EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2009

(Convenience Translation into English of Consolidated Interim Financial Statements as of 31 March 2009 originally issued in Turkish)

TABLE OF CONTENTS **Page**

	Note	Unaudited 31 March 2009	Audited 31 December 2008
ASSETS			
Current Assets		**4.000.911.468**	**4.649.284.426**
Cash and Cash Equivalents	6	291.204.801	973.469.825
Financial Investments	7	955	9.967
Trade Receivables	10	778.675.416	689.371.863
Due from Related Parties	*38*	*104.143.489*	*106.529.988*
Other Trade Receivables	*10*	*674.531.927*	*582.841.875*
Other Receivables	11	48.500.493	44.971.773
Inventories	13	2.377.336.474	2.553.534.328
Other Current Assets	26	505.193.329	387.926.670
Non Current Assets		**7.465.471.376**	**7.285.155.391**
Trade Receivables	10	2.710.359	2.589.593
Other Receivables	11	153.883	153.913
Financial Investments	7	45.043.569	30.308.140
Associates Accounted For Using Equity Method	16	11.498.657	10.909.480
Investment Properties	17	46.577.264	45.973.550
Property, Plant and Equipment	18	6.829.471.718	6.735.479.233
Intangible Assets	19	138.473.550	141.049.960
Deferred Tax Assets	36	303.838.419	232.336.835
Other Non Current Assets	26	87.703.957	86.354.687
TOTAL ASSETS		**11.466.382.844**	**11.934.439.817**

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2009

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

	Note	Unaudited 31 March 2009	Audited 31 December 2008
LIABILITIES			
Current Liabilities		**2.990.773.655**	**3.355.971.032**
Short Term Borrowings	8	1.775.572.111	2.279.853.357
Trade Payables	10	301.688.398	393.357.474
Due to Related Parties	38	*3.677.899*	*3.939.773*
Other Trade Payables		*298.010.499*	*389.417.701*
Other Payables	11	406.967.208	193.144.607
Due to Related Parties	*38*	*336.843.952*	*117.076.064*
Other Trade Payables		*70.123.256*	*76.068.543*
Corporate Tax Payable	36	7.065.755	1.650.768
Provisions	22	208.159.134	229.719.508
Other Liabilities	26	291.321.049	258.245.318
Non Current Liabilities		**2.527.972.083**	**2.474.840.646**
Long Term Borrowings	8	2.290.313.089	2.254.463.506
Provisions for Employee Termination Benefits	24	109.097.775	117.287.493
Deferred Tax Liabilities	36	127.997.972	102.491.378
Other Liabilities	26	563.247	598.269
SHAREHOLDERS' EQUITY	27	**5.947.637.106**	**6.103.628.139**
Capital and Reserves Attributable to Equity Holders of the Parent		**5.800.216.141**	**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		26.147.629	26.376.841
Cash Flow Hedging Reserves		(1.345.981)	(1.616.880)
Cumulative Translation Adjustments		4.063.109	3.464.667
Restricted Profit Reserves		1.688.196.335	1.665.921.924
Retained Earnings		2.152.150.954	1.962.624.966
Net Profit/(Loss) for the Period		(137.005.339)	211.474.460
Minority Interest		**147.420.965**	**167.372.727**
TOTAL EQUITY & LIABILITIES		**11.466.382.844**	**11.934.439.817**

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2009

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

	Note	**Unaudited 1 January- 31 March 2009**	**Limited Reviewed 1 January- 31 March 2008**
OPERATING INCOME			
Sales Revenue	28	1.063.923.071	1.417.579.517
Cost of Sales (-)	28	(970.239.578)	(1.138.862.480)
GROSS PROFIT/(LOSS)		**93.683.493**	**278.717.037**
Marketing, Selling and Distribution Expenses (-)	29	(20.436.376)	(17.294.190)
General Administrative Expenses (-)	29	(27.462.782)	(27.009.229
Research and Development Expenses (-)	29	(523.638)	(658.244)
Other Operating Income	31	42.227.510	14.748.795
Other Operating Expense (-)	31	(23.681.878)	(37.417.620)
NET OPERATING PROFIT/(LOSS)		**63.806.329**	**211.086.549**
Income from investments accounted for using the equity method	16/31	(642.992)	1.196.179
Finance Income	32	122.292.973	174.934.214
Finance Expenses (-)	33	(370.449.728)	(127.690.825)
PROFIT/(LOSS) BEFORE TAXATION		**(184.993.418)**	**259.526.117**
Tax Income/(Expense)	36	38.519.532	(32.899.058)
- Income tax		(7.548.814)	(38.370.785)
- Deferred tax income		46.068.346	5.471.727
PROFIT/(LOSS) FOR THE PERIOD		**(146.473.886)**	**226.627.059**
- Minority Interest		(9.468.547)	7.836.443
- Parent Company Share		(137.005.339)	218.790.616
EARNINGS/(LOSS) PER SHARE	37	(0,1193)	0,1904

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2009

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

	Note	Unaudited 1 January- 31 March 2009	Limited Reviewed 1 January- 31 March 2008
PROFIT/LOSS) FOR THE PERIOD		**(146.473.886)**	**226.627.059**
Other comprehensive income:	34		
Change in revaluation reserves		(229.212)	251.285
Change in cash flow hedging reserves		366.766	-
Change in currency translation reserve		598.442	4.202.636
Income tax relating to components of other comprehensive income	36	(73.353)	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)		**662.643**	**4.453.921**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(145.811.243)**	**231.080.980**
Distribution of total comprehensive profit/ (loss)			
- Minority Interest		(9.446.033)	7.836.443
- Parent Company Share		(136.365.210)	223.244.537

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

	Note	Share Capital	Inflation Adjustment to Shareholders' Equity	Treasury Shares	Premium Excess of Par	Revalutation Fund	Restricted Profit Reserves	Cash Flow Hedging Reserves	Cumulative Translation Adjustment	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 income for the period		-	-	-	-	(229.212)	-	270.899	598.442	(137.005.339)	**(136.365.210)**	(9.446.033)	**(145.811.243)**
Cumulative Translation Adjustment		-	-	-	-	-	-	-	-	325.939	**325.939**	-	**325.939**
Transfers from retained earnings		-	-	-	-	-	22.274.411	-	-	(22.274.411)	**-**	-	**-**
Unaudited March, 31 2009	**27**	**1.148.812.500**	**731.967.735**	**(43.790.843)**	**231.020.042**	**26.147.629**	**1.688.196.335**	**(1.345.981)**	**4.063.109**	**2.015.145.615**	**5.800.216.141**	**147.420.965**	**5.947.637.106**
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)**	(7.567.688)	**(296.582.887)**
Total comprehensive income for the period		-	-	-	-	251.285		-	4.202.636	218.790.616	**223.244.537**	7.836.443	**231.080.980**
Cumulative Translation Adjustment		-	-	-	-	-	-	-	-	(1.702.364)	**(1.702.364)**	-	**(1.702.364)**
Transfers from retained earnings		-	-	-	-	-	208.822.049	-	-	(208.822.049)	**-**	-	**-**
Limited Audited March, 31 2008	**27**	**844.018.500**	**731.967.735**	**(34.399.974)**	**231.020.042**	**18.230.409**	**1.665.921.924**	**-**	**2.177.217**	**2.478.032.358**	**5.936.968.211**	**159.083.443**	**6.096.051.654**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2009

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

	Note	Unaudited 1 January – 31 March 2009	Limited Reviewed 1 January – 31 March 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and minority interest		(184.993.418)	259.526.117
Adjustments to reconcile net profit /loss before tax and net cash provided by operating activities			
Depreciation and amortization expenses	28/30	43.012.828	48.622.837
Provisions for employee termination benefits	24	11.534.692	5.395.256
Share of profit from subsidiaries consolidated by equity pick-up method	16	642.992	(1.196.179)
(Profit) / loss from tangible fixed asset sales	31	(281.126)	(11.771)
Change in allowance for impairment of fixed assets	31	-	12.967.757
Income/loss from financial asset sales	7	(14.732.522)	629.643
Change in provision for doubtful receivables	10/11	1.094.929	789.284
Change in allowance for inventories	13	(711.541.588)	(195.154)
Change in accrual for unused vacations	26	(9.160.795)	2.536.509
Change in provision for legal cases	22	822.893	(41.935)
Change in penalty provision for obligatory employment shortage of disabled people, ex-convicts and terror victims	22	(1.764.619)	3.340.137
Change in provisions for tax related contingencies	22	(4.382.402)	(1.111.375)
Change in provision for loss on purchase commitments	22	(16.236.246)	-
Financing expense	33	48.163.182	52.553.619
Interest income	32	(31.793.685)	(13.369.551)
Accrued finance expense		294.353.671	115.719.872
Minority share on change of financial derivative instruments		22.514	-
Net cash used / provided by operating activities before changes in working capital		**(575.238.700)**	**486.155.066**
Changes in working capital	42	870.143.127	(85.977.833)
Interest paid		(36.819.019)	(25.105.042)
Interest received		32.243.706	13.851.379
Taxes paid	36	(2.133.827)	(23.747.461)
Employee termination benefits paid	24	(19.724.410)	(5.053.620)
Cash provided by operating activities		**268.470.877**	**360.122.489**
CASH FLOW FROM INVESTING ACTIVITIES			
Changes in marketable securities	7	9.012	499.920
Purchase of financial assets	7	(2.907)	(823)
Cash provided by fixed asset sales	18/31	1.026.505	10.260.567
Purchases of investment property	17	(603.714)	(15.103.235)
Purchases of tangible fixed assets		(91.149.194)	(205.426.780)
Purchases of intangible fixed assets	19	(500.349)	(556.225)
Change in reevaluation fund of fixed assets		(229.212)	251.285
Cash used in investing activities		**(91.449.859)**	**(210.075.291)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from loans		1.412.228.903	513.155.388
Repayment of loans		(2.260.796.552)	(205.980.553)
Translation difference		237.357	(101.150)
Dividends paid to minority interest		(10.505.729)	(7.567.688)
Cash provided by financing activities		**(858.836.021)**	**299.505.997**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(681.815.003)**	**449.553.195**
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	**291.165.446**	**1.032.296.441**
Accrued Interest	6	**39.355**	**3.020.221**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUAL OF INTEREST	6	**291.204.801**	**1.035.316.662**

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") comprise 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 its associates where 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 is registered with the Capital Market Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since the opening of ISE in 1986.

The main operations of the companies included in the consolidation, and the share of the Group in 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
ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş.(*)	Steel for Packaging	25,00	25,00

(*) Arcelor Mittal Ambalaj Çeliği San. ve Tic. A.Ş.'s financial statements were consolidated by the equity pick-up method.

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 the 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 based on categories at 31 March 2009:

	31 March 2009	31 December 2008
Monthly paid personnel (A)	3.356	3.551
Hourly paid personnel (B)	8.436	9.063
Candidate worker (C)	1.797	1.797
Contractual personnel (D)	17	17
Contractual personnel (Contractor)	107	209
TOTAL	13.713	14.637

NOTE 2 – BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Accounting Standards

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 Decree Serial: XI, No: 29 on "The Decree for Capital Markets Accounting Standards". This decree is applicable for the first interim financial statements ended subsequent to 1 January 2008 period. The supplementary decree Serial: XI, No: 29 was issued as an amendment to Decree 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 Committee (TASC). Therefore, the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") which are in complaint 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 Decree Serial: XI, No: 29. with the required formats announced by the CMB on 14 April 2008 and the necessary reclassifications in the comparative financial statements are made.

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, on 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 standards of our

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

2.1 Accounting Standards (cont'd)

board. Hence, these financial statements should only be disclosed if 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 financial statements:

Financial statements have been approved and authorized to be issued on 18 May 2009 by the Board of Directors.General assembly has authority to change 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

If the changes in accounting estimates are only related to a period, than 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 current and coming periods. Starting from 1 January 2009, the Group has revised the depreciation method of some of Erdemir and İsdemir's land improvements, machinery, equipment and the vehicles, from straight line to the units of production method to better reflect the expected pattern in which such assets future economic benefits will be consumed, according to the report of Hatch Associated 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 tangibles are as follows:

	1 January 2009 and after
Buildings	% 2-16
Land Improvements	% 2-33 and production level
Machinery and Equipments	% 3-50 and production level
Vehicles	% 5-25 and production level
Furniture and Fixtures	% 5-33
Other tangible fixed assets	% 5-25

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

	New rates applied after 1 January 2009 (*)
01.01.2009-31.03.2009 decrease in depreciation amount	10.080.252

(*) Before the minority interest, the net impact on the income statement of the decrease in the depreciation amount together with the stock effect is TL 4.268.914.

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

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

The 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	39.289.770
2011 whole year	36.022.350
2012 whole year	34.188.337
2013 whole year	25.075.457
2014 whole year	24.235.429

(*) The first three month production level of 2009 is adapted for twelve months calculation.

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.

Investments in Associates

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.

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

2.4 Consolidation Principles (cont'd)

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

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 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 41.

2.6 Presentation in Turkish Lira

Effective from 1 January 2005, New Turkish Lira was defined as the new currency unit of the Republic of Turkey, by omitting last six digits of Turkish Lira. Effective from 1 January 2009, Council of Ministers legislated for the removal of the word "New" from the definition of the currency unit. Consequently, the functional and reporting currency, the financial statements as of December 31, 2008 and the comparative figures are presented in TL, with 1 TRY = 1 TL ratio.

2.7 Critical Judgments in Applying the Entity's Accounting Policies

Impairment on Fixed Assets

Group's fixed assets for the current year is tested for impairment. Amount of assets can be recovered with the use of calculating the values were determined. Estimates used to calculate the value in the use of primary discount rate, growth rate, sales price and the time period is for the direct costs. Value in use calculation, fixed assets and cash generating unit is parsed, the factory has been evaluated on the basis. Discount rate, valid for the time value of money market and asset-specific risk assessments before the tax rate is reflecting. Group weighted average cost of capital as the discount rate is used. Growth rate is determined according to the relevant sector growth forecasts. Changes in selling price and direct costs are based on past experience and future expectations. As of 31 March 2009 as a result of the examination, the value of fixed assets can be recovered and impairment is not recorded.

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

2.8 Offsetting

Financial assets and liabilities are offset and the net amount 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.

2.9 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.

<u>Standards, amendments and interpretations effective in 2009 but not relevant</u>

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

- IFRS 1 (Amendment), "First time adoption of IFRSs issued",
- IFRS 2 (Amendment), "Share based payment",
- IFRS 7 (Amendment), "Financial Instruments: Disclosures",
- IAS 32 (Amendment), "Financial Instruments: Presentation",
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement",
- UFRYK 15, "Agreements for the Construction of Real Estate",
- UFRYK 16, "Hedges of a Net Investment in a Foreign Operation",

<u>Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group</u>

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRIC 17, "Distribution of non-cash Assets to Owners"	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 18, "Transfers of Assets from Customers"	Effective for annual periods beginning on or after 1 July 2009
• IFRS 3, "Business Combinations" • IFRS 27, "Consolidated and Separate Financial Statements • IFRS 28, "Investment in associates" • IFRS 31 " Interests in joint ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2009
• IFRS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items.	Effective for annual periods beginning on or after 1 July 2009

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

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

The brief information summary of the standards above are as follow:

IFRS 3, "Business Combinations"

Costs related with acquisitions shall be presented under profit and loss statement when occurred 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, it will have no material impact on the financial statements of the Group accordingly.

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

IFRIC 17 applies to pro rata distributions of non-cash assets (all owners are treated equally) but does not apply to common control transactions. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

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, it will have no material impact on the financial statements of the Group accordingly.

IFRS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items

The amendment clarifies that the Inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument.

2.10 – Summary of Significant Accounting Policies

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

2.10.1 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.

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

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

2.10.1 Revenue (cont'd)

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.

2.10.2 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.

2.10.3 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 using the useful lives of the assets. Starting from 1 January 2009, the Group has revised the depreciation method of Erdemir and İsdemir's land improvements, machinery, equipment and some of the vehicles, from straight line to units of production. (Note 2.3)

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.

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

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

2.10.3 Property, Plant and Equipment (cont'd)

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.

2.10.4 Leasing 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. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2.10.5 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.

	1 January 2009 and after
Rights	% 5-33
Exploration Costs and other assets with special useful life	% 5-10
Other intangible assets	% 20-33 and units of production

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

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

2.10.6 Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization 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.

2.10.7 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.

2.10.8 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.

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.

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

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

2.10.8 Financial Instruments (cont'd)

<u>Financial assets (cont'd)</u>

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.

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

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

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

2.10.8 Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

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.

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.

<u>Derivative Financial Instruments and Accounting of Hedging Activities</u>

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).

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

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

2.10.8 Financial Instruments (cont'd)

Derivative Financial Instruments and Accounting of Hedging Activities (cont'd)

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.

2.10.9 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.

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

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

2.10.10 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.

2.10.11 Subsequent Events

Subsequent events cover all of the events that occur between the balance sheet date and the publication date of the financial statements, even if the events occur subsequent to public announcements that are related with profit or other pre-selected financial information are made.

The Group adjusts its financial statements if the above-explained subsequent events require any adjustments.

2.10.12 Provisions, Contingent Liabilities and Contingent Assets

A provision is set forth in the financial statements, if a legal liability exists as a result of past events as if the cash out-flow is probable for the reversal of provision and the liability amount can be estimated reliably. Contingent liabilities are consistently reviewed prior to the probability of any cash out-flow. In case of the cash out-flow is probable, provision is set forth (except for the unusual cases that the amount can not be determined) in the financial statements of the year that the probability of contingent liability accounts is changed.

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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

2.10.13 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.

2.10.14 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.

2.10.15 Discontinued Operations

None.

2.10.16 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.

2.10.17 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

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

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

2.10.17 Taxation and Deferred Income Taxes (cont'd)

Deferred tax (cont'd)

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.

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.

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

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

2.10.18 Retirement Pay Provision

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.

2.10.19 Retirement Plans

None.

2.10.20 Agricultural Operations

None.

2.10.21 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.

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.

2.10.22 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.

2.10.23 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 31 March 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.

NOTE 3 – BUSINESS COMBINATIONS

None.

NOTE 4 – INVESTMENTS IN JOINT VENTURES

None.

NOTE 5 - SEGMENT REPORTING

The Company operates predominantly in one industry segment, basically production, marketing and distribution of flat iron and steel. The accompanying financial statements do not include separate segmental financial information as the Company operates in only one specific industry segment, and the reporting to the management of the Group is done in the same manner. All material assets, production facilities and distribution channels are located in Turkey.

NOTE 6 – CASH AND CASH EQUIVALENTS

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

	31 March 2009	31 December 2008
Cash	17.279	11.139
Cheques given and payment orders (-)	-	(26.000)
Banks – demand deposits	82.489.521	146.167.802
Banks – time deposits	208.698.001	827.316.884
	291.204.801	973.469.825
Time deposit interest accruals (-)	(39.355)	(489.376)
Cash and cash equivalents other than interest accruals	291.165.446	972.980.449

Demand deposits are listed below:

	31 March 2009	31 December 2008
USD	71.539.797	10.339.920
TL	6.537.822	132.703.481
EURO	2.271.660	1.136.261
RON	2.117.543	1.968.178
JPY	11.528	11.064
GBP	11.171	8.898
	82.489.521	146.167.802

Time deposits are listed below:

	31 March 2009	31 December 2008
USD	99.745.317	385.679.168
TL	86.809.221	394.043.493
EURO	22.055.522	47.504.249
RON	87.941	89.974
	208.698.001	827.316.884

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

Maturity structure of time deposits as of 31 March 2009 consists of the following;

Currency	Interest Rate (%)	Maturity	31 March 2009
USD	3,60%	01.04.2009	99.745.317
TL	11,60%	01.04.2009	50.015.891
TL	11,25%	01.04.2009	36.593.275
TL	10,00%	01.04.2009	200.055
EURO	3,80%	01.04.2009	22.055.522
RON	13,25%	25.12.2009	87.941
TOTAL			208.698.001

The maturity structure of time deposits as of 31 December 2008 consists of the following;

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:

	31 March 2009	31 December 2008
Investment Funds	955	9.967

Available For Sale Financial Assets:

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

Company	Interest %	31 March 2009	Interest %	31 December 2008
Borçelik Çelik San. Tic. A.Ş.	9,34	48.415.165	9,34	48.415.165
Erdemir Gaz San. ve Tic. A.Ş. (*)	100,00	41.027	100,00	38.120
Impairment (**)		(3.412.623)		(18.145.145)
		45.043.569		30.308.140

(*) 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.

(**) Borçelik Çelik San. Tic. A.Ş neither has a share price determined in an active market nor an available valuation study therefore allowance for impairment amounting to TL 3.412.623 (31 December 2008: 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

	31 March 2009	31 December 2008
Short Term Bank Loans	763.111.260	1.371.395.202
Current Portion of Long Term Loans	1.012.105.427	908.016.584
Financial Lease Payables	355.424	441.571
Total Short Term Borrowings	1.775.572.111	2.279.853.357
Long Term Loans	2.290.313.089	2.254.442.496
Financial Lease Payables	-	21.010
Total Long Term Borrowings	2.290.313.089	2.254.463.506
	4.065.885.200	4.534.316.863

NOTE 8 – BORROWINGS (cont'd)

As of 31 March 2009, the breakdown of the fixed rate loans according to the 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	31 March 2009
TL	%12,20	417.145.426	-	417.145.426
USD	%1,40	179.433.169	2.244.038	181.677.207
JPY	%2,50	4.736.923	-	4.736.923
		601.315.518	2.244.038	603.559.556

As of 31 March 2009, the breakdown of the floating rate loans according to the 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 March 2009
USD	Libor + 0,975	1.052.974.960	1.524.653.504	2.577.628.464
EURO	Euribor + 0,205	96.358.448	593.708.830	690.067.278
JPY	JPYLibor+0,215	24.567.761	169.706.717	194.274.478
		1.173.901.169	2.288.069.051	3.461.970.220

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

Type of original currency	The Effective Weighted Average Rate of Interest (%)	2008 Short Term Portion	2008 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 the 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:

	31 March 2009	31 December 2008
Within one year	1.775.216.687	2.279.411.786
One to two years	758.721.758	718.914.884
Two to three years	518.047.902	567.551.363
Three to four years	280.273.705	272.410.229
Four to five years	218.752.184	219.986.660
Five years or more	514.517.540	475.579.360
	4.065.529.776	4.533.854.282

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

	31 March 2009	31 December 2008
Within one year	355.424	441.571
One to two years	-	21.010
	355.424	462.581

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

	31 March 2009	31 December 2008
Euro	213.245	441.571
TL	142.179	21.010
	355.424	462.581

NOTE 8 – BORROWINGS (cont'd)

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

Interest Rate (%)	Original Currency Type	2009 Short Term Portion	2009 Long Term Portion	31 March 2009	31 December 2008
Libor + 1,50	USD	119.676.754	216.513.759	336.190.513	304.215.650
Libor + 0,30	USD	53.824.596	244.495.113	298.319.709	264.568.522
Libor + 1,40	USD	57.312.254	197.413.042	254.725.296	227.953.981
Libor + 2,20	USD	53.260.532	193.344.344	246.604.876	218.508.933
Libor + 1,15	USD	245.404.390	-	245.404.390	219.373.267
Libor + 0,55	USD	213.045.292	-	213.045.292	189.771.015
Libor + 1,05	USD	13.984.063	191.103.116	205.087.179	182.477.674
Libor + 1,25	USD	28.345.546	140.557.965	168.903.511	151.799.941
Libor + 0,45	USD	3.122.403	127.563.035	130.685.438	117.013.137
Libor + 0,50	USD	117.733.634	-	117.733.634	105.242.388
4,00	USD	97.937.091	-	97.937.091	86.878.583
Libor + 0,90	USD	14.353.428	71.933.200	86.286.628	76.400.256
Libor + 0,95	USD	18.933.658	66.602.745	85.536.403	76.126.001
4,27	USD	78.941.202	-	78.941.202	69.987.847
Libor + 0,80	USD	60.579.978	-	60.579.978	53.780.832
Libor + 0,20	USD	9.132.465	38.989.563	48.122.028	42.826.217
Libor + 0,65	USD	5.854.847	23.444.541	29.299.388	28.646.624
Libor + 1,70	USD	25.577.056	-	25.577.056	22.621.923
Libor + 0,15	USD	1.769.387	12.693.081	14.462.468	12.895.429
Libor + 1,00	USD	9.175.200	-	9.175.200	8.146.531
5,78	USD	2.554.876	2.244.038	4.798.914	4.244.054
Libor + 0,25	USD	1.889.477	-	1.889.477	1.682.962
Libor + 0,44	USD	-	-	-	152.762.304
Euribor + 0,215	EUR	35.550.234	223.939.566	259.489.800	246.987.967
Euribor + 0,20	EUR	16.910.088	95.832.424	112.742.512	112.972.209
Euribor + 0,15	EUR	12.241.808	83.047.791	95.289.599	93.089.587
Euribor + 0,22	EUR	11.842.951	73.714.222	85.557.173	81.786.802
Euribor + 0,14	EUR	10.430.469	74.126.598	84.557.067	81.170.343
Euribor + 0,50	EUR	5.779.567	28.297.794	34.077.361	30.516.385
Euribor + 0,13	EUR	1.651.257	9.409.332	11.060.589	10.601.711
Euribor + 0,25	EUR	1.952.075	5.341.102	7.293.177	7.003.275
		1.328.766.578	2.120.606.371	3.449.372.949	3.282.052.350

NOTE 8 – BORROWINGS (cont'd)

Interest Rate (%)	Original Currency Type	2009 Short Term Portion	2009 Long Term Portion	31 March 2009	31 December 2008
Previous Page Total		1.328.766.578	2.120.606.371	3.449.372.949	3.282.052.350
JPYLibor + 0,215	JPY	12.298.588	85.852.361	98.150.949	92.514.625
Libor + 0,22	JPY	12.269.172	83.854.357	96.123.529	91.643.125
2,50	JPY	4.736.923	-	4.736.923	4.513.143
12,20	TL	401.220.000	-	401.220.000	-
Spot Krediler	TL	15.925.426	-	15.925.426	9.476.644
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
TOTAL		1.775.216.687	2.290.313.089	4.065.529.776	4.533.854.282

The book value of these loans approximates their fair value.

NOTE 9 - OTHER FINANCIAL LIABILITIES

None.

NOTE 10 – TRADE RECEIVABLES AND TRADE PAYABLES

The breakdown of the trade receivables as of balance sheet date is as follows:

	31 March 2009	31 December 2008
Short Term Trade Receivables		
Trade receivables	670.486.731	573.897.951
Due from related parties (Note 38)	104.143.489	106.529.988
Notes receivables	3.796.612	5.486.521
Discount on receivables (-)	(3.889.488)	(5.021.047)
Other trade receivables	18.065.733	21.294.137
Provision for doubtful receivables (-)	(13.927.661)	(12.815.687)
	778.675.416	689.371.863

The movement of provision for short term doubtful receivables:

	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	12.815.687	9.590.844
Provision for the period	1.146.132	822.152
Provision released (-)	(34.158)	(20.000)
Closing balance	13.927.661	10.392.996

Long Term Trade Receivables	31 March 2009	31 December 2008
Trade receivables	5.976.130	5.976.130
Discount on receivables (-)	(1.645.978)	(1.766.744)
Provision for doubtful receivables (-)	(1.619.793)	(1.619.793)
	2.710.359	2.589.593

The movement of provision for long term doubtful receivables:

	1 January – 31 March 2009	1 January – 31 March 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)

Total guarantees received for non overdue trade receivables:

	31 March 2009		31 December 2008	
	Nominal value	Fair Value	Nominal Value	Fair Value
Letter of guarantees	1.066.878.849	1.066.878.849	1.052.228.617	1.052.228.617
Cheques	3.210.165	3.210.165	5.143.848	5.143.848
Total	1.070.089.014	1.070.089.014	1.057.372.465	1.057.372.465

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 over due, according to the market conditions and product types, an interest charge is applied.

For 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 it fails, 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 additional provisions additional to the ones already provided at the accompanying financial statements.

As of balance sheet date, there are no significant overdue receivables included in the trade receivables. (2008: there are no significant overdue receivables). Collaterals were obtained for all of those receivables other than receivables from related parties, and all these receivables were collected at the subsequent month. Therefore, no provision was provided.

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

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

The details of the trade payables as of balance sheet date are as follows:

Short Term Trade Payables	31 March 2009	31 December 2008
Trade payables	297.135.709	387.097.908
Discount on trade payables (-)	(491.068)	(1.208.154)
Trade payables from related parties (Note 38)	3.677.899	3.939.773
Other trade payables	1.365.858	3.527.947
	301.688.398	393.357.474

NOTE 11 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31 March 2009	31 December 2008
Other receivables	6.786.812	6.802.722
Provision for other doubtful receivables (-)	(6.783.387)	(6.800.431)
Receivables from Privatization Administration	45.771.067	44.742.482
Deposits and guarantees given	2.726.001	227.000
	48.500.493	44.971.773

Movement of provision for other doubtful receivables:

	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	6.800.431	6.672.963
Provision released (-)	(17.044)	(12.868)
Closing balance	6.783.387	6.660.095

Other Non Current Receivables

	31 March 2009	31 December 2008
Deposits and guarantees given	153.883	153.913
	153.883	153.913

Other Current Payables

	31 March 2009	31 December 2008
Non trade payables to related parties (Note 38)	336.843.952	117.076.064
Taxes and funds payable	19.601.220	20.528.089
Social security deductions payable	16.270.891	16.356.585
Deferred and/or on installment plan liability to government	28.132.758	31.110.241
Deposits and guarantees received	6.118.387	8.073.628
	406.967.208	193.144.607

NOTE 12 – RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None.

NOTE 13 – INVENTORIES

	31 March 2009	31 December 2008
Raw materials	786.534.839	1.183.916.128
Finished goods	665.347.147	768.006.301
Work in progress	598.372.867	1.041.333.939
Goods in transit	288.001.346	241.178.566
Replacement goods	200.391.292	162.805.548
Trade goods	1.761.388	2.183.145
Other inventories	114.427.090	143.151.784
Allowance for impairment of inventories (-)	(277.499.495)	(989.041.083)
	2.377.336.474	2.553.534.328

Movement of allowance for impairment of inventories:

	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	989.041.083	7.321.846
Provision for the period	5.763.080	1.375.412
Provision released (-)	(717.304.668)	(1.570.565)
Closing balance	277.499.495	7.126.693

As of 31 March 2009, the value of final and semi-final product inventories includes depreciation expense with amount of TL 30.368.270 (31 December 2008: TL 48.980.322).

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 31 March 2009 and 31 December 2008 is as follows:

		Share in Capital (%)		
Name of the Associate:	Establishment and Operation Place	31 March 2009	31 December 2008	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:

	31 March 2009	31 December 2008
Total assets	234.630.504	230.123.135
Total liabilities	(188.635.875)	(186.485.215)
Net assets	45.994.629	43.637.920
Group's share in net assets	11.498.657	10.909.480

	1 January – 31 March 2009	1 January – 31 March 2008
Income	40.904.945	58.201.072
Net profit/(loss) for the period	(2.571.969)	4.784.715
Group's share in net profit/(loss) for the period	(642.992)	1.196.179

NOTE 17 – INVESTMENT PROPERTIES

	1 January – 31 March 2009	1 January – 31 March 2008
Cost		
As of 1 January	45.973.550	30.870.315
Additions	603.714	15.103.235
As of 31 March	46.577.264	45.973.550
Book Value	46.577.264	45.973.550

According to the expertise reports regarding the Group's investment properties amounting to TL 46.577.264, the total of the fair value of these properties as of 31 March 2009, is TL 202.345.131. (31 December 2008: TL 82.350.255). The fair value of the investment properties has been assessed by the independent expertise firms. Çelen Kurumsal Değerleme ve Danışmanlık A.Ş. and Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. are the independent expertise companies authorized by the CMB. The valuation is determined by using the market transaction values of similar properties as reference.

The group's total investment properties consist of land.

For the three month period, ended 31 March 2009, the Group obtained rent income amounted to TL 22.150 (31 March 2008: TL 16.029) 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 opening balance	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	(159.858)	-	(171.174)	(442.722)	(16.599)	(27.175)	-	(37.064)	(854.592)
Additions	5.608	-	82.790	486.444	-	114.021	405.134	271.181.763	272.275.760
Disposals	-	(16.648.665)	(258.474)	(47.159.586)	(3.560.227)	(1.326.137)	(315.616)	(106.956.381)	(176.225.086)
Transfers from "construction in progress"	-	2.542.268	413.821	8.701.998	1.723.269	134.709	-	(13.516.065)	-
As of 31 March 2009	95.281.202	1.406.402.497	2.117.971.929	8.790.429.416	595.913.775	266.180.826	14.717.915	1.628.237.725	14.915.135.285
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	-	-	15.406	270.616	8.588	23.008	-	-	317.618
Charge for the period	-	(4.510.740)	(17.158.782)	(39.939.074)	(4.740.921)	(3.800.541)	(154.282)	-	(70.304.340)
Disposals	-	16.648.665	50.277	47.093.911	3.348.519	1.326.137	315.616	-	68.783.125
As of 31 March 2009	-	(964.577.919)	(1.656.833.815)	(5.003.480.598)	(316.292.645)	(132.215.849)	(12.262.741)	-	(8.085.663.567)
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 31 March 2009	95.281.202	441.824.578	461.138.114	3.786.948.818	279.621.130	133.964.977	2.455.174	1.628.237.725	6.829.471.718

As of 31 March 2009, capitalized finance expense is TL 37.619.135 (31 March 2008: finance income of TL 169.332.100).

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 opening balance	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	93.325	-	844.938	2.168.019	71.684	143.772	-	84.594	3.406.332
Additions	-	552.910	4.000	2.048.558	1.598.878	889.828	48.858	396.587.492	401.730.524
Disposals	-	(52.060)	(16.324.476)	(57.222.143)	(1.096.451)	(1.226.663)	(94.755)	-	(76.016.548)
Transfers from "construction in progress"	-	69.055.801	9.283.502	224.548.867	85.894.295	46.827.627	3.079.326	(438.689.418)	-
As of 31 March 2008	89.239.707	1.247.593.195	2.133.091.281	8.753.937.712	495.805.985	215.102.537	18.592.415	2.097.641.687	15.051.004.519
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	-	-	(72.249)	(1.265.483)	(41.815)	(73.887)	-	-	(1.453.434)
Charge for the period	-	(1.931.531)	(15.780.183)	(42.127.817)	(2.399.660)	(3.198.120)	(173.830)	-	(65.611.141)
Disposals	-	52.060	14.411.886	49.177.179	1.096.451	935.524	94.651	-	65.767.751
Impairment	-	(9.337)	(349.712)	(12.606.567)	-	(2.141)	-	-	(12.967.757)
As of 31 March 2008	-	(1.012.851.552)	(1.660.141.634)	(5.579.300.871)	(312.826.899)	(122.707.424)	(13.630.941)	-	(8.701.459.321)
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 31 March 2008	89.239.707	234.741.643	472.949.647	3.174.636.841	182.979.086	92.395.113	4.961.474	2.097.641.687	6.349.545.198

.

NOTE 19 – INTANGIBLE ASSETS

	Rights	Exploration Costs and Other Assets with Special Useful Life	Other Intangible Assets	Total
Cost				
1 January 2009	141.311.026	61.966.819	3.296.856	206.574.701
Additions	295.924	-	204.424	500.348
31 March 2009	141.606.950	61.966.819	3.501.280	207.075.049
Accumulated Amortization				
1 January 2009	(29.785.963)	(33.312.024)	(2.426.754)	(65.524.741)
Charge for the period	(1.893.081)	(1.012.227)	(171.450)	(3.076.758)
31 March 2009	(31.679.044)	(34.324.251)	(2.598.204)	(68.601.499)
Net Book Value as of 31 December 2008	111.525.063	28.654.795	870.102	141.049.960
Net Book Value as of 31 March 2009	109.927.906	27.642.568	903.076	138.473.550

	Rights	Exploration Costs and Other Assets with Special Useful Life	Other Intangible Assets	Total
Cost				
1 January 2008	43.461.742	61.966.819	2.727.756	108.156.317
Additions	428.535	-	127.690	556.225
31 March 2008	43.890.277	61.966.819	2.855.446	108.712.542
Accumulated Amortization				
1 January 2008	(23.831.762)	(29.277.350)	(1.899.067)	(55.008.179)
Charge for the period	(1.429.315)	(649.351)	(176.461)	(2.255.127)
31 March 2008	(25.261.077)	(29.926.701)	(2.075.528)	(57.263.306)
Net Book Value as of 31 December 2007	19.629.980	32.689.469	828.689	53.148.138
Net Book Value as of 31 March 2008	18.629.200	32.040.118	779.918	51.449.236

NOTE 20 – GOODWILL

None

NOTE 21 – GOVERNMENT GRANTS

Government grants used in the current year is as follows :

	31 March 2009	31 March 2008
Invesment incentives used	-	135.675.741
Energy grant	1.176.201	1.466.191
Social security grant	131.352	126.804
Tax grant	13.889	16.456
Research and development grant	-	143.694
	1.321.442	137.428.886

NOTE 22 – PROVISIONS

	31 March 2009	31 December 2008
Penalty provision for obligatory employment shortage of disabled people, ex-convicts and terror victims	55.612.730	57.377.349
Provision for potential tax obligations	40.253.610	44.636.012
Provision for legal cases	26.891.496	26.068.603
Provisions for purchase commitments	85.401.298	101.637.544
	208.159.134	229.719.508

The provisions are expected to have a maturity of less than 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 – 31 March 2009	1 January – 31 March 2008
Opening balance	57.377.349	56.718.022
Increase during the period	522.536	4.902.449
Provision released	(2.287.155)	(1.562.312)
Closing balance	55.612.730	60.058.159

The Group is exempt from obligatory employment of ex-convicts and terror victims by the amendment made in the Labour Law numbered 5763 and dated 26 May 2008.

Movement of provision for potential tax obligations is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	44.636.012	43.371.778
Increase during the period	791.869	791.869
Provision released	(5.174.271)	(1.903.244)
Closing balance	40.253.610	42.260.403

NOTE 22 – PROVISIONS (cont'd)

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

	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	26.068.603	16.724.870
Increase during period	2.060.144	502.143
Provision released	(1.237.251)	(544.078)
Closing balance	26.891.496	16.682.935

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

	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	101.637.544	-
Provision released	(16.236.246)	-
Closing balance	85.401.298	-

As of 31 March 2009, the amounts of the lawsuits filed by and against the Group are stated below:

	31 March 2009	31 December 2008
Lawsuits filed by the Group		
TL	38.934.383	36.309.642
USD	94.974.509	85.088.833
	133.908.892	121.398.475
Provision for lawsuits filed by the Group		
TL	10.433.742	10.393.696
USD	10.574.509	9.473.833
	21.008.251	19.867.529
Lawsuits filed against the Group		
TL	71.779.067	71.615.589
USD	5.710.781	5.116.360
	77.489.848	76.731.949
Provision for lawsuits filed against the Group		
TL	20.503.946	20.345.918
USD	6.387.550	5.722.685
	26.891.496	26.068.603

NOTE 22 – PROVISIONS (cont'd)

As of 31 March 2009 and 31 December 2008, USD 25.000.000 (TL 42.200.000) of lawsuits filed by the Group is against the insurance company for the compensation of losses from a crane broken due to a ship 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 filed by the Group and the amount of this lawsuit is USD 25.000.000 (TL 42.200.000).

As of 31 March 2009 and 31 December 2008, TL 35.673.249 worth of the lawsuits filed against the Group is due to the cancellation of the Company's 2005 general meeting and is relative to dividend distribution of 2005 filed by the Privatization Administration.

A provision in the amount of TL 26.891.486 (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:

	31 March 2009	31 December 2008
Letter of guarantees received	1.129.765.312	1.137.609.593
Cash	978.649	1.159.271
	1.130.743.961	1.138.768.864

Guarantees given by the Group are as follows:

	31 March 2009	31 December 2008
Letter of guarantees given	67.303.280	117.974.442

NOTE 24 – PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS

	31 March 2009	31 December 2008
Provisions for employee termination benefits	109.097.775	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 maximum amount of TL 2.260,05 which is effective as of 31 March 2009 has been taken into consideration in calculation of provision from employment termination benefits. (31 December 2008:TL 2.173,19).

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

NOTE 24 – PROVISIONS FOR EMPLOYEE TERMINATION BENEFITS (cont'd)

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 31 March 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 anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2.260,05 effective as of 1 January 2009 has been taken into consideration in calculation of provision from employment termination benefits (31 December 2008: TL 2.173,19 effective as of 1 July 2008).

Movement of provision for employee termination benefit is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Provision at the beginning of the period	117.287.493	107.716.254
Service cost	9.730.382	3.828.716
Interest cost	1.804.310	1.566.540
Retirement pay paid	(19.724.410)	(5.053.620)
Provision as of the period end	109.097.775	108.057.890

Probability of retirement is taken as % 99,70. (31 December 2008 : % 99,64)

NOTE 25 – RETIREMENT PLANS

None.

NOTE 26 – OTHER CURRENT – NON CURRENT ASSETS AND LIABILITIES

Other Current Assets

	31 March 2009	31 December 2008
Prepaid taxes and funds	174.086.282	174.717.260
VAT deductible	96.307.206	63.900.916
VAT carried forward	69.894.979	10.215.680
VAT receivable	63.227.379	51.420.376
Income accruals of derivative instruments	10.268.781	863.137
Other VAT	50.975.054	45.160.853
Order advances given	25.019.487	25.588.587
Deferred income	7.328.614	10.853.646
Income accruals	2.628.502	1.049.936
Business advances	132.667	479.585
Due from personnel	144.081	178.972
Other	5.180.297	3.497.722
	505.193.329	387.926.670

Other Non Current Assets

	31 March 2009	31 December 2008
Advances given	63.924.122	62.544.423
Prepaid expenses	23.779.835	23.810.264
	87.703.957	86.354.687

Other Current Liabilities

	31 March 2009	31 December 2008
Advances received	108.260.175	116.893.279
VAT payable	56.175.292	51.072.763
Due to personnel	55.380.755	21.131.540
Expense accruals of derivative instruments	43.640.502	6.703.950
Unused vacation accruals	40.653.380	49.814.175
Due to tax administration	14.189.014	-
Expense accruals	2.483.279	4.166.906
Deferred Income	573.932	248.349
Other VAT	317.520	719.448
Other liabilities	13.287.702	14.198.858
	291.321.049	258.245.318

Other Non Current Liabilities

	31 March 2009	31 December 2008
Deferred income	563.247	598.269

NOTE 27 – SHAREHOLDERS' EQUITY

As of 31 March 2009 and 31 December 2008 the share capital is as follows:

Shareholders	(%)	31 March 2009	(%)	31 December 2008
Ataer Holding A.Ş.	49,29	566.194.732	49,29	566.194.732
Public-quotation	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
Less: Treasury Shares		(43.790.843)		(43.790.843)
		1.836.989.392		1.836.989.392

The issued capital of the Company is TL 1.148.812.500 as of 31 March 2009 and totally paid. (2008: TL 1.148.812.500 TL) Regarding to the issued capital, companies capital consist of 114.881.250.000 lots. (2008: 114.881.250.000 lots) There are A and B type shares. 1 Kr lot capital is registered share to A group and the rest 114.881.249.999 lot capital is B group which is due to TL 1.148.812.499,99.

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

NOTE 27 – SHAREHOLDERS' EQUITY (cont'd)

Other equity items	31 March 2009	31 December 2008
Premium in excess of par	231.020.042	231.020.042
Revaluation reserve	26.147.629	26.376.841
-Tangible assets revaluation reserves	*26.147.629*	*26.376.841*
Cash flow hedge reserve	(1.345.981)	(1.616.880)
Currency translation reserve	4.063.109	3.464.667
Restricted Profit Reserves	1.688.196.335	1.665.921.924
-Legal reserves	*481.269.018*	*458.994.607*
-Other reserves	*1.206.927.317*	*1.206.927.317*
Retained earnings	2.152.150.954	1.962.624.966
-Extraordinary reserves	*537.873.352*	*331.817.904*
-Accumulated Profit	*1.614.277.602*	*1.630.807.062*
	4.100.232.088	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 capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

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 issue premiums", "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 "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

However, in accordance with the Communiqué Volume: 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 carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Communiqué should be associated with:

- "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 not added to capital;

- "Retained earnings/ Accumulated loss", if such differences are arising from "Restricted profit reserves" and "Premium in excess of par" and has not been subjected 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.

Capital restatement differences can only be included in capital.

NOTE 27 – SHAREHOLDERS' EQUITY (cont'd)

Based on the CMB's decree no: 4/138 issued on 8 February 2008, for listed companies, minimum profit distribution rate shall be applied as 20 % as effective from 1 January 2008 (31 December 2007: 20%). Accordingly, depending on the decision made in general shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the Decree gives the option to not to distribute the related amount as to keep within the equity. However, for companies that have not made any dividend distributions in the prior period and therefore has classified their shares as "old shares" and "new shares" and those that will distribute dividends from the profit for the year obtained from their activities, primary dividend amount shall be distributed in cash.

Furthermore, in accordance with the CMB's decree no: 7/242 issued on 25 February 2005, if profit distribution amount calculated based on the CMB's regulation on the minimum profit distribution requirement over the net distributable profit calculated based on the CMB's regulations is fully recovered from the distributable profit presented in the statutory records, the company will distribute the full amount; if not, the company will only distribute the net distributable profit presented in the statutory records. If the Company is in loss in any of the statutory financial statements or in the financial statements which are prepared in accordance with the CMB's regulations, companies will not make any profit distributions.

As of the balance sheet date, the Group's statutory net loss for the period (Erdemir stand alone) is TL (151.534.077) (31 December 2008 net profit: TL 108.380.231) and other resources which can be distributable is a total of TL 3.887.444.330 (31 December 2008: TL 3.784.483.110) out of which (Erdemir stand alone) TL 2.781.654.986 (31 December 2008: TL 2.781.654.986).is a result of the inflation adjustment.

Changes in the fair value derivatives that are designated as being and qualify as cash flow hedges and are highly effective are recognized in equity as cash flow hedge reserve. Deferred income/loss of the cash flow hedge previously booked under equity are transferred to the statement of income in the period which the hedged firm commitment or forecasted transaction affects the statement of income.

NOTE 28 – SALES AND COST OF SALES

	1 January – 31 March 2009	1 January – 31 March 2008
Sales Revenue		
Domestic sales	617.786.027	1.166.426.918
Export sales	422.174.648	233.961.010
Other revenues (*)	24.351.334	39.620.669
Sales returns (-)	(135.781)	(663.457)
Sales discounts (-)	(199.585)	(21.570.594)
Other discounts (-)	(53.572)	(195.029)
	1.063.923.071	1.417.579.517
Cost of Sales	(970.239.578)	(1.138.862.480)
Gross Profit	93.683.493	278.717.037

(*)Total by products that are exported and which are presented under in other revenues is TL 1.566.287 (31 March 2008: TL 13.654.058).

NOTE 28 – SALES AND COST OF SALES (cont'd)

Breakdown of cost of sales for the periods 1 January – 31 March 2009 and 1 January – 31 March 2008 is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Material usage	(1.252.706.209)	(832.298.553)
Personnel expense	(187.664.078)	(195.735.424)
Energy	(102.529.786)	(84.434.746)
Depreciation and amortization expense	(41.768.342)	(47.831.361)
Inventory change of goods and semi finished goods.	(27.708.268)	41.548.077
Reversal of the allowance for impairment of inventories	717.304.668	-
Reversal of the allowance for purchase commitment	16.236.246	-
Other	(74.369.486)	(20.110.473)
	(970.239.578)	(1.138.862.480)

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

	1 January – 31 March 2009	1 January – 31 March 2008
Marketing, selling and distribution expenses (-)	(20.436.376)	(17.294.190)
General administrative expenses (-)	(27.462.782)	(27.009.229)
Research and development expenses (-)	(523.638)	(658.244)
	(48.422.796)	(44.961.663)

NOTE 30 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

Breakdown of marketing, selling and distribution expenses for the periods 1 January – 31 March 2009 and 1 January – 31 March 2008 is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Personnel expense	(2.079.058)	(2.822.692)
Depreciation and amortization expense	(26.864)	(43.580)
Other	(18.330.454)	(14.427.918)
	(20.436.376)	(17.294.190)

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

The breakdown of general administration expenses for the periods 1 January – 31 March 2009 and 1 January – 31 March 2008 is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Personnel expense	(14.925.120)	(16.695.977)
Depreciation and amortization expense	(1.217.421)	(747.185)
Other	(11.320.241)	(9.566.067)
	(27.462.782)	(27.009.229)

The breakdown of research and development expenses for the periods ended 1 January – 31 March 2009 and 1 January – 31 March 2008 is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Personnel expense	(338.657)	(345.730)
Depreciation and amortization expense	(201)	(711)
Other	(184.780)	(311.803)
	(523.638)	(658.244)

NOTE 31 – OTHER OPERATING INCOME/EXPENSES

	1 January – 31 March 2009	1 January – 31 March 2008
Other operating income		
Provisions released	27.274.362	2.473.381
Raw material price discount	2.523.450	-
Indemnity and delay penalties income	2.434.167	1.697.153
Weight differences from shipment	1.190.435	58.697
Maintenance and repair income	935.879	1.288.074
Rent income	757.440	120.016
Down payments recorded as income	739.103	4.046
Fixed asset sales income	733.523	771.448
Scrap sales income	688.282	1.418.056
Service income	595.680	1.194.777
Other income and gains	4.355.189	5.723.147
	42.227.510	14.748.795

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

	1 January – 31 March 2009	1 January – 31 March 2008
Other operating expenses (-)		
Provision expenses (-)	(6.890.295)	(7.018.613)
Sales of excess material	(4.824.968)	(1.148.132)
Site maintenance costs (-)	(3.679.848)	(3.094.199)
Lawsuit compensations (-)	(2.568.091)	(1.354.500)
Service expenses (-)	(1.403.744)	(717.221)
Fixed asset sales loss (-)	(452.397)	(759.677)
Allowance for impairment of fixed assets (-)	-	(12.967.757)
Other expenses (-)	(3.862.535)	(10.357.521)
	(23.681.878)	(37.417.620)

	1 January – 31 March 2009	1 January – 31 March 2008
Income/(expense) from investment associates consolidated by equity pick up method	(642.992)	1.196.179

NOTE 32 – FINANCE INCOME

	1 January – 31 March 2009	1 January – 31 March 2008
Foreign exchange gains from trade receivables and payables	46.994.969	55.176.910
Foreign exchange gains from bank deposits	33.823.996	13.369.551
Interest income from sales with maturity	18.412.013	99.614.385
Interest income	13.381.672	3.704.551
Net gain on fair value differences of derivative instruments	9.077.694	-
Discount income	602.629	3.068.817
	122.292.973	174.934.214

NOTE 33 – FINANCE EXPENSES

	1 January – 31 March 2009	1 January – 31 March 2008
Foreign exchange losses on borrowings(-)	(300.458.274)	(68.563.371)
Bank loans interest expenses (-)	(48.163.182)	(52.553.619)
Other finance expenses (-)	(21.828.272)	(6.573.835)
	(370.449.728)	(127.690.825)

Also, TL 38.939.314 as foreign currency translation loss, TL 1.320.179 as interest income, in total TL 37.619.135 of the financial expense has been capitalized on fixed assets (1 January – 31 March 2008: TL 150.753.912 as foreign currency translation loss, TL 17.007.574 as interest expense and TL 1.570.614 as other financial expenses in total TL 169.332.100 TL has been capitalized).

NOTE 34 – OTHER COMPREHENSIVE INCOME

		1 January–31 March 2009		1 January–31 March 2008
Other comprehensive income:				
Change in revaluation reserves		(229.212)		251.285
Change in cash flow hedging reserves		366.766		-
Profit/Loss within the period	*366.766*		-	
Transfer of the profit/loss of the cash flow hedge transaction to the income statement	-		-	
Change in currency translation reserve		598.442		4.202.636
Income tax relating to components of other comprehensive income		(73.353)		-
		662.643		4.453.921

NOTE 35- TAX ASSETS AND LIABILITIES FOR FIXED ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

None

NOTE 36 – DEFERRED TAX ASSETS AND LIABILITIES

	31 March 2009	31 December 2008
Corporate Tax Payable:		
Corporate tax for 2008	12.260.114	-
Current corporate tax provision	7.548.814	44.707.211
Prepaid taxes and funds	(12.743.173)	(43.056.443)
	7.065.755	1.650.768

	1 January – 31 March 2009	1 January – 31 March 2008
Taxation:		
Current corporate tax expense	7.548.814	38.370.785
Deferred tax liability/asset	(46.068.346)	(5.471.727)
	(38.519.532)	32.899.058

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 31 March 2009 is 20% (31 December 2008: 20%). TL 2.133.827 is the total amount of the corporate tax paid by the Group in 2009 (31 March 2008: TL 23.747.461).

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 23 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.

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

Income Withholding Tax (cont'd)

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.

The effective tax rate to be used in the case of deducting the tax investment incentive amounts in 2006, 2007 and 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–31 March 2009 the Group utilized % 20 as the effective tax rate

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 Communiqué 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, inventories and prepaid expenses in the legal books and in the inflation adjusted financial statements and on the discount of receivables, retirement pay provision and investment incentives.

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

Deferred Tax (cont'd)

	31 March 2009	31 December 2008
Deferred tax assets:		
Carry forward tax losses	(144.125.018)	(22.192)
Inventories	(48.201.703)	(93.590.605)
Fixed Assets	(39.844.606)	(67.884.861)
Provision for employee termination benefits	(21.735.575)	(23.371.577)
Provision for purchase commitments	(17.080.260)	(20.327.509)
Provision for unused vacations	(8.197.860)	(9.940.656)
Derivatives	(7.866.255)	(674.398)
Amortized cost adjustment on loans	(5.792.224)	(1.176.625)
Provision for legal cases	(5.378.298)	(5.213.709)
Income accruals	(2.379.744)	(2.467.897)
Discount of receivables	(1.286.432)	(1.406.832)
Other	(1.950.444)	(6.259.974)
	(303.838.419)	(232.336.835)
Deferred tax liabilities:		
Fixed assets	85.775.318	76.427.416
Amortized cost adjustment on loans	26.973.170	21.509.597
Derivatives	9.920.010	847.026
Land	776.937	776.937
Other	4.552.537	2.930.402
	127.997.972	102.491.378
	(175.840.447)	(129.845.457)

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

Deferred Tax (cont'd)

Presentation of deferred tax (asset) / liabilities	31 March 2009	31 December 2008
Deferred tax (assets)	(303.838.419)	(232.336.835)
Deferred tax liabilities	127.997.972	102.491.378
	(175.840.447)	(129.845.457)

Deferred Tax (asset) / liability movements	1 January – 31 March 2009	1 January – 31 March 2008
Opening balance	(129.845.457)	(143.233.488)
Deferred tax income	(46.068.346)	(5.471.727)
The amount netted under equity	73.356	-
Closing balance	(175.840.447)	(148.705.215)

Tax Provision Reconciliation	1 January – 31 March 2009	1 January – 31 March 2008
Profit before tax	(184.993.418)	259.526.117
Effective tax rate	20 %	20 %
Calculated tax	(36.998.684)	51.905.223
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	2.979.074	3.811.459
- Tax loss carry forward	-	2.048.532
- Non-taxable income	(6.294.193)	(3.545.814)
- Effect of correction	266.613	5.830.098
- Investment incentive	-	(27.124.598)
- Other	1.527.658	(25.842)
Tax expense in income statement	(38.519.532)	32.899.058

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

	1 January – 31 March 2009			1 January – 31 March 2008		
Other comprehensive income with in the period	Before tax	Tax expense	After tax	Before tax	Tax expense	After tax
Change in revaluation reserves	(229.212)	-	(229.212)	251.285	-	251.285
Change in cash flow hedging reserve	366.766	(73.353)	293.413	-	-	-
Change in currency translation reserve	598.442	-	598.442	4.202.636	-	4.202.636
	735.996	(73.353)	662.643	4.453.921	-	4.453.921

NOTE 37 – EARNINGS PER SHARE

For the period 1 January – 31 March 2009 and 1 January – 31 March 2008 the earnings per share calculation is as follows:

	1 January – 31 March 2009	1 January – 31 March 2008
Number of shares outstanding (*)	114.881.250.000	114.881.250.000
Net profit/(loss) – TL	(137.005.339)	218.790.616
Profit/(Loss) per share with 1 TL nominal value TL / %	(0,1193)/ (11,93)%	0,1904 / 19,04 %

(*) According to the decision taken by Ereğli Demir ve Çelik Fabrikaları T.A.Ş., General Shareholders Assembly Meeting 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 the distribution of bonus shares from retained earnings.

NOTE 38 – DUE FROM / DUE TO RELATED PARTIES

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

	31 March 2009	31 December 2008
Due from related parties (short term)		
ArcelorMittal Amb.Çel. San. Ve Tic. A.Ş.	96.562.835	99.304.040
Borçelik Çelik San. Tic. A.Ş.	6.872.970	-
Oyak Beton A.Ş.	696.175	595.771
Bolu Çimento Sanayi A.Ş.	11.029	12.308
Adana Çimento Sanayi T.A.Ş.	-	6.617.869
Other	480	-
	104.143.489	106.529.988
Due to related parties (short term)		
Adana Çimento Sanayi T.A.Ş.	778.010	-
Oyak Pazarlama Hizmet ve Turizm A.Ş.	689.708	1.380.357
Omsan Logistica SRL	480.489	-
Omsan Lojistik A.Ş.	393.681	898.612
Oyak Savunma ve Güvenlik Sistemleri A.Ş	349.429	753.050
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.	1.949	808.780
Other	984.633	98.974
	3.677.899	3.939.773

	31 March 2009	31 December 2008
Non trade payables from related parties (shot term)		
Oyak Genel Müdürlüğü (*)	333.381.923	102.553.834
Due to shareholders	1.844.628	1.862.358
Oyak İnşaat A.Ş. (*)	-	10.401.528
Other	1.617.401	2.258.344
	336.843.952	117.076.064

(*)Non trade payables from related parties are borrowings from Oyak Genel Müdürlüğü and Oyak İnşaat A.Ş. (Note 11)

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

	1 January – 31 March 2009	1 January – 31 March 2008
Major sales to related parties		
Borçelik Çelik San. Tic. A.Ş.	22.517.248	31.399.202
ArcelorMittal Amb.Çel. San. ve Tic. A.Ş.	19.320.710	165.145.463
Adana Çimento Sanayi T.A.Ş.	2.967.575	8.167.255
Oyak Beton A.Ş.	183.717	666.823
Ünye Çimento Sanayi ve Ticaret A.Ş.	-	1.385.438
Bolu Çimento Sanayi A.Ş.	-	1.396.386
Oytaş İç ve Dış Ticaret A.Ş.	-	1.712.379
Other	-	-
	44.989.250	209.872.946

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

	1 January – 31 March 2009	1 January – 31 March 2008
Major purchases from related parties		
Omsan Lojistik A.Ş.	1.926.785	10.597.715
Omsan Logistica SRL	1.317.060	-
Oyak Pazarlama Hizmet ve Turizm A.Ş.	1.238.325	13.187.285
Oyak Teknoloji Bilişim ve Kart Hizmetleri	989.162	6.083.169
Oyak Savunma ve Güvenlik Sistemleri A.Ş.	674.834	3.957.011
Other	169.747	993.886
	6.315.913	34.819.066

Major purchases from related parties are due to service procurements.

For the period ended 31 March 2009, total compensation consisting of short term benefits such as salaries, bonuses and other benefits of key management of the Group is TL 1.858.609 (31 March 2008: TL 2.826.398).

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 31 March 2009 and 31 December 2008 the net debt/equity ratio is as follows:

	31 March 2009	31 December 2008
Total debt	5.518.745.738	5.830.811.678
Less: Cash and equivalents	291.204.801	973.469.825
Net debt	5.227.540.937	4.857.341.853
Total Equity	5.800.216.141	5.936.255.412
Total Capital	11.027.757.078	10.793.597.265
Net Debt /Total Capital Ratio	%47	%45

(b) Significant accounting policies

The Group's accounting policies about financial instruments are disclosed in note 2 "Summary of Significant Accounting Policies, 2.10.8 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 incorporated for that purpose. All the developments in the markets are followed just in time. 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 was 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 high-level yield are preferred when determining the financial instruments. For that purpose, the Group has a right to claim the accrued interest on demand deposits when withdrawed before the predetermined maturity.

(d) Market risk

The Group's activities expose 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, group follows price changes and market conditions steadily and take action in pricing instantaneously.

The Group prefers variable interest rate for long term borrowings. For protecting interest risk group uses interest swab agreements for some of the 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**			
31 March 2009	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Derivative Instruments**
Maximum credit risk exposure as of balance sheet date (*)	104.143.489	677.242.286	-	48.654.376	208.698.001	10.268.781
- Secured part of the maximum credit risk exposure via collateral etc.	-	677.242.286	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	69.332.587	559.124.898	-	48.654.376	208.698.001	10.268.781
B. Net book value of financial assets that are renegotiated, otherwise classified as overdue or impaired	34.810.902	118.117.388	-	-	-	-
C. Carrying value of financial assets that are overdue but not impaired						
- Secured part with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-.	-	-	-	-
- Overdue (gross carrying amount)	-	15.547.454	-	6.783.387	-	-
- Impairment (-)	-	(15.547.454)	-	(6.783.387)	-	-
- Secured part via collateral etc.	-	-	-		-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*) The factors that increase 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)

Credit risk of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2008	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Derivative Instruments**
Maximum credit risk exposure as of balance sheet date (*)	106.529.988	585.431.467	-	45.125.686	827.316.884	863.137
- Secured part of the maximum credit risk exposure via collateral etc.	-	585.431.467	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	87.287.307	411.343.422	-	45.125.686	827.316.884	863.137
B. Net book value of financial assets that are renegotiated, otherwise classified as overdue or impaired	19.242.681	174.088.045	-	-	-	-
C. Carrying value of financial assets that are overdue but not impaired						
- Secured part with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-.	-	-	-	-
- Overdue (gross carrying amount)	-	14.435.480	-	6.800.431	-	-
- Impairment (-)	-	(14.435.480)	-	(6.800.431)	-	-
- Secured part via collateral etc.	-	-	-		-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

(*) The factors that increase 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					
31 March 2009	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Derivative Instruments**	**Other**	**Total**
Overdue 1-30 day	-	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 year	15.547.454	6.783.387	-	-	-	22.330.841
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	15.547.454	6.783.387	-	-	-	22.330.841
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 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 31 March 2009, the foreign currency position of the Group in terms of original currency is as follows:

	31 March 2009				
	TL (Functional Currency)	USD (Original Amount)	EURO(Original Amount)	JPY (Original Amount)	GBP(Original Amount)
1. Trade Receivables	663.944.731	364.943.124	21.529.669	-	-
2a. Monetary financial assets	195.634.995	101.472.224	10.929.635	660.782	4.641
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	54.194	32.106	-	-	-
4. Current assets (1+2+3)	**859.633.920**	**466.447.454**	**32.459.304**	**660.782**	**4.641**
5. Trade receivables	-	-	-	-	-
6a. Monetary trade receivables	-	-	-	-	-
6b. Non-monetary trade receivables	-	-	-	-	-
7. Other	57.629.388	27.298.803	5.171.863	4.528	-
8. Long term assets (5+6+7)	**57.629.388**	**27.298.803**	**5.171.863**	**4.528**	**-**
9. Total assets (4+8)	**917.263.308**	**493.746.257**	**37.631.167**	**665.310**	**4.641**
10. Trade payables	263.826.032	108.550.644	31.716.963	530.908.518	59.995
11. Financial liabilities	1.358.284.507	730.099.602	43.387.408	1.679.736.616	-
12a. Other monetary financial liabilities	27.040.547	15.530.631	370.583	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**1.649.151.086**	**854.180.877**	**75.474.954**	**2.210.645.134**	**59.995**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.290.313.089	904.560.155	266.739.523	9.727.543.104	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**2.290.313.089**	**904.560.155**	**266.739.523**	**9.727.543.104**	**-**
18. Total liabilities (13+17)	**3.939.464.175**	**1.758.741.032**	**342.214.477**	**11.938.188.238**	**59.995**
19. Net asset/liability position of off-balance sheet derivative instruments (19a-19b)	**1.111.498.140**	**556.062.564**	**77.664.000**	**-**	**-**
19.a Off-balance sheet foreign currency derivative assets	2.077.232.451	1.015.480.776	131.664.000	4.014.855.556	-
19b. Off-balance sheet foreign currency derivative liabilities	965.734.311	459.418.212	54.000.000	4.014.855.556	-
20. Net foreign currency asset/liability (9-18+19)	**(1.910.702.727)**	**(708.932.211)**	**(226.919.310)**	**(11.937.522.928)**	**(55.354)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(3.079.884.449)**	**(1.292.325.684)**	**(309.755.173)**	**(11.937.527.456)**	**(55.354)**
22. Fair value of derivative instruments used in foreign currency hedge	10.268.781	(744.611)	3.902.860	162.713.443	-
23. Hedged foreign currency assets	965.734.311	459.418.212	54.000.000	4.014.855.556	-
24. Hedged foreign currency liabilities	2.077.232.451	1.015.480.776	131.664.000	4.014.855.556	-
25. Exports	423.740.935	252.051.777	3.818.382	-	-
26. Imports	816.055.462	478.529.840	12.630.213	-	-

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 (Original Amount)	EURO(Original Amount)	JPY (Original Amount)	GBP (Original Amount)
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 receivables	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 instruments (19a-19b)	**145.999.046**	**106.717.675**	**-**	**(919.800.000)**	**-**
19.a Off-balance sheet foreign currency derivative assets	294.623.062	169.005.076	-	2.333.055.556	-
19b. Off-balance sheet foreign currency derivative 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 instruments used in foreign currency hedge	863.137	(1.456.896)	-	183.265.664	-
23. Hedged foreign currency assets	148.624.016	62.287.401	-	3.252.855.556	-
24. Hedged foreign currency liabilities	294.623.062	169.005.076	-	2.333.055.556	-
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 undertakes foreign currency exposure 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 information details 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 1,6880 = US $ 1, TL 2,2258 = EURO 1 (31 December 2008: TL 1,5123 = US $ 1 and TL 2,1408 = EURO 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)

31 March 2009	Profit/(loss) after capitalization on to fixed assets and before tax and minority shares	
	Appreciation of foreign currency against TL	Depreciation of foreign currency against TL
1 – USD net asset / liability	(213.531.119)	213.531.119
2- Hedged part from USD risk (-)	93.863.361	(93.863.361)
3- Effect of capitalization (-)	76.896.384	(76.896.384)
4- USD net effect (1+2+3)	**(42.771.374)**	**42.771.374**
5 – Euro net asset / liability	(67.794.153)	67.794.153
6 – Hedged part from Euro risk (-)	17.286.453	(17.286.453)
7- Effect of capitalization (-)	17.207.909	(17.207.909)
8- Euro net effect (5+6+7)	**(33.299.791)**	**33.299.791**
9- JPY net asset / liability	(20.826.202)	20.826.202
10- Hedged part from JPY risk (-)	-	-
11- Effect of capitalization (-)	5.752.873	(5.752.873)
12- JPY net effect (9+10+11)	**(15.073.329)**	**15.073.329**
13- Other currencies net asset / liability	(68.613)	68.613
14- Hedged part from other currencies risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other Currencies net effect (13+14+15)	**(68.613)**	**68.613**
Total (4+8+12+16)	**(91.213.107)**	**91.213.107**

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 on to fixed assets and before tax and minority shares	
	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 part from USD risk (-)	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 part from EURO risk (-)	-	-
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 part from JPY risk (-)	(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 part from other currencies risk (-)	-	-
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**

Valuation of currencies against TL, effects non reel financial expenses therefore effect after capitalization of fixed assets differs due to appreciation or depreciation of foreign exchange to TL scenarios.

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 reporting date are stated below:

	Average exchange rate	Original currency	Agreement value	Fair value
	2009	**2009**	**2009**	**2009**
Unrealized purchase/sale forward agreements:				
TL Sale/ USD Purchase				
Less than 3 months	1,6647	787.673.765	779.794.216	7.879.549
3 to 6 months	1,7675	274.852.500	275.418.863	(566.363)
6 to 12 months	1,8966	415.286.900	422.543.038	(7.256.138)
TL Sale/ Euro Purchase				
3 to 6 months	2,2639	90.556.000	90.934.250	(378.250)
USD Sale/ TL Purchase				
Less than 3 months	1,6980	472.640.000	466.892.424	5.747.576
Less than 3 months	1,7303	25.320.000	25.084.912	235.088
3 to 6 months	1,7647	8.440.000	8.324.432	115.568
USD Sale/ Euro Purchase				
Less than 3 months	1,2918	132.782.386	125.775.533	7.006.853
3 to 6 months	1,2730	31.576.951	31.089.917	487.034
6 to 12 months	1,2772	35.003.619	34.252.435	751.184
USD Sale/ JPY Purchase				
Less than 3 months	101,82	26.779.839	26.898.420	(118.581)
3 to 6 months	92,50	16.785.107	16.983.107	(198.000)
6 to 12 months	102,00	26.170.039	30.447.347	(4.277.308)
JPY Sale/USD Purchase				
Less than 3 months	92,00	26.993.808	28.675.276	(1.681.468)
3 to 6 months	92,00	16.046.831	15.672.389	374.442
6 to 12 months	92,00	27.002.531	27.932.359	(929.828)
Euro Sale/ USD Purchase				
Less than 3 months	1,3374	97.935.200	97.702.962	232.238
3 to 6 months	1,3477	22.258.000	22.379.536	(121.536)
		2.534.103.476	**2.526.801.416**	**7.302.060**

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 the reporting date, the Group has unrealized assimetric forward agreements. The details are stated below:

	Agreed exchange rate	Options	Agreement Value	Fair Value
	2009	**2009**	**2009**	**2009**
Unrealized asymmetric forwards agreements:				
USD Sale/ TL Purchase				
Less than 3 months	1,5815	USD Purchase/ TL Sale	15.000.000 USD Purchase/ 23.722.500 TL Sale	1.585.417
		USD Sale/ TL Purchase	30.000.000 USD Sale / 47.445.000 TL Purchase	
Less than 3 months	1,5600	TL Sale/ USD Purchase	31.200.000 TL Sale / 20.000.000 USD Purchase	1.983.277
		USD Purchase / TL Sale	40.000.000 USD Sale / 62.400.000 TL Purchase	
Less than 3 months	1,5780	TL Sale/ USD Purchase	23.670.000 TL Purchase / 15.000.000 Sale USD	1.169.119
		USD Purchase / TL Sale	30.000.000 USD Purchase/ 47.340.000 TL Sale	
				4.737.813

The fair value changes of the forward and asymmetric forward purchase agreements during the period are classified in retained earnings TL 3.000.994 and income statement for the period TL 9.038.880. Following is the income/expense accruals from fair value change of forward exchange transactions:

	31 March 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
Income/expense accruals from forward exchange transactions (*)	49.600.052	(37.560.179)	4.235.129	(1.234.135)

(*) The net amount is presented in the balance sheet under other current assets. (Note 26)

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 has variable interest rate. In order to manage its exposure to interest rate movements on certain portion of its bank borrowings, the Group uses interest rate swaps and changes floating rates to fixed rates.

In addition, through the use of demand deposits that the Group has a right to claim the accrued interest on demand deposits 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 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 a 0,50% for USD and EURO, 0,25% for JPY, 1,00% TL denominated interest rates increase and decrease.

Interest position table

	31 March 2009	31 December 2008
Fixed interest rate financial instruments		
Financial liabilities	603.559.556	1.288.754.667
Floating interest rate financial instruments		
Financial liabilities	3.461.970.220	3.305.099.615

As of 31 March 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 less/more TL 2.603.762 (31 March 2008: TL 1.953.518)

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 aims to mitigate the risk of fluctuations in the cash flow which the Group is exposed of due to borrowings with floating interest rates.

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

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

Additional information about financial instruments (cont'd)

Interest rate swap agreements (cont'd)

31 March 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	%3,17	624.119.029	(1.771.092)

(*) 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 effective interest rate swap agreements amounting to TL 624.119.029, which is utilized as cash flow hedge, is recognized under equity with its deferred tax effect and after minority shares deducted. (TL 1.345.981)

(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 collateral and/or credit limits. Ongoing credit evaluation is performed on the financial condition of accounts receivable. 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.

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. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

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 (cont'd)

31 March 2009

Contractual Maturity Analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	0-3months (I)	3-12 months (II)	1-5 years (III)	5 years/ more (IV)
Non derivative financial liabilities						
Borrowings from banks	4.065.529.776	4.212.829.009	889.747.525	867.187.002	1.982.032.968	473.861.514
Financial Leasing Liabilities	355.424	371.579	130.928	240.651	-	-
Trade payables	301.688.398	302.179.466	182.851.789	119.327.677	-	-
Other financial liabilities	336.843.952	336.843.952	336.231.488	612.464	-	-
Total liabilities	4.704.417.550	4.852.224.006	1.408.961.730	987.367.794	1.982.032.968	473.861.514

31 March 2009

Contractual Maturity Analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	0-3months (I)	3-12 months (II)	1-5 years (III)	5 years/ more (IV)
Derivative financial liabilities	**12.039.873**	**(24.494.525)**	**29.867.178**	**(4.886.623)**	**(49.475.080)**	**-**
Derivative cash inflow	49.600.052 (*)	2.588.201.451	1.678.584.676	380.508.766	529.108.009	-
Derivative cash outflow	(37.560.179) (*)	(2.612.695.976)	(1.648.717.498)	(385.395.389)	(578.583.089)	-

(*) The net amount is presented in the balance sheet under other current assets. (Note 26)

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)	0-3 months (I)	3-12 months (II)	1-5 year (III)	5 years/ more (IV)
Financial liabilities non derivatives						
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
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	117.076.064	117.076.064	115.213.706	1.862.358	-	-
Total liabilities	5.044.750.401	5.252.475.296	1.300.500.270	1.519.834.795	1.984.228.262	447.911.969

31 December 2008

Contractual Maturity Analysis	Book value	Total cash outflow due to agreement (I+II+III+IV)	0-3 months (I)	3-12 months (II)	1-5 years (III)	5 years/ more (IV)
Derivative financial liabilities	3.000.994	(7.234.469)	483.436	(8.994.417)	(1.276.512)	-
Derivative cash inflow	4.235.129	357.183.062	62.981.666	272.623.108	21.578.288	-
Derivative cash outflow	(1.234.135)	(364.417.531)	(62.498.230)	(281.617.525)	(20.301.777)	-

(*) The net amount is presented in the balance sheet under other current assets. (Note 26)

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

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

31 March 2009	Loans and receivables	Available for sale financial assets	Held for trading financial assets	Financial Liabilities at amortised cost	Carrying Value	Fair Value	Note
Financial Assets							
Cash and cash equivalents	291.204.801	-	-	-	291.204.801	291.204.801	6
Trade receivables	781.385.775	-	-	-	781.385.775	781.385.775	10
Other financial assets	-	45.043.569	955	-	45.044.524	45.044.524	7
Derivative instruments	10.268.781	-	-	-	10.268.781	10.268.781	26
Financial Liabilities							
Financial Payables	-	-	-	4.065.885.200	4.065.885.200	4.065.885.200	8
Trade Payables	-	-	-	301.688.398	301.688.398	301.688.398	10
Other financial liabilities				336.843.942	336.843.942	336.843.942	26
31 December 2008							
Financial Assets							
Cash and cash equivalents	973.469.825	-	-	-	973.469.825	973.469.825	6
Trade receivables	691.961.456	-	-	-	691.961.456	691.961.456	10
Other financial assets	-	30.308.140	9.967	-	30.318.107	30.318.107	7
Derivative instruments	863.137	-	-	-	863.137	863.137	26
Financial Liabilities							
Financial Payables	-	-	-	4.534.316.863	4.534.316.863	4.534.316.863	8
Trade Payables	-	-	-	393.357.474	393.357.474	393.357.474	10
Other financial liabilities				117.076.064	117.076.064	117.076.064	11

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

(j) The level hierarchy of the financial instruments and their fair values (cont'd)

Financial asset and liabilities at fair value	**31 March 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	49.600.052 (*)	-	-	49.600.052
Derivative Financial Liabilities	(37.560.179) (*)	-	-	(37.560.179)
Fair value differences of financial assets reflected on comprehensive income				
Derivative Financial Assets	4.309.231(*)	-	-	4.309.231
Derivative Financial Liabilities	(6.080.323) (*)	-	-	(6.080.323)
Total	10.268.781	-	-	10.268.781

(*)The net amount is presented in the balance sheet under other current assets. (Note 26)

The fair value hierarchy has the following levels:

First Level: Quoted prices (unadjusted) 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 (ie as prices) or indirectly (ie derived from prices)

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

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

Categories of financial instruments (cont'd)

Reconciliation of financial asset and liabilities valued at Level 3:

	Financial asset and liabilities at fair value through profit/(loss)		**Financial asset and liabilities held as available for sale**	**Total**
	Held for Trade	**Derivatives**	**Equity Investments**	
	TL	**TL**	**TL**	**TL**
Opening balance	-	863.137	-	-
Total gain/loss				
Reflected on profit/loss	-	11.496.789	-	-
Reflected on comprehensive income	-	702.307	-	-
Purchases	-	(2.793.452)	-	-
Issues	-	-	-	-
Settlements	-	-	-	-
Transfers out of Level 3	-	-	-	-
Closing balance	-	10.268.781	-	-

NOTE 41 – SUBSEQUENT EVENTS

In order to minimize the effects of the considerable losses due to ever expanding global economic crises impacting the iron and steel industry in our country as in the entire world, Turkish Metal Union and employers of Ereğli Demir ve Çelik Fabrikaları T.A.Ş, İskenderun Demir ve Çelik A.Ş, Erdemir Lojistik A.Ş. and Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş agreed on revising certain sections of the current labor agreement for 16 months, taking into consideration of the views and comments of the employees. According to the agreement that reflects the mutual trust, respect and compromise of the both parts, which is an alternative to the dismissal of many employees and is assessed as the first and the biggest agreement ever made in our country in this respect, salaries and other benefits related to the salaries will be reduced by thirty five percent except for monetary and non-monetary social rights.

The conditions of this agreement will be applied to all other personnel that is not under the scope of the labor agreement, including top executive officers.

This application will be revised depending to the determination of the circumstances and permanent recoveries.

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 – 31 March 2009	1 January – 31 March 2008
Current trade receivables	(90.415.526)	(111.182.208)
Inventories	918.107.712	(220.284.419)
Other receivables / current assets	(157.433.294)	(1.121.213)
Non current trade receivables	(120.766)	(140.907)
Other long term receivables / non current assets	(1.349.240)	(15.028.699)
Current trade payables	(91.669.076)	106.054.279
Other short term payables / liabilities	293.058.340	155.787.698
Other non current trade payables/ liabilities	(35.023)	(62.364)
	870.143.127	(85.977.833)

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 restatements in 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 Short Term Liabilities (1)	264.949.268	258.245.318	(6.703.950)

(1) Derivative instruments amounting to TL 6.703.950 which was previously reported in."Other Short Term Liabilites" is reclassified to "Other Current Assets" .

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

Account Name	1 January – 31 March 2008 (Previously reported)	1 January - 31 March 2008 (Restated)	Difference
Sales(1)	1.517.193.902	1.417.579.517	(99.614.385)
Other Operating Expenses (-) (2)	(37.801.835)	(37.417.620)	384.215
Finance Income (1) (3)	82.648.260	174.934.214	92.285.954
Finance Expenses (2) (3)	(134.635.041)	(127.690.825)	6.944.216
Total			-

(1) Interest revenue of the forward sales amounting to TL 99.614.385 which was previously reported in "Sales Revenue "is reclassified in "Financial Income",

(2) Commission expense amounting to TL 384.215 which was previously reported in "Other Operating Expenses" is reclassified in "Finance Expense",

(3) Discount expense amounting to TL 7.328.431 which was previously reported in "Finance Expenses" in order to be netted with the discount income is reclassified in "Finance Income".