EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT ON INTERIM
FINANCIAL STATEMENTS AS AT 30 JUNE 2009

(Translated into English from
the Original Turkish Report)

Deloitte.

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CONVENIENT TRANSLATION OF THE REVIEW REPORT AND THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Board of Directors of
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

We have reviewed the accompanying consolidated balance sheet of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (the "Company") and its subsidiaries (together the "Group") as of 30 June 2009 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with financial reporting standards published by Capital Markets Board. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with auditing standards published by Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

Capital Markets Board's ("CMB") Communiqué Serial: XI No: 25 "Communiqué on Accounting Standards in the Capital Market" (the "Communiqué") and its supplementary communiqués with some amendments are not in force today which were effective as of the first interim financial statements ending after 1 January 2005. The Company prepared its consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 in accordance with the related Communiqué. However, the Communiqué declared that as an alternative, the application of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards Committee ("IASC") shall be counted as in compliant with the CMB's financial reporting standards. According to CMB letter sent to the Company's management on 7 March 2006 and numbered SPK 017/83-3483, instead of Communiqué XI No: 25, the Company prepared its annual consolidated financial statements as of 31 December 2005 in accordance with IFRS and announced to the public. According to the CMB's *new* Communiqué Serial: XI No: 29 "Communiqué on Financial Reporting Standards in Capital Markets" which abrogated CMB's *–old-*Communiqué Serial: XI No: 25, companies must prepare their financial tables according to IFRS starting from 1 January 2008.

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Because Erdemir prepared its consolidated financial statements as of 31 December 2005 in accordance with a new set of accounting standards (IFRS) instead of the standard applied in the interim periods of 2005 (Communiqué Serial: XI No: 25) net profit for the year 2005 has been affected by (TRY 152,330 Thousand). CMB, through a letter sent to Erdemir numbered B.02.1.SPK.0.13-855-7484 of 05 May 2006 notifying its decision No: 21/526 also made on 5 May 2006, decided that, Erdemir's consolidated financial statements as of 31 December 2005 should be revised in accordance with the set of accounting standards that were used in the interim periods (standards regulated in the "Communiqué"), publicly disclosed and should be immediately presented to the General Assembly for approval

Erdemir filed an annulment lawsuit before 11th Administrative Court of Ankara against that decision (CMB's decision No: B.02.1.SPK.0.13-855-7484 of 05 May 2006 made at the meeting No. 21/526 of 05 May 2006) and claimed the suspension of the execution of that disputed decision until it is abrogated. The court rejected the suspension demand on 13 July 2006 and the appeal to this decision was rejected on 20 July 2006 with the affirmative votes of two members whereupon the reasoned dissenting vote of the other member of the Court became ineffective. 11th Administrative Court of Ankara has decided to reject the annulment lawsuit with its decision numbered E. 2006/1396; K. 2007/494 dated 29 March 2007. On 11 October 2007, Erdemir has appealed this decision which was served to it on 18 September 2007. So, the Case is still pending before the 13th Chamber of the State Council (File number 2007/13762)

On the other hand, the Privatization Administration had also filed a lawsuit before 3rd Commercial Court of First Instance of Ankara against Erdemir on 1 May 2006 asking the Court to cancel Erdemir's General Assembly Resolution of 30 March 2006 regarding the dividend distribution (E. 2006/218). The Court granted a summary judgement dismissing the case on the hearing held on 23 October 2008. The Reasoned Judgement of Dismissal of 3rd Commercial Court of First Instance of Ankara, dated 23 October 2008 and numbered E. 2006/218; K.2008/480 had been notified to Erdemir on 23 December 2008. This Judgement has been appealed by the Privatization Administration on 07 January 2009 and Erdemir, has responded this appeal on 26 January 2009 stating that the challenged Judgment should be approved as it is. So, this case is still pending before the Supreme Court of Appeals.

Due to Erdemir's considerations that there was a permission of CMB about "Application of IFRS on financial statements prepared in 2005" numbered B.02.1.SPK.0.17/83-3483 dated 7 March 2006 and the related lawsuits are also pending, Erdemir has not fulfilled CMB's request and consequently CMB restated Erdemir's consolidated financial statements as of 31 December 2005 by adding negative goodwill of TRY 152,329,914 which was previously classified into the retained earnings, to the profit for the year ended 31 December 2005 on its own initiative, and published them in the Istanbul Stock Exchange (ISE) bulletin dated 15 August 2006.

Therefore Erdemir has filed a new annulment lawsuit before 10th Administrative Court of Ankara on 10 October 2006 against CMB's restatement of Erdemir's consolidated financial statements as of 31 December 2005 on 15 August 2006. Later, the lawsuit has been forwarded to the 11th Administrative Court of Ankara. The 11th Administrative Court of Ankara has rejected this lawsuit with its decision numbered E.2006/2548; K.2007/1071 dated 25 June2007. This decision has been notified to Erdemir on 18 September 2007 and Erdemir has appealed this decision on 11 October 2007 with a demand of "Suspension of Execution". ". The Case is still pending before the 13th Chamber of the State Council (File No. 2007/13724) however, the Chamber has decided to suspend the execution of the decision of 11th Administrative Court of Ankara numbered E. 2006/2548; K. 2007/1071 dated 25 June 2007 and CMB's related action, by its decision numbered 2007/13724 and dated 04 December 2007.

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If 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 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 income statement in accordance with "IFRS 3: Business Combinations". Therefore because of the above-mentioned reasons, net profit for the period ended 30 June 2009 and 2008 will not be affected from above mentioned disputes.

Based on the above mentioned reasons, the Company did not make any adjustments in the accompanying consolidated financial statements for the possible effects of changes in the net profit for the year ended 31 December 2005 due to above-mentioned lawsuits and expects the resolution of these pending lawsuits.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.and its subsidiaries as at 30 June 2009 and of its financial performance and its cash flows for the six-month interim period then ended in accordance with financial reporting standards published by Capital Markets Board.

İstanbul, 20 August 2009

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

Berkman Özata
Partner

TABLE OF CONTENTS **Page**

	Note	(Reviewed) 30 June 2009	(Audited) 31 December 2008
ASSETS			
Current Assets		**3.917.482.920**	**4.649.284.426**
Cash and Cash Equivalents	6	750.735.736	973.469.825
Financial Investments	7	430	9.967
Trade Receivables	10	646.177.725	689.371.863
Due from Related Parties	*38*	*56.080.062*	*106.529.988*
Other Trade Receivables	*10*	*590.097.663*	*582.841.875*
Other Receivables	11	107.333.635	44.971.773
Inventories	13	1.863.846.395	2.553.534.328
Other Current Assets	26	507.620.322	387.926.670
		3.875.714.243	4.649.284.426
Non Current Assets Held for Sale	35	41.768.677	-
Non Current Assets		**7.466.489.337**	**7.285.155.391**
Trade Receivables	10	2.573.120	2.589.593
Other Receivables	11	153.883	153.913
Financial Investments	7	41.471	30.308.140
Associates Accounted For Using Equity Method	16	-	10.909.480
Investment Properties	17	46.577.264	45.973.550
Property, Plant and Equipment	18	6.854.387.824	6.735.479.233
Intangible Assets	19	136.483.794	141.049.960
Deferred Tax Assets	36	334.043.899	232.336.835
Other Non Current Assets	26	92.228.082	86.354.687
TOTAL ASSETS		**11.383.972.257**	**11.934.439.817**

	Note	(Reviewed) 30 June 2009	(Audited) 31 December 2008
LIABILITIES			
Current Liabilities		**2.428.208.827**	**3.355.971.032**
Short Term Borrowings	8	1.496.880.728	2.279.853.357
Trade Payables	10	343.356.843	393.357.474
Due to Related Parties	*38*	*6.450.888*	*3.939.773*
Other Trade Payables	*10*	*336.905.955*	*389.417.701*
Other Payables	11	70.959.528	193.144.607
Due to Related Parties	*38*	*3.423.761*	*117.076.064*
Other Payables	*11*	*67.535.767*	*76.068.543*
Corporate Tax Payable	36	3.178.049	1.650.768
Provisions	22	141.257.611	229.719.508
Other Liabilities	26	372.576.068	258.245.318
Non Current Liabilities		**3.064.790.041**	**2.474.840.646**
Long Term Borrowings	8	2.803.789.077	2.254.463.506
Employee Benefits	24	111.061.788	117.287.493
Deferred Tax Liabilities	36	149.507.941	102.491.378
Other Liabilities	26	431.235	598.269
SHAREHOLDERS' EQUITY	**27**	**5.890.973.389**	**6.103.628.139**
Equity attributable to equity holders of the parent		**5.733.309.149**	**5.936.255.412**
Share Capital		1.148.812.500	1.148.812.500
Inflation Adjustment to Share Capital		731.967.735	731.967.735
Treasury Shares (-)		(43.790.843)	(43.790.843)
Premium in Excess of Par		231.020.042	231.020.042
Revaluation Reserves		25.865.163	26.376.841
Cash Flow Hedging Reserves		(7.204.555)	(1.616.880)
Cumulative Translation Adjustments		3.227.172	3.464.667
Restricted Profit Reserves		1.688.196.335	1.665.921.924
Retained Earnings		2.152.588.439	1.962.624.966
Net Profit/(Loss) for the Period		(197.372.839)	211.474.460
Minority Interest		**157.664.240**	**167.372.727**
TOTAL EQUITY		**11.383.972.257**	**11.934.439.817**

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amounts are expressed as Turkish Lira (TL) unless otherwise stated.)

	Note	(Reviewed) 1 January- 30 June 2009	(Not reviewed) 1 April- 30 June 2009 (Note 42)	(Reviewed) 1 January- 30 June 2008	(Reviewed) 1 April- 30 June 2008
OPERATING INCOME					
Sales Revenue	28	2.303.905.851	1.239.320.749	3.616.528.459	2.197.530.886
Cost of Sales (-)	28	(2.263.322.265)	(1.288.482.452)	(2.506.545.178)	(1.367.457.456)
GROSS PROFIT/(LOSS)		**40.583.586**	**(49.161.703)**	**1.109.983.281**	**830.073.430**
Marketing, Selling and Distribution Expenses (-)	29	(36.850.022)	(16.413.646)	(35.433.128)	(18.138.938)
General Administrative Expenses (-)	29	(55.667.798)	(27.909.195)	(64.788.340)	(37.779.111)
Research and Development Expenses (-)	29	(1.015.654)	(492.016)	(1.572.236)	(913.992)
Other Operating Income	31	29.078.120	6.244.576	18.080.951	9.778.049
Other Operating Expense (-)	31	(54.416.633)	(35.609.546)	(84.092.052)	(51.927.511)
NET OPERATING PROFIT/(LOSS)		**(78.288.401)**	**(123.341.530)**	**942.178.476**	**731.091.927**
Income from investments accounted for using the equity method	16/31	(642.992)	-	3.505.453	2.309.274
Finance Income	32	96.056.130	(26.236.843)	240.695.346	65.761.132
Finance Expenses (-)	33	(255.813.716)	114.636.012	(127.017.981)	672.844
PROFIT/(LOSS) BEFORE TAXATION		**(238.688.979)**	**(34.942.361)**	**1.059.361.294**	**799.835.177**
Tax Income/(Expense)	36	42.548.143	3.224.476	(204.590.787)	(171.691.729)
- Income tax		(10.636.753)	(3.087.939)	(217.178.879)	(178.808.094)
- Deferred tax income		53.184.896	6.312.415	12.588.092	7.116.365
PROFIT/(LOSS) FOR THE PERIOD		**(196.140.836)**	**(31.717.885)**	**854.770.507**	**628.143.448**
- Minority Interest		1.232.003	10.812.439	32.542.468	24.706.025
- Parent Company Share		(197.372.839)	(42.530.324)	822.228.039	603.437.423
EARNINGS/LOSS PER SHARE	37	**(0,1718)**	**(0,0370)**	**0,7157**	**0,5253**

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

	Note	(Reviewed) 1 January- 30 June 2009	(Not reviewed) 1 April- 30 June 2009	(Reviewed) 1 January- 30 June 2008	(Reviewed) 1 April- 30 June 2008
PROFIT/(LOSS) FOR THE PERIOD		**(196.140.836)**	**(31.717.885)**	**854.770.507**	**628.143.448**
Other comprehensive income/(expense):	34				
Change in revaluation reserves		(511.678)	(282.466)	196.783	(54.502)
Change in cash flow hedging reserves		(7.528.041)	(7.894.807)	2.422.435	2.422.435
Change in currency translation reserves		(237.495)	(835.937)	3.186.019	(1.016.617)
Tax relating to components of other comprehensive income/ (expense)	36	1.505.605	1.578.958	(484.487)	(484.487)
OTHER COMPREHENSIVE INCOME/ (EXPENSE) (AFTER TAX)		**(6.771.609)**	**(7.434.252)**	**5.320.750**	**866.829**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(202.912.445)**	**(39.152.137)**	**860.091.257**	**629.010.277**
Distribution of total comprehensive profit/(loss)					
- Minority Interest		797.242	10.243.275	32.679.869	24.843.426
- Parent Company Share		(203.709.687)	(49.395.412)	827.411.388	604.166.851

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amounts are expressed as New Turkish Lira (TL) unless otherwise stated.)

	Note	Share Capital	Inflation Adjustment to Share Capital	Treasury Shares	Premium in Excess of Par	Revaluation Reserves	Restricted Profit Reserves	Cash Flow Hedging Reserves	Cumulative Translation Adjustments	Retained Earnings	**Parent Company Share**	Minority Interest	**Total Shareholders' Equity**
January 1, 2009		**1.148.812.500**	**731.967.735**	**(43.790.843)**	**231.020.042**	**26.376.841**	**1.665.921.924**	**(1.616.880)**	**3.464.667**	**2.174.099.426**	**5.936.255.412**	**167.372.727**	**6.103.628.139**
Dividends paid		-	-	-	-	-	-	-	-	-	**-**	(10.505.729)	**(10.505.729)**
Total comprehensive (loss)/income for the period		-	-	-	-	(511.678)	-	(5.587.675)	(237.495)	(197.372.839)	**(203.709.687)**	797.242	**(202.912.445)**
Cumulative translation adjustment		-	-	-	-	-	-	-	-	763.424	**763.424**	-	**763.424**
Transfers from retained earnings		-	-	-	-	-	22.274.411	-	-	(22.274.411)	**-**	-	**-**
June, 30 2009	**27**	**1.148.812.500**	**731.967.735**	**(43.790.843)**	**231.020.042**	**25.865.163**	**1.688.196.335**	**(7.204.555)**	**3.227.172**	**1.955.215.600**	**5.733.309.149**	**157.664.240**	**5.890.973.389**
January 1, 2008		**844.018.500**	**731.967.735**	**(34.399.974)**	**231.020.042**	**17.979.124**	**1.457.099.875**	**-**	**(2.025.419)**	**2.758.781.354**	**6.004.441.237**	**158.814.688**	**6.163.255.925**
Dividends paid		-	-	-	-	-	-	-	-	(289.015.199)	**(289.015.199)**	(7.567.689)	**(296.582.888)**
Total comprehensive (loss)/income for the period		-	-	-	-	196.783	-	1.800.547	3.186.019	822.228.039	**827.411.388**	32.679.869	**860.091.257**
Cumulative translation adjustments		-	-	-	-	-	-	-	-	(1.321.658)	**(1.321.658)**	-	**(1.321.658)**
Transfers from retained earnings		304.794.000	-	(9.390.869)	-	-	208.822.049	-	-	(504.225.180)	**-**	-	**-**
June, 30 2008	**27**	**1.148.812.500**	**731.967.735**	**(43.790.843)**	**231.020.042**	**18.175.907**	**1.665.921.924**	**1.800.547**	**1.160.600**	**2.786.447.356**	**6.541.515.768**	**183.926.868**	**6.725.442.636**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

(Amounts are expressed as Turkish Lira (TL) unless otherwise stated.)

	Note	1 January – 30 June 2009	1 January – 30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and minority interest		(238.688.979)	1.059.361.294
Adjustments to reconcile net profit /(loss) before tax and net cash provided by operating activities			
Depreciation and amortization expenses	28/30	116.000.210	113.670.578
Provisions for employee termination benefits	24	16.623.699	12.606.272
Incentive premium for severance payment	24	4.020.673	-
Share of profit from subsidiaries consolidated by equity pick-up method	16	642.992	(3.505.453)
Profit / (loss) from tangible fixed asset sales	31	(547.383)	6.640.516
Change in allowance for impairment of fixed assets	31	-	23.801.478
Change in financial investments	7	-	629.643
Change in provision for doubtful receivables	10	3.841.462	(203.546)
Change in allowance for inventories	13	(889.710.231)	(390.780)
Change in accrual for unused vacations	26	(5.367.288)	9.718.583
Change in provision for legal cases	22	(608.122)	378.149
Change in provision for fines	22	20.114.465	-
Change in penalty provision for obligatory employment shortage of disabled people, ex-convicts and terror victims	22	(2.740.163)	4.039.956
Change in provisions for tax related contingencies	22	(3.590.533)	(319.505)
Change in provision for loss on purchase commitments	22	(101.637.544)	-
Finance expense	33	119.223.442	31.280.329
Interest income	32	(64.428.661)	(173.349.419)
Accrued finance expense		136.000.481	30.214.666
Losses on valuation of derivative financial instruments		98.796.201	-
Minority share on change of derivative financial instruments		(434.761)	-
Net cash (used in)/ provided by operating activities before changes in working capital		**(792.490.040)**	**1.114.572.761**
Changes in working capital	42	1.295.229.240	(513.876.346)
Interest paid		(139.393.292)	(91.251.183)
Interest received		63.317.219	175.363.188
Taxes paid	36	(9.109.472)	(62.059.008)
Employee termination benefits paid	24	(26.870.077)	(8.530.811)
Cash provided by operating activities		**390.683.578**	**614.218.601**
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in marketable securities	7	9.537	491.019
Purchase of financial assets	7	(3.351)	(3.342)
Cash provided by fixed asset sales	18/31	2.888.190	16.696.450
Purchases of investment property	17	(603.713)	(15.103.235)
Purchases of tangible fixed assets	18	(220.342.561)	(316.340.628)
Purchases of intangible fixed assets	19	(903.330)	(778.612)
Cash used in investing activities		**(218.955.228)**	**(315.038.348)**
CASH FLOWS FROM FINANCING ACTIVITES			
Proceeds from loans		2.747.328.775	799.099.578
Repayment of loans		(3.132.443.154)	(660.001.746)
Translation difference		46.227	(1.670.383)
Dividends paid to minority interest		-	(289.015.199)
Change in minority		(10.505.729)	(7.430.288)
Cash used in financing activities		**(395.573.881)**	**(159.018.038)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(223.845.531)**	**140.162.215**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	**972.980.449**	**582.743.246**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	**749.134.918**	**722.905.461**
Accrued Interest	6	**1.600.818**	**1.488.280**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED OF INTEREST	6	**750.735.736**	**724.393.741**

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

NOTE 1 – ORGANIZATION AND THE NATURE OF THE OPERATIONS

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries and associates ("the Group") comprises of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir" or "the Company"), as the parent company, and its subsidiaries with the majority of shares owned by the Company or the Company has significant influence on the management structure.

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

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 more than 50 direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be reached from its official website. (www.oyak.com.tr)

Erdemir 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 by-products of all types.

The Company's shares have been trading on Istanbul Stock Exchange since the opening of the Istanbul Stock Exchange in 1986.

The main operation field of the companies included in the consolidation, and the share % of the Group of these companies are as follows:

Name of the Company	Operation	2009 Share %	2008 Share %
İskenderun Demir ve Çelik A.Ş. ("ISDEMIR")	Iron and Steel	92,91	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Iron and Steel	100,00	100,00
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Management and Consultancy	100,00	100,00
Erdemir Romania S.R.L.	Iron and Steel	100,00	100,00
Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş.	Iron and Steel	100,00	100,00
Erdemir Lojistik A.Ş.	Logistics Services	100,00	100,00

In the current reporting period, Arcelor Mittal Ambalaj Çeliği San. ve Tic. A.Ş. has been disclosed as "non current assets held for sale" while it was consolidated by the equity pick-up method in the previous reporting period (Note 35).

The Company's trade registry address is Uzunkum No:7 Karadeniz Ereğli.

Other financial assets mentioned in Note 7 are not consolidated, since their effects on financial statements are immaterial or Erdemir's ownership rate is low.

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

The number of the personnel at 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008
Monthly paid personnel (A)	3.286	3.551
Hourly paid personnel (B)	8.182	9.063
Candidate worker (C)	1.786	1.797
Contractual personnel (D)	17	17
Contractual personnel (Contractor)	85	209
TOTAL	13.356	14.637

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1Basis of presentation

The Company and all its subsidiaries in Turkey maintains its books of account and prepares its statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code (the "TCC") and tax legislation (collectively, "Turkish Practices"). The other subsidiaries which operate abroad maintain its books of account and prepare its statutory financial statements according to the country which they operate in. The Company's financial statements were prepared in accordance with the CMB rules for accounting and reporting (CMB Generally Accepted Accounting Principles).

CMB published a comprehensive set of accounting principles in accordance with the Communiqué Serial: XI, No: 29 on "Communiqué on Financial Reporting in the Capital Market". This communiqué is applicable for the first interim financial statements prepared subsequent to the 1 January 2008 period. The communiqué Serial: XI, No: 29 was issued as a replacement to Communiqué Serial: XI, No: 25 and states that, the financial statements will be prepared in accordance with the International Financial Reporting Standards ("IAS/IFRS") as conceded by the European Union (EU). International Financial Reporting Standards ("IAS/IFRS") will be applied till the time the differences between the International Financial Reporting Standards ("IAS/IFRS") and the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") are declared by the Turkish Accounting Standards Board (TASB). Therefore, the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") which are in compliance with the applied standards will be adopted.

As the differences between the International Financial Reporting Standards ("IAS/IFRS") as conceded by the European Union and the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") have not been declared as of the date of this report, the accompanying financial statements and notes are prepared in accordance with IAS/IFRS as declared in the Communiqué Serial: XI, No: 29 using the required formats as announced by the CMB on 17 April 2008 and 9 January 2009. The mandatory information are included in the report.

The Group, starting from 31 December 2005, started to prepare its consolidated financial statements in accordance with IFRS based on the permission of the CMB's Statement No:017/83-3483, dated 7 March 2006, stating that: "…As explained in your letter, if the disclosure of financial statements prepared in accordance with IFRS, instead of the CMB's Communiqué Serial: XI, No: 25 is required, the 2005 financial statements prepared in accordance with IFRS should be prepared in compliance with the accounting

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

2.1 Basis of presentation (cont'd)

standards of our board. Hence, these financial statements may be issued if only the necessary restatement adjustments in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" are eliminated and the necessary adjustments in the comparative financial statements are made". The accompanying consolidated financial statements are prepared in accordance with IFRS.

Approval of the financial statements:

The financial statements have been approved and authorized to be issued on 20 August 2009 by the Board of Directors. General assembly has the authority to make changes to the financial statements.

2.2 Presentation of the Financial Statements in Hyperinflationary Periods

At the CMB meeting on 17 March 2005, it is declared that the hyperinflationary period is over for the companies operating in Turkey and preparing financial statements in accordance with CMB standards, thus the application of inflation accounting in accordance with IAS 29 "Restatement of Financial Statements in Hyperinflationary Periods" is ceased for the periods after 1 January 2005.

2.3 The Effects of Changes in Accounting Estimates and Errors

If the changes in accounting estimates are only related to a period, then the effects of these changes are recognized in that period only; or recognized prospectively both in the period of the change and in the coming periods, if the change is related to the coming periods. Starting from 1 January 2009, the Group has revised the depreciation method of Erdemir and İsdemir's land improvements, machinery, equipment and vehicles if it is appropriate to implement units of production method, from straight line to the units of production method in order to reflect their expected consumption model in a more accurate way according to the report of Hatch Associates Limited prepared as of 31 December 2008 and dated 12 May 2009.

The rates that are used on and after 1 January 2009 to depreciate the fixed assets are as follows:

	1 January 2009 and after
Buildings	% 2-16
Land Improvements	% 2-33 and units of production level
Machinery and Equipments	% 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

The total effect of depreciation rates applied after 1 January 2009 in Erdemir and İsdemir on the attached financial statements is shown below:

	New rates applied after 1 January 2009 (*)
01.01.2009-30.06.2009 decrease in depreciation amount	24.352.815

(*) The net effect on the income statement of the decrease in the depreciation amount taking into account of the stock effect is TL 15.745.471, before the minority interest.

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

2.3 The Effects of Changes in Accounting Estimates (cont'd)

The estimated effects of the change in the depreciation method of the fixed assets on financial statements for the next five years are given below:

Decrease in depreciation amount	New rates applied after 1 January 2009 (*)
2010 whole year	46.309.033
2011 whole year	46.287.282
2012 whole year	44.160.870
2013 whole year	38.091.127
2014 whole year	39.549.101

(*) The first six month production level of 2009 is calculated by adapting for the twelve month impact.

2.4 Consolidation Principles

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries controlled by the Group as explained in Note 1. Adjustments are made to eliminate intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. Control is achieved where the Group has the power to govern the financial and operating policies of an investor enterprise so as to obtain benefits from its activities.

The accounting policies of the subsidiaries included in consolidation are changed and adopted to the Group's accounting policies where necessary. All significant transactions and balances between the Company and its consolidated subsidiaries are eliminated on consolidation.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other subsidiaries of the Group.

<u>Investments in Associates</u>

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not a control or joint control over those policies.

The results of operations and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

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

2.4 Consolidation Principles (cont'd)

Investments in Associates (cont'd)

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. Goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2.5 Prior Period Comparative Information and Restatement of Prior Periods

To enable the determination of financial condition and performance trends, the Group prepares the financial statements comparative to the previous period. In order to comply with the presentation of the current period financial statements, comparative information are restated when required and detailed information about restatements are presented at note 42.

2.6 Critical Decision Taken in Applying the Entity's Accounting Policies

Net Realizable Value of Inventories

Management has determined that the cost of the inventories is higher than their realizable value as of 30 June 2009. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimate made by the management the cost of inventories was reduced by TL 99.330.852 and the related expense was recorded to cost of sales (Note 13).

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. The accompanying financial statements include, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized in the future. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets because it is probable that taxable profit will be sufficiently available to recognize deferred tax assets in those entities.

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

2.7 Offsetting / Deduction

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.8 Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2009.

IFRS 8" Operating Segments"

IFRS 8 "Operating Segments" replaces IAS 14 "Segment Reporting". This standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. This does not resulted any changes in the disclosures as explained in Note 5.

IAS 1 (Revised) "Presentation of Financial Statements"

IAS 1 revised prohibits the disclosure of changes in the equity during the period which are not related to changes resulting from transactions with shareholders in their capacity as shareholders (other comprehensive income and expenses). Instead, such income and expense items should be shown separately under the "Comprehensive Income Statement" and not under the statement of change in shareholders' equity. Entities are free to choose the usage of a single statement of performance (comprehensive income statement) or two separate statements (income statement and comprehensive income statement). The group has applied the changes made under IAS 1 effective from 1 January 2009 and has chosen to report two separate statements (income statement and comprehensive income statement).

IFRS 7 (Amendment) "Financial Instruments Disclosures"

Amendments to IFRS 7 which was issued in March has been valid for the Group effective from 1 January 2009. The group has applied the amendments in 2009 and made disclosures in the Note 40 about the level of hierarchy of the fair values. Also, in Note 39, the maturity allocation information has been given.

IAS 23, "(Revised) Borrowing Costs"

The Group have been applying IAS 23 Borrowing Cost amendments in previous periods. The amendment eliminates the option to recognize all borrowing costs immediately as expense. The revised standard requires that borrowing costs should be capitalized, to the extent that they costs relate to the acquisition, construction or production of a qualifying asset. In current year, the Group determined the construction of production facility as a qualifying asset as in the previous years. In current year, or the construction, the interests of the loans issued in 2009 and foreign exchange gains/losses have been capitalized. The details of the amount and nature of capitalized borrowing costs are in Note 18, Property, Plant and Equipment.

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

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

The following standards, amendments and interpretations to existing standards have become effective from 2009 onwards, but have not impacted to the Group's financial statements:

- IFRIC 13, "Customer Loyalty Programs"
- IFRS 2, (Revised), "Share-based Payment"
- IAS 31, (Amendment), "Interests in Joint Ventures",
- IAS 32, "Financial Instruments: Presentation"
- IAS 40, (Amendment) "Investment Property"
- IFRIC 15, "Agreements for the Construction of Real Estates"

<u>Standards that are not effective and not implemented in the current period and changes and interpretations about existing standards</u>

The following standards and interpretations are published during the reporting period, but not effective:

- IFRS 2 (Amendment), "Share-based Payment" (Amendments relating to Group Cash-Settled Share-Based Payment Transactions)
- IFRS 3, "Business Combinations", IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", IAS 31 "Interests in Joint Ventures") Comprehensive Revision on Applying the Acquisition Method)
- IAS 39, "Financial Instruments: Recognition and Measurement" (Amendments for Eligible Hedged Items)
- IFRIC 17, "Distributions of non-cash assets to owners"
- May 2008 Amendments (IFRS 5 Non-current Assets Held for Sale and Discontinued Operations)
- April 2009 Amendments (IFRS 2 "Share-based Payment", IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", IFRS 8 – "Operating Segments", IAS 1 - "Presentation of Financial Statements", IAS 7 – "Statement of Cash Flows", IAS 17 – "Leases", IAS 36 – "Impairment of Assets", IAS 38 – "Intangible Assets", IAS 39 - "Financial Instruments: Recognition and Measurement"
- IFRIC 18, "Transfers of Assets from Customers" interpretation is effective for transactions after 1 July 2009

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

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

Summary about below standards are as following:

IFRS 2, "Share Based Payments"

The revised standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The management anticipates that the adoption of IFRS 2 will have no material impact on the financial statements of the Group

IFRS 3, "Business Combinations"

Costs related with acquisitions shall be presented under profit and loss statement when incurred and changes in the contingent costs recorded at the time of inception shall be recorded under profit and loss statement instead of correction from goodwill. It is anticipated that, this standard will have no material impact on the financial statements of the Group.

IAS 39, "Financial Instruments: Recognition and Measurement" Amendments relating to hedging items

This standard clarifies that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognized financial instrument.

IFRIC 17, "Distribution of Non-Cash Assets to Owners"

IFRIC 17 will apply to the mutual distribution of all non monetary assets including cases where the shareholders have the right to choose the monetary and non monetary assets to be distributed. It is anticipated that this interpretation will have no material impact on the financial statements of the Group.

IFRIC 18, "Transfers of Assets from Customers"

IFRIC 18 clarifies the cases in which an entity receives from a customer an item of property, plant, and equipment or cash that must be used only to acquire or construct such items in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services and also provides guidance on how to account for transfers of cash from customers. It is anticipated that, this interpretation will have no material impact on the financial statements of the Group.

Management of the Group anticipated that, those interpretations will have no material impact on the financial statements of the Group in the forthcoming periods.

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

2.9 Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

2.9.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Rental income

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

2.9.2 Inventories

Inventories are stated at the lower of cost or net realizable value. 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 being valued using the monthly weighted moving average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.3 Property, Plant and Equipment

Property, plant and equipment purchased before 1 January 2005 are carried at indexed historical cost for inflation effects as at 31 December 2004, purchases in 2005 and in later periods are carried at historical cost and are presented after 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 useful lives of the assets.

The Group's tangible fixed assets operating in the production of iron ore, flat steel, long steel, seamless steel tube and high silicon flat steel are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the balance sheet date.

Any revaluation increase arising from the revaluation of such assets is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued tangible fixed assets is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Any transfer from revaluation reserve to the retained earnings can not be made unless the asset is disposed.

The useful lives of property, plant and equipment are disclosed at Note: 2.3.

2.9.4 Lease Operations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (detailed in note 2.9.7). Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.5 Intangible Assets

Intangible assets acquired separately

Intangible assets purchased before 1 January 2005 are carried at indexed historical cost for inflation effects as at 31 December 2004, purchases in 2005 and in later periods are carried at historical cost and are recognized less any depreciation and impairment loss. Intangible assets are depreciated principally on a straight-line basis over their expected useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization rates are in the following table for intangible assets:

	1 January 2009 and after
Rights	2-33 %
Exploration costs and other intangible fixed assets with special useful lives	5-10 % and units of production method
Other intangible fixed assets	20-33 %

2.9.6 Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization or depreciation and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2.9.8 Financial Instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.8 Financial Instruments (cont'd)

Financial assets

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

Other 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 the initial recognition.

Effective interest method

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

Debt instruments that are held to maturity, are available for sale, or are loans and receivables recognize in income on an effective interest rate basis.

Available for sale financial assets

Certain shares and redeemable notes held by the Company are classified as being available for sale and are stated at fair value.

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 profit or loss. 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 profit or loss for the period.

Dividends on available for sale equity instruments are recognized in profit and loss when the Companies right to receive payments is established.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Receivables

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

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.8 Financial Instruments (cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. 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 financial assets carried at amortized cost, 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 profit or loss.

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 equity.

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.

<u>Financial liabilities</u>

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.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.8 Financial Instruments (cont'd)

Financial liabilities (cont'd)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

Derivative Financial Instruments and Accounting of Hedging Activities

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are re-measured at their fair value. The method of recognizing the resulting 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 of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated as being and qualify 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 the asset or liability. Otherwise, amounts booked under equity are transferred to the statement of income and classified as revenue or expense in the period in which the hedged firm commitment or forecasted transaction affects the statement of income.

When the hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or possible realization of forthcoming transaction is not expected anymore; 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 a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

Derivative financial instruments which are held by the Group and not accounted for hedge accounting purposes are measured at fair value and changes in the fair value of those derivative financial instruments are recognized in the profit or loss.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.9 Foreign Currency Transactions

Foreign currency transactions are accounted for with the exchange rate ruling at the transaction date. Assets and liabilities denominated in foreign currencies are converted by the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and conversion of foreign currency items are included in the financial statements.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

2.9.10 Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise 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 retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.9.11 Subsequent Events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements

2.9.12 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine probability of outflow of 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 cases where a reliable estimate cannot be made.

When the outflow of economic benefits from the Group is probable but the amount cannot be measured reliably, the Group discloses this fact in the notes.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.13 Changes in Accounting Policies, Accounting Estimates and Errors

Significant changes in accounting policies and accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly. If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively.

2.9.14 Related Parties

In the accompanying financial statements, the companies having direct or indirect control over the Group, companies controlled by the Group, Group's management personnel, or close family members in charge of the Group or the parent company's management are defined as related parties.

2.9.15 Discontinued Operations

Discontinued operations are part of a group which either are classified as held-for-sale or have been disposed of and whose activities and cash flow can be treated separable from the Group's whole activities and cash flows. Discontinued operations; represent separate business or geographical segment, are parts of the plans to sell or dispose thereof, or is a subsidiary acquired for selling. The Group's discontinued operations have been valued with the lower of the book values of related asset and liabilities of the discontinued operations, or fair value less costs to sell (Note 35).

2.9.16 Investment Properties

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and 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 profit or loss in the year of retirement or disposal.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.17 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 accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 FINANCIAL STATEMENTS (cont'd)

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.17 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 profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for 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.

2.9.18 Employee Benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. Actuarial gains and losses are recognized in the statement of income.

2.9.19 Retirement Plans

None.

2.9.20 Agricultural Operations

None.

2.9.21 Statement of Cash Flow

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from steel products sales of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

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

2.9 – Summary of Significant Accounting Policies (cont'd)

2.9.21 Statement of Cash Flow (cont'd)

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

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.

2.9.22 Share capital and dividends

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

2.9.23 Treasury Shares

Article IV-K "According to Turkish Commercial Code article 329, transactions of own shares" of its Articles of Association allows Erdemir to purchase, hold, sell or transfer its own shares, without voting rights, and as of 30 June 2009, the Company holds its own shares with a nominal value of TL 35.395.530 (31 December 2008 with the historical value TL 35.395.530) as a result of past rights issues not taken up by other shareholders. The Company's own shares have been reclassified in the balance sheet as a deduction from the share capital.

2.9.24 Segment Reporting

The operations of the Group in İskenderun and Ereğli have been defined as operating segments. These two operating segments were merged into one single operating segment as they share similar characteristics such as the type of products, production processes, the customers, product allocation methods.

NOTE 3 – BUSINESS COMBINATIONS

None.

NOTE 4 – INVESTMENTS IN JOINT VENTURES

None.

NOTE 5 - SEGMENT REPORTING

The operations of the Group in İskenderun and Ereğli have been defined as a type of geographical segment. There is no need to report separately the segments of the operations considering qualifications of products and process of production, methods to allocate the products and the type of customers or to perform services for products and services and unified the segments.

NOTE 6 – CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as of 30 June 2009 and 31 December 2008 are listed below;

	30 June 2009	31 December 2008
Cash	22.722	11.139
Checks given and payment orders (-)	-	(26.000)
Banks – demand deposits	36.701.810	146.167.802
Banks – time deposits	714.011.204	827.316.884
	750.735.736	973.469.825
Time deposit interest accruals (-)	(1.600.818)	(489.376)
Cash and cash equivalents excluding interest accruals	749.134.918	972.980.449

Demand deposits are listed below:

	30 June 2009	31 December 2008
USD	24.345.117	10.339.920
TL	8.031.060	132.703.481
EURO	3.610.171	1.136.261
RON	583.394	1.968.178
JPY	21.988	11.064
GBP	110.080	8.898
	36.701.810	146.167.802

Time deposits are listed below:

	30 June 2009	31 December 2008
USD	167.590.881	385.679.168
TL	503.198.041	394.043.493
EURO	43.137.022	47.504.249
RON	85.260	89.974
	714.011.204	827.316.884

NOTE 6 – CASH AND CASH EQUIVALENTS (cont'd)

As of 30 June 2009, the details of time deposits are as follows:

Currency	Interest Rate (%)	Maturity	30 June 2009
TL	13,05	01.07.2009	278.334.859
TL	11,30	01.07.2009	112.867.931
TL	13,00	01.07.2009	100.320.548
TL	9,25	01.07.2009	11.002.788
TL	13,00	16.07.2009	471.870
TL	8,25	01.07.2009	200.045
USD	3,30	01.07.2009	154.554.072
USD	1,00	01.07.2009	13.036.809
EURO	5,00	01.07.2009	32.335.843
EURO	5,00	23.07.2009	10.801.179
RON	13,25	25.07.2009	85.260
TOTAL			714.011.204

As of 31 December 2009, the details of time deposits are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2008
TL	17,00	02.01.2009	251.834.918
TL	22,50	02.01.2009	50.030.738
TL	15,75	02.01.2009	48.926.045
TL	15,40	02.01.2009	20.008.415
TL	15,50	02.01.2009	13.217.595
TL	15,25	02.01.2009	10.004.168
TL	15,00	03.01.2009	21.614
USD	3,35	02.01.2009	145.059.481
USD	7,25	05.01.2009	113.375.148
USD	2,50	02.01.2009	81.872.440
USD	2,50	05.01.2009	45.372.099
EURO	8,20	15.01.2009	32.341.546
EURO	7,75	02.01.2009	13.582.719
EURO	1,70	02.01.2009	1.579.984
RON	13,25	25.12.2009	89.974
TOTAL			827.316.884

NOTE 7 – FINANCIAL INVESTMENTS

Held for Trading Portfolio:

	30 June 2009	31 December 2008
Investment Funds	430	9.967

Available For Sale Financial Assets:

The Group's subsidiaries and percentage shares of the ownership interest as of 30 June 2009 and 31 December 2008 are as follows:

Company	Interest %	30 June 2009	Interest %	31 December 2008
Borçelik Çelik San. Tic. A.Ş. (*)	-	-	9,34	48.415.165
Erdemir Gaz San. ve Tic. A.Ş. (**)	100,00	41.471	100,00	38.120
Impairment (***)		-		(18.145.145)
		41.471		30.308.140

(*) Borçelik Çelik San. Tic. A.Ş shares, has been disclosed under "non current assets held for sale" starting from 1 April 2009. (Note 35)

(**) Financial statements of Erdemir Gaz San. ve Tic. A.Ş. is not consolidated as its effect on accompanying consolidated financial statements is immaterial and it is carried at cost in the financial statements.

(***) An impairment of Borçelik Çelik San. Tic. A.Ş. amounting to TL 18.145.145 is recorded according to its USD financial statements as of 31 December 2008 prepared in accordance with IFRS.

NOTE 8 –BORROWINGS

	30 June 2009	31 December 2008
Short term bank loans	700.289.952	1.371.395.202
Current portion of long term loans	796.362.259	908.016.584
Finance lease payables	228.517	441.571
Total short term borrowings	1.496.880.728	2.279.853.357
Long term loans	2.803.789.077	2.254.442.496
Finance lease payables	-	21.010
Total long term borrowings	2.803.789.077	2.254.463.506
	4.300.669.805	4.534.316.863

NOTE 8 – BORROWINGS (cont'd)

As of 30 June 2009, the breakdown of the fixed rate loans according to their type of original currency and weighted average effective interest rates is as follows:

Type of original currency	The effective weighted average rate of interest (%)	2009 Short term portion	2009 Long term portion	30 June 2009
TL	%9,60	364.236.465	-	364.236.465
USD	%4,21	164.196.422	979.495	165.175.917
JPY	%2,50	1.948.838	-	1.948.838
		530.381.725	979.495	531.361.220

As of 30 June 2009, the breakdown of the floating rate loans according to their type of original currency and weighted average effective interest rates is as follows:

Type of original currency	The effective weighted average interest rate (%)	2009 Short term portion	2009 Long term portion	30 June 2009
USD	Libor + 0,994	783.634.712	1.262.846.089	2.046.480.801
TL	TRLibor + 1,77	68.913.023	843.967.138	912.880.161
EURO	Euribor + 0,266	91.583.389	551.300.108	642.883.497
JPY	JPYLibor+0,215	22.139.362	144.696.247	166.835.609
		966.270.486	2.802.809.582	3.769.080.068

As of 31 December 2008, the breakdown of the fixed rate loans according to their type of original currency and weighted average effective interest rates is as follows:

Type of original currency	The effective weighted average interest rate (%)	2009 Short term portion	2009 Long term portion	31 December 2008
TL	%22,21	1.063.131.039	-	1.063.131.039
USD	%1,34	159.125.914	1.984.571	161.110.485
JPY	%2,50	4.513.143	-	4.513.143
		1.226.770.096	1.984.571	1.228.754.667

NOTE 8 – BORROWINGS (cont'd)

As of 31 December 2008, the breakdown of the floating rate loans according to their type of original currency and weighted average effective interest rates is as follows:

Type of currency	The effective weighted average interest rate (%)	2008 Short term portion	2008 Long term portion	31 December 2008
USD	Libor + 0,977	929.481.779	1.527.331.807	2.456.813.586
EURO	Euribor + 0,204	99.464.867	564.663.412	664.128.279
JPY	JPYLibor+0,215	23.695.044	160.462.706	184.157.750
		1.052.641.690	2.252.457.925	3.305.099.615

The breakdown of the loan repayments with respect to maturity is as follows:

	30 June 2009	31 December 2008
Within one year	1.496.652.211	2.279.411.786
Between 1-2 years	1.540.811.395	718.914.884
Between 2-3 years	379.743.564	567.551.363
Between 3-4 years	259.867.669	272.410.229
Between 4-5 years	213.111.015	219.986.660
Five years or more	410.255.434	475.579.360
	4.300.441.288	4.533.854.282

The breakdown of the finance lease payables with respect to maturity is as follows:

	30 June 2009	31 December 2008
Within one year	228.517	441.571
Between 1-2 years	-	21.010
	228.517	462.581

The breakdown of the finance lease payables with respect to currency is as follows:

	30 June 2009	31 December 2008
Euro	145.137	264.511
TL	83.380	198.070
	228.517	462.581

NOTE 8 – BORROWINGS (cont'd)

The details of loans as of 30 June 2009 and 31 December 2008 are as follows:

Interest Rate (%)	Type of original currency	2009 Short term portion	2009 Long term portion	30 June 2009	31 December 2008
Libor + 1,50	USD	108.221.856	199.762.307	307.984.163	304.215.650
Libor + 0,30	USD	46.440.456	201.125.786	247.566.242	264.568.522
Libor + 1,40	USD	80.529.371	149.899.324	230.428.695	227.953.981
Libor + 2,20	USD	45.920.871	154.643.174	200.564.045	218.508.933
Libor + 1,15	USD	221.754.901	-	221.754.901	219.373.267
Libor + 0,55	USD	-	-	-	189.771.015
Libor + 1,05	USD	54.718.819	129.673.686	184.392.505	182.477.674
Libor + 0,44	USD	-	-	-	152.762.304
Libor + 1,25	USD	25.077.702	128.916.030	153.993.732	151.799.941
Libor + 0,45	USD	1.892.409	116.859.226	118.751.635	117.013.137
Libor + 0,50	USD	30.413.520	-	30.413.520	105.242.388
4,00	USD	89.660.152	-	89.660.152	86.878.583
Libor + 0,90	USD	12.308.641	60.212.405	72.521.046	76.400.256
Libor + 0,95	USD	31.708.310	45.188.040	76.896.350	76.126.001
4,27	USD	72.310.332	-	72.310.332	69.987.847
Libor + 0,80	USD	54.303.868	-	54.303.868	53.780.832
Libor + 0,20	USD	8.495.430	34.709.089	43.204.519	42.826.217
Libor + 0,65	USD	7.371.873	31.013.725	38.385.598	28.646.624
Libor + 1,70	USD	22.808.054	-	22.808.054	22.621.923
Libor + 0,15	USD	1.514.737	10.843.297	12.358.034	12.895.429
Libor + 1,00	USD	8.229.790	-	8.229.790	8.146.531
5,78	USD	2.225.938	979.495	3.205.433	4.244.054
Libor + 2,25	USD	21.072.371	-	21.072.371	-
Libor + 0,25	USD	851.733	-	851.733	1.682.962
Euribor + 0,215	EUR	32.894.955	202.306.229	235.201.184	246.987.967
Euribor + 0,20	EUR	17.559.114	97.973.674	115.532.788	112.972.209
Euribor + 0,15	EUR	11.761.005	79.811.778	91.572.783	93.089.587
Euribor + 0,22	EUR	10.942.431	66.490.514	77.432.945	81.786.802
Euribor + 0,14	EUR	9.681.245	67.103.906	76.785.151	81.170.343
Euribor + 0,50	EUR	5.369.161	24.964.184	30.333.345	30.516.385
Euribor + 0,13	EUR	1.540.694	8.368.299	9.908.993	10.601.711
Euribor + 0,25	EUR	1.834.784	4.281.524	6.116.308	7.003.275
		1.039.414.523	1.815.125.692	2.854.540.215	3.282.052.350

NOTE 8 – BORROWINGS (cont'd)

Interest Rate (%)	Type of original currency	2009 Short term portion	2009 Long term portion	30 June 2009	31 December 2008
Previous Page Total		1.039.414.523	1.815.125.692	2.854.540.215	3.282.052.350
JPYLibor + 0,215	JPY	22.139.363	144.696.247	166.835.610	184.157.750
2,50	JPY	1.948.837	-	1.948.837	4.513.143
19,90	TL	-	-	-	250.276.389
20,00	TL	-	-	-	250.135.536
19,50	TL	-	-	-	240.176.239
25,90	TL	-	-	-	208.489.444
26,00	TL	-	-	-	104.576.787
Spot Loans	TL	13.396.465	-	13.396.465	9.476.644
TRLibor + 2,00	TL	15.109.759	289.533.313	304.643.072	-
TRLibor + 1,50	TL	34.559.256	269.731.908	304.291.164	-
TRLibor + 1,65	TL	1.172.380	100.000.000	101.172.380	-
TRLibor + 1,75	TL	17.455.438	134.701.917	152.157.355	-
TRLibor + 2,25	TL	616.190	50.000.000	50.616.190	-
9,60	TL	350.840.000	-	350.840.000	-
TOTAL		1.496.652.211	2.803.789.077	4.300.441.288	4.533.854.282

The book values of these loans approximate their fair value.

NOTE 9 - OTHER FINANCIAL LIABILITIES

None.

NOTE 10 – TRADE RECEIVABLES AND TRADE PAYABLES

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

	30 June 2009	31 December 2008
Short term trade receivables		
Trade receivables	597.232.439	573.897.951
Due from related parties (Note 38)	56.080.062	106.529.988
Notes receivables	5.404.728	5.486.521
Discount on receivables (-)	(2.170.179)	(5.021.047)
Other trade receivables	6.287.824	21.294.137
Provision for doubtful receivables (-)	(16.657.149)	(12.815.687)
	646.177.725	689.371.863

The movements of the provision for short term doubtful receivables :

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	12.815.687	9.590.844
Provision for the period	3.883.739	471.346
Provision released (-)	(42.277)	(210.000)
Closing balance	16.657.149	9.852.190

Long term trade receivables	30 June 2009	31 December 2008
Trade receivables	5.410.372	5.976.130
Discount on receivables (-)	(1.217.459)	(1.766.744)
Provision for doubtful receivables (-)	(1.619.793)	(1.619.793)
	2.573.120	2.589.593

The movements of the provision for long term doubtful receivables:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	1.619.793	1.730.064
Closing balance	1.619.793	1.730.064

NOTE 10 – TRADE RECEIVABLES AND TRADE PAYABLES (cont'd)

For trade receivables, according to the market conditions and product types, a maturity without interest charge is identified for each customer. For the sales which are overdue, according to the market conditions and product types, an interest charge is applied.

The majority of trade receivables are secured by collaterals received from banks. For the doubtful receivables without any collateral, first, administrative follow up procedures are applied, if they are not collected, legal follow up starts. 100% provision is provided for all receivables under legal follow up.

As trade receivables consist of a large number of customers, the aggregate value of transactions concluded is spread amongst customers and there is no significant credit risk exposure. Therefore, the Group does not require any provisions additional to the ones already provided at the accompanying financial statements.

As of the balance sheet date, there are no significant overdue receivables included in the trade receivables. Collaterals were obtained for all of those receivables other than receivables from related parties, and all these receivables were collected during the subsequent months. Therefore, no provision was provided.

Other disclosures for the credit risk of the Group is disclosed in Note 39.

A specific provision is provided by the Group for the full amount of all unsecured receivables under legal follow up.

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

Short term trade payables	30 June 2009	31 December 2008
Trade payables	335.920.622	387.097.908
Discount on trade payables (-)	(498.514)	(1.208.154)
Trade payables due to related parties (Note 38)	6.450.888	3.939.773
Other trade payables	1.483.847	3.527.947
	343.356.843	393.357.474

NOTE 11 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	30 June 2009	31 December 2008
Receivables from price differences of raw material purchases	57.906.888	-
Receivables from the Privatization Administration	49.305.535	44.742.482
Other receivables	6.785.993	6.802.722
Provision for other doubtful receivables (-)	(6.784.247)	(6.800.431)
Deposits and guarantees given	119.466	227.000
	107.333.635	44.971.773

Other comments concerning Group's credit risk are given in note 39.

Movement of provision for other doubtful receivables:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	6.800.431	6.672.963
Provision for the period	-	101.393
Provision released (-)	(16.184)	(566.284)
Closing balance	6.784.247	6.208.072

Other Non Current Receivables

	30 June 2009	31 December 2008
Deposits and guarantees given	153.883	153.913
	153.883	153.913

Other Current Payables

	30 June 2009	31 December 2008
Non trade payables to related parties (Note 38)	3.423.761	117.076.064
Taxes and funds payable	12.443.240	20.528.089
Social security deductions payable	11.905.748	16.356.585
Deferred and/or on installment plan liability to government	38.900.477	31.110.241
Deposits and guarantees received	4.286.302	8.073.628
	70.959.528	193.144.607

NOTE 12 – RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None.

NOTE 13 – INVENTORIES

	30 June 2009	31 December 2008
Raw materials	604.545.313	1.183.916.128
Work in progress	478.407.188	1.041.333.939
Finished goods	316.503.024	768.006.301
Goods in transit	246.929.272	241.178.566
Spare parts	222.115.238	162.805.548
Trade goods	1.807.020	2.183.145
Other inventories	92.870.192	143.151.784
Allowance for impairment of inventories (-)	(99.330.852)	(989.041.083)
	1.863.846.395	2.553.534.328

The movement of allowance for impairment of inventories:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	989.041.083	7.321.846
Provision for the period	96.776.342	1.183.237
Provision released (-)	(986.486.573)	(1.574.017)
Closing balance	99.330.852	6.931.066

As of 30 June 2009, the values of finished and semi-finished product include a depreciation expense amounting to TL 22.934.989 (31 December 2008: TL 48.980.322).

As of 30 June 2009, the depreciation amount of the opening balance of inventories' effect in the cost of goods sold is TL 43.741.202.

The Group has recorded raw materials, work in progress and finished goods in cases where their net realizable values are lower than their costs. The provision provided as of 31 December 2008 was realized by selling the related inventories during the current period.

NOTE 14 – BIOLOGICAL ASSETS

None.

NOTE 15 – RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

None.

NOTE 16 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of the Group's financial assets consolidated by the equity method as of 30 June 2009 and 31 December 2008 are as follows:

Company	30 June 2009	31 December 2008
ArcelorMittal Amb. Çel. San. ve Tic. A.Ş.	-	10.909.480

Name of the associate:	Establishment and Operation Place	Share in Capital %	Voting Rights %	Operation
ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş.	Turkey	25,00	25,00	Steel for Packaging

Financial information of the Group's associate consolidated by the equity method is as follows:

	1 January – 30 March 2009	1 January – 30 June 2008
Income	40.904.945	135.295.238
Net profit/(loss) for the period	(2.571.969)	14.021.812
Group's share in net profit/(loss) for the period	(642.992)	3.505.453

The Group's financial asset which has previously accounted for using the equity method, has been reclassified to "non current assets held for sale" as of 1 April 2009. (Note 35)

NOTE 17 – INVESTMENT PROPERTIES

	1 January – 30 June 2009	1 January – 30 June 2008
Cost		
As of 1 January	45.973.550	30.870.315
Additions	603.714	15.103.235
As of 30 June	46.577.264	45.973.550
Book Value	46.577.264	45.973.550

As of 30 June 2009, according to the appraisal reports the fair value of Group's investment properties with TL 46.577.264 book value is TL 206.145.000. The fair values of the investment properties has been assessed by independent appraisal firms. Çelen Kurumsal Değerleme ve Danışmanlık A.Ş. and Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. who are both independent appraisal companies authorized by the CMB. The valuation is undertaken primarily by using the market transaction values of similar properties as reference.

The group's investment properties consist of land parcels.

For the six month period, ended 30 June 2009, the Group obtained rent income amounting to TL 42.759 (30 June 2008: TL 32.423) from investment properties leased under operational leases.

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other	Construction in progress	Total
Cost									
As of 1 January 2009	95.435.452	1.420.508.894	2.117.904.966	8.828.843.282	597.767.332	267.285.408	14.628.397	1.477.565.472	14.819.939.203
Translation gain/loss	(370.696)	-	(396.942)	(1.026.646)	(38.492)	(63.018)	-	(85.950)	(1.981.744)
Additions	9.957	107.110	127.922	1.615.002	-	569.954	64.431	253.503.002	255.997.378
Disposals	-	(16.650.436)	(258.474)	(50.809.671)	(3.641.508)	(1.835.719)	(349.836)	(947.229)	(74.492.873)
Transfers from "construction in progress" (*)	-	2.712.410	429.321	28.417.675	1.723.269	245.414	-	(33.546.220)	(18.131)
As of 30 June 2009	95.074.713	1.406.677.978	2.117.806.793	8.807.039.642	595.810.601	266.202.039	14.342.992	1.696.489.075	14.999.443.833
Accumulated Depreciation									
As of 1 January 2009	-	(976.715.844)	(1.639.740.716)	(5.010.906.051)	(314.908.831)	(129.764.453)	(12.424.075)	-	(8.084.459.970)
Translation gain/loss	-	-	35.731	627.544	19.914	34.409	-	-	717.598
Charge for the period	-	(8.469.509)	(32.512.748)	(79.342.085)	(6.451.254)	(6.404.345)	(285.761)	-	(133.465.702)
Disposals	-	16.648.995	182.998	49.990.869	3.437.068	1.563.892	328.243	-	72.152.065
As of 30 June 2009	-	(968.536.358)	(1.672.034.735)	(5.039.629.723)	(317.903.103)	(134.570.497)	(12.381.593)	-	(8.145.056.009)
Net book value as of 31 December 2008	95.435.452	443.793.050	478.164.250	3.817.937.231	282.858.501	137.520.955	2.204.322	1.477.565.472	6.735.479.233
Net book value as of 30 June 2009	95.074.713	438.141.620	445.772.058	3.767.409.919	277.907.498	131.631.542	1.961.399	1.696.489.075	6.854.387.824

As of 30 June 2009, capitalized finance expense is amounting to TL 35.636.685 (6 month capitalized finance expense for the term ending 30 June 2008: TL 132.847.317).

(*) Transfers to intangible assets.

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other	Construction in progress	Total
Cost									
As of 1 January 2008	89.146.382	1.178.036.544	2.139.283.317	8.582.394.411	409.337.579	168.467.973	15.558.986	2.139.659.019	14.721.884.211
Translation gain/loss	73.166	-	662.423	1.699.705	56.200	112.716	-	66.319	2.670.529
Additions	-	766.940	1.391.768	5.646.710	1.959.269	1.493.509	86.534	586.428.616	597.773.346
Disposals	(163.040)	(60.400)	(23.069.509)	(94.494.524)	(4.305.119)	(2.601.834)	(293.240)	-	(124.987.666)
Transfers from "construction in progress"	-	69.055.800	16.195.102	314.594.292	85.893.223	47.246.482	3.079.326	(536.064.225)	-
As of 30 June 2008	89.056.508	1.247.798.884	2.134.463.101	8.809.840.594	492.941.152	214.718.846	18.431.606	2.190.089.729	15.197.340.420
Accumulated Depreciation									
As of 1 January 2008	-	(1.010.962.744)	(1.658.351.376)	(5.572.478.183)	(311.481.875)	(120.368.800)	(13.551.762)	-	(8.687.194.740)
Translation gain/loss	-	-	(56.642)	(973.405)	(32.784)	(76.648)	-	-	(1.139.479)
Charge for the period	-	(4.157.055)	(31.379.029)	(83.972.703)	(5.092.038)	(6.868.896)	(397.671)	-	(131.867.392)
Disposals	-	53.172	15.045.572	80.482.681	3.856.010	1.921.794	291.471	-	101.650.700
Impairment	-	(9.337)	(2.808.710)	(20.983.063)	-	(368)	-	-	(23.801.478)
As of 30 June 2008	-	(1.015.075.964)	(1.677.550.185)	(5.597.924.673)	(312.750.687)	(125.392.918)	(13.657.962)	-	(8.742.352.389)
Net book value as of 31 December 2007	89.146.382	167.073.800	480.931.941	3.009.916.228	97.855.704	48.099.173	2.007.224	2.139.659.019	6.034.689.471
Net book value as of 30 June 2008	89.056.508	232.722.920	456.912.916	3.211.915.921	180.190.465	89.325.928	4.773.644	2.190.089.729	6.454.988.031

As of 30 June 2008, capitalized depreciation expense amounting to TL 3.620.529 is from fixed assets
.

NOTE 19 – INTANGIBLE ASSETS

	Rights	Exploration costs and other assets with special useful life	Other intangible fixed assets	Total
Cost				
As of 1 January 2009	141.311.026	61.966.819	3.296.856	206.574.701
Additions	410.103	-	475.096	885.199
Transfer from investment properties	-	-	18.131	18.131
As of 30 June 2009	141.721.129	61.966.819	3.790.083	207.478.031
Accumulated Amortization				
As of 1 January 2009	(29.785.963)	(33.312.024)	(2.426.754)	(65.524.741)
Charge for the period	(3.782.952)	(1.368.758)	(317.786)	(5.469.496)
As of 30 June 2009	(33.568.915)	(34.680.782)	(2.744.540)	(70.994.237)
Net Book Value as of 31 December 2008	111.525.063	28.654.795	870.102	141.049.960
Net Book Value as of 30 June 2009	108.152.214	27.286.037	1.045.543	136.483.794

	Rights	Exploration costs and other assets with special useful life	Other intangible fixed assets	Total
Cost				
As of 1 January 2008	43.461.742	61.966.819	2.727.756	108.156.317
Additions	529.914	-	248.698	778.612
As of 30 June 2008	43.991.656	61.966.819	2.976.454	108.934.929
Accumulated Amortization				
As of 1 January 2008	(23.831.762)	(29.277.350)	(1.899.067)	(55.008.179)
Charge for the period	(2.805.372)	(1.298.699)	(339.498)	(4.443.569)
As of 30 June 2008	(26.637.134)	(30.576.049)	(2.238.565)	(59.451.748)
Net Book Value as of 31 December 2007	19.629.980	32.689.469	828.689	53.148.138
Net Book Value as of 30 June 2008	17.354.522	31.390.770	737.889	49.483.181

NOTE 20 – GOODWILL

None

NOTE 21 – GOVERNMENT GRANTS AND INCENTIVES

Government grants used in the current year is as follows :

	1 January – 30 June 2009	1 January – 30 June 2008
Invesment incentives	-	135.675.741
Energy grants	2.265.373	1.466.191
Social security grants	257.321	126.804
Tax grants	26.928	16.456
Research and development grants	-	143.694
	2.549.622	137.428.886

NOTE 22 – PROVISIONS

	30 June 2009	31 December 2008
Penalty provision for obligatory employment shortage of disabled people, ex-convicts and terror victims	54.637.186	57.377.349
Provision for potential tax obligations	41.045.479	44.636.012
Provision for legal cases	25.460.481	26.068.603
Provision for fines (*)	20.114.465	-
Provisions for purchase commitments	-	101.637.544
	141.257.611	229.719.508

(*) Includes provision of administrative fine for violating Competition Board's Article 4 of the Act No. 4054. As of the report date, the related denial and legal process is continuing.

The provisions are expected to be paid within one year.

Movements of current provisions:

Movement of provision for obligatory employment shortage of disabled, ex-convicts and terror victims is as follows:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	57.377.349	56.718.022
Increase during the period	1.057.226	7.240.708
Provision released	(3.797.389)	(3.200.752)
Closing balance	54.637.186	60.757.978

The Group has exempted from obligatory employment of ex-convicts and terror victims by the amendment made in the Labour Law numbered 5763 and dated 26 May 2008. The provisions are due to liabilities arising from previous periods.

NOTE 22 – PROVISIONS (cont'd)

Movements of current provisions (cont'd)

Movement of provision for potential tax obligations is as follows:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	44.636.012	43.371.778
Increase during the period	1.583.739	1.583.740
Provision released	(5.174.272)	(1.903.245)
Closing balance	41.045.479	43.052.273

The movement of the total provision for the continuing legal cases is as follows:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	26.068.603	16.724.870
Increase during period	3.686.845	1.358.699
Provision released	(4.294.967)	(980.550)
Closing balance	25.460.481	17.103.019

The movement of the provisions for the fines as follows:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	-	-
Provision released	20.114.465	-
Closing balance	20.114.465	-

The movement of the provisions for the purchase commitments is as follows:

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	101.637.544	-
Provision released	(101.637.544)	-
Closing balance	-	-

NOTE 22 – PROVISIONS (cont'd)

As of 30 June 2009, the amounts of the lawsuits filed by and against the Group are stated below:

	30 June 2009	31 December 2008
Lawsuits filed by the Group		
TL	39.243.960	36.309.642
USD	86.090.342	85.088.833
	125.334.302	121.398.475
Provision for lawsuits filed by the Group		
TL	10.466.419	10.393.696
USD	9.585.341	9.473.833
	20.051.760	19.867.529
Lawsuits filed against the Group		
TL	80.018.727	71.615.589
USD	4.739.997	5.116.360
	84.758.724	76.731.949
Provision for lawsuits filed against the Group		
TL	20.107.022	20.345.918
USD	5.353.459	5.722.685
	25.460.481	26.068.603

As of 30 June 2009 and 31 December 2008, USD 25.000.000 (TL 38.252.500) of lawsuits filed by the Group is against an insurance company for the compensation of losses from a crane destructed due to a shipping accident in 2005, for which the value of the crane was recognized over scrap value in the financial statements. Again for the same accident, ship owner, captain and indemnity insurance company of the ship is sued by the Group and the amount of this lawsuit is USD 25.000.000 (TL 38.252.500).

As of 30 June 2009 and 31 December 2008, TL 35.673.249 worth of the lawsuits against the Group is due to the cancellation of the Company's 2005 General Assembly and is distribution of 2005 dividends. This case filed by the Privatization Administration.

A provision in the amount of TL 25.460.481 (31.12.2008: TL 26.068.603) is provided for the other lawsuits filed against the Group.

NOTE 23 – COMMITMENTS

The guarantees received by the Group are as follows:

	30 June 2009	31 December 2008
Letters of guarantee received	993.335.152	1.137.609.593
Cash	901.876	1.159.271
	994.237.028	1.138.768.864

Guarantees given by the Group are as follows:

	30 June 2009	31 December 2008
Letters of guarantee given	56.318.673	117.974.442

NOTE 24 – EMPLOYEE BENEFITS

	30 June 2009	31 December 2008
Provisions for employee termination benefits	107.041.115	117.287.493
Provisions for incentive premium for severance payment	4.020.673	-
	111.061.788	117.287.493

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has entitled to receive provisions for employee termination benefits in accordance with the effective laws: No: 2422 on 6 March, 1981 and No: 4447 on 25 August, 1999 of the Social Insurance Act No: 506 and the requirements of the amended Article 60 of the related Act.

The payable amount consists of one months salary limited to a maximum of TL 2.260,05 as of 30 June 2009 (31 December 2008: TL 2.173,19)

Employment termination benefit legally is not subject to any funding obligation.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 (Employee Benefits) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2009, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,40% and a discount rate of 12%, resulting in a real discount rate of approximately 6,26% (31 December 2008: real discount rate of 6,26%). The probability of retirement is assumed as % 99,69. (31 December 2008 : % 99,64).

NOTE 24 – EMPLOYEE BENEFITS (cont'd)

The anticipated rate of resignations which do not resulted in the payment employee benefits is also considered in calculation. As the maximum liability is revised semi annually, the maximum amount of TL 2.365,16 effective as of 1 July 2009 has been taken into consideration in calculation of provision from employment termination benefits (31 December 2008: TL 2.260,05 effective as of 1 January 2009). According to the current labor agreement, employees completing their 10th, 15th and 20th service years receive seniority incentive bonus premium payment. Provision for this liability has been provided as of 30 June 2009 and due to its insignificance, 31 December 2008 financial statement has not been restated.

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

	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	117.287.493	107.716.254
Service cost	13.015.080	9.469.716
Interest cost	3.608.619	3.136.556
Retirement pay paid	(26.870.077)	(8.530.811)
Closing Balance	107.041.115	111.791.715

NOTE 25 – RETIREMENT PLANS

None.

NOTE 26 – OTHER CURRENT – NON CURRENT ASSETS AND LIABILITIES

Other Current Assets

	30 June 2009	31 December 2008
Prepaid taxes and funds	149.853.537	174.717.260
VAT carried forward	92.029.370	10.215.680
VAT receivable	90.219.857	51.420.376
VAT deductible	68.622.001	63.900.916
Other VAT	47.815.120	45.160.853
Order advances given	25.633.208	25.588.587
Deferred income	23.496.205	10.853.646
Prepaid expenses	5.608.066	1.049.936
Business advances	233.299	479.585
Due from personnel	135.991	178.972
Income accruals of derivative financial instruments	-	863.137
Other	3.973.668	3.497.722
	507.620.322	387.926.670

NOTE 26 – OTHER CURRENT – NON CURRENT ASSETS AND LIABILITIES (cont'd)

Other Non Current Assets

	30 June 2009	31 December 2008
Advances given	57.579.172	62.544.423
Prepaid expenses	34.648.910	23.810.264
	92.228.082	86.354.687

Other Current Liabilities

	30 June 2009	31 December 2008
Advances received	109.964.865	116.893.279
Expense accruals of derivative financial instruments	105.461.110	-
Unused vacation accruals	44.446.887	49.814.175
VAT payable	40.271.315	51.072.763
Payables to the tax administration	17.172.554	-
Other VAT	17.101.150	719.448
Due to personnel	16.686.639	21.131.540
Expense accruals	1.134.208	4.166.906
Deferred Income	358.270	248.349
Other liabilities	19.979.070	14.198.858
	372.576.068	258.245.318

Other Non Current Liabilities

	30 June 2009	31 December 2008
Deferred income	431.235	598.269

NOTE 27 – SHAREHOLDERS' EQUITY

As of 30 June 2009 and 31 December 2008, the share capital is as follows:

Shareholders	(%)	30 June 2009	(%)	31 December 2008
Ataer Holding A.Ş.	49,29	566.194.732	49,29	566.194.732
Publicly-Held	47,63	547.222.238	47,63	547.222.238
Erdemir's own shares	3,08	35.395.530	3,08	35.395.530
Historical capital	100,00	1.148.812.500	100,00	1.148.812.500
Effect of inflation		731.967.735		731.967.735
Restated capital		1.880.780.235		1.880.780.235
Treasury shares		(43.790.843)		(43.790.843)
		1.836.989.392		1.836.989.392

NOTE 27 – SHAREHOLDERS' EQUITY (cont'd)

The issued capital of the Company is TL 1.148.812.500 as of 30 June 2009 and is totally paid. (2008: TL 1.148.812.500 TL) Accordingly the issued capital of the company consists of 114.881.250.000 lots of shares. (2008: 114.881.250.000 lots) This capital is split between class A and class B shares. Nominal value of each share is 1 Kr (Turksih cent) (2008: 1 Kr). Class A shares consist of 1 share with a share value of 1 Kr and Class B shares consists of 114.881.249.999 shares representing TL 1.148.812.499,99 of the issued capital.

General Assembly has to choose one member to Board of Directors from persons appointed by Turkish Privatization Administration representing A Class shares. In case of the board member representing the A group shares leaves the board, a new board member have to be chosen from persons appointed by Privatization Administration. For decisions related to rights assigned to A Class shares, board member representing A Class shares has to use affirmative vote in order decision be effective. One of the statutory auditor, is selected from persons appointed by Turkish Privatization Administration. Decisions to change Articles of Association of the Company that will have an effect on board of directors' meeting and decision quorum, rights assigned to A class shares, rights assigned to A class shares in Share Sales Agreement relating to investment and employment decision and any other changes to Articles of Association of the Company which will directly or indirectly effect the rights of A class shares, has to receive affirmative vote of board member representing the A class shares. Otherwise decisions taken will be accepted as null.

Other equity items	30 June 2009	31 December 2008
Premium in excess of par	231.020.042	231.020.042
Revaluation reserves	25.865.163	26.376.841
-Revaluation reserves of fixed assets	*25.865.163*	*26.376.841*
Cash flow hedge reserves	(7.204.555)	(1.616.880)
Currency translation reserves	3.227.172	3.464.667
Restricted profit reserves	1.688.196.335	1.665.921.924
-Legal reserves	*481.269.018*	*458.994.607*
-Statutory reserves	*1.206.927.317*	*1.206.927.317*
Retained earnings	2.152.588.439	1.962.624.966
-Extraordinary reserves	*537.873.352*	*331.817.904*
-Accumulated profit	*1.614.715.087*	*1.630.807.062*
	4.093.692.596	3.887.791.560

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against equity reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

NOTE 27 – SHAREHOLDERS' EQUITY (cont'd)

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "capital premium in excess of par", "legal reserves", "statutory reserves", "special reserves" and "extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "equity inflation restatement differences" line item in aggregate. "Equity inflation restatement differences" related to all equity items could only be subject to the capital a increase to issue bonus shares or could be used to eliminate accumulated losses, while the carrying value of extraordinary reserves could be used raise the capital; cash profit distribution or loss offsetting.

However, in accordance with the Communiqué Serial: XI, No: 29 issued on 1 January 2008 and other related CMB's announcements, "Paid-in capital", "Restricted profit reserves" and "Premium in excess of par" should be presented usig their registered amounts in the statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Communiqué should be associated with the:

- "capital restatement differences" account, following the "paid-in capital" line item in the financial statements, if such differences are arising from "paid-in capital" and have not been added to capital;

- "retained earnings", if such differences are arising from "restricted profit reserves" and "premium in excess of par" and have not been subject to profit distribution or capital increase.

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

Inflation adjustments to share capital may only be used to raise the paid up capital.

Public companies distribute dividends according to CMB regulations as follows:

CMB announced the minimum dividend rate as 20% as defined in Article 5-1 of Decree No IV-27 "Dividend and Interim Dividend Regulations for Public Companies Subject to Capital Market Law". Based on the decision of the General Assembly, the distribution of this minimum amount can be realized as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. In case the first dividend amount is less than 5% of paid/issued capital, the dividend amount can be retained instead of distribution.

NOTE 27 – SHAREHOLDERS' EQUITY (cont'd)

Legal Reserves and Share Issue Premium which is regarded as legal reserve in accordance with TCC Article 466 are presented at the statutory values. Inflation restatements in accordance with IFRS, which are not subject to profit distribution or capital increase as of the date of financial statements, are included in retained earnings.

Cash flow hedge fund, the changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity. The amounts deferred in equity are recognized in profit or loss in the same period in which the hedged item affects profit or loss

Revaluation reserve, any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the properties revaluation reserve, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the related revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Currency translation reserve, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

NOTE 28 – SALES AND COST OF SALES

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Sales				
Domestic sales	1.477.058.616	859.272.589	2.887.138.418	1.720.711.500
Export sales	784.867.243	362.692.595	695.647.908	461.686.898
Other revenues (*)	43.071.565	18.058.200	101.101.966	60.063.241
Sales returns (-)	(815.311)	(679.530)	(2.002.003)	(1.338.546)
Sales discounts (-)	(199.585)	-	(65.104.635)	(43.534.041)
Other discounts (-)	(76.677)	(23.105)	(253.195)	(58.166)
	2.303.905.851	1.239.320.749	3.616.528.459	2.197.530.886
Cost of Sales	(2.263.322.265)	(1.288.482.452)	(2.506.545.178)	(1.367.457.456)
Gross profit / (loss)	40.583.586	(49.161.703)	1.109.983.281	830.073.430

(*) Other revenues include revenue from the export of the by products amounting to TL 3.784.456 (30 June 2008: TL 15.012.859).

Breakdown of cost of sales for the periods 1 January – 30 June 2009 and 1 January – 30 June 2008 is as follows:

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Material usage	(1.334.208.846)	(81.502.637)	(1.972.404.990)	(1.140.106.437)
Reversal of inventory write downs	916.934.024	199.629.356	-	-
Reversal of allowance for purchase commitments	101.637.544	85.401.298	-	-
Inventory write downs	(96.776.342)	(96.776.342)	-	-
Change of goods and semi finished goods	(1.014.430.028)	(986.721.760)	206.242.828	164.694.751
Personnel expense	(357.472.214)	(149.048.956)	(398.702.086)	(202.966.662)
Energy	(185.212.159)	(82.682.373)	(166.049.253)	(81.614.507)
Depreciation and amortization expense	(110.614.490)	(68.846.148)	(112.246.218)	(64.414.857)
Other	(183.179.754)	(107.934.890)	(63.385.459)	(43.049.744)
	(2.263.322.265)	(1.288.482.452)	(2.506.545.178)	(1.367.457.456)

NOTE 29 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Marketing, selling and distribution expenses (-)	(36.850.022)	(16.413.646)	(35.433.128)	(18.138.938)
General administrative expenses (-)	(55.667.798)	(27.909.195)	(64.788.340)	(37.779.111)
Research and development expenses (-)	(1.015.654)	(492.016)	(1.572.236)	(913.992)
	(93.533.474)	(44.814.857)	(101.793.704)	(56.832.041)

NOTE 30 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

Breakdown of marketing, selling and distribution expenses for the periods 1 January – 30 June 2009 and 1 January – 30 June 2008 is as follows:

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Personnel expense (-)	(3.923.014)	(1.843.956)	(5.217.129)	(2.394.437)
Depreciation and amortization(-)	(65.036)	(38.172)	(81.805)	(38.225)
Other (-)	(32.861.972)	(14.531.518)	(30.134.194)	(15.706.276)
	(36.850.022)	(16.413.646)	(35.433.128)	(18.138.938)

NOTE 30 – OPERATING EXPENSES ACCORDING TO THEIR NATURE (cont'd)

The breakdown of general administration expenses for the periods 1 January – 30 June 2009 and 1 January – 30 June 2008 is as follows:

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Personnel expense (-)	(28.997.950)	(14.072.830)	(35.020.206)	(18.324.229)
Depreciation and amortization (-)	(5.318.943)	(3.805.701)	(1.341.131)	(593.946)
Other (-)	(21.350.905)	(10.030.664)	(28.427.003)	(18.860.936)
	(55.667.798)	(27.909.195)	(64.788.340)	(37.779.111)

The breakdown of research and development expenses for the periods ended 1 January – 30 June 2009 and 1 January – 30 June 2008 is as follows:

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Personnel expense (-)	(640.156)	(301.499)	(620.993)	(275.263)
Depreciation and amortization (-)	(1.740)	(1.539)	(1.423)	(712)
Other (-)	(373.758)	(188.978)	(949.820)	(638.017)
	(1.015.654)	(492.016)	(1.572.236)	(913.992)

NOTE 31 – OTHER OPERATING INCOME/EXPENSES

Other operating income	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Provisions released	12.982.198	440.358	7.555.132	5.081.751
Rent income	1.811.356	1.053.916	336.913	216.897
Maintenance and repair income	1.580.880	645.001	2.680.083	1.392.009
Service income	1.297.148	701.468	2.718.352	1.523.575
Fixed asset sales income	1.001.210	267.687	1.280.199	508.751
Other income and gains	10.405.328	3.136.146	3.510.272	1.055.066
	29.078.120	6.244.576	18.080.951	9.778.049

Other operating expenses (-)	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Provision expenses	(29.036.966)	(22.146.671)	(12.491.009)	(5.472.396)
Site maintenance costs	(6.536.042)	(2.856.194)	(6.089.949)	(2.995.750)
Compensations paid	(4.252.225)	(1.684.134)	(6.797.225)	(5.442.725)
Service expenses	(2.586.118)	(1.182.374)	(2.727.979)	(2.010.758)
Losses from the sale of fixed asset	(453.827)	(1.430)	(7.920.715)	(7.161.038)
Allowance for impairment of fixed assets	-	-	(23.801.478)	(10.833.721)
Other expenses	(11.551.455)	(7.738.743)	(24.263.697)	(18.011.123)
	(54.416.633)	(35.609.546)	(84.092.052)	(51.927.511)

NOTE 31 – OTHER OPERATING INCOME/EXPENSES (cont'd)

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Profit/(loss) from investment associates accounted for equity pick up method	(642.992)	-	3.505.453	2.309.274

Financial statement of ArcelorMittal Ambalaj Çeliği San. Ve Tic. A.Ş. was consolidated by equity pick up method until 31 March 2009. Starting from 1 April 2009, it was reclassified to non current assets held for sale (Note 35).

NOTE 32 – FINANCE INCOME

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Interest income from sales with maturity	34.217.530	15.805.517	143.214.439	43.600.054
Interest income	30.211.131	16.829.459	30.134.980	26.430.429
Foreign exchange gains from bank deposits	25.986.245	(7.837.751)	66.213.317	52.843.766
Discount income	2.909.297	2.306.668	-	(3.068.817)
Foreign exchange gain from trade receivables and payables	-	(46.994.969)	-	(55.176.910)
Net gain on fair value differences of derivative financial instruments	-	(9.077.694)	-	-
Other finance income	2.731.927	2.731.927	1.132.610	1.132.610
	96.056.130	(26.236.843)	240.695.346	65.761.132

NOTE 33 – FINANCE EXPENSES

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Net on fair value differences of derivative financial instruments (-)	(98.796.201)	(98.796.201)	-	-
Bank loans interest expenses (-)	(93.368.719)	(45.205.537)	(31.280.329)	21.273.290
Foreign exchange losses from borrowings (-)	(32.315.152)	268.143.122	-	68.563.371
Interest expense from related parties (-)	(25.854.723)	(8.597.323)	(366.926)	(366.926)
Foreign exchange loss from trade receivables and payables (-)	(1.680.140)	(1.680.140)	(91.896.136)	(91.896.136)
Other finance expenses (-)	(3.798.781)	772.091	(2.758.965)	3.814.870
Discount expense (-)	-	-	(715.625)	(715.625)
	(255.813.716)	114.636.012	(127.017.981)	672.844

Also, TL 24.093.838 as foreign currency translation loss, TL 11.542.847 as interest expense, in total TL 35.636.685 of the financial expense has been capitalized on fixed assets (1 January – 30 June 2008: TL 91.869.504 as foreign currency translation loss, TL 33.275.982 as interest expense and TL 5.723.578 as other financial expenses in total TL 130.869.063 TL has been capitalized).

NOTE 34 – OTHER COMPREHENSIVE INCOME

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Other comprehensive income/(expenses):				
Change in revaluation reserves	(511.678)	(282.466)	196.783	(54.502)
Change in cash flow hedging reserves	(7.528.041)	(7.894.807)	2.422.435	2.422.435
Change in currency translation reserves	(237.495)	(835.937)	3.186.019	(1.016.617)
Income tax relating to components of other comprehensive income	1.505.605	1.578.958	(484.487)	(484.487)
	(6.771.609)	(7.434.252)	5.320.750	866.829

NOTE 35- NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Company	Ratio %	30 June 2009	Ratio %	31 December 2008
ArcelorMittal Ambalaj Çeliği Tic. A.Ş.	25,00	11.498.657	-	-
Borçelik Çelik San. Tic. A.Ş.	9,34	48.415.165	-	-
Impairment		(18.145.145)		-
		41.768.677		-

In accordance with the decision taken by the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş., ArcelorMittal Ambalaj Çeliği Tic. A.Ş. which was previously accounted for equity pick up method and Borçelik Çelik San. Tic. A.Ş. which was accounted for available for sale financial asset held by the Group were reclassified as long term assets held for sale as of 1 April 2009 as their sales are highly probable in twelve months.

NOTE 36 – DEFERRED TAX ASSETS AND LIABILITIES

	30 June 2009	31 December 2008
Corporate Tax Payable:		
Current corporate tax provision	10.636.753	44.707.211
Prepaid taxes and funds	(7.458.704)	(43.056.443)
	3.178.049	1.650.768

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Taxation:				
Current corporate tax expense	10.636.753	3.087.939	217.178.879	178.808.094
Deferred tax expense/income	(53.184.896)	(6.312.415)	(12.588.092)	(7.116.365)
	(42.548.143)	(3.224.476)	204.590.787	171.691.729

NOTE 36 – DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax

The Group is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

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

Effective corporate tax rate as of 30 June 2009 is 20% (31 December 2008: 20%). TL 9.109.472 is the total amount of the corporate tax paid by the Group in 2009 (31 December 2008: TL 62.059.008).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in the first three-months of 2009 is 20% (31 December 2008: 20%).

Losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back to offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the closing of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for resident companies in Turkey receiving dividends from resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% as of 22 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

19,8% withholding tax must be applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investment disbursements which are directly related to production facilities of the company and are within the scope of the investment incentive certificate. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificate application is abrogated commencing from 1 January 2006. If companies fail to make a profit or incur losses, any allowance outstanding as of 31 December 2005 may be carried forward to the following years so as to be deducted from taxable income of subsequent profitable years. However, companies can deduct the carried forward outstanding allowance only from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

36 – DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Income Withholding Tax (cont'd)

The effective tax rate to be used in the case of deducting the tax investment incentive amounts in 2008 is 30%. If the Company does not use the investment incentive carried forward, the effective tax rate will be 20% and the right to use investment incentive will be forfeited. In the period of 1 January–30 June 2009 the Group utilized 20% as the effective tax rate. As there is no investment incentive of the group left in 2008, corporate tax rate was considered as 20%.

The Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 which requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. According to the Law No. 5024, as inflation is above the certain thresholds, the Group made inflation adjustment. These balances as of 1 January 2005 were accepted as the operating balances for statutory bookings.

Deferred Tax

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

Tax rate used in calculation of deferred tax assets and liabilities (excluding land) is 20%. (December 2008: 20%). Deferred tax is calculated with 5% tax rate for temporary timing differences occurring from land (2008:5%).

Timing differences occur between the years in which certain items of income and expense are recorded for accounting and for tax purposes. Timing differences are calculated on differences between the values of tangible and intangible fixed assets and inventories in the legal books and in the inflation adjusted financial statements and on the discount of receivables, retirement pay provision and investment incentives.

36 – DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

	30 June 2009	31 December 2008
Deferred tax assets:		
Carry forward tax losses	(210.748.552)	(22.192)
Inventories	(28.745.649)	(93.590.605)
Fair values of the derivative financial instruments	(24.270.173)	(674.398)
Provision for employee termination benefits	(22.136.019)	(23.371.577)
Amortized cost adjustment on loans	(16.601.984)	(1.176.625)
Provision for unused vacations	(8.939.387)	(9.940.656)
Fixed assets	(8.352.894)	(67.884.861)
Provision for legal cases	(5.092.096)	(5.213.709)
Income accruals	(2.291.591)	(2.467.897)
Provision for purchase commitments	-	(20.327.509)
Other	(6.865.554)	(7.666.806)
	(334.043.899)	(232.336.835)
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	94.937.261	76.427.416
Amortized cost adjustment on loans	33.643.622	21.509.597
Adjustments of price differences due to finalizing of raw material prices	11.581.378	-
Fair values of the derivative financial instruments	3.177.951	847.026
Inventories	1.090.739	477.150
Land and parcels	776.937	776.937
Other	4.300.053	2.453.252
	149.507.941	102.491.378
	(184.535.958)	(129.845.457)

Presentation of deferred tax (asset) / liabilities	30 June 2009	31 December 2008
Deferred tax (assets)	(334.043.899)	(232.336.835)
Deferred tax liabilities	149.507.941	102.491.378
	(184.535.958)	(129.845.457)

Deferred Tax (asset) / liability movements	1 January – 30 June 2009	1 January – 30 June 2008
Opening balance	(129.845.457)	(143.233.488)
Deferred tax income	(53.184.896)	(12.588.092)
The amount netted under equity	(1.505.605)	472.055
Closing balance	(184.535.958)	(155.349.525)

NOTE 36 – DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

Tax Provision Reconciliation	1 January – 30 June 2009	1 January – 30 June 2008
Profit before tax	(238.688.979)	1.059.361.294
Effective tax rate	% 20	20 %
Calculated tax	(47.737.796)	211.872.259
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	9.699.693	6.249.327
- Non-taxable income	(8.434.234)	(3.793.069)
- Effect of adjustments	4.706.090	6.148.259
- Investment incentive	-	(20.934.393)
- Other	(781.896)	5.048.404
Taxation in income statement	(42.548.143)	204.590.787

NOTE 36 – DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

Comprehensive income in the current period:	1 January – 30 June 2009			1 April – 30 June 2009		
	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Change in revaluation reserves	(511.678)	-	(511.678)	(282.466)	-	(282.466)
Change in cash flow hedging reserves	(7.528.041)	1.505.605	(6.022.436)	(7.894.807)	1.578.958	(6.315.849)
Change in currency translation reserves	(237.495)	-	(237.495)	(835.937)	-	(835.937)
	(8.277.214)	1.505.605	(6.771.609)	(9.013.210)	1.578.958	(7.434.252)

Comprehensive income in the previous period:	1 January – 30 June 2008			1 April – 30 June 2008		
	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Change in revaluation reserves	196.783	-	196.783	(54.502)	-	(54.502)
Change in cash flow hedging reserves	2.422.435	(484.487)	1.937.948	2.422.435	(484.487)	1.937.948
Change in currency translation reserves	3.186.019	-	3.186.019	(1.016.617)	-	(1.016.617)
	5.805.237	(484.487)	5.320.750	1.351.316	(484.487)	866.829

NOTE 37 – EARNINGS PER SHARE

For the period 1 January – 30 June 2009 and 1 January – 30 June 2008 the earnings per share calculation is as follows:

	1 January – 30 June 2009	1 April – 30 June 2009	1 January – 30 June 2008	1 April – 30 June 2008
Number of shares outstanding (*)	114.881.250.000	114.881.250.000	114.881.250.000	114.881.250.000
Net profit/(loss) – TL	(197.372.839)	(42.530.324)	822.228.039	603.437.423
Profit/(loss) per share with 1 TL nominal value TL / %	(0,1718) / (17,18%)	(0,0370) / (3,70%)	0,7157 / 71,57%	0,5253 / 52,53%

(*) According to the decision taken by the Ereğli Demir ve Çelik Fabrikaları T.A.Ş., General Assembly dated 31 March 2008 and with the Approval No: 19-480 received from CMB on 29 April 2008 the Company's paid capital was increased from TL 844.018.500 to TL 1.148.812.500, by distributing bonus shares from retained earnings.

NOTE 38 – DUE FROM / DUE TO RELATED PARTIES

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

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

The trade payables to related parties mainly arise from the purchase transactions.

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

	30 June 2009	31 December 2008
Due from related parties (short term)		
ArcelorMittal Amb.Çel. San. ve Tic. A.Ş.	54.490.881	99.304.040
Borçelik Çelik San. Tic. A.Ş.	1.176.597	-
Oyak Beton A.Ş.	405.405	595.771
Bolu Çimento Sanayi A.Ş.	1.089	12.308
Adana Çimento Sanayi T.A.Ş.	-	6.617.869
Other	6.090	-
	56.080.062	106.529.988
Due to related parties (short term)		
Adana Çimento Sanayi T.A.Ş.	2.694.705	-
Omsan Logistica SRL	826.878	-
Oyak Savunma ve Güvenlik Sistemleri A.Ş	787.229	753.050
Omsan Lojistik A.Ş.	711.463	898.612
Oyak Pazarlama Hizmet ve Turizm A.Ş.	635.474	1.380.357
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.	71.637	808.780
Other	723.502	98.974
	6.450.888	3.939.773

	30 June 2009	31 December 2008
Non trade payables from related parties (shot term)		
Payables to shareholders (*)	1.835.250	1.862.358
Oyak Genel Müdürlüğü (**)	14.400	102.553.834
Oyak İnşaat A.Ş. (**)	-	10.401.528
Other	1.574.111	2.258.344
	3.423.761	117.076.064

(*) Payables to shareholders are liabilities related to dividend distribution not yet paid.

(**)Non trade payables from related parties are borrowings from Oyak Genel Müdürlüğü and Oyak İnşaat A.Ş. (Note11). Interest is charged on these borrowings.

NOTE 38 – DUE FROM / DUE TO RELATED PARTIES (cont'd)

Major sales to related parties	1 January – 30 June 2009	1 January – 30 June 2008
Borçelik Çelik San. Tic. A.Ş.	40.597.341	30.845.408
ArcelorMittal Amb.Çel. San. ve Tic. A.Ş.	34.723.198	89.110.702
Adana Çimento Sanayi T.A.Ş.	7.352.306	6.244.955
Oytaş İç ve Dış Ticaret A.Ş.	1.094.553	896.074
Ünye Çimento Sanayi ve Ticaret A.Ş.	769.335	629.396
Bolu Çimento Sanayi A.Ş.	551.798	800.700
Oyak Beton A.Ş.	443.570	205.377
Other	-	118.576
	85.532.101	128.851.188

Major sales to related parties are generally iron, steel and by-products.

Major purchases from related parties	1 January – 30 June 2009	1 January – 30 June 2008
Oyak Pazarlama Hizmet ve Turizm A.Ş.	8.302.334	5.376.385
Omsan Logistica SRL	4.697.208	-
Omsan Lojistik A.Ş.	1.843.896	1.885.944
Oyak Teknoloji Bilişim ve Kart Hizmetleri	1.328.151	1.100.170
Oyak Savunma ve Güvenlik Sistemleri A.Ş.	794.951	774.586
Axa Oyak Sigorta A.Ş. (*)	-	11.582.580
Other	622.848	644.767
	17.589.388	21.364.432

(*) Axa Oyak Sigorta A.Ş. is no longer a related party due to the sale of the shares as of 12 August 2008.

Major purchases from related parties are due to service procurements.

For the period ended 30 June 2009, total compensation expense consisting of short term benefits such as salaries, bonuses and other benefits of key management of the Group is TL 3.814.390 for 6 month period. (30 June 2008: TL 6.557.481).

NOTE 39 – 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 borrowings disclosed in note 8, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 27.

The Group's board of directors analyzes the capital structure through the monthly meetings. In addition to the capital structure, the risks associated with each class of capital were also evaluated at those meetings. The group 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 by considering the decisions of the board of directors.

As of 30 June 2009 and 31 December 2008 the net debt/equity ratio is as follows:

	30 June 2009	31 December 2008
Total debt	5.492.998.868	5.830.811.678
Less: Cash and cash equivalents	750.735.736	973.469.825
Net debt	4.742.263.132	4.857.341.853
Total Equity	5.733.309.149	5.936.255.412
Total Capital	10.475.572.281	10.793.597.265
Net Debt /Total Capital Ratio	45/55	45/55

(b) Significant accounting policies

The Group's accounting policies related financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.9.8 Financial Instruments" to the financial statements.

NOTE 39– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(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 equivalents. The information included therein is consolidated by the treasury function and used to determine the cash management strategies. Additionally, the Group's quarterly 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 take action in pricing instantaneously.

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

In the current period, there has been no 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 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit Risk

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
30 June 2009	**Related party**	**Third party**	**Related party**	**Third party**	**Bank deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*)(A+B+C+D)	56.080.062	592.670.783	1.746	107.485.772	750.735.736	-
- Secured part of the maximum credit risk exposure via collateral etc.	56.080.062	543.513.917	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor doubtful	34.193.759	578.896.878	1.746	107.485.772	750.735.736	-
B. Net book value of financial assets that are renegotiated, otherwise classified as overdue or doubtful	21.886.303	13.773.905	-	-	-	-
C. Carrying value of financial assets that are overdue but not doubtful						
- Secured part with collateral etc.	-	-	-	-	-	-
D. Net book value of doubtful financial assets	-	-.	-	-	-	-
- Overdue (gross carrying amount)	-	18.276.942	-	6.784.247	-	-
- Provision (-)	-	(18.276.942)	-	(6.784.247)	-	-
- Secured part via collateral etc.	-	-	-		-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
-Provision (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*) The factors that increases credibility such as guarantees received are not taken into account.

NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit Risk (cont'd)

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 December 2008	**Related party**	**Third party**	**Related party**	**Third party**	**Bank deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*)(A+B+C+D)	106.529.988	585.431.468	-	45.125.686	973.469.825	863.137
- Secured part of the maximum credit risk exposure via collateral etc.	-	585.431.468	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor doubtful	87.287.307	411.343.423	-	45.125.686	973.469.825	863.137
B. Net book value of financial assets that are renegotiated, otherwise classified as overdue or doubtful	19.242.681	174.088.045	-	-	-	-
C. Carrying value of financial assets that are overdue but not doubtful						
- Secured part with collateral etc.	-	-	-	-	-	-
D. Net book value of doubtful financial assets	-	-.	-	-	-	-
- Overdue (gross carrying amount)	-	14.435.480	-	6.800.431	-	-
- Provision (-)	-	(14.435.480)	-	(6.800.431)	-	-
- Secured part via collateral etc.	-	-	-		-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
-Provision (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received are not considered in the balance.

NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit Risk (cont'd)

The aging of the overdue receivables is as follows:

	Receivables					
30 June 2009	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative financial instruments**	**Other**	**Total**
Overdue 1-30 day	-	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 year	18.276.942	6.784.247	-	-	-	25.061.189
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	18.276.942	6.784.247	-	-	-	25.061.189
The part under guarantee with collateral	-	-	-	-	-	-

NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit Risk (cont'd)

The aging of the overdue receivables is as follows:

	Receivables					
31 December 2008	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative financial instruments**	**Other**	**Total**
Overdue 1-30 day	-	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 year	14.435.480	6.800.431	-	-	-	21.235.911
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	14.435.480	6.800.431	-	-	-	21.235.911
The part under guarantee with collateral	-	-	-	-	-	-

NOTE 39 – 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 30 June 2009, the foreign currency position of the Group in terms of original currency is as follows:

	30 June 2009				
	TL (Functional Currency)	USD	EURO	JPY	GBP
1. Trade Receivables	510.992.457	324.145.814	6.994.712	-	-
2a. Monetary financial assets	232.173.666	117.728.052	24.202.074	1.374.173	22.378
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	70.892.844	46.284.774	33.775	-	-
4. Current assets (1+2+3)	**814.058.967**	**488.158.640**	**31.230.561**	**1.374.173**	**22.378**
5. Trade receivables	-	-	-	-	-
6a. Monetary trade receivables	2.184.564	-	543.545	63.597.767	-
6b. Non-monetary trade receivables	-	-	-	-	-
7. Other	52.164.850	26.159.588	5.653.730	4.500	-
8. Long term assets (5+6+7)	**54.349.414**	**26.159.588**	**6.197.275**	**63.602.267**	**-**
9. Total assets (4+8)	**868.408.381**	**514.318.228**	**37.427.836**	**64.976.440**	**22.378**
10. Trade payables	218.057.415	113.140.480	16.905.528	530.908.520	59.995
11. Financial liabilities	1.063.773.013	619.633.633	42.658.433	1.505.418.411	-
12a. Other monetary financial liabilities	170.378.755	111.118.748	165.801	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**1.452.209.183**	**843.892.861**	**59.729.762**	**2.036.326.931**	**59.995**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.959.791.303	825.955.786	256.788.909	9.042.950.260	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**1.959.791.303**	**825.955.786**	**256.788.909**	**9.042.950.260**	**-**
18. Total liabilities (13+17)	**3.412.000.486**	**1.669.848.647**	**316.518.671**	**11.079.277.191**	**59.995**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**655.435.107**	**372.335.670**	**40.000.000**	**(9.480.845)**	**-**
19.a Off-balance sheet foreign currency derivative financial assets	940.950.725	500.957.941	69.714.000	1.547.777.778	-
19b. Off-balance sheet foreign currency derivative financial liabilities	285.515.618	128.622.271	29.714.000	1.557.258.623	-
20. Net foreign currency asset/liability (9-18+19)	**(1.888.156.998)**	**(783.194.749)**	**(239.090.835)**	**(11.023.781.596)**	**(37.617)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2.666.649.799)**	**(1.227.974.781)**	**(284.778.340)**	**(11.014.305.251)**	**(37.617)**
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	788.651.699	481.153.688	7.238.402	-	-
26. Imports	1.570.464.942	964.005.391	10.004.992	-	-

NOTE 39 – 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)

As of 31 December 2008, the foreign currency position of the Group in terms of TL is as follows:

	31 December 2008				
	TL (Functional Currency)	USD	EURO	JPY	GBP
1. Trade Receivables	569.715.060	357.316.214	13.707.843	-	-
2a. Monetary financial assets	444.679.560	261.865.429	22.720.716	660.770	4.059
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	17.626.607	1.221.726	4.349.834	379.202.960	1.232
4. Current assets (1+2+3)	**1.032.021.227**	**620.403.369**	**40.778.393**	**379.863.730**	**5.291**
5. Trade receivables	-	-	-	-	-
6a. Monetary trade receivables	-	-	-	-	-
6b. Non-monetary trade receivables	-	-	-	-	-
7. Other	57.588.573	28.452.699	6.800.988	-	-
8. Long term assets (5+6+7)	**57.588.573**	**28.452.699**	6.800.988	**-**	**-**
9. Total assets (4+8)	**1.089.609.800**	**648.856.068**	**47.579.381**	**379.863.730**	**5.291**
10. Trade payables	270.060.043	121.195.881	32.338.706	1.002.470.528	88.832
11. Financial liabilities	1.216.524.248	719.835.808	46.575.284	1.685.882.560	-
12a. Other monetary financial liabilities	9.225.658	6.100.415	-	-	-
12b. Other non-monetary financial liabilities	8.401	324	3.695	-	-
13. Current liabilities (10+11+12)	**1.495.818.350**	**847.132.428**	**78.917.685**	**2.688.353.088**	**88.832**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.254.463.506	1.011.251.986	263.772.618	9.590.168.888	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**2.254.463.506**	**1.011.251.986**	**263.772.618**	**9.590.168.888**	**-**
18. Total liabilities (13+17)	**3.750.281.856**	**1.858.384.414**	**342.690.303**	**12.278.521.976**	**88.832**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**145.999.046**	**106.717.675**	**-**	**(919.800.000)**	**-**
19.a Off-balance sheet foreign currency derivative financial assets	294.623.062	169.005.076	-	2.333.055.556	-
19b. Off-balance sheet foreign currency derivative financial liabilities	148.624.016	62.287.401	-	3.252.855.556	-
20. Net foreign currency asset/liability (9-18+19)	**(2.514.673.010)**	**(1.102.810.671)**	**(295.110.922)**	**(12.818.458.246)**	**(83.541)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2.735.878.835)**	**(1.239.202.447)**	**(306.258.049)**	**(12.277.861.206)**	**(84.773)**
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	1.582.180.746	985.383.218	42.967.911	-	-
26. Imports	4.841.224.598	3.181.660.521	13.826.323	-	-

NOTE 39 – 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)

Foreign currency sensitivity

The Group is exposed to foreign currency risks as it has certain liabilities and assets denominated in foreign currencies (USD, EURO and JPY). The Group has USD denominated liabilities arising mainly from raw material purchases. However, the Group's sales are also USD denominated. Therefore the majority of the trade receivables are USD denominated.

The following table shows the Group's sensitivity to a 10% increase/decrease in the USD, EURO and JPY. 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.

The profit or loss which will arise when the inventories are sold may change the effect if the foreign currency rates maintain this level in the long term.

Asset and liability balances are translated by using the following exchange rates: TL 1,5301 = US $ 1, TL 2,1469 = EURO 1 and TL 0,0160 = JPY 1 (31 December 2008: TL 1,5123 = US $ 1, TL 2,1408 = EURO 1 and TL 0,0167 = JPY 1)

NOTE 39 – 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)

30 June 2009	Profit/(loss) after capitalization onto fixed assets and before tax and minority interest	
	Appreciation of foreign currency against TL	Depreciation of foreign currency against TL
1- USD net asset / liability	(176.807.710)	176.807.710
2- Hedged portion (-)	56.971.081	(56.971.081)
3- Effect of capitalization (-)	17.054.759	(17.054.759)
4- USD net effect (1+2+3)	**(102.781.870)**	**102.781.870**
5- Euro net asset / liability	(59.918.012)	59.918.012
6- Hedged portion (-)	8.587.600	(8.587.600)
7- Effect of capitalization (-)	15.585.394	(15.585.394)
8- Euro net effect (5+6+7)	**(35.745.018)**	**35.745.018**
9- JPY net asset / liability	(17.623.983)	17.623.983
10- Hedged portion (-)	(15.170)	15.170
11- Effect of capitalization (-)	4.913.393	(4.913.393)
12- JPY net effect (9+10+11)	**(12.725.760)**	**12.725.760**
13- Other currencies net asset / liability	(62.512)	62.512
14- Hedged portion (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other Currencies net effect (13+14+15)	**(62.512)**	**62.512**
Total (4+8+12+16)	**(151.315.160)**	**151.315.160**

NOTE 39 – 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 2008	Profit/(loss) after capitalization onto fixed assets and before tax and minority interests	
	Appreciation of foreign currency against TL	Depreciation of foreign currency against TL
1- USD net asset / liability	(182.916.972)	182.916.972
2- Hedged portion (-)	16.138.914	(16.138.914)
3- Effect of capitalization (-)	8.162.532	(66.093.601)
4- USD net effect (1+2+3)	**(158.615.526)**	**100.684.457**
5- Euro net asset / liability	(63.177.346)	63.177.346
6- Hedged portion (-)	-	-
7- Effect of capitalization (-)	1.831.483	(16.406.510)
8- Euro net effect (5+6+7)	**(61.345.863)**	**46.770.836**
9- JPY net asset / liability	(19.908.835)	19.908.835
10- Hedged portion (-)	(1.539.009)	1.539.009
11- Effect of capitalization (-)	778.108	(5.422.513)
12- JPY net effect (9+10+11)	**(20.669.736)**	**16.025.331**
13- Other currencies net asset / liability	(64.053)	64.053
14- Hedged portion (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other Currencies net effect (13+14+15)	**(64.053)**	**64.053**
Total (4+8+12+16)	**(240.695.178)**	**163.544.677**

Changes in the exchange rate of the foreign currencies against TL have an effect on the real cost of borrowing. As a result, the effect after capitalization on to fixed assets differs based on the appreciation/depreciation of Turkish Lira.

NOTE 39 – 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)

Forward agreements:

The details of the unrealized forward purchase and sale agreements as of the reporting date are stated below:

	Average exchange rate 2009	Original currency (TL equivalent) 2009	Agreement value (TL equivalent) 2009	Fair value 2009
Unrealized purchase/sale forward agreements:				
TL Sale/ USD Purchase				
Less than 3 months	1,7443	199.732.500	221.089.566	(21.357.066)
3 to 6 months	1,8717	94.866.200	111.676.246	(16.810.046)
6 to 12 months	1,8570	463.825.200	530.071.049	(66.245.849)
TL Sale/ Euro Purchase				
3 to 6 months	2,2639	90.556.000	95.296.108	(4.740.108)
USD Sale/ TL Purchase				
Less than 3 months	1,6510	114.757.500	107.242.590	7.514.910
USD Sale/ Euro Purchase				
Less than 3 months	1,2726	26.102.059	23.310.198	2.791.861
3 to 6 months	1,2772	31.729.288	28.614.105	3.115.183
USD Sale/ JPY Purchase				
3 to 6 months	102,1935	24.216.089	23.198.461	1.017.628
JPY Sale/USD Purchase				
3 to 6 months	91,7228	24.917.695	23.588.177	1.329.518
Euro Sale/ USD Purchase				
Less than 3 months	1,3431	28.916.596	30.072.816	(1.156.220)
3 to 6 months	1,3410	34.876.391	36.131.410	(1.255.019)
		1.134.495.518	**1.230.290.726**	**(95.795.208)**

NOTE 39 – 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)

Forward agreements:

The details of the unrealized forward purchase and sale agreements as of 31 December 2008 are stated below:

	Average exchange rate	Original currency (TL equivalent)	Agreement value (TL equivalent)	Fair value
	2008	**2008**	**2008**	**2008**
Unrealized purchase/sale forward agreements:				
TL Sale/ USD Purchase				
Less than 6 months	1,5981	204.160.500	203.491.056	669.444
USD Sale/ TL Purchase				
Less than 3 months	1,5350	30.700.000	30.700.000	-
3 to 6 months	1,5930	31.860.000	31.900.000	(40.000)
USD Sale/ JPY Purchase				
3 to 6 months	105,5	28.097.675	26.617.224	1.480.452
12 months	105,6	10.939.010	9.353.061	1.585.949
JPY Sale/USD Purchase				
3 to 6 months	90,655	40.786.598	41.170.366	(383.768)
12 months	92,93	10.639.278	10.950.361	(311.083)
		357.183.061	**354.182.068**	**3.000.994**

The change in the fair value of derivative financial instruments impact retained earnings amounting TL 3.000.994 and income statement for the period TL (98.796.202). The income/expense accruals arising from the change in the fair value of the derivative financial instruments are as follows:

	30 June 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
Income/expense accruals from forward exchange transactions (*)	15.889.756	(111.684.964)	4.235.129	(1.234.135)

(*) This balance is presented net under other payables and liabilities.

NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest Rate Risk Management

The majority of the Group's borrowings have a variable interest rate. 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 variable rate denominated assets in the balance sheet.

Furthermore, for borrowings denominated in foreign currencies, except for USD, by borrowing in currencies that bear lower interest rates, the group minimizes the interest rate risk. In addition, a higher interest rate is applied to the trade receivables with a maturity when compared to the interest rate exposed for trade payables.

Interest rate sensitivity

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

Interest Position Table

	30 June 2009	31 December 2008
Fixed interest rate financial instruments		
Financial liabilities	531.361.220	1.288.754.667
Floating interest rate financial instruments		
Financial liabilities	3.769.080.068	3.305.099.615

As of 30 June 2009, if the USD, EUR and JPY denominated interest rates increase/decrease by 0,5% points in USD and EUR and 0,25% percent in JPY respectively ceteris paribus, the profit before taxation and minority interest after considering the effect of capitalization and hedging would be lower/higher TL 8.820.350 (30 June 2008: TL 2.673.233)

Interest rate swap agreements

The Group uses interest rate swap instruments and pays/receives the difference between fixed interest rate and floating interest rates multiplied by the nominal amount. These contracts aim to mitigate the risk of fluctuations in the cash flow which the Group is exposed to due to borrowings with floating interest rates.

NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Interest rate sensitivity (cont'd)

As of the balance sheet date, the Groups' agreed unpaid nominal amounts of the interest rate swap agreements and their remaining terms until maturity are stated below:

30 June 2009 Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal Amount(*)	Fair Value Amount
Between 3-4 years	%3,1725	565.737.279	(9.665.903)

(*) In order to hedge against the interest rate risk of the borrowings with floating rates, the Group trades floating interest rates with fixed rates by making swap agreements. The fair value of the interest rate swap agreements fount to be effective amounts to TL 565.737.279, which is categorized as cash flow hedges, is recognized under equity with its deferred tax effect and minority interest deducted. TL (7.204.555)

31 December 2008 Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal Amount(*)	Fair Value Amount
3-4 yıl arası	% 3,645	483.540.929	(2.137.857)

(h) Credit Risk Management

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There is no risk concentration on few customers. For the majority of trade receivables, there are sufficient collaterals and/or credit limits. Credit evaluation is performed on the financial condition of the accounts receivable regularly. The Group does not have any significant credit risk exposure to any single counterparty.

(i) 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.

NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(i) Liquidity Risk Management (cont'd)

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 risk of funding actual and forecasted possible obligations is managed by maintaining availability of sufficient number of high quality loan providers.

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

30 June 2009

Contractual maturity analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	3 months/ less (I)	3-12 months (II)	1-5 years (III)	5 years/ more (IV)
Non derivative financial liabilities						
Borrowings from banks	4.300.441.288	4.543.163.500	610.816.889	872.633.094	2.630.805.483	428.908.034
Finance leasing liabilities	228.517	235.200	130.194	105.006	-	-
Trade payables	343.356.843	343.824.890	196.347.976	147.476.914	-	-
Other financial liabilities	38.205.441	38.205.441	18.733.635	19.471806	-	-
Total liabilities	**4.682.232.089**	**4.925.429.031**	**826.028.694**	**1.039.686.820**	**2.630.805.483**	**428.908.034**

30 June 2009

Contractual maturity analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	3 months/ less (I)	3-12 months (II)	1-5 years (III)	5 years/ more (IV)
Derivative financial liabilities	**(105.461.110)**	**(81.096.106)**	**(18.655.226)**	**(57.336.874)**	**(5.104.005)**	**-**
Derivative cash inflows	15.889.756 (*)	1.089.344.720	447.040.225	632.695.035	9.609.460	-
Derivative cash outflows	(121.350.867) (*)	(1.170.440.826)	(465.695.451)	(690.031.909)	(14.713.465)	-

(*) This balance is presented net under other payables and liabilities.

NOTE 39 – NATURE AND LEVEL OF RISKS DRIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(i) Liquidity Risk Management (cont'd)

Liquidity risk tables (cont'd)

31 December 2008

Contractual maturity analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	3 months/ less (I)	3-12 months (II)	1-5 year (III)	5 years/ more (IV)
Non derivative financial liabilities						
Borrowings from banks	4.533.854.282	4.740.342.003	927.296.089	1.380.926.693	1.984.207.252	447.911.969
Finance leasing liabilities	462.581	491.601	135.319	335.272	21.010	-
Trade payables	393.357.474	394.565.628	257.855.156	136.710.472	-	-
Other financial liabilities	125.782.478	125.782.478	123.920.120	1.862.358	-	-
Total liabilities	**5.053.456.815**	**5.261.181.710**	**1.309.206.684**	**1.519.834.795**	**1.984.228.262**	**447.911.969**

Contractual maturity analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	3 months/ less (I)	3-12 months (II)	1-5 years (III)	5 years/ more (IV)
Derivative financial liabilities	**863.117**	**3.413.362**	**2.669.133**	**(6.131.681)**	**6.875.911**	**-**
Derivative cash inflows	7.567.087 (*)	413.140.463	70.465.864	290.988.387	51.686.213	-
Derivative cash outflows	(6.703.950) (*)	(409.727.101)	(67.796.731)	297.120.068	(44.810.302)	-

(*) This balance is presented net under other payables and liabilities.

NOTE 40 – FINANCIAL INSTRUMENTS: (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

(j) Categories of the financial instruments and their fair values

30 June 2009	Loans and receivables	Available for sale financial assets	Held for trading financial instruments	Financial liabilities at amortised cost	Hedging instruments	Carrying value	Note
Financial Assets							
Cash and cash equivalents	750.735.736	-	-	-	-	750.735.736	6
Trade receivables	648.750.845	-	-	-	-	648.750.845	10
Other financial assets	107.214.169	41.471	430	-	-	107.256.070	7/11
Derivative financial instruments	-	-	-	-	-	-	26
Financial Liabilities							
Financial payables	-	-	-	4.300.669.805	-	4.300.669.805	8
Trade payables	-	-	-	343.356.843	-	343.356.843	10
Other financial liabilities	-	-	-	38.205.441	-	38.205.441	11
Derivative financial instruments	-	-	95.795.207	-	9.665.903	105.461.110	26
31 December 2008							
Financial Assets							
Cash and cash equivalents	973.469.825	-	-	-	-	973.469.825	6
Trade receivables	691.961.456	-	-	-	-	691.961.456	10
Other financial assets	44.744.773	30.308.140	9.967	-	-	75.062.880	7/11
Derivative financial instruments	-	-	3.000.994	-	-	3.000.994	26
Financial Liabilities							
Financial payables	-	-	-	4.534.316.863	-	4.534.316.863	8
Trade payables	-	-	-	393.357.474	-	393.357.474	10
Other financial liabilities	-	-	-	117.076.064	-	117.076.064	11
Derivative financial instruments					2.137.857	2.137.857	26

(*) Carrying values of the financial asstes and liabilites are close to the fair values.

NOTE 40 – FINANCIAL INSTRUMENTS: (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

Financial asset and liabilities at fair value	**30 June 2009**	**Fair value level as of reporting date**		
		Level 1	**Level 2**	**Level 3**
		TL	**TL**	**TL**
Fair value differences of financial assets reflected on profit/loss				
Derivative Financial Assets	15.889.756 (*)	-	15.889.756	-
Derivative Financial Liabilities	(111.684.964) (*)	-	(111.684.964)	-
Fair value differences of financial assets reflected on comprehensive income				
Derivative Financial Assets	-	-	-	-
Derivative Financial Liabilities	(9.665.903) (*)	-	(9.665.903)	-
Total	**(105.461.110)**	**-**	**(105.461.110)**	**-**

(*)This balance is presented net under other payables and liabilities (Note 26).

First Level: Quoted prices in active markets for identical assets or liabilities

Second Level: Inputs other than quoted prices included within LeveL 1 that are observable for the asset or liability, either directly or indirectly

Third Level: Inputs for the asset or liability that are not based on observable market data.

NOTE 41 – SUBSEQUENT EVENTS

On 15.09.2008 it was announced on ISE bulletin that Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) decided to end the Commercial Agreement which was concluded on 17.10.2002 between ArcelorMittal Ambalaj Çeliği Tic. A.Ş. and Arcelor Packaging International SA, and also decided to end the shareholding in ArcelorMittal Ambalaj Çeliği Tic. A.Ş. and Borçelik Çelik San. ve Tic. A.Ş according to the Board of Directors' resolution numbered 8971, dated 11 September 2008. Negotiations are still continuing.

According to the decision of the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş (Erdemir) dated 24.07.2009, numbered 9010, taking into account that the registered capital ceiling permitted until 2012 is TL 5.000.000.000 (five billion TL) (stated in clause 7 of the Articles of Association), the executive management is authorized for increasing the registered capital to 1.600.000.000 TL from 1.148.812.500 TL by 451.187.500 TL (39,27425%) utilizing retained earnings resulting from inflation differences and for the execution of the transactions related to the new shares that will be distributed as bonus shares.

NOTE 41 – SUBSEQUENT EVENTS (cont'd)

The Group plans to produce 100.000 tons/month of hot rolled products in the İskenderun hot rolling mill which has begun test production in August 2008 and which has an annual capacity of 3.5 million tons/year starting from August 2009. It is planned to increase the production level up to 3.5 million tons/year in the future based on market demand.

The Group has received borrowings amounting to 550 Million USD in July 2009 which has resulted in the successful completion of the Group's refinancing efforts. Together with the borrowings amounting to 900 Million TL received during May 2009, the maturities of borrowings which were primarily due in 2009 and up until April 2010 have been postponed to 2011.

NOTE 42 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Changes in working capital are as follows:

	1 January – 30 June 2009	1 January – 30 June 2008
Current trade receivables	39.352.676	6.921.136
Inventories	1.602.333.154	(899.197.907)
Other receivables / current assets	(183.561.118)	(33.969.980)
Non current trade receivables	16.473	219.050
Other long term receivables / non current assets	(5.873.365)	10.788.600
Current trade payables	(50.000.631)	254.229.741
Other short term payables / liabilities	(106.870.915)	147.267.288
Other non current trade payables/ liabilities	(167.034)	(134.274)
	1.295.229.240	(513.876.346)

NOTE 42 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION (cont'd)

The adjustments made to the financial statements for the three month period ended 31 March 2009:

The financial statements for the three month period ended 31 March 2009 includes an impairment reversal income in the amount of TL 14.732.522 provided for Borçelik Çelik San. Tic. A.Ş. During the preparation of financial statements as of 30 June 2009, IAS 39 "Financial Instruments: Recognition and Measurement" standart requires the cancelation of the impairment reversal, therefore the financial statements for the three month period ended 31 March 2009 was restated.

During the preparation of financial statements as of 30 June 2009, as stated in Note 24, the Group has provided a provision for the incentive premium for severance payment. The financial statements for the three month period ended 31 March 2009 was also restated to include a liability and expense in the net amount of TL 3.014.653 after deferred tax and minority share effect.

The details and the amounts of the reclassifications made to the balance sheet are as follows:

Account Name	31 December 2008 (Previously reported)	31 December 2008 (Restated)	Difference
Assets:			
Other current assets [1]	394.630.620	387.926.670	(6.703.950)
Liabilities			
Other current liabilities [1]	264.949.268	258.245.318	(6.703.950)

[1] Expense accruals from derivatives amounting to TL 6.703.950 is reclassified in "Other current assets" from "Other current liabilities" in order net off the balance.

The details and the amounts of the reclassifications made of the income statement are as follows:

Account Name	1 January – 30 June 2008 (Previously reported)	1 January - 30 June 2008 (Restated)	Difference
Sales[1] [6]	3.756.142.801	3.616.528.459	(139.614.342)
Cost of sales (-) [2] [3]	(2.506.449.495)	(2.506.545.178)	(95.683)
Other operating income [2] [6] [8]	24.028.907	18.080.951	(5.947.956)
Other operating expenses (-) [3] [4]	(86.977.873)	(84.092.052)	2.885.821
Finance income [1] [5] [7] [8]	116.049.953	240.695.346	124.645.393
Finance expenses (-)[4] [5] [7]	(145.144.748)	(127.017.981)	18.126.767
Total			-

NOTE 42 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION (cont'd)

The details and the amounts of the reclassifications made to the income statement are as follows (cont'd):

(1) Interest revenues from sales with maturity amounting to TL 143.214.439 is reclassified to "Finance income", from "Sales revenue"

(2) Income of drawback from materials returned to the from warehouse and shipment weight differences amounting to respectively TL 1.014.710 and TL 200.539 are reclassified to "Cost of sales" from "Other operating expenses".

(3) Excess demand sales expenses and inventory differences amounting to respectively TL 1.148.132 and TL 162.800 are reclassified to "Cost of sales (-)" from "Other operating expenses (-)"

(4) Commission expenses amounting to TL 1.574.889 is reclassified to "Finance expenses (-)"from "Other operating expenses (-)".

(5) Discount income amounting to TL 8.960.800 is reclassified to "Finance expense" from "Finance income" in order to be netted with the discount expense.

(6) Scrap sales income amounting to TL 3.600.097 is reclassified to "Sales" from "Other operating expenses"

(7) Interest income from other receivables amounting to TL 10.740.856 is reclassified to "Finance expenses (-)" from "Finance Income" in order to be netted with expense from other receivables.

(8) Dividend income amounting to TL 1.132.610 is reclassified to "Finance income" from "Other operating income"