(1.054)
Gain on sale of investment property	24	(16.834)	(45.767)	-	-
Loss on write off of property plant and equipment	24	1.346	3 659	1 887	4 127
Increase in provision for doubtful receivables	7/8	4 540	12 343	3 860	8 441
Increase in the allowance for inventories	9	9 871	26 836	6 831	14.938
Increase in the impairment of tangible assets	12	728	1 980	8 485	18 555
Increase in provision for unpaid vacations	15	3 350	9 109	3.883	8 492
(Decrease)/increase in provision for pending claims and lawsuits	16	(5 381)	(14 630)	9 641	21 082
Increase in penalty prov. for obligatory empl.t shortage of disabled people	16	1.189	3 233	698	1.527
Increase in provision for termination fee of long term contract	16	75 000	203 903	-	-
Increase in provision for state right on mining activities	16	626	1 703	2.223	4 861
(Decrease)/increase in provision for civil defense fund	16	(3 466)	(9 422)	3 179	6 951
Interest expenses	26	45 077	122 551	84 265	184 271
Interest income from bank deposits	25	(31 734)	(86 276)	(24 545)	(53 675)
Interest income from overdue sales	24	(23 843)	(64 821)	(27.145)	(59 360)
Unrealized foreign currency (profit)/loss of financial liabilities		(3 483)	(9 468)	(12 564)	(27 474)
Loss/(gain) on fair value changes of derivative financial instruments	26	12 274	33 369	(5 588)	(12 220)
Net cash provided by operating activities before changes in working capital		**819.977**	**2.259.969**	**1.175.954**	**2.586.732**
Changes in working capital	33	493 567	1 435 096	195 772	453 975
Interest income from overdue sales collected		27 763	75 480	27 750	60 683
Lawsuits paid	16	(3.145)	(8 550)	(3 447)	(7 537)
Penalty paid for the employment shortage of disabled people	16	(1.174)	(3 192)	(402)	(880)
Corporate tax paid	27	(141.371)	(384 346)	(82.919)	(181.327)
Employee termination benefits paid	15	(13 502)	(36 709)	(18.190)	(39 777)
State rights paid for mining activities	16	(1.323)	(3.598)	(1 381)	(3 019)
Unused vacation paid	15	(1 877)	(5.102)	(2 960)	(6 474)
Seniority incentive premium paid	15	(589)	(1.602)	(1 017)	(2.224)
Net cash provided by operating activities		**1.178.326**	**3.327.446**	**1.289.160**	**2.860.152**
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in financial investments		-	-	(29)	(63)
Cash provided by sale of investment property	11	14.967	40 000	-	-
Cash (used) by purchase of investment property	11	-	-	(680)	(1 488)
Cash used in the purchase of tangible assets	12	(197 884)	(537 987)	(151 042)	(330.298)
Cash used in the purchase of intangible assets	13	(7 277)	(19 783)	(6 783)	(14.834)
Cash provided by sales of tangible assets	12/13/24	4.895	13.308	569	1.245
Net cash used in investing activities		**(185.299)**	**(504.462)**	**(157.965)**	**(345.438)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		1 238.628	3 601.435	964 751	2 237 160
Repayment of borrowings		(1 686.345)	(4 903 216)	(1.125 564)	(2 610 071)
Interest paid		(42.520)	(116 301)	(78 671)	(172 037)
Interest received on bank deposits		32.530	87 308	22 839	49 945
Dividends paid		(519 831)	(1.356 865)	(380 040)	(794 735)
Dividends paid to non-controlling interests		(19.871)	(51.835)	(5.330)	(11.840)
Net cash used in by financing activities		**(997.409)**	**(2.739.474)**	**(602.015)**	**(1.301.578)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(4.382)**	**83.510**	**529.180**	**1.213.136**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE	4	**940.865**	**2.181.773**	**355.997**	**759.804**
Currency translation difference, net		71.461	665.415	55 689	208 833
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**1.007.944**	**2.930.698**	**940.866**	**2.181.773**
Accrued interest income	4	1.377	4.005	2.172	5.037
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME	4	**1.009.321**	**2.934.703**	**943.038**	**2.186.810**

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

The immediate parent and ultimate controlling party of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu, respectively.

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

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

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

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

Name of the Company	Country of Operation	Operation	2015 Share %	2014 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	95,07	95,07
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendilik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100

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

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

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

	Paid Hourly Personnel	Paid Montly Personnel	31 December 2015 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.530	1.797	6.327
İskenderun 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
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	240	240
Erdemir Romania S.R.L.	218	50	268
Erdemir Asia Pacific Private Limited	-	5	5
	8.537	4.122	12.659

	Paid Hourly Personnel	Paid Montly Personnel	31 December 2014 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.593	1.861	6.454
İskenderun Demir ve Çelik A.Ş.	3.795	1.818	5.613
Erdemir Madencilik San. ve Tic. A.Ş.	137	139	276
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	61	73	134
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	114	114
Erdemir Romania S.R.L.	227	51	278
Erdemir Asia Pacific Private Limited	-	3	3
	8.813	4.059	12.872

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The Group's consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

The financial statements are prepared on cost basis, except the derivative financial instruments and tangible assets used for silicon steel and iron ore carried on fair value.

In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and its interpretations issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

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

2.1 Basis of Presentation (cont'd)

Functional and Reporting Currency

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

Functional currency for the subsidiary abroad

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

Presentation currency translation

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

a) The assets and liabilities on financial position as of 31 December 2015 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,9076=US $ 1 and TRY 3,1776=EUR 1 on the balance sheet date (31 December 2014: TRY 2,3189= US $ 1, TRY 2,8207=EUR 1).

b) For the twelve months period ended 31 December 2015, income statements are translated from the average TRY 2,7187 = US $ 1 and TRY 3,0181=EUR 1 rates of 2015 January - December period (31 December 2014: TRY 2,1868 = US $ 1 TRY 2,9059 = 1 EUR).

c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.

d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represneted with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying consolidated financial statements comprising the statements of financial position as of 31 December 2015 and 31 December 2014, consolidated statement of income and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2015 represent the consolidated financial statements within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

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

2.1 Basis of Presentation (cont'd)

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 8 March 2016 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

The Group's consolidated financial statements are presented in comparison with the previous period in order to allow for the determination of the financial position and performance trends. The comparative information is reclassified when necessary in order to be aligned with the current period consolidated financial statements.

2.3 Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., and its Subsidiaries on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Erdemir in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, as of 31 December 2015 and 31 December 2014 (%) and their functional currencies:

	31 December 2015			31 December 2014		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	95,07	95,07	US Dollars	95,07	95,07
Ersem	US Dollars	100,00	100,00	US Dollars	100,00	100,00
Ermaden	Turkish Lira	90,00	90,00	Turkish Lira	90,00	90,00
Erdemir Mühendislik	Turkish Lira	100,00	100,00	Turkish Lira	100,00	100,00
Erdemir Romania S.R.L.	Euro	100,00	100,00	Euro	100,00	100,00
Erdemir Asia Pasific	US Dollars	100,00	100,00	US Dollars	100,00	100,00

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

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

The Group's consolidated financial statements are presented in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB"). The Group's consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective from the interim periods ended after 30 June 2013.

Reclassifications of financial position are as follows:

Account	(Previously Reported) 31 December 2014	(Restated) 31 December 2014	(Difference) 31 December 2014
Short Term Other Payables [(1)]	7.389	31.591	24.202
Short Term Payables for Employee Benefits [(1)]	123.722	99.520	(24.202)
Trade Payables [(2)]	417.255	417.579	324
Other Current Liabilities [(2)]	44.437	44.113	(324)
			-

(1) TRY 24.202 thousand employee's income tax payables that was reported under "Payables for Employee Benefits", is reclassifed under "Short Term Other Payables" in consolidated financial statements as of 31 December 2014.

(2) TRY 324 thousand expense accruals that was reported under "Other Current Liabilities", is reclassifed under "Trade Payables" in consolidated financial statements as of 31 December 2014.

Reclassifications of income statement are as follows:

Account	(Previously Reported) 1 January - 31 December 2014	(Restated) 1 January - 31 December 2014	(Difference) 1 January - 31 December 2014
General Administrative Expenses (-) [(1)]	(223.509)	(232.012)	(8.503)
Other Operating Expenses (-) [(1)]	(142.342)	(133.839)	8.503
Financial Income [(2)]	88.888	229.505	140.617
Financial Expense (-) [(2)]	(217.729)	(358.346)	(140.617)
			-

(1) Provision for doubtful receivables TRY 8.503 thousand which were reported under "Other Operating Expenses (-)" was reclassified to "General Administrative Expenses (-)" on the consolidated statement of income for the year ended 31 December 2014.

(2) Foreign exchange loss (net) TRY 22.993 thousand out of TRY 140.617 thousand which were reported under "Financial Expense (-)" was reclassified to foreign exchange gain from deferred tax base under "Financial Income" for the year ended 31 December 2014.

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

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies

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

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

The Group calculates depreciation for the fixed assets by taking into account their production amounts on the basis of cash flow unit set by independent expert valuation Firm and useful lives that are stated in Note 2.8.3 and 2.8.4 (Note 12, Note 13).

2.5.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative fiscal losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset (Note 27).

2.5.3 Fair values of derivative financial instruments

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

2.5.4 Provision for doubtful receivables

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

2.5.5 Provision for inventories

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

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

2.5 Significant Judgments and Estimates of the Group on Application of Accounting Policies (cont'd)

2.5.6 Provisions for employee benefits

Actuarial Assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are made to calculate Group's provision for employee benefits. The details related with the defined benefit plans are stated in Note 15.

2.5.7 Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of Reporting date, provision for lawsuits is stated in Note 16.

2.5.8 Provision for termination fee of long term contract

The Group has initiated termination process of long-term service agreement, which is signed on 11 August 2008 to transport of overseas iron ore supplies with capesize vessels for 2008-2022 period, in the last quarter of 2015. The Group Management has concluded that there is a constructive obligation because of the Management's decision and supplier's intention towards termination process related to the contract as of 31 December 2015 and possibility of cash outflow is more likely than not. The parties reached a certain agreement on 24 February 2016 on termination of the aforementioned agreement with USD 75.000 thousand termination fee and signing of a new freight contract linked with market prices. Therefore, it is considered that subsequent agreement on termination cost, is an adjusting event after the balance sheet date since it lets the measurability of constructive obligation in a trustable manner. As a result, USD 75.000 thousand provision for termination fee of long term contract is recognized as of 31 December 2015 (Note 16 and 24).

2.5.9 Impairments on Assets

The Group, performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment works performs by the Group management, as of the reporting date any impairment except calculated provision on non-financial assets has not been estimated (Note 12).

2.6 Offsetting

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

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

2.7 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

  TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment is to be applied retrospectively for annual periods beginning on or after July 1, 2014.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

- TFRS 2 Share-based Payment

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

- TFRS 3 Business Combinations

  The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

- TFRS 8 Operating Segments

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

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

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

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

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

Annual Improvements - 2010–2012 Cycle (cont'd)

- TAS 24 Related Party Disclosures

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

Annual Improvements – 2011–2013 Cycle

- TFRS 3 Business Combinations

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

- TFRS 13 Fair Value Measurement

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

- TAS 40 Investment Property

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

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 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 – Classification and measurement

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

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

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

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

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

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

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

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

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

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

  TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

- IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

  In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:
  - At cost

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

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

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

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

- IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

    - In accordance with IFRS 9 or
    - Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

    In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

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

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

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

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

Annual Improvements to TFRSs - 2012-2014 Cycle

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

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

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

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.

Annual Improvements – 2010–2012 Cycle

- IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

- IFRS 15 Revenue from Contracts with Customers

  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach.

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

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

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

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

  The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

- IFRS 9 Financial Instruments - Final standard (2014)

  In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

- IFRS 16 Leases

  In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

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

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

  In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

  IAS 7 'Statement of Cash Flows (Amendments)

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

2.8 Valuation Principles Applied / Significant Accounting Policies

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

2.8.1 Revenue recognition

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

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

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

2.8.1 Revenue recognition (cont'd)

Sale of goods

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

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

Dividend and interest revenue

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

Rental income

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

2.8.2 Inventories

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

2.8.3 Property, plant and equipment

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

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

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

2.8.3 Property, plant and equipment (cont'd)

The Group's tangible fixed assets operating in the production of iron ore and high silicon flat steel are stated in the balance sheet at their fair value amounts at the date of acquisition. Any increase arising from the revaluation of the existing assets is recorded under the revaluation reserve, in the shareholders' equity. A decrease in carrying amount arising on the revaluation of assets is charged to the consolidated income statement to the extent that it exceeds the balance in the revaluation reserve that is related to the previous revaluation.

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

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

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

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

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Tangible assets are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment. Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the comprehensive income statement of the related period. The Company omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under on-going investments.

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

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

2.8.4 Intangible assets

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

The amortization rates of the intangible assets are stated below:

	Rates
Rights	2-33%
Exploration costs and other intangible fixed assets with special useful lives	5-10% and units of production
Other intangible fixed assets	20-33%

2.8.5 Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation are measured initially at cost any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income under other operating income/(expense).

2.8.6 Impairment of assets

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

2.8.7 Borrowing costs

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

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

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

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

2.8.8 Financial instruments

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

Financial assets

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

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

Effective interest method

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

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

Available for sale financial assets

Some of the shares and long term marketable securities held by the Group are classified as available for sale and recognized at their fair values.

The financial assets, which are not priced in an active market and the fair value cannot be recognized accurately, are recognized at cost less accumulated impairments.

Gains and losses arising from changes in fair value are recognized directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in the consolidated income statement for the period.

Dividends associated with the available for sale equity instruments are recognized in consolidated income statement when the Group has the right to receive the related payments.

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

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

2.8.8 Financial instruments (cont'd)

Financial assets (cont'd)

Receivables

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

Impairment of financial assets

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

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

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

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

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

Cash and cash equivalents

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

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

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

2.8.8 Financial instruments (cont'd)

Financial liabilities

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

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

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

2.8.8 Financial instruments (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

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

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

2.8.9 The effects of foreign exchange rate changes

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

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

2.8.10 Earnings per share

Earnings per share, disclosed in the consolidated income statement, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the weighted-average number of shares are computed by taking into consideration of the retrospective effects of the share distributions.

2.8.11 Subsequent events

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

In the case that events occur requiring an adjustment, the Group adjusts the amounts recognized in its consolidated financial statements to reflect the adjustments after the balance sheet date. Post period end events that are not adjusting events are disclosed in the notes when material.

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

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

2.8.12 Provisions, contingent liabilities and contingent assets

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

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

2.8.13 Related parties

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

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

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

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

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

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

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

2.8.13 Related parties (cont'd)

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

2.8.14 Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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

Current tax

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

Deferred tax

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

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

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

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

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

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

2.8.14 Taxation and deferred income taxes (cont'd)

Deferred tax (cont'd)

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the consolidated income statement, except when they relate to the items credited or debited directly to the equity (in this case the deferred tax related to these items is also recognized directly in the equity), or where they arise from the initial accounting of a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.8.15 Employee benefits

According to the Turkish and Romanian law and union agreements, employee termination payments are made to employees in the case of retiring or involuntarily leaving. Such payments are considered as a part of defined retirement benefit plan in accordance with IAS19 (revised) "Employee Benefits" ("IAS 19").

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

The Group makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of income. The details related with the defined benefit plans are stated in Note 15.

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

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

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

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

2.8.16 Government grants and incentives

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

2.8.17 Statement of cash flows

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

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

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

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

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

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

2.8.18 Share capital and dividends

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

2.8.19 Treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

NOTE 3 – SEGMENTAL REPORTING

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.

NOTE 4 – CASH AND CASH EQUIVALENTS

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

	31 December 2015	31 December 2014
Cash	28	27
Banks – demand deposits	45.482	52.083
Banks – time deposits	2.889.193	2.134.700
	2.934.703	2.186.810
Time deposit interest accruals (-)	(4.005)	(5.037)
Cash and cash equivalents excluding interest accruals	2.930.698	2.181.773

The breakdown of demand deposits is presented below:

	31 December 2015	31 December 2014
US Dollars	16.775	19.530
TRY	19.328	15.511
EURO	8.775	10.146
Romanian Lei	493	6.746
GB Pound	15	13
Japanese Yen	4	137
Other	92	-
	45.482	52.083

The breakdown of time deposits is presented below:

	31 December 2015	31 December 2014
US Dollars	2.866.533	1.768.703
TRY	9.504	357.129
EURO	13.016	8.745
Romanian Lei	140	123
	2.889.193	2.134.700

Group's bank deposits consist of deposits with maturity from 1 day to 3 months depending on immediate cash needs. Interest is received based on current short-term rates on the market.

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS

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

	31 December 2015		31 December 2014	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Forward contracts	9.122	85	18.776	3.957
Option contracts	1.709	-	2.353	659
Cross currency swap contracts	52.913	14.015	49.443	12.379
	63.744	14.100	70.572	16.995
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	12.571	640	17.028	-
Cross currency swap contracts for cash flow hedges of currency risk of borrowings	10.182	24.555	4.513	9.570
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowings	72	703	-	2.103
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	440	852	199	1.267
	23.265	26.750	21.740	12.940
	87.009	40.850	92.312	29.935

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge

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

		Assets		Liabilities	
31 December 2015		Nominal Value	Fair Value	Nominal Value	Fair Value
Forward contracts					
Buy USD/Sell EUR	Less than 3 months	141.485	8.571	17.848	85
Buy USD/Sell EUR	Between 3-6 months	14.154	551	-	-
		155.639	9.122	17.848	85
Options contracts					
Buy USD/Sell EUR	Less than 3 months	11.187	1.709	-	-
		11.187	1.709	-	-
Cross currency / interest rates swap contracts					
Buy USD/Sell TRY	Between 6-12 months	44.841	22.386	44.841	13.946
Buy EUR/Sell TRY	More than 12 months	88.421	30.527	88.421	69
		133.262	52.913	133.262	14.015
		300.088	63.744	151.110	14.100

		Assets		Liabilities	
31 December 2014		Nominal Value	Fair Value	Nominal Value	Fair Value
Forward contracts					
Buy USD/Sell TRY	Less than 3 months	441.870	18.776	-	-
Buy TRY/Sell USD	Less than 3 months	-	-	77.876	3.957
		441.870	18.776	77.876	3.957
Options contracts					
Buy TRY/Sell USD	Less than 3 months	11.598	1.108	23.196	214
Buy USD/Sell EUR	Between 6-12 months	11.843	696	23.686	348
Buy USD/Sell EUR	More than 12 months	8.935	549	17.871	97
		32.376	2.353	64.753	659
Cross currency swap contracts					
Buy USD/Sell TRY	More than 12 months	50.066	18.630	50.066	9.126
Buy EUR/Sell TRY	More than 12 months	117.734	30.813	117.734	3.253
		167.800	49.443	167.800	12.379
		642.046	70.572	310.429	16.995

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments for cash flow hedge

Forward contracts for cash flow hedges of currency risk of sales:

Buy USD – Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2016 and March 2017.

The terms and conditions of the forward contracts match the terms and conditions of the expected highly probable forecast sales in EUR. As a result, no hedge ineffectiveness arises requiring recognition and is tracked under other comprehensive income/expense accounts since the aforementioned derivative transaction is a cash flow hedge derivative transaction until the sales is realized in accordance with hedge accounting. TRY 8.450 thousand is recognised on consolidated statement of income until the collection is made following the recording of revenue.

In respect of these contracts which has a nominal value of TRY 623.640 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY 11.931 thousand was included in other comprehensive income (31 December 2014: TRY 17.028 thousand).

As of 31 December 2015, TRY 50.635 thousand realised reclassification from other comprehensive income to sales during the year (31 December 2014: None).

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

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

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

In respect of these contracts which has a nominal value of TRY 201.186 thousand, for the purpose of hedging cash flow risk, with related deferred tax effect TRY (15.004) thousand was included in other comprehensive income (31 December 2014: TRY (7.160) thousand).

Commodity swap contracts for hedges of price risk of raw material purchases:

The Group purchases iron ore on an ongoing basis as its operating activities. The Group has concluded iron ore swap contracts in order to be protected from price risk of iron ore which shall be supplied in future and shall be used in the production of related sales in line with its contracted sales.

NOTE 5 – FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Commodity swap contracts for hedges of price risk of raw material purchases (cont'd):

Group's iron ore forward contracts measured at fair value through other comprehensive income match iron ore price risk associated with future long term sales contracts. These sales are highly probable and terms and conditions of iron ore forward contracts match sales terms. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The maturities of these 100 thousands tons of iron ore contracts which has a nominal value of TRY 12.117 thousand, are vary between January 2016 and January 2017 and fair value with related deferred tax effect, TRY (412) thousand was included in other comprehensive income.

As of 31 December 2015, TRY 2.493 thousand realised reclassification from other comprehensive income to cost of inventories during the year (31 December 2014: None).

NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	31 December 2015	31 December 2014
Short term financial liabilities	24.286	637.577
Current portion of long term financial liabilities	1.047.256	1.222.019
Corporate bonds issued	-	206.233
Total short term financial liabilities	1.071.542	2.065.829
Long term financial liabilities	1.904.361	1.347.905
Total long term financial liabilities	1.904.361	1.347.905
	2.975.903	3.413.734

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
			1.071.542	1.904.361	2.975.903

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

As of 31 December 2014, 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 2014
No interest	TRY	-	24.300	-	24.300
Fixed	TRY	9,10	196.110	166.462	362.572
Fixed	US Dollars	1,68	396.802	58.794	455.596
Fixed	EURO	5,50	955	2.971	3.926
Floating	TRY	Trlibor+1,5	206.233	-	206.233
Floating	US Dollars	Libor+2,18	1.113.305	889.051	2.002.356
Floating	EURO	Euribor+0,32	103.141	185.311	288.452
Floating	Japanese Yen	JPY Libor+0,22	24.983	45.316	70.299
			2.065.829	1.347.905	3.413.734

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

	31 December 2015	31 December 2014
Within 1 year	1.071.542	2.065.829
Between 1-2 years	921.923	588.577
Between 2-3 years	488.184	522.255
Between 3-4 years	328.902	137.072
Between 4-5 years	163.914	16.680
Five years or more	1.438	83.321
	2.975.903	3.413.734

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

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

	31 December 2015	31 December 2014
Short term trade receivables		
Trade receivables	1.670.078	1.784.623
Due from related parties (Note 29)	43.130	36.409
Notes receivables	-	42
Discount on receivables (-)	(2.586)	(2.107)
Provision for doubtful trade receivables (-)	(77.993)	(62.107)
	1.632.629	1.756.860

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

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	62.107	61.380
Provision for the period	8.210	1.804
Doubtful receivables collected (-)	(126)	-
Provision released (-)	(1.303)	(62)
Translation difference	9.105	(1.015)
Closing balance	77.993	62.107

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

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

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

Other explanatory notes related to the credit risk of the Group are disclosed in Note 30.

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

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

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

Short term trade payables	31 December 2015	31 December 2014
Trade payables	557.016	400.717
Due to related parties (Note 29)	26.630	18.329
Discount on trade payables (-)	(3.086)	(1.791)
Expense accruals	1.643	324
	582.203	417.579

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

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

Short term other receivables	31 December 2015	31 December 2014
Receivables from water system construction	1.763	3.527
Deposits and guarantees given	306	273
	2.069	3.800

Long term other receivables	31 December 2015	31 December 2014
Receivables from Privatization Authority	67.397	62.403
Receivables from water system construction	14.036	22.836
Deposits and guarantees given	1.033	902
Provision for receivables from Privatization Authority (-)	(67.397)	(62.403)
	15.069	23.738

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

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

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

Short term other payables	31 December 2015	31 December 2014
Taxes payable	3.093	951
Employee's income tax payables	21.453	24.202
Deposits and guarantees received	7.394	5.248
Dividend payables to shareholders (*)	1.740	1.190
	33.680	31.591

(*) Dividend payable represents the uncollected balances by shareholders related to the prior years.

NOTE 9 – INVENTORIES

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

	31 December 2015	31 December 2014
Raw materials	730.302	773.832
Work in progress	473.829	648.460
Finished goods	890.682	877.211
Spare parts	603.435	480.502
Goods in transit	409.524	361.212
Other inventories	298.551	228.924
Allowance for impairment on inventories (-)	(168.433)	(111.752)
	3.237.890	3.258.389

The movement of the allowance for impairment on inventories:

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	111.752	88.739
Provision for the period	39.092	29.951
Provision released (-)	(12.256)	(15.013)
Translation difference	29.845	8.075
Closing balance	168.433	111.752

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 21).

NOTE 10 – PREPAID EXPENSES

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

	31 December 2015	31 December 2014
Insurance expenses	31.477	20.250
Order advances given	6.465	4.200
Prepaid utility allowance to employees	6.619	6.622
Other prepaid expenses	8.193	6.248
	52.754	37.320

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

	31 December 2015	31 December 2014
Order advances given	28.490	18.949
Insurance expenses	12.596	3.787
Other prepaid expenses	2.853	2.612
	43.939	25.348

NOTE 11 – INVESTMENT PROPERTIES

	1 January - 31 December 2015	1 January - 31 December 2014
Cost		
As of 1 January	57.691	51.647
Additions	-	1.488
Disposals	(568)	-
Translation difference	14.608	4.556
As of 31 December	71.731	57.691
Book value	71.731	57.691

According to the recent valuation reports, the fair value of the Group's investment properties is TRY 174.782 thousand (31 December 2014: TRY 216.760 thousand). The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB of Turkey. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

According to the decision of Board of Directors of the Company, dated 10 April 2015 and numbered 9350; the investment properties of the Group located in Balıkesir, Edremit District, Altınoluk town, are sold on 15 April 2015 in return for the value of TRY 46.000 thousand. TRY 45.767 thousand profit from investment property sales, recognised under other operating income.

The Group's all investment properties consist of land parcels.

For the year ended 31 December 2015, the Group generated rent income amounting to TRY 377 thousand (31 December 2014: TRY 256 thousand) recognized under other operating income.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	136.061	1.917.551	3.005.236	12.622.883	786.026	384.588	29.062	394.444	19.275.851
Transfers (****)	-	-	-	-	-	-	4.206	-	4.206
Translation difference	30.816	478.001	761.406	3.206.481	161.833	74.677	8.893	106.464	4.828.571
Additions (*)	290	1.374	827	81.255	14.168	14.533	9.156	416.384	537.987
Transfers from CIP (**)	6.676	21.813	48.335	258.136	1.461	2.482	13.847	(356.824)	(4.074)
Disposals	-	(110)	(736)	(60.878)	(5.023)	(2.008)	(5.144)	-	(73.899)
Closing balance as of 31 December 2015	173.843	2.418.629	3.815.068	16.107.877	958.465	474.272	60.020	560.468	24.568.642
Accumulated Depreciation									
Opening balance as of 1 January	-	(1.331.471)	(2.052.408)	(6.995.000)	(459.676)	(197.737)	(20.526)	(19.676)	(11.076.494)
Transfers (****)	-	-	-	-	-	-	(1.615)	-	(1.615)
Translation difference	-	(336.009)	(523.730)	(1.784.145)	(80.044)	(27.913)	(5.021)	(4.995)	(2.761.857)
Charge for the period	-	(51.124)	(75.059)	(374.028)	(27.694)	(17.343)	(4.400)	-	(549.648)
Impairment (***)	-	-	(17)	(1.963)	-	-	-	-	(1.980)
Disposals	-	67	713	47.905	4.998	1.717	2.521	-	57.921
Closing balance as of 31 December 2015	-	(1.718.537)	(2.650.501)	(9.107.231)	(562.416)	(241.276)	(29.041)	(24.671)	(14.333.673)
Net book value as of 31 December 2014	136.061	586.080	952.828	5.627.883	326.350	186.851	8.536	374.768	8.199.357
Net book value as of 31 December 2015	173.843	700.092	1.164.567	7.000.646	396.049	232.996	30.979	535.797	10.234.969

(*) The amount of capitalized borrowing cost is TRY 388 thousand for the current period (31 December 2014: TRY 3.936 thousand).
(**) TRY 4.074 thousand is transferred to intangible assets (Note 13).
(***) The Group review the amount of discarded fixed asset which is not able to generate cash flows independently. Accordingly, the review led to the recognition of an impairment loss of TRY (1.980) thousand that has been recognized in profit or loss under other operating expenses (Note 24). (31 December 2014: TRY (18.555) thousand).
(****) The Group's opening balances of leasehold improvements under intangible assets transferred to other property, plant and equipment.

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress (CIP)	Total
Cost									
Opening balance as of 1 January	122.007	1.724.939	2.721.371	11.379.466	731.536	354.805	23.577	429.980	17.487.681
Translation difference	8.669	148.388	235.353	990.267	50.047	22.931	1.635	33.161	1.490.451
Additions	400	381	560	59.157	3.810	12.682	4.425	248.883	330.298
Transfers from CIP (*)	4.985	43.843	47.952	208.186	1.770	7.039	78	(317.580)	(3.727)
Disposals	-	-	-	(14.193)	(1.137)	(12.869)	(653)	-	(28.852)
Closing balance as of 31 December 2014	136.061	1.917.551	3.005.236	12.622.883	786.026	384.588	29.062	394.444	19.275.851
Accumulated Depreciation									
Opening balance as of 1 January	-	(1.187.900)	(1.828.208)	(6.178.044)	(414.762)	(186.916)	(18.295)	-	(9.814.125)
Translation difference	-	(103.488)	(160.523)	(543.162)	(23.834)	(8.373)	(1.319)	(1.121)	(841.820)
Charge for the period	-	(40.083)	(63.677)	(285.197)	(22.121)	(13.885)	(1.565)	-	(426.528)
Impairment	-	-	-	-	-	-	-	(18.555)	(18.555)
Disposals	-	-	-	11.403	1.041	11.437	653	-	24.534
Closing balance as of 31 December 2014	-	(1.331.471)	(2.052.408)	(6.995.000)	(459.676)	(197.737)	(20.526)	(19.676)	(11.076.494)
Net book value as of 31 December 2013	122.007	537.039	893.163	5.201.422	316.774	167.889	5.282	429.980	7.673.556
Net book value as of 31 December 2014	136.061	586.080	952.828	5.627.883	326.350	186.851	8.536	374.768	8.199.357

(*) TRY 3.727 thousand is transferred to intangible assets (Note 13).

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

	31 December 2015	31 December 2014
Associated with cost of production	523.859	402.224
General administrative expenses	6.846	10.507
Marketing, sales and distribution expenses	18.142	13.653
Research and development expenses	801	144
	549.648	426.528

NOTE 13 – INTANGIBLE ASSETS

	Rights	Exploration Costs and Other Assets with Specific Useful Life	Other Intangible Assets	Total
Cost				
Opening balance as of 1 January	252.514	95.819	9.717	358.050
Translation difference	62.283	-	3.983	66.266
Additions	14.944	4.221	618	19.783
Transfers from CIP	4.074	-	-	4.074
Transfers (*)	-	(4.206)	-	(4.206)
Closing balance as of 31 December 2015	333.815	95.834	14.318	443.967
Accumulated amortization				
Opening balance as of 1 January	(119.676)	(62.603)	(7.212)	(189.491)
Translation difference	(28.403)	-	(3.916)	(32.319)
Charge for the period	(15.431)	(5.354)	(630)	(21.415)
Transfers (*)	-	1.615	-	1.615
Closing balance as of 31 December 2015	(163.510)	(66.342)	(11.758)	(241.610)
Net book value as of 31 December 2014	132.838	33.216	2.505	168.559
Net book value as of 31 December 2015	170.305	29.492	2.560	202.357

(*) The Group's opening balances of leasehold improvements under intangible assets transferred to property, plant and equipment.

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

NOTE 13 – INTANGIBLE ASSETS (cont'd)

	Rights	Exploration Costs and Other Assets with Specific Useful Life	Other Intangible Assets	Total
Cost				
Opening balance as of 1 January	220.331	91.881	7.105	319.317
Translation difference	18.771	290	1.111	20.172
Additions	10.747	3.648	439	14.834
Transfers from CIP	2.665	-	1.062	3.727
Closing balance as of 31 December 2014	252.514	95.819	9.717	358.050
Accumulated amortization				
Opening balance as of 1 January	(98.121)	(56.144)	(5.902)	(160.167)
Translation difference	(8.227)	(88)	(1.108)	(9.423)
Charge for the period	(13.328)	(6.371)	(202)	(19.901)
Closing balance as of 31 December 2014	(119.676)	(62.603)	(7.212)	(189.491)
Net book value as of 31 December 2013	122.210	35.737	1.203	159.150
Net book value as of 31 December 2014	132.838	33.216	2.505	168.559

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

	31 December 2015	31 December 2014
Associated with cost of production	17.504	17.374
General administrative expenses	3.363	2.013
Marketing, sales and distribution expenses	548	514
	21.415	19.901

NOTE 14 – GOVERNMENT GRANTS AND INCENTIVES

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

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

Research and development incentive premiums taken or certain to be taken amounts to TRY 836 thousand (2014: TRY 531 thousand) which are accounted under income statement for the year ended 31 December 2015.

NOTE 15 – EMPLOYEE BENEFITS

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

	31 December 2015	31 December 2014
Due to personnel	93.459	74.611
Social security premiums payable	26.241	24.909
	119.700	99.520

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

	31 December 2015	31 December 2014
Provisions for employee termination benefits	404.699	393.478
Provisions for seniority incentive premium	28.289	25.389
Provision for unpaid vacations	72.927	68.857
	505.915	487.724

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

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

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2015 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 December 2015	31 December 2014
Discount rate	10,70%	8,00%
Inflation rate	7,75%	6,50%
Salary increase	real 1.5%	real 1.5%
Maximum liability increase	7,75%	6,50%

NOTE 15 – EMPLOYEE BENEFITS (cont'd)

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 December 2015, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 December 2015, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	393.478	307.528
Service cost	40.125	26.379
Interest cost	30.466	28.568
Actuarial loss/(gain)	(22.930)	75.386
Termination benefits paid	(36.709)	(39.777)
Translation difference	269	(4.606)
Closing balance	404.699	393.478

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

Sensitivity level

	Discount rate	
Rate	1% increase	1% decrease
Chage in employee benefits liability	(35.505)	41.291

	Inflation rate	
Rate	1% increase	1% decrease
Chage in employee benefits liability	38.280	(25.618)

NOTE 15 – EMPLOYEE BENEFITS (cont'd)

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

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

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	25.389	17.667
Service cost	3.970	2.312
Interest cost	2.229	1.870
Actuarial loss/(gain)	(1.743)	5.948
Termination benefits paid	(1.602)	(2.224)
Translation difference	46	(184)
Closing balance	28.289	25.389

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

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	68.857	67.037
Provision for the period	54.151	48.475
Vacation paid during the period (-)	(5.102)	(6.474)
Provisions released (-)	(45.042)	(39.983)
Translation difference	63	(198)
Closing balance	72.927	68.857

NOTE 16 – PROVISIONS

The Group's short term provisions are as follows:

	31 December 2015	31 December 2014
Provision for lawsuits	210.914	214.722
Provision for termination fee of long term contract	218.070	-
Penalty prov. for employment shortage of disabled pers.	5.434	5.223
Provision for state right on mining activities	2.589	4.484
Provision for civil defense fund	-	10.099
	437.007	234.528

NOTE 16 – PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	1 January 2015	Change for the period	Payments	Provision released	Translation difference	31 December 2015
Provision for lawsuits	214.722	42.931	(8.550)	(57.561)	19.372	210.914
Penalty prov. for employment shortage of disabled pers.	5.223	4.265	(3.192)	(1.032)	170	5.434
Provision for state right on mining activities	4.484	2.589	(3.598)	(886)	-	2.589
Provision for termination fee of long term contract	-	203.903	-	-	14.167	218.070
Provision for civil defense fund	10.099	-	-	(9.422)	(677)	-
	234.528	253.688	(15.340)	(68.901)	33.032	437.007

	1 January 2014	Provision for the period	Payments	Provision released	Translation difference	31 December 2014
Provision for lawsuits	194.475	43.919	(7.537)	(22.837)	6.702	214.722
Penalty prov. for employment shortage of disabled pers.	4.568	2.546	(880)	(1.019)	8	5.223
Provision for state right on mining activities	2.642	4.861	(3.019)	-	-	4.484
Provision for civil defense fund	3.341	6.951	-	-	(193)	10.099
	205.026	58.277	(11.436)	(23.856)	6.517	234.528

NOTE 16 – PROVISIONS (cont'd)

Provision for lawsuits

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

	31 December 2015	31 December 2014
Lawsuits filed by the Group	474.468	401.529
Provision for lawsuits filed by the Group	54.849	49.380

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

	31 December 2015	31 December 2014
Lawsuits filed against the Group	293.156	242.347
Provision for lawsuits filed against the Group	210.914	214.722

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

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

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

NOTE 16 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

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

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on "IFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with "IFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 December 2015 and 31 December 2014 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. (E. 2011/551). 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, doesn't expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 December 2015 and 31 December 2014.

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 2 July 2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company.

NOTE 16 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27 March 2010 claiming that the objection should be overruled and USD 68.312.520 should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011. Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915) and after this, the case file was sent back to the 7th Commercial Court of Ankara. 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.

An action of debt was instituted by Messrs. Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. against our company at the 3rd Civil Court of Kdz. Ereğli 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, which was served to the company on 1 November 2013 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 Isı 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. Ereğli Civil Court of First Instance 3rd (2015/16 E.) has dismissed at the hearing held on 9 September 2015. The case is at the stage of appeal.

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 TRY 8.669 thousand (USD 4.800 thousand) together with accessory against the Company before Ankara 14th Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgment becomes definite and in case of request. The case still continues on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. The court file has been entrusted to the expert. Date of next hearing of the case is 12 April 2016.

NOTE 16 – PROVISIONS (cont'd)

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 in 2015 and 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.

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, TRY 203.903 thousand (equivalent to USD 75.000 thousand) provision recognised under other operational expenses in the financial statements for the ended 31 December 2015 (Note 24).

Provision for state right on mining activities

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

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2015	31 December 2014
Letters of guarantees received	1.514.383	1.538.130
	1.514.383	1.538.130

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

	31 December 2015	31 December 2014
A. Total CPM given for the Company's own legal entity	105.891	73.574
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	787.106	1.155.440
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	-	-
	892.997	1.229.014

As of 31 December 2015, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2014: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 787.106 thousand has been given as collateral for financial liabilities explained in Note 6.

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

	31 December 2015	31 December 2014
US Dollars	514.969	771.816
TRY	140.257	144.474
EURO	206.288	274.778
Japanese Yen	31.483	37.946
	892.997	1.229.014

NOTE 18 – OTHER ASSETS AND LIABILITIES

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

Other current assets

	31 December 2015	31 December 2014
Other VAT receivable	51.684	44.134
Deferred VAT	33.417	37.035
Prepaid taxes and funds	1.575	1.422
Other current assets	8.809	8.955
	95.485	91.546

Other current liabilities

	31 December 2015	31 December 2014
VAT payable	36.003	40.524
Other current liabilities	4.647	3.589
	40.650	44.113

Other non-current liabilities

	31 December 2015	31 December 2014
Other non-current liabilities	442	367
	442	367

NOTE 19 – DEFERRED REVENUE

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

	31 December 2015	31 December 2014
Advances received	87.937	73.839
Deferred income	5.440	2.619
	93.377	76.458

NOTE 20 – EQUITY

As of 31 December 2015 and 31 December 2014, the capital structure is as follows:

Shareholders	(%)	31 December 2015	(%)	31 December 2014
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares		(116.232)		(116.232)
		3.540.381		3.540.381

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

The issued capital of the Company in 2015 consists of 350.000.000.000 lots of shares (31 December 2014: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (31 December 2014: 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 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

The Board of Directors consists of 9 members, 3 of which are independent. The number and qualifications of independent members are ascertained in compliance with the CMB's Communique numbered II-17,1 on Corporate Governance Principles.

The General Assembly has to choose one member to the Board of Directors from the nominees of the Privatization Administration as the beneficiary owner representing A Group shares. In case, the Board member representing the A Group shares leaves the board within the chosen period, a new board member is obliged to be chosen from the nominees of the Privatization Administration as the beneficiary owner. For decisions to be taken about the rights assigned to A Group shares, the board member representing A Group shares is also obliged to use an affirmative vote. The decisions to change the Articles of Association of the Company that will have an effect on the board of directors' meeting and decision quorum, rights assigned to A Group shares, rights assigned to A Group shares in relation to investments and employment decisions and any other changes in the Articles of Association of the Company which will directly or indirectly affect the rights of A Group shares, have to receive an affirmative vote of the beneficiary owner representing the A Group shares. Otherwise, the decisions are accepted as invalid.

NOTE 20 – EQUITY (cont'd)

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" allows Erdemir to purchase, hold, sell or transfer its own shares, without voting rights. As of 31 December 2015, the Company holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2014: TRY 107.837 thousand). The Company's own shares have been reclassified with its inflation adjusted value in the consolidated balance sheet as a deduction under equity.

Other equity items	31 December 2015	31 December 2014
Share premium	106.447	106.447
Revaluation reserves	27.215	24.151
-Cash flow hedging reserves	*27.215*	*24.151*
Cash Flow Hedging Reserves	(2.192)	7.160
Foreign currency translation reserves	4.012.449	1.616.002
Actuarial (loss)/ gain fund	(107.795)	(125.714)
Restricted reserves assorted from profit	950.831	617.355
-Legal reserves	*950.831*	*617.355*
Retained earnings	2.527.180	2.616.106
-Extraordinary reserves	*781.469*	*780.894*
-Accumulated profit	*987.684*	*855.200*
-Statutory reserves	*758.027*	*980.012*
	7.514.135	4.861.507

However, in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") on 13 June 2013 which is published on Official Gazette numbered 28676, "Paid-in capital", "Restricted profit reserves" and "Share premium" should be presented by using their registered amounts in the statutory records. The restatement differences (e.g. inflation restatement differences) arising from the application of this Communiqué should be associated with the:

- "Capital restatement differences" account, following the "paid-in capital" line item in the financial statements, if the differences are caused by "paid-in capital" and have not been added to capital yet;
- "Retained earnings", if the differences are arising from "restricted profit reserves" and "share premium" and have not been associated with either profit distribution or capital increase yet.

Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences may only be considered as part of the paid-up capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

NOTE 20 – EQUITY (cont'd)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate for the publicly-held subsidiaries. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used as an internal source of capital increase, dividend distribution in cash or the net off from prior period losses. In case of usage of inflation adjustment to issued capital in dividend distribution in cash, it is subject to corporation tax.

Other sources which might be used in dividend distribution, except the net profit for the period, in statutory books of the Company are equal to TRY 596.363 thousand as of 31 December 2015 (31 December 2014: TRY 960.741 thousand).

The legal reserves and the share premium, which is regarded as legal reserve in accordance with TCC Article 466, are presented using their amounts in statutory records. In this context, the difference of inflation restatements in accordance with IFRS framework, that are not subject to profit distribution or capital increase as of the date of financial statements, is associated with the retained earnings.

According to the first paragraph of Article 519 numbered 6102 of the Turkish Commercial Code ("TCC"), 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. First dividend is appropriated for shareholders after deducting from the profit. Following the deduction of the amounts from the "profit", General Assembly of Shareholders is authorized to decide whether shall be the remaining balance shall be fully or totally placed in extraordinary legal reserves or whether it is distributed, also taking into consideration the Company's profit distribution policy. According to the sub-clause 3 of the clause 2 of Article 519 of the Turkish Commercial Code, after deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; ten percent of the remaining balance shall be appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

According to the CMB Communiqué, until the company's Article of Association was revised on 31 March 2008, an amount equal to the first dividend distributed to shareholders is allocated as status reserves in order to be used in the plant expansion. Also according to the 13th Article of Association before the revision on 31 March 2008, 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital. The reserve amount that exceeds the 20% of the legal reserves, defined by the Article 519 of TCC, is recorded as status reserve. Company's Shareholders' General Assembly, which was held at 30 March 2012, decided status reserves can be used as an internal source of capital increase and profit sharing.

NOTE 20 – EQUITY (cont'd)

Cash flow hedging reserve arises from the recognition of the changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows directly in equity. The amounts deferred in equity are recognized in the consolidated statement of income in the same period, if the hedged item affects profit or loss.

Revaluation reserve of property, plant and equipment arises from the revaluation of land and buildings. In the case of a sale or retirement of the revalued property, the related revaluation surplus remaining in the properties revaluation reserve is transferred directly to the retained earnings.

The amendment in IAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Actuarial (Loss)/Gain Funds" under the equity. The funds for actuarial gains/ (losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

As it stated in Note 2.1, foreign currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 21 – SALES AND COST OF SALES

	1 January - 31 December 2015	1 January - 31 December 2014
Sales Revenue		
Domestic sales	10.592.118	9.962.783
Export sales	1.159.922	1.230.427
Other revenues (*)	198.004	308.022
Sales returns (-)	(27.678)	(11.158)
Sales discounts (-)	(7.785)	(5.937)
	11.914.581	11.484.137
Cost of sales (-)	(9.854.290)	(9.045.652)
Gross profit	2.060.291	2.438.485

(*)The total amount of by product exports in other revenues is TRY 23.409 thousand (31 December 2014: TRY 139.685 thousand).

NOTE 21 – SALES AND COST OF SALES (cont'd)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Raw material usage	(6.894.340)	(6.376.176)
Personnel costs	(1.212.635)	(1.085.243)
Energy costs	(698.858)	(616.695)
Depreciation and amortization expenses	(531.742)	(409.791)
Factory overheads	(290.866)	(214.760)
Other cost of goods sold	(65.500)	(142.572)
Non-operating costs (*)	(26.147)	(67.390)
Freight costs for sales delivered to customers	(87.211)	(62.594)
Inventory write-downs within the period (Note 9)	(39.092)	(29.951)
Reversal of inventory write-downs (Note 9)	12.256	15.013
Other	(20.155)	(55.493)
	(9.854.290)	(9.045.652)

(*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (26.147) thousand, has been accounted directly under cost of goods sold (31 December 2014: TRY (67.390) thousand).

NOTE 22 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

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

	1 January - 31 December 2015	1 January - 31 December 2014
Marketing, sales and distribution expenses (-)	(131.002)	(119.786)
General administrative expenses (-)	(284.738)	(232.012)
Research and development expenses (-)	(9.240)	(6.999)
	(424.980)	(358.797)

NOTE 23 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

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

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses (-)	(71.000)	(65.053)
Depreciation and amortization(-)	(18.690)	(14.167)
Service expenses (-)	(41.312)	(40.566)
	(131.002)	(119.786)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses (-)	(150.128)	(135.299)
Depreciation and amortization (-)	(10.209)	(12.520)
Service expenses (-)	(105.430)	(71.756)
Tax, duty and charges (-)	(7.237)	(3.934)
Provision for doubtful receivables (-)	(11.734)	(8.503)
	(284.738)	(232.012)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses (-)	(6.322)	(4.364)
Depreciation and amortization (-)	(801)	(144)
Other (-)	(2.117)	(2.491)
	(9.240)	(6.999)

NOTE 24 – OTHER OPERATING INCOME/(EXPENSES)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Other operating income		
Gain on sale of investment property (Note 11)	45.767	-
Interest income from on credit sales	64.821	59.360
Discount income	16.283	15.479
Provisions released	68.015	23.896
Service income	21.328	18.389
Maintenance repair and rent income	13.676	7.243
Warehouse income	4.191	3.085
Indemnity and penalty detention income	2.151	4.079
Insurance indemnity income	13.747	738
Royalty income	-	606
Gain on sale of tangible assets	989	1.054
Other income and gains	24.440	14.634
	275.408	148.563

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

	1 January - 31 December 2015	1 January - 31 December 2014
Other operating expenses (-)		
Provision expenses	(37.131)	(41.057)
Discount expenses	(22.961)	(9.155)
Provision for termination fee of long term contract (Note 16)	(203.903)	-
Port facility pre-licence expenses	(7.235)	(4.906)
Lawsuit compensation expenses	(3.576)	(3.765)
Penalty expenses	(2.764)	(3.485)
Service expenses	(3.297)	(2.638)
Rent expenses	(1.803)	(618)
Donation expenses	(2.091)	(10.213)
Stock exchange registration expenses	(1.018)	(910)
Loss on disposal of tangible assets	(3.659)	(4.127)
Stock exchange registration expenses	-	(5.588)
Impairment of property, plant and equipment (Note 12)	(1.980)	(18.555)
Other expenses and losses	(28.498)	(28.822)
	(319.916)	(133.839)

NOTE 25 – FINANCE INCOME

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

Financial incomes	1 January - 31 December 2015	1 January - 31 December 2014
Interest income on bank deposits	86.276	53.675
Foreign exchange gains (net)	335.431	163.610
Fair value differences of derivative financial instruments (net)	-	12.220
	421.707	229.505

NOTE 26– FINANCE EXPENSES

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

Financial expenses (-)	1 January - 31 December 2015	1 January - 31 December 2014
Interest expenses on financial liabilities	(122.551)	(184.271)
Interest cost of employee benefits	(32.695)	(30.438)
Foreign exchange loss from deferred tax base	(385.199)	(140.617)
Fair value differences of derivative financial instruments (net)	(33.369)	-
Other financial expenses	(2.529)	(3.020)
	(576.343)	(358.346)

During the period, the interest expenses of TRY 388 thousand have been capitalized as part of the Group's property, plant and equipment (31 December 2014: TRY 3.936 thousand).

NOTE 27 –TAX ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Corporate tax payable:		
Current corporate tax provision	472.407	266.045
Prepaid taxes and funds (-)	(254.638)	(136.337)
	217.769	129.708

	1 January - 31 December 2015	1 January - 31 December 2014
Taxation:		
Current corporate tax expense	472.407	266.045
Deferred tax income / (expense)	(198.549)	38.735
	273.858	304.780

NOTE 27 –TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax

The Group, except its subsidiary in Romania and Singapore, is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective corporate tax rate in Turkey is 20%, 16% in Romania and 17% in Singapore as of 31 December 2015 (31 December 2014: in Turkey 20%, in Romania 16%, in Singapore 17%). The total amount of the corporate tax paid by the Group in 2015 is TRY 384.346 thousand (31 December 2014: TRY 181.327 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2015 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period. (31 December 2014: 20%).

Losses can be carried forward to offset the future taxable income for up to maximum 5 years (Romania: 7 years). However, losses cannot be carried back to offset the profits of the previous periods, retrospectively.

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, except for the dividends distributed to fully fledged taxpayer companies receiving and declaring these dividends and to Turkish branches of foreign companies. The rate of income withholding tax applied to all companies in the period of 24 April 2003 - 22 July 2006 is 10%. This rate was changed to 15% as of 22 July 2006 by the decision of the Council of Ministers, numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to the income withholding taxes.

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

NOTE 27 –TAX ASSETS AND LIABILITIES (cont'd)

Investment allowance application

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

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23 July 2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. As limitation of investment allowance to 25% of the profit by regulation numbered 6009 is found to be contrary to law by the Constitutional Court, the Constitutional Court cancelled the regulation and stayed an execution. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made (31 December 2014: 20%).

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon the temporary differences arising between its taxable statutory financial statements and its financial statements prepared in accordance with the CMB's Communiqué on Accounting Standards. These differences usually result in the recognition of revenue and expenses in different reporting periods for the CMB regulations and tax purposes.

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% for the subsidiaries in Turkey, 17% for the subsidiary in Singapore and 16% for the subsidiary in Romania (31 December 2014: 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 2014: 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.

NOTE 27 –TAX ASSETS AND LIABILITIES (cont'd)

	31 December 2015	31 December 2014
Deferred tax assets:		
Carry forward tax losses	2.316	2.056
Provisions for employee benefits	101.179	97.545
Investment incentive	10.532	-
Provision for lawsuits	42.183	37.598
Provision for termination fee of long term contract	43.614	-
Inventories	7.491	15.601
Provision for other doubtful receivables	13.479	12.481
Tangible and intangible fixed assets	11.227	9.901
Other	29.857	21.606
	261.878	196.788
Deferred tax liabilities:		
Tangible and intangible fixed assets	(1.250.788)	(788.481)
Fair values of the derivative financial instruments	(9.232)	(13.399)
Amortized cost adjustment on loans	(3.472)	(6.199)
Inventories	(17.625)	(10.828)
Other	(5.756)	(4.110)
	(1.286.873)	(823.017)
	(1.024.995)	(626.229)

In the financial statements which are prepared according to the TAS, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its affiliates that are separate taxpayer entities, the net deferred tax assets and liabilities of the related companies are classified separately within the accounts of deferred tax assets and liabilities of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries' consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

Presentation of deferred tax assets/(liabilities):

	31 December 2015	31 December 2014
Deferred tax assets	23.807	31.881
Deferred tax (liabilities)	(1.048.802)	(658.110)
	(1.024.995)	(626.229)

NOTE 27 –TAX ASSETS AND LIABILITIES (cont'd)

Maturities of carry forward tax losses are as follows:

	Carry forward tax losses		Deferred tax assets	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
1 year	-	-	-	-
2 year	-	-	-	-
3 year	14.475	-	14.475	-
4 year	-	19.100	-	1.629
5 year	-	8.651	-	8.651
	14.475	27.751	14.475	10.280

Deferred tax asset/(liability) movements:	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	(626.229)	(409.266)
Deferred tax income	198.549	(38.735)
The amount in comprehensive (expense)/income	(2.170)	10.909
Translation difference	(595.145)	(189.137)
Closing balance	(1.024.995)	(626.229)

Reconciliation of tax provision is as follows:

Reconciliation of tax provision:	1 January - 31 December 2015	1 January - 31 December 2014
Profit before tax	1.436.167	1.965.571
Statutory tax rate	20%	20%
Calculated tax acc. to effective tax rate	287.233	393.114
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	2.777	4.668
- Effect of tax losses unrecognised deferred tax assets in prior years	-	(92.022)
- Effect of currency translation to non taxable assets	(7.906)	(4.219)
- Investment incentives	(10.532)	-
- Effect of non-taxable adjustments	2.583	3.164
- Effect of the different tax rates due to foreign subsidiaries	(297)	75
Tax exp. in reported in the consolidate stat. of income	273.858	304.780

NOTE 27 –TAX ASSETS AND LIABILITIES (cont'd)

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

	1 January – 31 December 2015		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	3.064	-	3.064
Change in actuarial (loss)/gain	22.930	(4.586)	18.344
Change in cash flow hedging reserves	(12.078)	2.416	(9.662)
Change in foreign currency translation reserves	2.462.935	-	2.462.935
	2.476.851	(2.170)	2.474.681

	1 January – 31 December 2014		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	896	-	896
Change in actuarial (loss)/gain	(75.386)	15.077	(60.309)
Change in cash flow hedging reserves	20.842	(4.168)	16.674
Change in foreign currency translation reserves	792.010	-	792.010
	738.362	10.909	749.271

NOTE 28 – EARNINGS PER SHARE

	1 January - 31 December 2015	1 January- 31 December 2014
Number of shares outstanding	350.000.000.000	350.000.000.000
Profit for the period attributable to equity holders - TRY thousand	1.125.913	1.601.415
Profit per share with 1 TRY nominal value TRY %	0,3217 / %32,17	0,4575 / %45,75

NOTE 29 –RELATED PARTY DISCLOSURES

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

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

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

Due from related parties (short term)	31 December 2015	31 December 2014
Oyak Renault Otomobil Fab. A.Ş.(2)	30.868	27.886
Bolu Çimento Sanayi A.Ş.(1)	6.060	3.887
Adana Çimento Sanayi T.A.Ş. (1)	6.068	4.071
Other	134	565
	43.130	36.409

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

Due to related parties (short term)	31 December 2015	31 December 2014
Omsan Lojistik A.Ş.(1)	6.286	3.306
Omsan Denizcilik A.Ş.(1)	6.162	4.982
Oyak Pazarlama Hizmet ve Turizm A.Ş.(1)	8.954	5.361
Oyak Savunma ve Güvenlik Sistemleri A.Ş.(1)	3.542	2.876
Other	1.686	1.804
	26.630	18.329

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

(1) Subsidiaries of the parent company
(2) Joint venture

NOTE 29 –RELATED PARTY DISCLOSURES (cont'd)

Major sales to related parties	1 January - 31 December 2015	1 January - 31 December 2014
Oyak Renault Otomobil Fab. A.Ş.[2]	147.533	128.005
Adana Çimento Sanayi T.A.Ş.[1]	20.700	19.262
Bolu Çimento Sanayi A.Ş.[1]	18.973	16.929
Aslan Çimento A.Ş.[1]	1.209	2.652
Other	3.455	3.662
	191.870	170.510

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

Major purchases from related parties	1 January - 31 December 2015	1 January - 31 December 2014
Omsan Denizcilik A.Ş.[1]	66.838	110.485
Oyak Pazarlama Hizmet ve Turizm A.Ş.[1]	61.441	42.422
Omsan Lojistik A.Ş.[1]	41.235	32.243
Oyak Savunma ve Güvenlik Sistemleri A.Ş.[1]	31.701	30.539
Omsan Logistica SRL[1]	8.524	7.758
Other	12.836	7.018
	222.575	230.465

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

(1) Subsidiaries of the parent company
(2) Joint venture

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

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

Salaries, bonuses and other benefits of the key management:

For the year ended 31 December 2015, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 22.083 thousand (31 December 2014: TRY 18.448 thousand).

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

(a) Capital risk management

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

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

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 6, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 20.

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

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

	Note	31 December 2015	31 December 2014
Total financial liabilities	6	2.975.903	3.413.734
Less: Cash and cash equivalents	4	2.934.703	2.186.810
Net debt		41.200	1.226.924
Total adjusted equity (*)		12.648.179	10.428.861
Total resources		12.689.379	11.655.785
Net debt/Total adjusted equity ratio		0%	12%
Distribution of net debt/ total adjusted equity		0/100	11/89

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

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(b) Significant accounting policies

The Group's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.8.8 Financial Instruments".

(c) Financial risk management objectives

The Group manages its financial instruments through a separate treasury function which was established for that purpose. The developments are followed on a real time basis. The Group's corporate treasury function manages the financial instruments through daily regular meetings by evaluating the domestic and international markets and by considering the daily cash inflows and outflows in accordance with the policies and regulations issued by the Group Risk Management Unit. At the end of each day, each Group company prepares a "daily cash report" and Group Risk Management Unit calculates daily Value at Risk (VaR) for cash and cash equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies. Additionally, the Group's annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

The Group utilizes derivative financial instruments as required and within the terms and conditions determined by the Group Risk Management Unit. Instruments that are highly liquid and securing a high-level yield are preferred when determining the financial instruments. In that respect, the Group has a right to claim the accrued interest on time deposits when withdraw before the predetermined maturity.

(d) Market risk

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

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

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

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management

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

Credit risk of financial instruments	Receivables				Bank Deposits	Derivative financial instruments
	Trade Receivables		Other Receivables			
31 December 2015	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	43.130	1.589.499	-	17.138	2.934.675	87.009
- Secured part of the maximum credit risk exposure via collateral etc.	-	1.443.837	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	43.130	1.589.499	-	17.138	2.934.675	87.009
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	-	-	-	-	-
- secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	77.993	-	67.397	-	-
- Impairment (-)	-	(77.993)	-	(67.397)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management

Credit risk of financial instruments	Receivables					
	Trade Receivables		Other Receivables		Bank Deposits	Derivative financial instruments
31 December 2014	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	36.409	1.720.451	-	27.538	2.186.783	92.312
- Secured part of the maximum credit risk exposure via collateral etc.	-	1.659.676	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	36.409	1.712.411	-	27.538	2.186.783	92.312
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	8.040	-	-	-	-
- secured part via collateral etc.	-	8.040	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	62.107	-	62.403	-	-
- Impairment (-)	-	(62.107)	-	(62.403)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

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

Trade receivables that are overdue but not impaired amounting to TRY 8.040 thousand, are past due up to 1-30 days and secured with guarantees.

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Foreign currency risk management

As of 31 December 2015 and 31 December 2014, stated in Note 2.8.9 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	-
4. Current assets (1+2+3)	**424.547**	**189.509**	**73.104**	**163**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	55.422	41.946	3.227	133.765
8. Non-current assets (5+6+7)	**55.422**	**41.946**	**3.227**	**133.765**
9. Total assets (4+8)	**479.969**	**231.455**	**76.331**	**133.928**
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	-	-
13. Current liabilities (10+11+12)	**1.325.724**	**1.143.429**	**42.540**	**1.857.119**
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	-	-	-	-
17. Non-current liabilities (14+15+16)	**728.638**	**509.082**	**59.996**	**1.200.730**
18. Total liabilities (13+17)	**2.054.362**	**1.652.511**	**102.536**	**3.057.849**
19. Net asset/liability position of off-balance sheet derivative	**(883.204)**	**(12.224)**	**(274.100)**	-
19a. Off-balance sheet foreign currency derivative financial assets	156.598	68.178	27.826	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.039.802	80.402	301.926	-
20. Net foreign currency asset/liability position (9-18+19)	**(2.457.597)**	**(1.433.280)**	**(300.305)**	**(2.923.921)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.553.980)**	**(1.385.450)**	**(29.973)**	**(3.057.686)**
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			

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

	31 December 2014			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	105.778	19.224	30.458	7.433
2a. Monetary financial assets	382.516	370.877	3.608	6.603
2b. Non- monetary financial assets	-	-	-	-
3. Other	105.294	105.193	36	-
4. Current assets (1+2+3)	**593.588**	**495.293**	**34.103**	**14.036**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	36.867	31.348	1.956	-
8. Non-current assets (5+6+7)	**36.867**	**31.348**	**1.956**	**-**
9. Total assets (4+8)	**630.455**	**526.642**	**36.059**	**14.036**
10. Trade payables	254.101	230.220	4.047	533.504
11. Financial liabilities	555.509	426.430	36.904	1.203.596
12a. Other monetary financial liabilities	633.869	632.979	316	-
12b. Other non-monetary financial liabilities	127.120	127.120	-	-
13. Current liabilities (10+11+12)	**1.570.599**	**1.416.750**	**41.267**	**1.737.100**
14. Trade payables	-	-	-	-
15. Financial liabilities	399.791	166.194	66.750	2.183.187
16a. Other monetary financial liabilities	483.582	483.582	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**883.373**	**649.776**	**66.750**	**2.183.187**
18. Total liabilities (13+17)	**2.453.972**	**2.066.525**	**108.017**	**3.920.287**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(578.049)**	**(335.054)**	**(86.147)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	326.618	208.885	41.739	-
19b. Off-balance sheet foreign currency derivative financial liabilities	904.667	543.939	127.886	-
20. Net foreign currency asset/liability position (9-18+19)	**(2.401.566)**	**(1.874.938)**	**(158.104)**	**(3.906.251)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.838.558)**	**(1.549.305)**	**(73.950)**	**(3.906.251)**
22. Fair value of derivative financial instruments used in foreign currency hedge	66.168	18.777	16.801	-
23. Hedged foreign currency assets	904.667	543.939	127.886	-
24. Hedged foreign currency liabilities	326.618	208.885	41.739	-
25. Exports	1.370.112			
26. Imports	5.301.714			

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

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

As of 31 December 2015 asset and liability balances are translated by using the following exchange rates: TRY 2,9076 = US $ 1,TRY 3,1776 = EUR 1 and TRY 0,0241= JPY 1 (31 December 2014: TRY 2,3189 = US $ 1,TRY 2,8207 = EUR 1 and TRY 0,0193= JPY 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2015	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
TOTAL (4+8+12+16)	**(141.813)**	**141.813**

In addition to the Group's foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 154.606 thousand of income / (TRY (62.935) thousand expense) will occur due to the decrease/ (increase) in deferred tax base. (31 December 2014: TRY 166.866 thousand income / TRY (56.859 thousand expense).

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2014	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(153.988)	153.988
2- Hedged portion from TRY risk (-)	20.889	(20.889)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(133.099)	133.099
5- US Dollars net asset/liability	64	(64)
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	64	(64)
9- Euro net asset/liability	(20.297)	20.297
10- Hedged portion from Euro risk (-)	11.773	(11.773)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(8.524)	8.524
13- Jap. Yen net asset/liability	(8.108)	8.108
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(8.108)	8.108
TOTAL (4+8+12+16)	**(149.667)**	**149.667**

(g) Interest rate risk management

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

In addition, through the use of deposits in which the Group has a right to claim the accrued interest when withdrawn before the predetermined maturity, the Group minimizes the interest rate risk by increasing the share of floating rate denominated assets in its consolidated the balance sheet.

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

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management (cont'd)

Interest rate sensitivity

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

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

Interest position table

	31 December 2015	31 December 2014
Floating interest rate financial instruments		
Financial liabilities	2.643.675	2.567.340

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 4.088 thousand.

(h) Liquidity risk management

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

Liquidity risk tables

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

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

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

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2015

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	2.975.903	3.123.556	110.099	1.017.556	1.994.004	1.897
Trade payables	582.203	585.289	585.289	-	-	-
Other financial liabilities (*)	190.530	190.530	190.530	-	-	-
Total liabilities	**3.748.636**	**3.899.375**	**885.918**	**1.017.556**	**1.994.004**	**1.897**
Derivative financial liabilities						
Derivative cash inflows	87.009	1.059.166	256.585	488.588	313.993	-
Derivative cash outflows	(40.850)	(1.005.664)	(248.513)	(478.460)	(278.691)	-
	46.159	**53.502**	**8.072**	**10.128**	**35.302**	-

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

NOTE 30 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2014

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	3.413.734	3.578.406	1.194.804	878.607	1.402.728	102.267
Trade payables	417.579	419.370	419.370	-	-	-
Other financial liabilities (*)	154.888	154.888	154.888	-	-	-
Total liabilities	**3.986.201**	**4.152.664**	**1.769.062**	**878.607**	**1.402.728**	**102.267**
Derivative financial liabilities						
Derivative cash inflows	92.312	1.299.858	662.798	275.636	361.424	-
Derivative cash outflows	(29.935)	(1.481.913)	(647.187)	(293.993)	(540.733)	-
	62.377	**(182.055)**	**15.611**	**(18.357)**	**(179.309)**	**-**

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

NOTE 31 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Additional information about financial instruments

Categories of the financial instruments and their fair values

31 December 2015	Cash and cash equivalent	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Derivative financial instruments through other comprehensive income/loss	Derivative financial instruments through profit/loss	Carrying value	Note
Financial Assets								
Cash and cash equivalents	2.934.703	-	-	-	-	-	2.934.703	4
Trade receivables	-	1.632.629	-	-	-	-	1.632.629	7
Financial investments	-	-	79	-	-	-	79	
Other financial assets	-	17.138	-	-	-	-	17.138	8
Derivative financial instruments	-	-	-	-	23.265	63.744	87.009	5
Financial Liabilities								
Financial liabilities	-	-	-	2.975.903	-	-	2.975.903	6
Trade payables	-	-	-	582.203	-	-	582.203	7
Other liabilities	-	-	-	190.530	-	-	190.530	8/15/18
Derivative financial instruments	-	-	-	-	26.750	14.100	40.850	5
31 December 2014								
Financial Assets								
Cash and cash equivalents	2.186.810	-	-	-	-	-	2.186.810	4
Trade receivables	-	1.756.860	-	-	-	-	1.756.860	7
Financial investments	-	-	63	-	-	-	63	
Other financial assets	-	27.538	-	-	-	-	27.538	8
Derivative financial instruments	-	-	-	-	21.740	70.572	92.312	5
Financial Liabilities								
Financial liabilities	-	-	-	3.413.734	-	-	3.413.734	6
Trade payables	-	-	-	417.579	-	-	417.579	7
Other liabilities	-	-	-	154.888	-	-	154.888	8/15/18
Derivative financial instruments	-	-	-	-	12.940	16.995	29.935	5

NOTE 31 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets
Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

Financial liabilities
Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2015	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	63.744	-	63.744	-
Derivative financial liabilities	(14.100)	-	(14.100)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	23.265	-	23.265	-
Derivative financial liabilities	(26.750)	-	(26.750)	-
Total	46.159	-	46.159	-

NOTE 31 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2014	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	70.572	-	70.572	-
Derivative financial liabilities	(16.995)	-	(16.995)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	21.740	-	21.740	-
Derivative financial liabilities	(12.940)	-	(12.940)	-
Total	62.377	-	62.377	-

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

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

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

NOTE 32 – SUBSEQUENT EVENTS

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

NOTE 33 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

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

	1 January- 31 December 2015	1 January- 31 December 2014
Current trade receivables	570.000	102.712
Inventories	829.687	412.375
Other short term receivables / current assets	17.518	(58)
Other long term receivables / non current assets	46.164	28.129
Current trade payables	58.614	(130.540)
Other short term payables / liabilities	(78.333)	30.885
Other long term payables / liabilities	(8.554)	10.472
	1.435.096	453.975

NOTE 34 – 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 at December 31, 2015, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.